August 5, 2024

This document is an English translation of a statement written originally in Japanese. The Japanese original should be considered as the primary version.

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(Code No. 8001, Prime Market)
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API G.K.
Representative Member: ITOCHU Corporation
Person Acting in its Capacity: Masaya Tanaka
Contact: As above

Announcement in Relation to Commencement of Tender Offer for Shares in C.I. TAKIRON Corporation (Code No. 4215)

ITOCHU Corporation ("ITOCHU") and API G.K. (location of the head office: Minato-ku, Tokyo; person acting in its capacity: Masaya Tanaka; the "Tender Offeror"), in which ITOCHU holds a 100% stake, individually decided today that the Tender Offeror will acquire the common shares of C.I. TAKIRON Corporation (which are listed on the Prime Market of Tokyo Stock Exchange, Inc. (the "TSE"): Code No. 4215; the "Target Company") (such common shares, hereinafter referred to as the "Target Company Shares") by way of tender offer (the "Tender Offer") as stipulated in the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the "Act").

Amid the competition environment becoming fiercer due to rapid changes in the market environment and structure surrounding the industry to which the Target Company belongs, in order for the Target Company to maintain its competitive superiority and grow sustainably, in addition to the existing organic growth strategy, it is essential to expand its fields of business, accelerate its growth strategies, and expand its overseas business, including expansion of market shares through a restructuring of the industry through non-organic growth (Note) measures, by way of mutually utilizing the management resources (various human resources, financial base, information, know-how, etc.) of the ITOCHU Group (a corporate group consisting of ITOCHU and its 189 subsidiaries, including the Target Company, and 75 affiliates (as of June 30, 2024); hereinafter the same applies), including the Target Company, promptly and flexibly. Under such circumstances, ITOCHU and the Target Company have come to a shared acknowledgement that it would be best to align the interests of the Target Company and ITOCHU more strongly than before and to put in place a structure that enables the prompt and flexible utilization of mutual management resources. Therefore, the Tender Offeror decided to launch the Tender Offer with the aim of taking the Target Company private.

(Note) Non-organic growth refers to growth through capital and business alliance with or acquisition (M&A) of another company.

This document is disclosed by ITOCHU in accordance with the Securities Listing Regulations, and also serves as an official announcement pursuant to Article 30, paragraph 1, item 4 of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; the "Order") based on the request of the Tender Offeror to ITOCHU (the parent company of the Tender Offeror).

1. Outline of the Tender Offeror

(1) Name	API G.K.
(2) Location	2-5-1 Kita-Aoyama, Minato-ku, Tokyo
(3) Title and Name of Representative	Person acting in its capacity: Masaya Tanaka
(4) Description of Business Activities	1. Business of holding shares or interests in another company; and 2. All business incidental to the foregoing
(5) Capital	1,000,000 yen (as of today)

2. Purpose of the Tender Offer, etc.

(1) Outline of the Tender Offer

The Tender Offeror is a Godo Kaisha (limited liability company) established on July 5, 2024 primarily for the purpose of acquiring and holding the shares of the Target Company through the Tender Offer, and ITOCHU holds a 100% stake in the Tender Offeror. As of today, the Tender Offeror does not hold any Target Company Shares, which are listed on the Prime Market of the TSE, while, as of today, ITOCHU, which is the parent company of the Tender Offeror, holds 54,142,418 Target Company Shares (Ownership Ratio (Note): 55.49% (rounded to two decimal places; hereinafter the same applies to the calculation of Ownership Ratio)), and as of today, ITOCHU PLASTICS INC. ("ITOCHU PLASTICS"; together with ITOCHU, "ITOCHU, et al."), which is a wholly-owned subsidiary of ITOCHU, holds 199,000 Target Company Shares (Ownership Ratio: 0.20%); ITOCHU, et al. hold 54,341,418 Target Company Shares in total (Ownership Ratio: 55.69%), and the Target Company is a consolidated subsidiary of ITOCHU.

(Note) The "Ownership Ratio" means the ratio of the relevant Target Company Shares held by the applicable person to the number of shares (97,573,961 shares) remaining after subtracting the number of treasury shares held by the Target Company as of June 30, 2024 (23,569 shares; however, the number of treasury shares does not include 212,900 shares held by Sumitomo Mitsui Trust Bank, Limited, to which the Target Company consigns based on a stock-based remuneration system using a trust, the "Stock Delivery Trust" (the "Stock-based Remuneration System"), for the Target Company's directors (excluding non-executive directors) and executive officers who have entered into an engagement agreement with the Target Company (sub-trustee: Custody Bank of Japan, Ltd.); hereinafter the same for the number of treasury shares held by the Target Company), from the total number of issued shares of the Target Company (97,597,530 shares) as of the same date and disclosed in the "Summary of the Financial Results for the First Quarter of the Fiscal Year Ending March 2025 [Japanese GAAP] (Consolidated)" announced by the

Target Company on August 5, 2024 (Japanese Only, hereinafter referred to as the "Target Company's Financial Results").

On August 5, 2024, the Tender Offeror decided to commence the Tender Offer in order to acquire all of the Target Company Shares (excluding the Target Company Shares held by ITOCHU, et al., and the treasury shares held by the Target Company), at 870 yen as a purchase price per Target Company Share in the Tender Offer; referred to as the "Tender Offer Price", as part of a series of transactions resulting in the Target Company's shareholders comprising only of ITOCHU, et al. and the Tender Offeror to take the Target Company private (collectively, the "Tender Offerors") (the "Transaction").

As the Tender Offeror will conduct the Tender Offer in order to have the Target Company's shareholders comprise of only the Tender Offerors, the lower limit on the number of shares to be purchased through the Tender Offer is set to 10,707,900 shares (Ownership Ratio: 10.97%). If the total number of shares that are offered for sale in response to the Tender Offer (the "Tendered Shares") falls short of the lower limit on the number of shares to be purchased through the Tender Offer, none of the Tendered Shares will be purchased. On the other hand, the upper limit on the number of shares to be purchased is not set in this Tender Offer; if the total number of the Tendered Shares is equal to or is more than the lower limit of the number of shares to be purchased (10,707,900 shares), all the Tendered Shares will be purchased.

In order to have the total of the Target Company's voting rights to be held by the Tender Offerors, when the Tender Offer has been completed, be equal to or more than two-thirds of the total of the Target Company's voting rights, the lower limit on the number of shares to be purchased through the Tender Offer (10,707,900 shares) was obtained by: (a) subtracting the number of treasury shares held by the Target Company as of June 30, 2024 (23,569 shares), from the total number of issued shares of the Target Company as of the same date as stated in the Target Company's Financial Results (97,597,530 shares), with the result (97,573,961 shares) equating to 975,739 voting rights, then (b) multiplying these voting rights (a) by 2/3 (resulting in 650,493 voting rights, rounded up to one decimal place), then (c) subtracting the number of voting rights (543,414 voting rights) of the Target Company Shares (54,341,418 shares) held by ITOCHU, et al., resulting in 107,079 voting rights, then (d) multiplying (c) by the number of share units of the Target Company (100 shares). Originally, the Transaction purports to have the Target Company's shareholders comprise of only the Tender Offerors, and the lower limit of the number of shares to be purchased is set for the purpose of the Tender Offerors holding equal to or more than two-thirds of the voting rights, which is equivalent to the voting rights ratio required for the special resolution at the shareholders meeting, in the case where the Tender Offer has been completed but the Tender Offerors fail to acquire all of the Target Company Shares (excluding the Target Company Shares held by ITOCHU, et al. and the treasury shares held by the Target Company) through the Tender Offer, and the procedures for a share consolidation stated in "(4) Policy for Reorganization after the Tender Offer (Matters Concerning the So-called "Two Step Acquisition")" below will be conducted, which requires a special resolution of the shareholders meeting as set forth in Article 309, paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same). As of today, the Tender Offeror does not hold any Target Company Shares. However, ITOCHU, et al. hold 54,341,418 Target Company Shares (Ownership Ratio: 55.69%). Therefore, the Tender Offeror believes that setting the lower limit on the number of shares to be purchased in the Tender Offer by the so-called "majority of minority" will make completion of the Tender Offer unpredictable and will not be in the best interests of minority shareholders of the Target Company who wish to tender in the Tender Offer, so no lower limit on the number of shares to be purchased in the Tender Offer by the so-called "majority of minority" was set. For details on measures taken to ensure fairness of the Tender Offer, please see "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below.

Before implementation of the Tender Offer, the Tender Offeror and ITOCHU verbally confirmed the intention of ITOCHU PLASTICS not to tender all of the Target Company Shares that ITOCHU PLASTICS owns (199,000 shares, Ownership Ratio: 0.20%; the "Non-Tendered Shares") in the Tender Offer (the "Intent Not to Tender") as of August 2, 2024. For details of the Intent Not to Tender, please see "(6) Matters Concerning Material Agreements Related to the Tender Offer" below.

If the Tender Offer has been completed but not all of the Target Company Shares are acquired through the Tender Offer (excluding the Target Company Shares held by ITOCHU, et al. and the treasury shares held by the Target Company), the Tender Offerors plan to implement a series of procedures after the completion of the Tender Offer, to have the Target Company's shareholders comprise of only the Tender Offerors (the "Squeeze-Out Procedures") as stated in "(4) Policy for Reorganization after the Tender Offer (Matters Concerning the So-called "Two-Step Acquisition)" below.

According to the "Notice concerning Opinion in Support and Recommendation of Application to Tender Offer for the Target Company Shares by API G.K., the Subsidiary of Our Parent Company, ITOCHU Corporation" published by the Target Company on August 5, 2024 (the "Target Company Press Release"), at the Target Company's board of directors meeting held on August 5, 2024, the Target Company resolved to express its opinion in favor of the Tender Offer, and to recommend that the Target Company's shareholders tender their shares in the Tender Offer.

For details of the decision-making process of the Target Company, please see the Target Company Press Release and "(iii) Target Company's Decision-making Process and Reasons" in "(a) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer" in "(2) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" below.

(2) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer

(a) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer

(i) Background of the Tender Offer

ITOCHU, which is the parent company of the Tender Offeror, has been listed on former Osaka Securities Exchange Co., LTD. (the "OSE") and the TSE since July 1950. ITOCHU forms the ITOCHU Group. Through domestic and overseas business networks, "Textile Company," "Machinery Company," "Metals & Minerals Company," "Energy & Chemicals Company," "Food Company," "General Products & Realty Company," "ICT & Financial Business Company," and "The 8th Company" (Note 1) (Note 2), whose business areas have been extended from "upstream" business areas, such as those relating to raw materials, to “downstream” consumer business areas, have been running diversified businesses, in order to offer a variety of products and services that support people’s daily lives.

The Energy & Chemicals Company has engaged in trading and projects in the fields related to energy, chemicals, and power including renewable energy. The Chemicals Division handles trading and develops projects for organic chemicals, inorganic chemicals, synthetic resins, packaging materials, household goods, fine chemicals, electronic materials, pharmaceuticals, functional food, etc. In addition, it has promoted environment-related business for the future, such as utilizing environmentally considerate materials and recycling.

The Tender Offeror, the trade name of which is API G.K., was incorporated on July 5, 2024, mainly for the purpose of acquiring and owning shares of the Target Company through the Tender Offer, and is a limited liability company, 100% of the capital of which is invested by ITOCHU.

(Note 1) A “Company” in the applicable sentence refers to a business division within ITOCHU that is deemed to be one highly independent unit. Delegation of management resources and discretion to each Company allows it to manage responsibly, rapidly and flexibly, and develop businesses meeting the needs in each field.

(Note 2) “The 8th Company” is a business unit that collaborates with the other seven Companies to fully leverage various business platforms of ITOCHU, which has particular strength in the consumer sector. Through this, the 8th Company accelerates initiatives that combine different industries and extend across the boundaries of the companies and creates new businesses and develops new customers from a market-oriented perspective to meet market and consumer needs.

On the other hand, according to the Target Company, the Target Company was established by Sataro Takigawa, founder, as Takigawa Celluloid Plant in Higashinari-gun, Osaka, in October 1919. After the establishment of Takigawa Celluloid Co., Ltd. in December 1935, ITOCHU acquired a stake in Takigawa Celluloid Co., Ltd. in 1957, and the corporate name was changed to Takiron Chemical Co., Ltd. in August 1959. Then, after being listed on the Second Section of the OSE in October 1961 and reclassified to the First Section of the OSE in October 1972, Takiron Chemical Co., Ltd. was listed on the First Section of the TSE in May 1973, and changed its corporate name to Takiron Co., Ltd. (“Takiron”) in November 1973. In April 2017, Takiron and C.I. Kasei Co., Ltd. (“C.I. Kasei”), a consolidated subsidiary of ITOCHU established in 1963 merged and the corporate name was changed to C.I. Takiron Corporation, as it is known today. Following the merger, the Target Company became a consolidated subsidiary of ITOCHU. The Target Company is currently listed on the Prime Market of the TSE following the reorganization of the market classification of the TSE on April 4, 2022.

According to the Target Company, as of today, the Target Company group consists of the Target Company and its 23 subsidiaries (the “Target Company Group”); and is principally engaged in the production, processing and sale of various resin products such as vinyl chloride and PC, and the contracting, design and management of construction works related to these products. The Target Company consists of three segments: Construction Materials and Civil Engineering Business, High Functional Materials Business and Specialty Films Business.

According to the Target Company Group, it has set long-term targets for FYE 2031 of consolidated sales of 200 billion yen, consolidated operating profit of 20 billion yen and a consolidated operating profit margin of 10%. The "Commit to Transformation 2023 (CX2023)," a medium-term management plan (for the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2024) released on March 5, 2021, set out quantitative three-year targets along with six priority actions: "1. solve social issues, 2. acquire new businesses, products and technologies, 3. accelerate borderlessness, 4. adopt digital technology, 5. restructure group management, and 6. further improve the management base" and the Target Company Group operated under this plan for two years.

However, rapid changes in the business environment, including the impact of the COVID-19 pandemic and the global economic situation at that time, which led to an increase in raw material and electricity prices and a reduction or suspension of civil engineering work, caused a significant deviation from the assumptions made when the management plan was formulated. As a result, the Target Company's business results for the fiscal year ended March 31, 2023 showed a significant decrease in profit. As stated in the "Notice Concerning the Formulation of a Single Fiscal Year Management Plan for FYE 2024" released on May 9, 2023, the Target Company Group, based on its overall judgment in consideration of these circumstances, decided to shorten the term of the "Commit to Transformation 2023 (CX2023)," the medium-term management plan (for the fiscal year ended March 31, 2022 to the fiscal year ended March 31, 2024) to two years, and then terminated the plan. In the fiscal year ended March 31, 2024, which was the original final fiscal year of the plan, the Target Company Group implemented structural reforms throughout the group with a primary focus on improving profitability in order to achieve the newly formulated single fiscal year management plan.

In its medium-term management plan "Go Beyond 2026 Innovation" (for the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2027) announced on May 8, 2024, the Target Company, under the action slogan Go Beyond Innovation, set the basic policies of (1) earning stable consolidated net income of 6 billion yen or more, (2) implementing structural reforms to earn 10 billion yen in the future, and the key measures of "optimizing group management", "creating new products and businesses", "thoroughly strengthening on-site capabilities", "expanding overseas business", and "accelerating M&A". In addition to thorough cost reduction, the Target Company will create new products and businesses, including through M&A, and enhance its R&D capabilities, and improve its business portfolio using ROIC as an indicator of capital profitability in order to promote growth strategies and increase corporate value.

The capital relationship between ITOCHU and the Target Company began when ITOCHU subscribed for new shares issued by Takiron via a third-party allocation in 1957. The shareholding ratio (Note 3) after the third-party allocation was 46.24%, the shareholding ratio when Takiron was listed on the First Section of the TSE in May 1973 was 46.55%, and the shareholding ratio as of August 1982 was 30.28%. Thereafter, while Takiron repeatedly issued convertible bonds and new shares, ITOCHU, et al. continuously acquired and sold some of the Target Company Shares through market transactions and off-market over-the-counter transactions, and the number of Takiron shares owned by ITOCHU, et al. immediately before the merger with C.I. Kasei in April 2017 was 23,877,836 shares (ratio of this number to the total number of issued shares excluding treasury shares at that time: 33.62%). When Takiron merged with C.I. Kasei, 0.975 common shares of Takiron were allocated per common share of C.I. Kasei. Immediately before the effectuation of the merger, ITOCHU owned 26,692,767 C.I. Kasei shares (ratio of this number to the total number of issued shares excluding treasury shares at that time: 98.33%).

Since the Target Company Shares were allocated as consideration of the merger, ITOCHU, et al. came to own 49,903,283 Target Company Shares (ratio of this number to the total number of issued shares excluding treasury shares at that time: 51.19%) and became the parent company of the Target Company. Thereafter, as a result of ITOCHU, et al.'s ongoing acquisition of 4,438,135 Target Company Shares in the market, as of today, ITOCHU, et al. own 54,341,418 Target Company Shares (Ownership Ratio: 55.69%).

(Note 3) "Shareholding ratio" means the ratio to the total number of issued shares of the Target Company at each point in time (rounded to two decimal places). As it is difficult to know the number of treasury shares at each point in time, the number of treasury shares has not been deducted from the total number of issued shares.

Since ITOCHU began capital participation in Takiron in 1957, it has strengthened the collaboration with the Target Company in the process of establishing the current business foundation through dispatching management personnel, listing shares, supplying raw materials, etc. In April 2017, Takiron merged with C.I. Kasei, which was a consolidated subsidiary of ITOCHU and had various resin processing technologies, and through expansion of the company scale and business areas, restructuring of the business portfolio, and synergy effects produced by improving efficiency of its management and assets, the sales and profits of the Target Company, being a comprehensive synthetic resin processing manufacture, significantly increased. In the future, aiming at the Target Company's further growth, the ITOCHU Group and the Target Company will collaborate with each other to expand the Target Company's global business and strengthen its profitability.

The transactional relationship between ITOCHU and the Target Company is also developing based on their historical background as described above. The Target Company, as an important partner of ITOCHU in the chemicals field, has a long transactional relationship in terms of both raw materials and products, in which ITOCHU sells raw materials to the Target Company, such as domestic and foreign synthetic resins, plasticizers, fertilizers, etc., and the ITOCHU Group, including ITOCHU, sells the Target Company's products. Also, personnel exchanges have been conducted through dispatching staff from the Target Company to ITOCHU (accepting secondment) for the staff to experience overseas trading of synthetic resins. As such, the Target Company has consistently been an important partner of ITOCHU, and is one of the most important subsidiaries, in terms of strategy.

(ii) Background Leading to the Tender Offeror's Decision to Conduct the Tender Offer, and Purpose Thereof

As stated above, after making the Target Company its consolidated subsidiary, ITOCHU continued to maintain the listing of the Target Company Shares, thereby enabling it to continue enjoying the advantages of a listed company, such as maintaining the name recognition of the Target Company in the industry and securing excellent personnel. In the meantime, ITOCHU has been providing human resources support, utilizing its corporate networks, actively providing the supply chain function held by the ITOCHU Group, and enhancing the alliance between the ITOCHU Group and the Target Company, so that the Target Company is able to achieve sustainable growth in the synthetic resin processing industry where competitions are intensifying.

However, the business environment surrounding the domestic markets for building materials, agriculture, and packaging materials, which are the Target Company's core businesses, has rapidly been changing due to a reduction in the number of domestic houses being constructed and the farming population as well as a plastic-free trend, and the future competition environment is expected to be more severe. Furthermore, in these circumstances, in which a restructuring and decreased capacity are expected to occur in the petrochemical industry in Japan, in which the Target Company's main raw materials suppliers operate, the remodeling of purchase strategies, including procurements from overseas, is an urgent issue.

In specifically considering measures for the Target Company's sustainable growth over the medium to long term, ITOCHU has mainly been promoting the settlement of management issues and growth strategies with the Target Company, assuming the Target Company's organic growth. Meanwhile, amid the competition environment becoming fiercer due to such rapid changes in the market environment and structure, in order for the Target Company to maintain its competitive superiority and grow sustainably, ITOCHU believes that the existing organic growth strategy is not sufficient and that it is essential to expand its fields of business, accelerate its growth strategies, and expand its overseas business, including expansion of market shares through a restructuring of the industry through non-organic growth measures, by way of mutually utilizing the management resources (various human resources, financial base, information, know-how, etc.) of the ITOCHU Group (including the Target Company) promptly and flexibly.

However, given the current circumstances, in which the Target Company and ITOCHU manage themselves independently, as listed companies, when the Target Company and ITOCHU intend to mutually utilize the management resources of the ITOCHU Group (including the Target Company), they need to carefully consider the effectiveness of such utilization and the objective fairness of the transaction, taking into consideration the interests of the stakeholders including the minority shareholders of the Target Company; thus, certain restrictions on prompt and flexible decision-making occur. In addition, because the provider and beneficiary of the management resources are not always the same, when ITOCHU provides to the Target Company management resources that contribute to the enhancement of corporate value, some may indicate the issue that part of the interest will flow out of the ITOCHU Group; thus, ITOCHU believes that there is a certain limitation to maximizing the corporate value of the ITOCHU Group including the Target Company by implementing flexible and effective measures. Thus, to maintain the Target Company's competitive superiority and to achieve sustainable growth, ITOCHU believes that prompt and flexible decision-making and effective utilization of management resources of ITOCHU Group (including the Target Company) are required, and that the best option is to develop a system by which structural conflicts of interest between ITOCHU and the Target Company will be settled and management resources of ITOCHU Group (including the Target Company) can be mutually utilized promptly and flexibly, by taking the Target Company private.

In addition, as potential disadvantages of and material effects from the Transaction for the Target Company, the Target Company's delisting may make it difficult for the Target Company Group to continue employing excellent personnel and may cause employees to resign due to them being less motivated; however, ITOCHU plans to strengthen profitability by realizing synergy effects of the Transaction so that treatment of the Target Company Group's employees will promptly be improved after completion of the Transaction. Furthermore, as stated in III. below, by the Target Company Group becoming a member of the ITOCHU Group, the Target Company Group's education system will be enhanced by utilizing the ITOCHU Group's personnel development program, and recruitment will be reinforced by utilizing the ITOCHU Group's group recruitment system for new graduates, which will lead to improvement of the skills of the Target Company Group's employees and securing of excellent personnel. Given this, ITOCHU believes that dyssynergies due to the Transaction will be limited.

ITOCHU believes that by taking the Target Company private, it can expect the following efforts to be made and synergetic effects to be generated:

I. Expansion of the Target Company's business fields and acceleration of its growth strategies by utilizing the ITOCHU Group's management resources

To respond to the above-mentioned rapid changes in the market environment and structure, ITOCHU believes that it is important to strengthen the sales and distribution capabilities through collaboration between the ITOCHU Group and the Target Company and to achieve non-organic growth through a restructuring of the industry, including M&A. ITOCHU believes that utilizing the ITOCHU Group's raw materials procurement capabilities, including those overseas, will promote cost reductions, and that the acquisition of additional market share and improvements to profitability will be achieved as a result of a distribution and sales reform through a restructuring in the industry, such as a roll-up of competitors and downstream distribution networks due to M&A. Furthermore, ITOCHU believes that in the synthetic resin processing industry to which the Target Company belongs, there are also fields in which significant future growth is expected, such as products for the semiconductor industry and the car industry. ITOCHU believes that in these fields, it is important to secure the technical and supply capabilities to accommodate expanding market needs, and that in order for the Target Company to achieve continuous growth, it is necessary to aggressively and flexibly invest management resources, such as capital expenditure and investment in research and development.

As a general trading company having its strength in non-resource fields, ITOCHU engages in a wide range of businesses in the chemical and synthetic resin-related fields, the latter being the core of the chemical field, from raw material trading to processing business, all around the world. In particular, in terms of raw materials trading, ITOCHU has synthetic resin distribution companies (Note 4) in five overseas sites, in the primary areas of Asia, Europe, and the U.S., through M&A and other methods of acquisition, and its sales volume of synthetic resins is 3.2 million tons per annum, which is the second largest in the world according to the ITOCHU Group's market research. Thus, ITOCHU has secured an overwhelming customer foundation supported by the world's second largest sales volume of synthetic resins and a strong presence in the industry; at the same time, it has affluent knowledge and know-how on M&A acquired through its business activities. ITOCHU believes that by utilizing such knowledge and know-how, it will be able to contribute to the Target Company expanding its business fields and acquiring technologies in the relevant fields and flexibly support the growth strategies for the existing businesses.

(Note 4) "Synthetic resin distribution companies" refers to companies having the purchase and distribution functions of synthetic resins, which are raw materials of the Target Company Group's products.

II. Acceleration of the Target Company's overseas business by utilizing the ITOCHU Group's management resources, and challenge to new fields leading the next generation

ITOCHU believes that the Target Company needs to accelerate the development of its business not only in the mature domestic market, but also in overseas markets, such as the U.S., China, and Southeast Asia, which show high growth with an increase in their population. In order to achieve this, ITOCHU will conduct marketing activities aiming to develop overseas markets for and expand sales of the Target Company's products by making the maximum utilization of ITOCHU's global network of approximately 90 bases in 61 countries all over the world. Furthermore, ITOCHU plans to newly construct and increase its overseas production bases in anticipation of local-production and local-consumption and to acquire its overseas competitors.

In addition, ITOCHU will consider developing new fields leading the next generation. In the growing industries, such as the semiconductor industry and car industry, particularly electric vehicles, it can be expected that need for not only molded products made from synthetic resins but also various products and technologies will expand, and ITOCHU believes that it will be effective to aggressively promote investments and technical development in the growing fields beyond the boundaries of the existing synthetic resin processing business. ITOCHU, as a general trading company having a global network of approximately 90 bases in 61 countries all over the world, has purchase and sale functions targeting all over the world, and in addition thereto, it has built information networks relating to new business fields and cutting-edge technologies. ITOCHU believes that by integrating the Target Company, which has rich research and development functions of manufacturing business, and ITOCHU, which has antennas and networks as a general trading company, it will be possible to effectively promote identification of needs and search for seeds in new fields and connect such needs and seeds to valuable product development and early monetization.

III. Optimal personnel allocation and strengthening of personnel development of the Target Company by utilizing the ITOCHU Group's management resources

ITOCHU understands that in order to implement the above-mentioned growth strategies, it is necessary to secure various human resources, such as "corporate planning personnel," "purchase and sales personnel," "M&A practical personnel," "overseas business personnel," "business administration personnel (finance/accounting, legal affairs, etc.)," "IT personnel," etc., in addition to "production, technology, quality assurance, research and development personnel," who are the core of manufacturing business. ITOCHU plans to secure necessary human resources in the entire ITOCHU Group by taking the Target Company private and to deploy them entirely within the Target Company's main departments. Specifically, there was a limited business relationship between the Target Company and ITOCHU concerning procurement of raw materials and other materials purchased by the Target Company as well as establishment of relationships and negotiations on terms and conditions with suppliers; however, under the current relationship, it is necessary to give consideration to respect the independence of the Target Company and to prevent conflicts of interest between ITOCHU and minority shareholders of the Target Company; therefore, there is a restriction on aggressive and flexible implementation of its purchase strategies. ITOCHU believes that by taking the Target Company private, it will be possible to effectively utilize ITOCHU's human resources in the Target Company's purchase activities, and to build a strategic purchase structure utilizing the procurement capabilities of the ITOCHU Group, which is the second largest distributor of synthetic resins in the world, and has a global network of approximately 90 bases in 61 countries all over the world.

Furthermore, when the Target Company implements M&A for restructuring of the industry and development of new business, ITOCHU partially assists it in market research of the target industry and practical procedures, etc. as its parent company. However, ITOCHU believes that due to information control between independent listed companies and other restrictions, it cannot provide adequate human resources. ITOCHU believes that by taking the Target Company private through the Transaction, when the Target Company considers and implements M&A, it will be able to fully utilize M&A practical personnel of the ITOCHU Group.

In addition, ITOCHU believes that it will be able to contribute to development of the Target Company's human resources through utilization of the ITOCHU Group's wide range of business fields and global networks. Specifically, ITOCHU intends to take various human resource development measures, such as development of "oversea business personnel" through training and stationing of those personnel at the ITOCHU Group's overseas bases, development of "M&A practical personnel" through personnel exchanges and collaboration with the business units in charge of M&A projects in the ITOCHU Group, and provision of experience of developing new fields through secondment to group companies within the ITOCHU Group.

With the above background, purposes, and anticipated synergy effects in mind, in mid-February 2024, to actualize the further enhancement of corporate values of ITOCHU Group (including the Target Company), ITOCHU concluded that it would be best to align the interests of the Target Company and ITOCHU more strongly than before by taking the Target Company private and to put in place a structure that enables the prompt and flexible utilization of mutual management resources; and it commenced initial deliberations accordingly.

In early March 2024, ITOCHU retained Nomura Securities Co., Ltd. ("Nomura Securities") as a financial advisor and third-party valuation organization independent from the ITOCHU Group (including ITOCHU and the Target Company), and Nishimura & Asahi (Gaikokuho Kyodo Jigyo) as a legal advisor, and built a structure for discussions and negotiation with regard to taking the Target Company private. After giving the Target Company notice to the effect that ITOCHU commenced deliberations for implementing the Transaction on March 11, 2024, on March 18, 2024, ITOCHU submitted to the Target Company an initial proposal letter stating the background for ITOCHU offering the Transaction and the growth strategy after implementing the Transaction.

According to the Target Company Press Release, after receiving on March 11, 2024 a notice from ITOCHU, the Tender Offeror's parent company, that it had commenced consideration for the implementation of the Transaction, the Target Company again received the initial proposal letter for the Transaction from ITOCHU on March 18, 2024. Accordingly, considering that ITOCHU is the Target Company's controlling shareholder (parent company) whose Ownership Ratio of the Target Company Shares reaches 55.49%, that the Transaction, including the Tender Offer, constitutes a material transaction with a controlling shareholder, and that the Transaction is a type of transaction involving issues of structural conflict of interest and information asymmetry, the Target Company, in deliberating the Transaction and consulting and negotiating with ITOCHU regarding the Transaction, appointed Anderson Mōri & Tomotsune ("Anderson Mōri & Tomotsune") as its legal advisor independent of the

ITOCHU Group (excluding the Tender Offeror and the Target Company Group) and the Tender Offeror (collectively, the “Tender Offeror and Related Parties”) and the Target Company Group in mid-March 2024, and Daiwa Securities Co. Ltd. (“Daiwa Securities”) as its financial advisor and third-party valuation organization independent of the Tender Offeror and Related Parties and the Target Company Group in early April 2024 to address these issues and to ensure the fairness of the Transaction. In order to ensure the fairness of the Transaction, based on the advice of such advisors, the Target Company immediately started to establish a system to review, negotiate, and make a decision on the Transaction from a standpoint independent of ITOCHU, and from the perspective of enhancing the corporate value of the Target Company and securing the interests of the Target Company’s minority shareholders. Specifically, as stated in “(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee” in “(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)” in “(ii) Background of Valuation” in “(4) Basis for Valuation of the Tender Offer Price” in “3. Outline of the Tender Offer” below, after making preparations for the establishment of a special committee, the Target Company established a special committee consisting of Ms. Yoshiko Kosaka (outside Director, independent officer), Mr. Takeshi Kaide (outside Director, independent officer), and Mr. Hiroaki Ishizuka (outside Director, independent officer) (the “Special Committee”) by resolution of the board of directors extraordinary meeting held on April 5, 2024 (For details of the process of consideration and decision by the Special Committee, please see“(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee” in “(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)” in “(ii) Background of Valuation” in “(4) Basis for Valuation of the Tender Offer Price” in “3. Outline of the Tender Offer” below.). Among the members of the Special Committee, Mr. Hiroaki Ishizuka, who was not an outside Director of the Target Company at the time of the establishment of the Special Committee, has been a member of the Special Committee since its establishment because it was internally decided by a resolution of the board of directors of the Target Company that he would become an outside Director upon approval at the ordinary general shareholders’ meeting to be held in June 2024. On April 5, 2024, the Target Company’s board of directors consulted with the Special Committee on (i) whether the purpose of the Transaction is considered reasonable (including whether the Transaction contributes to the enhancement of the Target Company’s corporate value); (ii) whether the fairness and appropriateness of the terms and conditions of the Transaction (including the price of purchase in the Tender Offer Price) are ensured; (iii) whether the fairness of the procedures regarding the Transaction is ensured; (iv) based on (i) through (iii) above, whether the Transaction is considered not disadvantageous to the minority shareholders of the Target Company; and (v) whether the Target Company’s board of directors should express an opinion in favor of the Tender Offer and recommend that the Target Company’s shareholders tender their shares in the Tender Offer (collectively, “Matters of Inquiry”). Furthermore, in establishing the Special Committee, the Target Company’s board of directors has resolved that (i) the decisions of the Target Company’s board of directors will be made with the utmost respect for the judgments made by the Special Committee, and (ii) in particular, if the Special Committee determines that the terms and conditions of the Transaction are not appropriate, the Target Company’s board of directors will not support the Transaction. In addition, the Target Company’s board of directors has resolved that the Target Company will authorize the Special Committee to: (i) be substantially involved in the process of negotiating the terms and conditions of the Transaction by, for example, confirming in advance the policies for negotiating the Tender Offer Price and other terms and conditions of the Transaction, receiving timely reports on the situation of the negotiations, expressing opinions in important aspects, and issuing instructions and making requests; (ii) approve (including ex-post facto approval) the financial advisor or legal advisor appointed by the Target Company; (iii) appoint its own advisors, as necessary, in providing its report on the Matters of Inquiry (if the Special Committee determines that the Special Committee can rely on the Target Company's advisors to provide professional advice or explanations, including that such advisors are highly professional and independent, then the Special Committee may request professional advice or explanations from the Target Company's advisors, and the reasonable costs associated with the professional advice of the advisors of the Special Committee will be borne by the Target Company); and (iv) receive from the Target Company's officers and employees and such other persons as the Special Committee deems necessary all information necessary to consider and make judgments concerning the Transaction (For the method of resolving at the board of directors meeting, please see "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below.

As stated in "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below, on April 19, 2024, based on the authority described above, the Special Committee decided to appoint Kitahama Partners ("Kitahama Partners") as its own legal advisor and PLUTUS CONSULTING Co., Ltd. ("Plutus Consulting") as its own financial advisor and third-party valuation organization. ITOCHU and the Target Company commenced specific discussions and deliberations for the Transaction based on the above.

ITOCHU conducted due diligence with regard to the Target Company from mid-April 2024 to late May 2024 to examine the feasibility of the Tender Offer. In parallel, ITOCHU repeatedly discussed the significance and purpose of the Transaction, the synergy effect expected to be generated by the Transaction, the management structure and business policies to be put in place after the Transaction, and industry prospects with the Target Company and the Special Committee. Specifically, on May 16, 2024, ITOCHU received written inquiries from the Target Company and the Special Committee concerning the significance and purpose of the Transaction stated in the initial proposal letter submitted on March 18, 2024, and submitted a written response to these inquiries on May 27, 2024. Based on this response, on June 5 and 7, 2024, ITOCHU received additional written inquiries from the Target Company and the Special Committee. During the Special Committee meeting held on June 11, 2024, ITOCHU responded to these inquiries, explained the significance and purpose of the Transaction, held Q&A sessions, and exchanged opinions on the significance and purpose of the Transaction, the synergy effect expected to be generated by the Transaction, the management structure and business policies to be put into place after the Transaction, and industry prospects.

Since June 17, 2024, ITOCHU has conducted several rounds of negotiations with the Target Company regarding the Tender Offer Price. Specifically, ITOCHU comprehensively considered the information obtained through the due diligence on the Target Company conducted by ITOCHU, the initial valuation analysis of the Target Company Shares conducted by Nomura Securities, its financial advisor, based on such information, and the valuation analysis of the Target Company Shares conducted by ITOCHU based on such information. Thereafter, on June 17, 2024, ITOCHU made a proposal in relation to the Transaction, which included setting the Tender Offer Price at 705 yen (representing a premium of 2.32% (rounded to the second decimal place; hereinafter the same with respect to the premium and discount ratios (%)) over the closing price of the Target Company Shares of 689 yen on the Prime Market of the TSE as of the immediately preceding business day; a discount of 1.95% on the simple average closing price of 719 yen for the most recent one month up to the same date (rounded to the nearest whole number; hereinafter the same with respect to the calculation of simple average closing prices); a premium of 2.47% over the simple average closing price of 688 yen for the most recent three months up to the same date; and a premium of 5.54% over the simple average closing price of 668 yen for the most recent six months up to the same date). However, on June 19, 2024, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price because the Tender Offer Price was not considered to be at a level that adequately took into account the interests of the Target Company's minority shareholders. In response, on June 21, 2024, ITOCHU made another proposal to set the Tender Offer Price at 750 yen (representing a premium of 4.17% over the closing price of the Target Company Shares of 720 yen the Prime Market of the TSE on the immediately preceding business day; a premium of 5.04% over the simple average closing price of 714 yen for the most recent one month up to the same date; a premium of 8.70% over the simple average closing price of 690 yen for the most recent three months up to the same date; and a premium of 11.94% over the simple average closing price of 670 yen for the most recent six months up to the same date). Nevertheless, on June 24, 2024, ITOCHU was again requested by the Target Company and the Special Committee to reconsider the Tender Offer Price on the grounds that the Tender Offer Price was not considered to be at a level that fully took into account the interests of the Target Company's minority shareholders in light of the most recent trend of the market prices of the Target Company Shares, the level of premiums in similar cases in the past (taking private transactions to make the target companies wholly-owned subsidiaries), the substance of the valuation analysis of the Target Company Shares conducted by Daiwa Securities, the Target Company's financial advisor, and Plutus Consulting, the Special Committee's financial advisor, among other factors. Thereafter, in response to the Target Company and the Special Committee's request, on June 27, 2024, ITOCHU reproposed setting the Tender Offer Price at 785 yen (representing a premium of 3.56% over the closing price of the Target Company Shares of 758 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 10.10% over the simple average closing price of 713 yen for the most recent one month up to the same date; a premium of 13.11% over the simple average closing price of 694 yen for the most recent three months up to the same date; and a premium of 16.64% over the simple average closing price of 673 yen for the most recent six months up to the same date). However, on July 1, 2024, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price, on the grounds that while the Target Company believes that a portion of the synergies generated by the Transaction should be fairly distributed to its minority shareholders, it was difficult to say that the Tender Offer Price was at a level that would allow for an adequate distribution of a portion of the synergies to such minority shareholders. Thereafter, in response to the Target Company and Special Committee's request, on July 4, 2024, ITOCHU reproposed setting the Tender Offer Price at 795 yen (representing a premium of 7.87% over the closing price of the Target Company Shares of 737 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 11.19% over the simple average closing price of 715 yen for the most recent one month up to the same date; a premium of 13.57% over the simple average closing price of 700 yen for the most recent three months up to the same date; and a premium of 17.60% over the simple average closing price of 676 yen for the most recent six months up to the same date). However, on July 8, 2024, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price, on the grounds that the Tender Offer Price was not at a level that would allow the Target Company to support the Tender Offer and to recommend that the Target Company's minority shareholders tender their shares in the Tender Offer. Thereafter, in response to the Target Company and Special Committee's request, on July 10, 2024, ITOCHU reproposed setting the Tender Offer Price at 800 yen (representing a premium of 7.82% over the closing price of the Target Company Shares of 742 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 10.96% over the simple average closing price of 721 yen for the most recent one month up to the same date; a premium of 13.64% over the simple average closing price of 704 yen for the most recent three months up to the same date; and a premium of 17.82% over the simple average closing price of 679 yen for the most recent six months up to the same date). However, on July 11, 2024, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price, on the grounds that the Tender Offer Price was still not at a level that would allow the Target Company to support the Tender Offer and to recommend that the Target Company's minority shareholders tender their shares in the Tender Offer. Thereafter, on July 12, 2024, ITOCHU reproposed setting the Tender Offer Price at 810 yen (representing a premium of 5.88% over the closing price of the Target Company Shares of 765 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 11.42% over the simple average closing price of 727 yen for the most recent one month up to the same date; a premium of 14.57% over the simple average closing price of 707 yen for the most recent three months up to the same date; and a premium of 19.12% over the simple average closing price of 680 yen for the most recent six months up to the same date). However, on July 18, 2024, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price, on the grounds that the Tender Offer Price was still not at a level that would allow the Target Company to support the Tender Offer and to recommend that the Target Company's minority shareholders tender their shares in the Tender Offer. Thereafter, on July 22, 2024, ITOCHU reproposed setting the Tender Offer Price at 855 yen (representing a premium of 0.59% over the closing price of the Target Company Shares of 850 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 12.50% over the simple average closing price of 760 yen for the most recent one month up to the same date; a premium of 18.59% over the simple average closing price of 721 yen for the most recent three months up to the same date; and a premium of 24.45% over the simple average closing price of 687 yen for the most recent six months up to the same date). However, on the same day, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price, on the grounds that the Tender Offer Price was still not at a level that would allow the Target Company to support the Tender Offer and to recommend that the Target Company's minority shareholders tender their shares in the Tender Offer. Thereafter, on July 23, 2024, ITOCHU reproposed setting the Tender Offer Price at 870 yen (representing a premium of 1.28% over the closing price of the Target Company Shares of 859 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 13.28% over the simple average closing price of 768 yen for the most recent one month up to the same date; a premium of 20.17% over the simple average closing price of 724 yen for the most recent three months up to the same date; and a premium of 26.27% over the simple average closing price of 689 yen for the most recent six months up to the same date). As a result, on August 2, 2024, ITOCHU received a response from the Target Company and the Special Committee to the effect that it would coordinate to express its opinion in favor of the Tender Offer, and to recommend that the Target Company's shareholders tender their shares in the Tender Offer by setting the Tender Offer Price at 870 yen as proposed by ITOCHU.

(iii) Target Company's Decision-making Process and Reasons

(A) Background to the establishment of an evaluation framework

According to the Target Company Press Release, after receiving on March 11, 2024 a notice from ITOCHU, the Tender Offeror's parent company, that it had commenced consideration for the implementation of the Transaction, the Target Company received the initial proposal letter for the Transaction from ITOCHU on March 18, 2024. Accordingly, considering that ITOCHU is the Target Company's controlling shareholder (parent company) whose Ownership Ratio of the Target Company Shares reaches 55.49%, that the Transaction, including the Tender Offer, constitutes a material transaction with a controlling shareholder, and that the Transaction is a type of transaction involving issues of structural conflict of interest and information asymmetry, the Target Company, in deliberating the Transaction and consulting and negotiating with ITOCHU regarding the Transaction, appointed Anderson Mōri & Tomotsune as its legal advisor independent of the Tender Offeror and Related Parties and the Target Company Group in mid-March 2024, and Daiwa Securities as its financial advisor and third-party valuation organization independent of the Tender Offeror and Related Parties and the Target Company Group in early April 2024 to address these issues and to ensure the fairness of the Transaction. In order to ensure the fairness of the Transaction, based on the advice of such advisors, the Target Company immediately started to establish a system to review, negotiate, and make a decision on the Transaction from a standpoint independent of ITOCHU, and from the perspective of enhancing the corporate value of the Target Company and securing the interests of the Target Company's minority shareholders. Specifically, as stated in "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below, after making preparations for the establishment of a special committee, the Target Company established the Special Committee consisting of Ms. Yoshiko Kosaka (outside Director, independent officer), Mr. Takeshi Kaide (outside Director, independent officer), and Mr. Hiroaki Ishizuka (outside Director, independent officer) by resolution of the board of directors extraordinary meeting held on April 5, 2024 (For details of the process of consideration and decision by the Special Committee, please see "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below.). Among the members of the Special Committee, Mr. Hiroaki Ishizuka, who was not an outside Director of the Target Company at the time of the establishment of the Special Committee, has been a member of the Special Committee since its establishment because it was internally decided by a resolution of the board of directors of the Target Company that he would become an outside Director upon approval at the ordinary general shareholders' meeting to be held in June 2024. On April 5, 2024, the Target Company's board of directors consulted with the Special Committee on the Matters of Inquiry. Furthermore, in establishing the Special Committee, the Target Company's board of directors has resolved that (i) the decisions of the Target Company's board of directors will be made with the utmost respect for the judgments made by the Special Committee, and (ii) in particular, if the Special Committee determines that the terms and conditions of the Transaction are not appropriate, the Target Company's board of directors will not support the Transaction. In addition, the Target Company's board of directors has resolved that the Target Company will authorize the Special Committee to: (i) be substantially involved in the process of negotiating the terms and conditions of the Transaction by, for example, confirming in advance the policies for negotiating the Tender Offer Price and other terms and conditions of the Transaction, receiving timely reports on the situation of the negotiations, expressing opinions in important aspects, and issuing instructions and making requests; (ii) approve (including ex-post facto approval) the financial advisor or legal advisor appointed by the Target Company; (iii) appoint its own advisors, as necessary, in providing its report on the Matters of Inquiry (if the Special Committee determines that the Special Committee can rely on the Target Company's advisors to provide professional advice or explanations, including that such advisors are highly professional and independent, then the Special Committee may request professional advice or explanations from the Target Company's advisors, and the reasonable costs associated with the professional advice of the advisors of the Special Committee will be borne by the Target Company); and (iv) receive from the Target Company's officers and employees and such other persons as the Special Committee deems necessary all information necessary to consider and make judgments concerning the Transaction (For the method of resolving at the board of directors meeting, please see "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below.).

As stated in "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below, on April 19, 2024, based on the authority described above, the Special Committee decided to appoint Kitahama Partners as its own legal advisor and Plutus Consulting as its own financial advisor and third-party valuation organization.

In addition, as stated in "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below, at the Special Committee meeting, the Target Company has received approval for the appointment of Daiwa Securities, the Target Company's financial advisor and third-party valuation organization, and Anderson Mōri & Tomotsune, the Target Company's legal advisor, after confirming that there are no problems with their independence from the Tender Offeror and Related Parties and the Target Company Group as well as their expertise and track record.

Furthermore, as stated in "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below, the Target Company has established a system within the Target Company to deliberate, negotiate, and make decisions on the Transaction (including the scope of officers and employees of the Target Company who will be involved in deliberations, negotiations, and decisions on the Transaction, and their duties) from a standpoint independent of the Tender Offeror and Related Parties, and has obtained the approval of the Special Committee that there are no problems with such review system from the viewpoint of independence and fairness.

(B) Background to the review and negotiations

The Target Company then received from Daiwa Securities a report regarding the valuation of the Target Company Shares, advice regarding the policy for negotiation with ITOCHU, and other advice from a financial viewpoint, and received from Anderson Mōri & Tomotsune advice on how to ensure the fairness of the procedures in the Transaction and other legal advice. Based on such report and advice, the Target Company has carefully discussed and considered the merits or demerits of the Transaction and the appropriateness of the terms and conditions of the Transaction with the utmost respect for the substance of the Special Committee's opinion.

Since the receipt of the initial proposal letter regarding the Transaction from ITOCHU on March 18, 2024, the Target Company has continuously discussed and reviewed the terms of the Transaction, including the Tender Offer Price with ITOCHU.

Specifically, following the receipt of the initial proposal letter regarding the Transaction on March 18, 2024, the Target Company and the Special Committee proceeded with the review and discussion at the Special Committee meetings, and on May 16, 2024, they asked ITOCHU questions in writing regarding the significance and purpose of the Transaction. On May 27, 2024, they received a written response to these questions from ITOCHU. On June 5 and June 7, 2024, the Target Company and the Special Committee asked additional written questions based on such response. At the Special Committee meeting held on June 11, 2024, they received from ITOCHU answers to such questions and an explanation of the significance and purpose of the Transaction and had Q&A sessions in this respect, and exchanged view on the significance and purpose of the Transaction, the synergy effects expected to be generated by the Transaction, the management structure and business policy after the Transaction, and the outlook for the industry.

Since June 17, 2024, the Target Company has conducted several rounds of negotiations with ITOCHU regarding the Tender Offer Price. Specifically, on June 17, 2024, the Target Company and the Special Committee received a proposal for the Transaction from ITOCHU, which included setting the Tender Offer Price at 705 yen (representing a premium of 2.32% over the closing price of the Target Company Shares of 689 yen on the Prime Market of the TSE as of the immediately preceding business day; a discount of 1.95% on the simple average closing price of 719 yen for the most recent one month up to the same date; a premium of 2.47% over the simple average closing price of 688 yen for the most recent three months up to the same date; and a premium of 5.54% over the simple average closing price of 668 yen for the most recent six months up to the same date), which resulted from comprehensive consideration of the information obtained through the due diligence conducted by ITOCHU on the Target Company, the initial valuation analysis of the Target Company Shares conducted by Nomura Securities, ITOCHU's financial advisor, on the basis of such information, and the initial valuation analysis of the Target Company Shares conducted by ITOCHU on the basis of such information. However, on June 19, 2024, the Target Company and the Special Committee requested reconsideration of the Tender Offer Price, claiming that the Tender Offer Price was not at a level that gave sufficient consideration to the interests of the Target Company's minority shareholders. In response, on June 21, 2024, the Target Company and the Special Committee received a re-proposal from ITOCHU setting the Tender Offer Price at 750 yen (representing a premium of 4.17% over the closing price of the Target Company Shares of 720 yen the Prime Market of the TSE on the immediately preceding business day; a premium of 5.04% over the simple average closing price of 714 yen for the most recent one month up to the same date; a premium of 8.70% over the simple average closing price of 690 yen for the most recent three months up to the same date; and a premium of 11.94% over the simple average closing price of 670 yen for the most recent six months up to the same date). Nevertheless, on June 24, 2024, the Target Company and the Special Committee again requested reconsideration of the Tender Offer Price, on the grounds that the Tender Offer Price was not considered to be at a level that fully took into account the interests of the Target Company's minority shareholders in light of the most recent trend of market share prices of the Target Company Shares, the level of premiums in similar cases in the past (taking private transactions to make the target companies wholly-owned subsidiaries), the substance of the valuation analysis of the Target Company Shares conducted by Daiwa Securities, the Target Company's financial advisor, and Plutus Consulting, the Special Committee's financial advisor, among other factors. Thereafter, on June 27, 2024, the Target Company and the Special Committee received from ITOCHU another proposal, made in compliance with the Target Company and the Special Committee's request, to set the Tender Offer Price at 785 yen (representing a premium of 3.56% over the closing price of the Target Company Shares of 758 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 10.10% over the simple average closing price of 713 yen for the most recent one month up to the same date; a premium of 13.11% over the simple average closing price of 694 yen for the most recent three months up to the same date; and a premium of 16.64% over the simple average closing price of 673 yen for the most recent six months up to the same date). However, on July 1, 2024, the Target Company and the Special Committee requested reconsideration of the Tender Offer Price, on the grounds that while the Target Company believes that a portion of the synergies generated by the Transaction should be fairly distributed to the Target Company's minority shareholders, it is difficult to say that the Tender Offer Price is at a level that would allow for an adequate distribution of a portion of the synergies to such minority shareholders. Thereafter, in response to the Target Company and the Special Committee's request, on July 4, 2024, the Target Company and the Special Committee received from ITOCHU another proposal setting the Tender Offer Price at 795 yen (representing a premium of 7.87% over the closing price of the Target Company Shares of 737 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 11.19% over the simple average closing price of 715 yen for the most recent one month up to the same date; a premium of 13.57% over the simple average closing price of 700 yen for the most recent three months up to the same date; and a premium of 17.60% over the simple average closing price of 676 yen for the most recent six months up to the same date). However, on July 8, 2024, the Target Company and the Special Committee requested reconsideration of the Tender Offer Price, on the grounds that the Tender Offer Price was still not a price sufficient for the Target Company to protect the interests of its minority shareholders, to support the Tender Offer, and to recommend that its minority shareholders tender their shares in the Tender Offer. Thereafter, in response to the Target Company and the Special Committee's request, on July 10, 2024, the Target Company and the Special Committee received from ITOCHU another proposal setting the Tender Offer Price at 800 yen (representing a premium of 7.82% over the closing price of the Target Company Shares of 742 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 10.96% over the simple average closing price of 721 yen for the most recent one month up to the same date; a premium of 13.64% over the simple average closing price of 704 yen for the most recent three months up to the same date; and a premium of 17.82% over the simple average closing price of 679 yen for the most recent six months up to the same date). However, on July 11, 2024, the Target Company and the Special Committee requested reconsideration of the Tender Offer Price, on the grounds that the Tender Offer Price was still not a price sufficient for the Target Company to recommend that its minority shareholders tender their shares in the Tender Offer. Thereafter, in response to the Target Company and the Special Committee's request, on July 12, 2024, the Target Company and the Special Committee received from ITOCHU another proposal setting the Tender Offer Price at 810 yen (representing a premium of 5.88% over the closing price of the Target Company Shares of 765 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 11.42% over the simple average closing price of 727 yen for the most recent one month up to the same date; a premium of 14.57% over the simple average closing price of 707 yen for the most recent three months up to the same date; and a premium of 19.12% over the simple average closing price of 680 yen for the most recent six months up to the same date). However, on July 18, 2024, the Target Company and the Special Committee requested reconsideration of the Tender Offer Price, on the grounds that at the Tender Offer Price, the Target Company would still not be able to recommend that its minority shareholders tender their shares in the Tender Offer. Thereafter, in response to the Target Company and the Special Committee's request, on July 22, 2024, the Target Company and the Special Committee received from ITOCHU another proposal setting the Tender Offer Price at 855 yen (representing a premium of 0.59% over the closing price of the Target Company Shares of 850 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 12.50% over the simple average closing price of 760 yen for the most recent one month up to the same date; a premium of 18.59% over the simple average closing price of 721 yen for the most recent three months up to the same date; and a premium of 24.45% over the simple average closing price of 687 yen for the most recent six months up to the same date). However, on the same day, the Target Company and the Special Committee requested reconsideration of the Tender Offer Price, on the grounds that at the Tender Offer Price, the Target Company would still not be able to support the Tender Offer or recommend that its minority shareholders tender their shares in the Tender Offer. Thereafter, in response to the Target Company and the Special Committee's request, on July 23, 2024, the Target Company and the Special Committee received from ITOCHU another proposal setting the Tender Offer Price at 870 yen (representing a premium of 1.28% over the closing price of the Target Company Shares of 859 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 13.28% over the simple average closing price of 768 yen for the most recent one month up to the same date; a premium of 20.17% over the simple average closing price of 724 yen for the most recent three months up to the same date; and a premium of 26.27% over the simple average closing price of 689 yen for the most recent six months up to the same date). As a result, on August 2,2024, the Target Company and the Special Committee responded to ITOCHU to the effect that it would coordinate to express its opinion in favor of the Tender Offer, and to recommend that the Target Company's shareholders tender their shares in the Tender Offer by setting the Tender Offer Price at 870 yen as proposed by ITOCHU.

In the course of the above review and negotiations, the Target Company considered the opinions heard from the Special Committee as well as advice from Daiwa Securities and Anderson Mōri & Tomotsune in its discussions and negotiations with ITOCHU regarding the Tender Offer Price. At that time, the Special Committee received advice from Plutus Consulting and Kitahama Partners, advisors to the Special Committee, as needed, and exchanged opinions with the Target Company and its advisors, and has given confirmations and approvals, as appropriate. Specifically, to start with, the Special Committee confirmed and approved in advance the reasonableness of the substance, material assumptions, and the process of preparation of the Target Company's business plans, which were to be presented to ITOCHU and which would constitute the basis for the valuation of the Target Company Shares by Daiwa Securities and Plutus Consulting. In addition, Daiwa Securities, the Target Company's financial advisor, has negotiated with ITOCHU in accordance with the negotiation policy determined upon deliberation by the Special Committee in advance. Upon receipt of each proposal from ITOCHU regarding the Tender Offer Price, Daiwa Securities immediately reported to the Special Committee, and received opinions, instructions, requests, etc. from the Special Committee regarding the policy of negotiation with ITOCHU and other matters, and acted in accordance with such opinions, instructions, requests, etc.

On August 2, 2024, the Target Company received a written report (the "Report") from the Special Committee to the effect that (1) the Transaction will contribute to the enhancement of the Target Company's corporate value and the purpose of the Transaction is considered reasonable; (2) the fairness and reasonableness of the terms of the Transaction (including the Tender Offer Price) are considered ensured; (3) the fairness of the procedures for the Transaction is considered ensured; (4) based on (1) through (3) above, the Transaction is considered to be not disadvantageous to the minority shareholders of the Target Company; and (5) it is considered appropriate for the Target Company's board of directors to express its opinion in favor of the Tender Offer and to express its opinion recommending that the Target Company's shareholders tender their shares in the Tender Offer, which will not be disadvantageous to the Target Company's minority shareholders (For the outline of the Report, please see "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below.).

(C) Determinations

In light of this background, the Target Company carefully discussed and evaluated at its board of directors meeting held on August 5, 2024 whether the Transaction, including the Tender Offer, would contribute to enhancing the Target Company's corporate value and whether the terms and conditions of the Transaction, including the Tender Offer Price, are appropriate, based on legal advice from Anderson Mōri & Tomotsune, advice from a financial point of view from Daiwa Securities, the contents of the stock valuation report pertaining to the Target Company Shares received from Daiwa Securities on August 2, 2024 (the "Stock Valuation Report (Daiwa Securities)") and the contents of the stock valuation report pertaining to the Target Company Shares received from Plutus Consulting on August 2, 2024 through the Special Committee (the "Stock Valuation Report (Plutus Consulting)") while respecting to the maximum extent the Special Committee's determinations presented in the Report.

As a result, as described below, the Target Company reached the conclusion that the taking the Target Company Shares private through the Transaction, including the Tender Offer by the Tender Offeror, will contribute to the enhancement of the Target Company's corporate value.

I. Accelerating bold business transformation through large-scale M&As

In its medium-term management plan "Go Beyond 2026 Innovation," the Target Company has positioned "accelerating M&A" as one of the key measures, and has set out to strengthen its structure for promoting M&As by clarifying its acquisition targets using the five categories that have been established based on the characteristics of candidates for acquisition: “M&A for petrochemical industry restructuring,” “M&A to acquire the benefit of the remaining players,” “M&A to acquire novel technology,” “M&A for overseas business expansion,” and “M&A for domestic sales expansion,” and establishing a special investment quota of 40 billion yen.

In this regard, the Target Company understands that ITOCHU has been expanding its business by having an investment team within each division, continuously considering and executing investments, and implementing a number of M&As. The Target Company believes that the know-how that ITOCHU has accumulated through these activities may be utilized for “accelerating M&A” as set forth in its mid-term management plan, “Go Beyond 2026 Innovation.”

Although the Target Company has received partial support from ITOCHU in M&A in the past in the form of introduction to acquisition targets, as both ITOCHU and the Target Company are independent listed companies, there have been certain restrictions in terms of more in-depth collaboration. The Target Company believes that, after the Transaction, it will be possible to pursue more in-depth collaboration, from M&A planning to negotiations with the counterparty and execution of the acquisition.

II. Improving the quality of human resources through personnel exchange

The Target Company believes that the privatization of the Target Company through the Transaction, with the Tender Offerors as the only Target Company’s shareholders, will enhance the exchange of human resources between the ITOCHU Group and the Target Company Group, enabling them to share their knowledge and know-how even more actively. In addition, the Target Company believes that the strengthening of the capital relationship between the Target Company Group and the ITOCHU Group through the Transaction will promote improvement and expansion of the Target Company Group’s educational system through the utilization of the ITOCHU Group’s human resources development program, thereby contributing to the improvement of the skills of the Target Company Group’s employees.

In addition, as described in I. above, the Target Company has set out to strengthen its structure for promoting M&As, and as it accelerates its consideration of M&As in the future, it will be essential to reinforce its M&A and PMI human resources. In this regard, the Target Company expects to enhance its human resources through secondment from ITOCHU, which has abundant M&A human resources, to the Target Company. At the same time, the Target Company believes that it will be possible to strengthen the Target Company Group’s human resources development as a group by acquiring knowledge through the dispatch of personnel from the Target Company to ITOCHU.

III. Expanding overseas business

Since the Target Company Group’s business is mainly domestic, and demand in the domestic market is on a declining trend, based on the idea that promoting overseas business expansion is essential for the further growth of the Target Company Group, the Target Company has positioned “expanding overseas business area strategies” as one of the key measures in the medium-term management plan “Go Beyond 2026 Innovation.”

The Target Company believes that it will be able to take full advantage of ITOCHU's global network of approximately 90 bases in over 61 countries around the world to accelerate the development and expansion of overseas sales channels for its existing products, and in the future, to accelerate the promotion of its strategies with a view to establishing or expanding overseas production bases for local production and local consumption. In particular, the Target Company believes that ITOCHU's global network can be utilized to efficiently and effectively promote the expansion of overseas sales and the strengthening of overseas production bases for semiconductor manufacturing equipment plates, flooring and decorative materials, shrink wrap labels, and zipper tapes, which the Target Company is currently focusing on.

IV. Optimizing the value chain

In its medium-term management plan, "Go Beyond 2026 Innovation," the Target Company has positioned "strengthening on-site capabilities" as one of the key measures, and as part of this measure, has set out to "establish a strategic raw material purchasing framework."

ITOCHU is the world's second largest synthetic resin distributor, the largest among Japanese trading companies, and the Target Company believes that by becoming a wholly-owned subsidiary of ITOCHU through the Transaction, it will be able to examine and implement with ITOCHU the most efficient purchasing policies, including the procurement of raw materials from overseas.

In addition, the Target Company believes that it will be able to optimize the value chain not only in terms of raw material procurement, but also in terms of distribution and sales, through collaboration with the ITOCHU Group. Specifically, the Target Company believes that it will be possible to strengthen and expand its packaging materials business by utilizing ITOCHU's network in the retail field, such as convenience stores, and to strengthen the sales of the Target Company's plates through deep collaboration with the plate sales network of the ITOCHU Group companies.

The Target Company has also considered the possibility that the privatization of the Target Company and the delisting of its stock through the Transaction would have an impact on its business partners and other stakeholders due to a decline in the Target Company's brand power, and cause as a decline in the motivation of its employees, as such possibility was of concern in the abstract. As stated in "(b) Management Policy after the Completion of the Tender Offer" below, in order to steadily realize the synergies described in "(a) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer" above, ITOCHU intends to accelerate the collaboration between the ITOCHU Group and the Target Company and to consider, through sufficient discussions between the Tender Offerors and the Target Company's management, such matters as the acceleration of domestic and overseas growth strategies and the enhancement of the comprehensive strength of the ITOCHU Group, including the Target Company, through active exchange of human resources. In addition, with respect to the employees of the Target Company Group after the successful completion of the Tender Offer, it is planned that, in principle, they will continue to be employed and that, in principle, the current employment conditions will not be changed to the disadvantage of those employees. The Target Company also believes that, if it becomes possible to manage the Target Company in unison with the ITOCHU Group through the Transaction, then, in addition to the synergies expected to be created as described in I. through IV. above, the Target Company will be able to reduce the costs and labor required to maintain the listing of the Target Company Shares, which are increasing every year, and concentrate its manpower on its core business, thereby enhancing the Target Company's corporate value, which in turn will contribute to the interests of the Target Company's stakeholders and employees. Furthermore, with regard to the decline in brand power, the Target Company recognizes that its brand power and name recognition have already been established through its business activities to date, since it was listed on the First Section of the TSE in 1973 as Takiron Chemical Co., Ltd., and ITOCHU is also considered to have high social credibility and name recognition. Therefore, the Target Company's becoming a wholly-owned subsidiary of ITOCHU would not undermine the Target Company's social credibility compared to its current status as a listed company. In light of this, the Target Company believes that the privatization of the Target Company through the Transaction will be acceptable to the Target Company Group's business partners, employees, and other stakeholders without any problem.

The Target Company has also determined that the Tender Offer Price and other terms and conditions of the Tender Offer are appropriate, and that the Tender Offer provides the Target Company's shareholders with an opportunity to sell their Target Company Shares at a price under reasonable terms and conditions with a reasonable premium, due to the following reasons:

(A) Based on the results of the valuation of the Target Company Shares by Daiwa Securities described in "(ii) Obtainment by the Target Company of a Stock Valuation Report from an Independent Third-Party Valuation Organization" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below, the Tender Offer Price exceeds the cap on the range of the valuation results using the average market share price method and the comparable company method, and it is within the range of the valuation results using the discounted cash flow method (the "DCF method") and exceeds the median (837 yen);

(B) Based on the results of the valuation of the Target Company Shares by Plutus Consulting in the Stock Valuation Report (Plutus Consulting) as described in "(iv) Obtainment by the Special Committee of a Stock Valuation Report from an Independent Third-Party Valuation Organization" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below, the Tender Offer Price exceeds the cap on the range of the valuation results using the average market share price method, and it is within the range of the valuation results using the comparable company method and the DCF method;

(C) In light of the long-term share price trends of the Target Company, the Tender Offer Price exceeds 852 yen (the closing price on November 14, 2017), which is the highest closing price during the past ten years, excluding the most recent one month for which a reasonable explanation is difficult, as described below;

(D) Measures to ensure the fairness of the Tender Offer as described in "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" in "(ii) Background of Valuation" in “(4) Basis for Valuation of the Tender Offer Price” in “3. Outline of the Tender Offer” below have been taken and the interests of minority shareholders have been secured;

(E) After taking the above measures, the Tender Offer Price has been raised from 705 yen, which was the price initially proposed by ITOCHU, through negotiations in good faith with ITOCHU with substantial involvement of the Special Committee, which is independent of the Target Company and the Tender Offeror and Related Parties; and

(F) As described in “(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee” in “(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)” in “(ii) Background of Valuation” in “(4) Basis for Valuation of the Tender Offer Price” in “3. Outline of the Tender Offer” below, the terms and conditions of the Transaction, including the Tender Offer Price, have been determined to be appropriate in the Report obtained by the Target Company from the independent Special Committee.

The Tender Offer Price is at a premium of 9.71% over the closing price of the Target Company Shares of 793 yen on the Prime Market of the TSE on August 2, 2024, which is the business day immediately preceding the announcement date of the commencement of the Tender Offer; at a premium of 7.94% over the simple average closing price of 806 yen for the most recent one month ending on the said date (from July 3, 2024 to August 2, 2024); at a premium of 15.85% over the simple average closing price of 751 yen for the most recent three months ending on the said date (from May 7, 2024 to August 2, 2024); and at a premium of 23.76% over the simple average closing price of 703 yen for the most recent six months ending on the said date (from February 5, 2024 to August 2, 2024). The Tender Offer Price is at a premium of more than 10% over the simple average closing price for the most recent three months ending on August 2, 2024, and regarding the premiums over the simple average closing prices for the most recent six months ending on August 2, 2024, the Target Company believes that certain premiums have been added even compared to the level of premiums in similar cases in the past. On the other hand, regarding the premiums over the closing price on August 2, 2024, which is the business day immediately preceding the announcement date, and the simple average closing price for the most recent one month ending on August 2, 2024, they are not necessarily high compared to the level of premiums in similar cases in the past. However, considering the following points, the possibility that the market share price of the Target Company during the most recent one month has been formed temporarily due to the influence of the stock market for which a reasonable explanation is difficult cannot be ruled out, and the Target Company believes that the market share price at that point in time and during that period should not be emphasized excessively.

I. The market share price of the Target Company moved around the middle of the range of 700 yen until early July; thereafter, although the Target Company did not announce any company information that may affect its market share price in particular, the current market share price of the Target Company significantly exceeds that level.

II. 875 yen (the closing price on July 23, 2024), which is the highest closing price of the market share price of the Target Company during the most recent one month, significantly exceeds 852 yen, which is the highest closing price of the market share price of the Target Company during the past ten years, excluding the most recent one month.

III. Although the Target Company has not announced any corporate information that would affect the market share price, the market price of the Target Company Shares has sometimes increased significantly in a single day, with a maximum of 7.3% compared to the previous day's closing price (59 yen, specifically, the difference between the closing price of the Target Company Shares of 806 yen on July 17, 2024 and that of 865 yen on July 18, 2024), and the Target Company receives an inquiry about the possibility of implementation of the tender offer, making it difficult to provide a reasonable explanation in view of the past trend of the market share price of the Target Company Shares. Moreover, the possibility cannot be denied that speculative buying occurs including market's expectation of the delisting of the Target Company Shares though the reason is not identified.

Although the Tender Offer Price is 12.41% below the amount of net assets per share of the Target Company as of March 31, 2024 (993.32 yen) and the PBR is below one, the PBR of 1x is a theoretical liquidation value, and the Target Company believes that it is not reasonable to emphasize it as a concern in evaluating the corporate value of the Target Company. Furthermore, in the case of liquidation of the Target Company, considering that the percentage of illiquid assets (i.e., inventory assets, such as merchandise and finished goods, raw materials, works in progress, and supplies, and fixed assets, such as buildings, land, machinery, and equipment) in the total assets on the Target Company's consolidated balance sheet as of the same date is 39.2% (rounded to one decimal place), and also considering the difficulty in selling those assets, as well as various additional costs, such as personnel reduction costs associated with liquidation, removal costs associated with closing plants, soil contamination measure costs, etc., a considerable reduction from the book value of those assets is expected (however, according to the Target Company, the Target Company has not obtained estimates or made specific calculations on the basis of liquidation, as liquidation is not planned). Therefore, the Target Company does not believe that the PBR being below one makes the Tender Offer Price unreasonable.

For the foregoing reasons, the Target Company, at its board of directors meeting held on August 5, 2024, resolved to express an opinion in favor of the Tender Offer and to recommend that the Target Company's shareholders tender their shares in the Tender Offer.

For the details of the method of the resolution of the Target Company's board of directors described above, please refer to "(viii) Approval of All Disinterested Directors at the Target Company and Opinion of All Disinterested Audit and Supervisory Board Members that They Had No Objection" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below.

(b) Management Policy after the Completion of the Tender Offer

In order to consistently achieve the synergy effect stated in "(a) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer" above, the Tender Offerors and the Target Company will accelerate collaboration between the ITOCHU Group and the Target Company, and, through sufficient discussions between Tender Offerors and the management of the Target Company, will deliberate over matters such as accelerating the existing growth strategies in Japan and overseas, and enhancing the comprehensive strength of the ITOCHU Group, including the Target

Company, by increased personnel exchanges. In addition, the Tender Offerors and the Target Company plan to continue employing the Target Company Group's employees after the completion of the Tender Offer and not to change the current employment conditions in a disadvantageous manner to the employees, in principle.

(3) 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

Considering that ITOCHU, the parent company of the Tender Offeror, is the controlling shareholder (i.e., parent company) of the Target Company whose Ownership Ratio of the Target Company Shares has reached 55.49%, that the Transaction, including the Tender Offer, constitutes a material transaction with a controlling shareholder, and that the Transaction constitutes a transaction that are typified by issues such as the existence of structural conflicts of interest and information asymmetry, the Target Company is implementing the following measures to address those issues and to ensure the fairness of the Tender Offer. The measures taken by the Target Company described below are set forth based on the explanation by the Target Company.

As described in "(1) Outline of the Tender Offer" above, as of today, the Tender Offeror does not hold any Target Company Shares. However, ITOCHU, et al. hold 54,341,418 Target Company Shares (Ownership Ratio: 55.69%). Therefore, considering that setting the lower limit on the number of shares to be purchased through the Tender Offer by the so-called "majority of minority" will make completion of the Tender Offer unpredictable and will not be in the best interests of minority shareholders of the Target Company who wish to tender in the Tender Offer, no lower limit on the number of shares to be purchased in the Tender Offer by the "majority of minority" was set. However, the Tender Offerors and the Target Company took the measures set out below to ensure the fairness of the Tender Offer. Thus, the Tender Offerors and the Target Company believe that the interests of the minority shareholders of the Target Company were sufficiently considered. Furthermore, the Special Committee determined in the Report that in light of the fact that other measures were taken that were sufficient to ensure fairness, the mere fact that the majority of the minority condition was not set does not mean that appropriate measures to ensure fairness have not been taken, and the Target Company came to the same conclusion.

(i) Acquisition of a stock valuation report by ITOCHU from an independent third-party valuation organization
(ii) Obtainment by the Target Company of a Stock Valuation Report from an Independent Third-Party Valuation Organization
(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee
(iv) Obtainment by the Special Committee of a Stock Valuation Report from an Independent Third-Party Valuation Organization
(v) Advice Obtained by the Special Committee from an Independent Law Firm
(vi) Advice Obtained by the Target Company from an Independent Law Firm
(vii) Establishment of an Independent Evaluation Framework at the Target Company
(viii) Approval of all disinterested directors at the Target Company and opinion of all disinterested audit and supervisory board members at the Target Company that they had no objection
(ix) No Transaction Protection Clause

(x) Measures for Securing Opportunities for the Target Company's Shareholders to Appropriately Decide whether to Tender Their Shares in the Tender Offer

For details regarding the above, please refer to "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" below.

(4) Policy for Reorganization after the Tender Offer (Matters Concerning the So-Called "Two-Step Acquisition")

As stated in "(1) Outline of the Tender Offer" above, should not all of the Target Company Shares be acquired through the Tender Offer (excluding the Target Company Shares held by ITOCHU, et al. and the treasury shares held by the Target Company), the Tender Offeror plans to implement the following Squeeze-Out Procedures after the completion of the Tender Offer.

(i) Demand for Share Cash-Out

If, after completion of the Tender Offer, the total number of the voting rights of the Target Company owned by the Tender Offerors becomes 90% or more of the voting rights owned by all the Target Company's shareholders, and ITOCHU becomes a special controlling shareholder defined in Article 179, paragraph 1 of the Companies Act, ITOCHU plans to demand that all of the Target Company's shareholders (excluding the Tender Offerors and the Target Company) (the "Selling Shareholders") sell all of the Target Company Shares owned by them to ITOCHU pursuant to the provisions of Section 4-2 of Chapter 2 of Part II of the Companies Act immediately after the settlement of the Tender Offer is completed (the "Demand for Share Cash-Out"). In the Demand for Share Cash-Out, it is planned to provide that the same amount of money as the Tender Offer Price will be delivered to the Selling Shareholders in exchange for one Target Company Share. In this case, ITOCHU will give the Target Company a notice to that effect, and will seek an approval for the Demand for Share Cash-Out from the Target Company. If the Target Company approves the Demand for Share Cash-Out through a resolution at a board of directors' meeting, ITOCHU will acquire all of the Target Company Shares owned by the Selling Shareholders from them on the acquisition date provided in the Demand for Share Cash-Out, without obtaining individual approval from each Selling Shareholder, in accordance with the procedures provided by relevant laws and regulations. ITOCHU will deliver the same amount of money as the Tender Offer Price to the Selling Shareholders in exchange for one Target Company Share held by the Selling Shareholders.

According to the Target Company Press Release, if the Target Company receives a notice from ITOCHU on its intention to make the Demand for Share Cash-Out and the matters set forth in the items of paragraph 1 of Article 179-2 of the Companies Act, the Target Company will approve the Demand for Share Cash-Out by ITOCHU at its board of directors' meeting.

If the Demand for Share Cash-Out is conducted as a procedure under the Companies Act aiming to protect minority shareholders' rights related to the above procedures, it is provided that the Selling Shareholders may file a petition with the court to determine the purchase price of the Target Company Shares owned by them pursuant to the provisions of Article 179-8 of the Companies Act and other related laws and regulations. If the petition is filed, the purchase price of the Target Company Shares will ultimately be determined by the court.

(ii) Share Consolidation

If after the Tender Offer is completed, the total number of the voting rights of the Target Company owned by the Tender Offerors does not reach 90% or more of the voting rights owned by all the Target Company's shareholders, the Tender Offerors plan to request, promptly after the settlement of the Tender Offer is completed, that the Target Company hold a special shareholders' meeting around late October to mid-November 2024, whose agenda items will include implementation of a share consolidation of the Target Company Shares pursuant to Article 180 of the Companies Act (the "Share Consolidation") and a partial amendment of the articles of incorporation to abolish the provisions on share unit numbers subject to effectuation of the Share Consolidation (the "Special Shareholders' Meeting"). According to the Target Company Press Release, if the Tender Offerors make this request, the Target Company will accept it. Furthermore, the Tender Offerors plan to support each of the agenda items described above at the Special Shareholders' Meeting.

If the Share Consolidation agenda is approved at the Special Shareholders' Meeting, the Target Company's shareholders will each, as of the date the Share Consolidation is to take effect, own the number of the Target Company Shares equivalent to the Share Consolidation ratio approved at the Special Shareholders' Meeting. If the Share Consolidation results in fractional shares that are less than one share, the money to be obtained by selling the Target Company Shares equivalent to the sum total of such fractional shares (if the sum total contains fractional shares less than one share, the fractional shares shall be rounded down; hereinafter the same applies) to the Target Company or the Tender Offerors will be delivered to the Target Company's shareholders to whom fractions occurred in accordance with the provisions in Article 235 of the Companies Act and other relevant laws and regulations. With respect to the sale price of the Target Company Shares that equal the total number of the fractional shares, the Tender Offerors plan to request that the Target Company file a petition for voluntary sale permission with the court, so that the amount of money to be delivered as a result of the sale, to the Target Company's shareholders who did not tender their shares in the Tender Offer (excluding the Tender Offerors and the Target Company), will be equal to the amount calculated by multiplying the Tender Offer Price by the number of the Target Company Shares owned by each shareholder.

Although the Share Consolidation ratio is undetermined as of today, the Tender Offeror plans to request that the Target Company determine the ratio so that the number of the Target Company Shares owned by the Target Company's shareholders who did not tender their shares in the Tender Offer (excluding the Tender Offerors and the Target Company) will be fractions that are less than one share, intending to make the Tender Offerors own all Target Company Shares (excluding the treasury shares held by the Target Company). If, as a result of the Tender Offer, there are one or more shareholders who own the Target Company Shares in a number equal to or exceeding the number of the Target Company Shares owned by ITOCHU PLASTICS, or it is expected that such a situation will occur when the Share Consolidation becomes effective, the Tender Offeror plans to request that the Target Company set the Share Consolidation ratio so that the number of the Target Company Shares owned by such shareholder and the number of the Target Company Shares owned by ITOCHU PLASTICS will be fractions that are less than one share, for the purpose of preventing such shareholder from remaining a shareholder of the Target Company after the Share Consolidation becomes effective.

Furthermore, as the provisions aiming to protect minority shareholders' rights related to the Share Consolidation, the Companies Act provides that if the Share Consolidation results in fractional shares that are less than one share, the Target Company's shareholders who did not tender their shares in the Tender Offer (excluding the Tender Offerors and the Target Company) may demand that the Target Company purchase all of the fractional shares less than one share owned by them at a fair price and may file a petition with the court to determine 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 ultimately be determined by the court.

The procedures for (i) and (ii) described above may require a certain amount of time to be implemented or may be subject to change in the implementation methods, depending on the amendments to relevant laws and regulations, their implementation, and their interpretation by relevant authorities. However, even in such cases, if the Tender Offer is completed, the methods by which money will eventually be delivered to the Target Company's shareholders who did not tender their shares in the Tender Offer (excluding the Tender Offerors and the Target Company) will be adopted, and the amount of money to be delivered to the relevant Target Company's shareholders in those cases will be calculated so that it will be equal to the price obtained by multiplying the Tender Offer Price by the number of the Target Company Shares owned by the relevant Target Company's shareholders.

The specific procedures and timeline of the implementation in the above cases will be announced by the Target Company promptly after they are determined by the Tender Offerors after discussions with the Target Company.

The Tender Offer is not intended to solicit the Target Company's shareholders for support at the Special Shareholders' Meeting. The Target Company's shareholders are asked to consult with experts such as tax accountants at their own responsibility concerning the handling of tax affairs in tendering their shares in the Tender Offer or the above procedures.

(5) Possibility of Delisting and Reasons Thereof

As of today, the Target Company Shares are listed on the Prime Market of the TSE. Since the Tender Offeror has set no maximum number of shares to be purchased in the Tender Offer, the Target Company Shares may be delisted depending on the results of the Tender Offer after following the designated procedures pursuant to the delisting standards established by the TSE. Even if the delisting standards do not apply to the Target Company Shares at the time of the completion of the Tender Offer, the Tender Offeror plans to implement the Squeeze-Out Procedures as described in "(4) Policy for Reorganization after the Tender Offer (Matters Concerning the So-Called "Two-Step Acquisition")" above after the completion of the Tender Offer. Therefore, if the procedures are implemented, the Target Company Shares will be delisted pursuant to the delisting standards set by the TSE following the designated procedures. The Target Company Shares cannot be traded on the TSE Prime Market after they are delisted.

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

The Tender Offeror and ITOCHU confirmed the intention of ITOCHU PLASTICS not to tender the Non-Tendered Shares (199,000 shares, Ownership Ratio: 0.20%) in the Tender Offer as of August 2, 2024. Since ITOCHU PLASTICS is a wholly-owned subsidiary of ITOCHU, the Tender Offeror and ITOCHU determined that it was sufficient to confirm the intention verbally, and not in writing.

3. Outline of the Tender Offer

(1) Outline of the Target Company

(i)	Name	C.I. TAKIRON Corporation	
(ii)	Location	2-15-1 Konan, Minato-ku, Tokyo	
(iii)	Name and Title of Representative	Yuji Fukuda, Representative Director, President	
(iv)	Description of Business Activities	Manufacturing, processing, and sales of various resin products, such as vinyl chloride and polycarbonate (PC), and subcontracting, design, and management of installation work for these products	
(v)	Capital	15,216 million yen (as of March 31, 2024)	
(vi)	Date of Establishment	December 20, 1935	
(vii)	Major Shareholders and Ownership Percentages (as of March 31, 2024)	ITOCHU Corporation	55.49%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	6.47%
		Custody Bank of Japan, Ltd. (Trust Account)	2.59%
		MSIP CLIENT SECURITIES (standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	1.75%
		C.I. TAKIRON Shareholding Association	1.35%
		KANEKA CORPORATION	1.05%
		DFA INTL SMALL CAP VALUE PORTFOLIO (standing proxy: Citi Bank, N.A., Tokyo Branch)	1.01%
		Watanabe Pipe Co., Ltd.	0.90%
		The Nomura Trust and Banking Co., Ltd. (trust account)	0.59%
		UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT (standing proxy: Citi Bank, N.A., Tokyo Branch)	0.51%
(viii)	Relationship Between the Listed Companies and the Target Company		
	Capital Relationship	As of today, ITOCHU, which is the parent company of the Tender Offeror holds 54,142,418 Target Company Shares (Ownership Ratio: 55.49%). The Target Company is a subsidiary of ITOCHU. In addition, as of today, ITOCHU PLASTICS, which is a wholly-owned subsidiary of ITOCHU, holds 199,000 Target Company Shares (Ownership Ratio: 0.20%).	
	Personnel Relationship	Not applicable.	

		However, three of the seven directors of the Target Company are originally from ITOCHU or currently related to ITOCHU, which is the parent company of the Tender Offeror. One of the four audit and supervisory board member of the Target Company is an employee of ITOCHU. In addition, as of today, one employee of the Target Company is seconded to ITOCHU, and five employees of ITOCHU are seconded to the Target Company.
	Business Relationship	Not applicable. However, the Target Company Group is engaged in transactions concerning the purchase of raw materials with ITOCHU.
	Status as Related Parties	The Target Company is a subsidiary of ITOCHU, which is the parent company of the Tender Offeror. Therefore, the Tender Offeror is a related party of the Target Company, and ITOCHU and the Target Company are mutually related parties.

(Note) “Major Shareholders and Ownership Percentages (as of March 31, 2024)” is based on “the Major Shareholders,” as stated in the Target Company’s Securities Report for the 129th term submitted on June 26, 2024.

(2) Schedule

(i) Schedule

Date of Resolution of the Board of Directors	August 5, 2024 (Monday)
Date of Public Notice for Commencement of Tender Offer	August 6, 2024 (Tuesday) Electronic public notice is issued and the notice to that effect is posted in the *Nihon Keizai Shimbun* (Japanese Only). (URL of electronic public notice: https://disclosure2.edinet-fsa.go.jp/)
Submission Date of Tender Offer Registration Statement	August 6, 2024 (Tuesday)

(ii) Tender Offer Period Originally Specified in the Registration Statement

From August 6, 2024 (Tuesday) to September 18, 2024 (Wednesday) (30 business days)

(iii) Possibility of Extension Upon Request of the Target Company

Not applicable

(3) Tender Offer Price

870 yen per common share

(4) Basis for Valuation of the Tender Offer Price

(i) Basis for Valuation

When determining the Tender Offer Price, in order to ensure the fairness of the Tender Offer Price, ITOCHU requested that Nomura Securities, a financial advisor of ITOCHU, as a third-party valuation organization independent from ITOCHU and ITOCHU Group including the Target Company, evaluate the Target Company Shares.

As a result of considering the valuation methods to be applied in the Tender Offer, Nomura Securities elected to use the following methods: the average market share price method, due to the Target Company Shares being listed on the TSE Prime Market; the comparable company method, as there are several listed companies comparable to the Target Company and it is possible to analogize the share value of the Target Company Shares by comparing to that of similar listed companies; and the DCF method, in order to reflect future business activities. ITOCHU has received a stock valuation report (the "Tender Offeror Stock Valuation Report") from Nomura Securities on August 2, 2024. Nomura Securities is not a related party of the Tender Offerors or the Target Company and has no material interest in the Tender Offer. Furthermore, by comprehensively considering the factors stated in "(Background Leading to Determination of the Tender Offer Price)" in "(ii) Background of Valuation" below, ITOCHU considers that the interests of the Target Company's minority shareholders have been sufficiently considered. Therefore, ITOCHU has not obtained a written opinion concerning the fairness of the Tender Offer Price (known as a fairness opinion) from Nomura Securities.

The ranges of the value per share of the Target Company Shares evaluated by Nomura Securities using each of the above methods are as follows:

Average market share price method:	703 yen to 827 yen
Comparable company method:	689 yen to 870 yen
DCF method:	693 yen to 953 yen

Under the average market share price method, with August 2, 2024 being set as the reference date, the value per share of the Target Company Shares is calculated to range from 703 yen to 827 yen based on the closing price of the Target Company Shares on the Prime Market of the TSE as of the reference date of 793 yen; the simple average closing price for the most recent five business days of 827 yen; the simple average closing price for the most recent one month of 806 yen; the simple average closing price for the most recent three months of 751 yen; and the simple average closing price for the most recent six months of 703 yen.

Under the comparable company method, through comparison with the market prices and financial indicators showing profitability of listed companies that engage in businesses comparatively similar to those of the Target Company, the analysis demonstrates that the range of the value per share of the Target Company Shares is between 689 yen and 870 yen.

Under the DCF method, using various assumptions including the revenue forecast and investment plans in the business plan for the five fiscal years from the fiscal year ending March 2025 to the fiscal year ending March 2029 received from the Target Company and provided after modification by ITOCHU, management interview of the Target Company, recent trends in the business performance, as well as publicly disclosed information, the corporate value and share value of the Target Company were calculated by discounting the free cash flow expected to be generated by the Target Company in the future from and including the fiscal year ending March 2025 back to the present value using a certain discount rate, and the value per share of the Target Company Shares is calculated to range from 693 yen to 953 yen. The business plan of the Target Company based on the DCF method does not include fiscal years in which a substantial increase/decrease in profit is expected. That business plan is not premised on the Transaction being implemented, and does not reflect the synergy effects expected by the Transaction being completed because it is difficult to specifically estimate those synergies at present.

Comprehensively considering the valuation results of the share value of the Target Company in the Tender Offeror Stock Valuation Report obtained from Nomura Securities, the results of due diligence on the Target Company conducted from mid-April to late May 2024, whether the Target Company's board of directors should support the Tender Offer, and the forecast for tendering shares in the Tender Offer, etc., based on the results of discussions and negotiations with the Target Company, ITOCHU ultimately decided on August 2, 2024 that the Tender Offer Price would be 870 yen.

The Tender Offer Price of 870 yen is the amount obtained by adding a premium of 9.71% to 793 yen, which is the closing price of Target Company Shares on the Prime Market of the TSE on August 2, 2024, the business day immediately prior to the date of the announcement regarding the conduct of the Tender Offer, 7.94% to 806 yen, which is the simple average closing price for the past month, 15.85% to 751 yen, which is the simple average closing price for the past three months, and 23.76% to 703 yen, which is the simple average closing price for the past six months, respectively.

(Note 1) In evaluating the Target Company Shares, Nomura Securities has assumed, without independent verification, the accuracy and completeness of the information that was publicly available or supplied to it. Nomura Securities has not made any independent valuation, assessment, or appraisal of the assets or liabilities (including financial derivatives, out-of-book assets and liabilities, and other contingent liabilities) of the Target Company and its related companies, including analysis and valuation of individual assets and liabilities, nor has Nomura Securities requested an assessment or appraisal from any third-party organization. With respect to the financial projections (including the profit plan and other information) of the Target Company, Nomura Securities has assumed that they have been reasonably examined or prepared by the management of ITOCHU based on the best and most faithful projections and judgments available at present. The valuation by Nomura Securities reflects the information and economic conditions that it obtained by August 2, 2024. The aim of Nomura Securities' valuation is only to contribute to the examination by the board of directors of ITOCHU of the value of the Target Company Shares.

(ii) Background of Valuation

(Background Leading to Determination of the Tender Offer Price)

In mid-February 2024, to actualize the further enhancement of the corporate value of the ITOCHU Group including the Target Company, ITOCHU concluded that it would be best to align the interests of the Target Company and ITOCHU more strongly than before by taking the Target Company private and to put in place a structure that enables the prompt and flexible mutual utilization of their management resources; and it commenced initial deliberations accordingly.

In early March 2024, ITOCHU retained Nomura Securities as a financial advisor and third-party valuation organization independent from the ITOCHU Group (including ITOCHU and the Target Company), and Nishimura & Asahi (Gaikokuho Kyodo Jigyo) as a legal advisor, and built a structure for discussions and negotiation with regard to taking the Target Company private. After ITOCHU provided the Target Company with a notice to the effect that ITOCHU had commenced deliberating the implementation of the Transaction on March 11, 2024, on March 18, 2024, ITOCHU submitted to the Target Company an initial proposal letter stating the background for ITOCHU offering the Transaction and the growth strategy after implementing the Transaction.

According to the Target Company Press Release, after receiving on March 11, 2024 a notice from ITOCHU, the Tender Offeror's parent company, that it had commenced consideration for the implementation of the Transaction, the Target Company again received an initial proposal letter for the Transaction from ITOCHU on March 18, 2024. Accordingly, considering that ITOCHU is the Target Company' s controlling shareholder (parent company) whose Ownership Ratio of the Target Company Shares reaches 55.49%, that the Transaction, including the Tender Offer, constitutes a material transaction with a controlling shareholder, and that the Transaction is a type of transaction involving issues of structural conflict of interest and information asymmetry, the Target Company, in deliberating the Transaction and consulting and negotiating with ITOCHU regarding the Transaction, appointed Anderson Mōri & Tomotsune as its legal advisor independent of the Tender Offeror and Related Parties and the Target Company Group in mid-March 2024, and Daiwa Securities as its financial advisor and third-party valuation organization independent of the Tender Offeror and Related Parties and the Target Company Group in early April 2024 to address these issues and to ensure the fairness of the Transaction. In order to ensure the fairness of the Transaction, based on the advice of such advisors, the Target Company immediately started to establish a system to review, negotiate, and make a decision on the Transaction from a standpoint independent of ITOCHU, and from the perspective of enhancing the corporate value of the Target Company and securing the interests of the Target Company's minority shareholders. Specifically, as stated in "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" below, after making preparations for the establishment of a special committee, the Target Company established the Special Committee consisting of Ms. Yoshiko Kosaka (outside Director, independent officer), Mr. Takeshi Kaide (outside Director, independent officer), and Mr. Hiroaki Ishizuka (outside Director, independent officer) by resolution of the board of directors extraordinary meeting held on April 5, 2024 (For details of the process of consideration and decision by the Special Committee, please see "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" below.). Among the members of the Special Committee, Mr. Hiroaki Ishizuka, who was not an outside Director of the Target Company at the time of the establishment of the Special Committee, has been a member of the Special Committee since its establishment because it was internally decided by a resolution of the board of directors of the Target Company that he would become an outside Director upon approval at the ordinary general shareholders' meeting to be held in June 2024.

On April 5, 2024, the Target Company's board of directors consulted with the Special Committee on the Matters of Inquiry. Furthermore, in establishing the Special Committee, the Target Company's board of directors has resolved that (i) the decisions of the Target Company's board of directors will be made with the utmost respect for the judgments made by the Special Committee, and (ii) in particular, if the Special Committee determines that the terms and conditions of the Transaction are not appropriate, the Target Company's board of directors will not support the Transaction. In addition, the Target Company's board of directors has resolved that the Target Company will authorize the Special Committee to: (i) be substantially involved in the process of negotiating the terms and conditions of the Transaction by, for example, confirming in advance the policies for negotiating the Tender Offer Price and other terms and conditions of the Transaction, receiving timely reports on the situation of the negotiations, expressing opinions in important aspects, and issuing instructions and making requests; (ii) approve (including ex-post facto approval) the financial advisor or legal advisor appointed by the Target Company; (iii) appoint its own advisors, as necessary, in providing its report on the Matters of Inquiry (if the Special Committee determines that the Special Committee can rely on the Target Company's advisors to provide professional advice or explanations, including that such advisors are highly professional and independent, then the Special Committee may request professional advice or explanations from the Target Company's advisors, and the reasonable costs associated with the professional advice of the advisors of the Special Committee will be borne by the Target Company); and (iv) receive from the Target Company's officers and employees and such other persons as the Special Committee deems necessary all information necessary to consider and make judgments concerning the Transaction (For the method of resolving at the board of directors meeting, please see "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" below).

As stated in "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" in "(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)" below, on April 19, 2024, based on the authority described above, the Special Committee decided to appoint Kitahama Partners as its own legal advisor and Plutus Consulting as its own financial advisor and third-party valuation organization.

ITOCHU and the Target Company commenced specific discussions and deliberations for the Transaction based on the above.

ITOCHU conducted due diligence with regard to the Target Company from mid-April 2024 to late May 2024 to examine the feasibility of the Tender Offer. In parallel, ITOCHU repeatedly discussed the significance and purpose of the Transaction, the synergy effect expected to be generated by the Transaction, the management structure and business policies to be put in place after the Transaction, and industry prospects with the Target Company and the Special Committee. Specifically, on May 16, 2024, ITOCHU received written inquiries from the Target Company and the Special Committee concerning the significance and purpose of the Transaction stated in the initial proposal letter submitted on March 18, 2024, and submitted a written response to these inquiries on May 27, 2024. Based on this response, on June 5 and 7, 2024, ITOCHU received additional written inquiries from the Target Company and the Special Committee. During the Special Committee meeting held on June 11, 2024, ITOCHU responded to these inquiries, explained the significance and purpose of the Transaction, held

Q&A sessions, and exchanged opinions on the significance and purpose of the Transaction, the synergy effect expected to be generated by the Transaction, the management structure and business policies to be put into place after the Transaction, and industry prospects.

Since June 17, 2024, ITOCHU has conducted several rounds of negotiations with the Target Company regarding the Tender Offer Price. Specifically, ITOCHU comprehensively considered the information obtained through the due diligence on the Target Company conducted by ITOCHU, the initial valuation analysis of the Target Company Shares conducted by Nomura Securities, its financial advisor, based on such information, and the valuation analysis of the Target Company Shares conducted by ITOCHU based on such information. Thereafter, on June 17, 2024, ITOCHU made a proposal in relation to the Transaction, which included setting the Tender Offer Price at 705 yen (representing a premium of 2.32% over the closing price of the Target Company Shares of 689 yen on the Prime Market of the TSE as of the immediately preceding business day; a discount of 1.95% on the simple average closing price of 719 yen for the most recent one month up to the same date; a premium of 2.47% over the simple average closing price of 688 yen for the most recent three months up to the same date; and a premium of 5.54% over the simple average closing price of 668 yen for the most recent six months up to the same date). However, on June 19, 2024, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price because the Tender Offer Price was not considered to be at a level that adequately took into account the interests of the Target Company's minority shareholders. In response, on June 21, 2024, ITOCHU made another proposal to set the Tender Offer Price at 750 yen (representing a premium of 4.17% over the closing price of the Target Company Shares of 720 yen the Prime Market of the TSE on the immediately preceding business day; a premium of 5.04% over the simple average closing price of 714 yen for the most recent one month up to the same date; a premium of 8.70% over the simple average closing price of 690 yen for the most recent three months up to the same date; and a premium of 11.94% over the simple average closing price of 670 yen for the most recent six months up to the same date). Nevertheless, on June 24, 2024, ITOCHU was again requested by the Target Company and the Special Committee to reconsider the Tender Offer Price on the grounds that the Tender Offer Price was not considered to be at a level that fully took into account the interests of the Target Company's minority shareholders in light of the most recent trend of the market prices of the Target Company Shares, the level of premiums in similar cases in the past (taking private transactions to make the target companies wholly-owned subsidiaries), the substance of the valuation analysis of the Target Company Shares conducted by Daiwa Securities, the Target Company's financial advisor, and Plutus Consulting, the Special Committee's financial advisor, among other factors. Thereafter, in response to the Target Company and the Special Committee's request, on June 27, 2024, ITOCHU reproposed setting the Tender Offer Price at 785 yen (representing a premium of 3.56% over the closing price of the Target Company Shares of 758 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 10.10% over the simple average closing price of 713 yen for the most recent one month up to the same date; a premium of 13.11% over the simple average closing price of 694 yen for the most recent three months up to the same date; and a premium of 16.64% over the simple average closing price of 673 yen for the most recent six months up to the same date). However, on July 1, 2024, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price, on the grounds that while the Target Company believes that a portion of the synergies generated by the Transaction should be fairly distributed to its minority shareholders, it was difficult to say that the Tender Offer Price was at a level that would allow for an adequate distribution of a portion of the synergies to such minority shareholders. Thereafter, in response to the Target Company and the Special Committee's request, on July 4, 2024, ITOCHU reproposed setting the Tender Offer Price at 795 yen (representing a premium of 7.87% over the closing price of the Target Company Shares of 737 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 11.19% over the simple average closing price of 715 yen for the most recent one month up to the same date; a premium of 13.57% over the simple average closing price of 700 yen for the most recent three months up to the same date; and a premium of 17.60% over the simple average closing price of 676 yen for the most recent six months up to the same date). However, on July 8, 2024, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price, on the grounds that the Tender Offer Price was not at a level that would allow the Target Company to support the Tender Offer and to recommend that the Target Company's minority shareholders tender their shares in the Tender Offer. Thereafter, in response to the Target Company and the Special Committee's request, on July 10, 2024, ITOCHU reproposed setting the Tender Offer Price at 800 yen (representing a premium of 7.82% over the closing price of the Target Company Shares of 742 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 10.96% over the simple average closing price of 721 yen for the most recent one month up to the same date; a premium of 13.64% over the simple average closing price of 704 yen for the most recent three months up to the same date; and a premium of 17.82% over the simple average closing price of 679 yen for the most recent six months up to the same date). However, on July 11, 2024, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price, on the grounds that the Tender Offer Price was still not at a level that would allow the Target Company to support the Tender Offer and to recommend that the Target Company's minority shareholders tender their shares in the Tender Offer. Thereafter, in response to the Target Company's request, on July 12, 2024, ITOCHU reproposed setting the Tender Offer Price at 810 yen (representing a premium of 5.88% over the closing price of the Target Company Shares of 765 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 11.42% over the simple average closing price of 727 yen for the most recent one month up to the same date; a premium of 14.57% over the simple average closing price of 707 yen for the most recent three months up to the same date; and a premium of 19.12% over the simple average closing price of 680 yen for the most recent six months up to the same date). However, on July 18, 2024, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price, on the grounds that the Tender Offer Price was still not at a level that would allow the Target Company to support the Tender Offer and to recommend that the Target Company's minority shareholders tender their shares in the Tender Offer. Thereafter, on July 22, 2024, ITOCHU reproposed setting the Tender Offer Price at 855 yen (representing a premium of 0.59% over the closing price of the Target Company Shares of 850 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 12.50% over the simple average closing price of 760 yen for the most recent one month up to the same date; a premium of 18.59% over the simple average closing price of 721 yen for the most recent three months up to the same date; and a premium of 24.45% over the simple average closing price of 687 yen for the most recent six months up to the same date). However, on the same day, ITOCHU was requested by the Target Company and the Special Committee to reconsider the Tender Offer Price, on the grounds that the Tender Offer Price was still not at a level that would allow the Target Company to support the Tender Offer and to recommend that the Target Company's minority shareholders tender their shares in the Tender Offer. Thereafter, on July 23, 2024, ITOCHU reproposed setting the Tender Offer Price at 870 yen (representing a premium of 1.28% over the closing price of the Target Company Shares of 859 yen on the Prime Market of the TSE on the immediately preceding business day; a premium of 13.28% over the simple average closing price of 768 yen for the most recent one month up to the same date; a premium of 20.17% over the simple average closing price of 724 yen for the most recent three months up to the same date; and a premium of 26.27%

over the simple average closing price of 689 yen for the most recent six months up to the same date). As a result, on August 2,2024, ITOCHU received a response from the Target Company and the Special Committee to the effect that it would coordinate to express its opinion in favor of the Tender Offer, and to recommend that the Target Company's shareholders tender their shares in the Tender Offer by setting the Tender Offer Price at 870 yen as proposed by ITOCHU.

When determining the Tender Offer Price, in order to ensure the fairness of the Tender Offer Price, ITOCHU requested that Nomura Securities, a financial advisor of ITOCHU, as a third-party valuation organization independent from ITOCHU and ITOCHU Group including the Target Company, evaluate the Target Company Shares.

As a result of considering the valuation methods to be applied in the Tender Offer, Nomura Securities elected to use the following methods: the average market share price method, due to the Target Company Shares being listed on the TSE Prime Market; the comparable company method, as there are several listed companies comparable to the Target Company and it is possible to analogize the share value of the Target Company Shares by comparing to that of similar listed companies; and the DCF method, in order to reflect future business activities. ITOCHU has received the Tender Offeror Stock Valuation Report from Nomura Securities on August 2, 2024. Nomura Securities is not a related party of the Tender Offerors or the Target Company and has no material interest in the Tender Offer. Furthermore, by comprehensively considering the factors stated below, ITOCHU considers that the interests of the Target Company's minority shareholders have been sufficiently considered. Therefore, ITOCHU has not obtained a written opinion concerning the fairness of the Tender Offer Price (known as a fairness opinion) from Nomura Securities.

(i) Outline of the Tender Offeror Stock Valuation Report

Nomura Securities evaluated the Target Company Shares using the average market price method, comparable company method and DCF method; and the ranges of the value per share of the Target Company Shares calculated using each method are as follows:

Average market share price method:	703 yen to 827 yen
Comparable company method:	689 yen to 870 yen
DCF method:	693 yen to 953 yen

(ii) Reasons Leading to Determination of the Tender Offer Price Based on the Tender Offeror Stock Valuation Report

Comprehensively considering the valuation results of the share value of the Target Company in the Tender Offeror Stock Valuation Report obtained from Nomura Securities, the results of due diligence on the Target Company conducted from mid-April to late May 2024, whether the Target Company's board of directors should support the Tender Offer, and the forecast for tendering shares in the Tender Offer, etc., based on the results of discussions and negotiations with the Target Company, ITOCHU ultimately decided on August 2, 2024 that the Tender Offer Price would be 870 yen.

(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)

Considering that ITOCHU, which is the parent company of the Tender Offeror, is the Target Company's controlling shareholder (parent company) whose Ownership Ratio of the Target Company Shares reaches 55.49%, that the Transaction, including the Tender Offer, constitutes a material transaction with a controlling shareholder, and that the Transaction constitutes a transaction that is typified by issues such as the existence of structural conflicts of interest and information asymmetry, the Tender Offeror and the Target Company are implementing the following measures to address those issues and to ensure the fairness of the Transaction. The measures taken by the Target Company described below are set forth based on the explanation by the Target Company.

(i) Acquisition of a Stock Valuation Report by ITOCHU from an Independent Third-party Valuation Organization

ITOCHU has obtained the Tender Offeror Stock Valuation Report on valuation results of the Target Company Shares as of August 2, 2024, from Nomura Securities. For details, please see "(i) Basis for Valuation" above.

(ii) Obtainment by the Target Company of a Stock Valuation Report from an Independent Third-Party Valuation Organization

(a) Name of the valuation organization and its relationship with the Target Company and the Tender Offeror

In expressing its opinion on the Tender Offer, the Target Company requested Daiwa Securities, a financial advisor and third-party valuation organization independent of the Tender Offeror and Related Parties and the Target Company Group, to calculate the value of the Target Company Shares and received the Stock Valuation Report (Daiwa Securities) on August 2, 2024. Daiwa Securities is not a related party of the Tender Offeror and Related Parties or the Target Company Group and has no material interest in the Transaction, including the Tender Offer, that should be disclosed. In addition, as the Tender Offeror and the Target Company have taken the measures to ensure fairness of the Tender Offer Price and to prevent conflict of interest, the Target Company has not procured a written opinion regarding the fairness of the Tender Offer Price (fairness opinion) from Daiwa Securities. Although the fees payable to Daiwa Securities include a performance fee, which is payable subject to the successful completion of the Transaction and other conditions, the Target Company has appointed Daiwa Securities as its financial advisor and third-party valuation organization under the such fee structure, taking into account the general practice in similar transactions.

(b) Overview of calculations regarding the Target Company Shares

After examining the calculation method to be adopted in the valuation of the Target Company Shares from among several calculation methods, based on the premise that the Target Company is a going concern and the belief that the value of the Target Company Shares should be evaluated from multiple perspectives, Daiwa Securities used the following methods to analyze the value per share of the Target Company Shares: the average market share price method, in order to take the trends of the Target Company's share price in the market into account; the comparable company method, as there are several listed companies comparable to the Target Company and it is possible to analogize the share value of the Target Company Shares by comparing to that of similar listed companies; and the DCF method to reflect the details and forecast of the Target Company's business performance in the valuation, and the Target Company received the Stock Valuation Report (Daiwa Securities) from Daiwa Securities on August 2, 2024.

The range of the value per share of the Target Company Shares calculated under each of the above methods is as follows:

Average market share price method:	701 yen to 821 yen
Comparable company method:	497 yen to 829 yen
DCF method:	674 yen to 1,000 yen

Under the average market share price method, with August 1, 2024 being set as the reference date, the value per share of the Target Company Shares is calculated to range from 701 yen to 821 yen based on the closing price of the Target Company Shares on the Prime Market of the TSE as of the reference date of 821 yen; the simple average closing price for the most recent one month (from July 2, 2024 to August a, 2024) of 804 yen; the simple average closing price for the most recent three months (from May 2, 2024 to August 1, 2024) of 748 yen; and the simple average closing price for the most recent six months (from February 2, 2024 to August 1, 2024) of 701 yen.

Under the comparable company method, the value per share of the Target Company Shares is calculated to range from 497 yen to 829 yen, with ASAHI YUKIZAI CORPORATION, FUJIMORI KOGYO CO., LTD., Okura Industrial Co., Ltd., MAEZAWA KASEI INDUSTRIES CO., LTD., ACHILLES CORPORATION, Sekisui Kasei Co., Ltd. and FUKUVI Chemical Industry CO., LTD. being selected as a listed company that is deemed similar to the Target Company, and the value of the Target Company Shares being calculated using the ratio of EBITDA to the corporate value.

Under the DCF method, based on the business plan developed by the Target Company and under various assumptions including the revenue forecast and investment plans in the business plan for the five fiscal years from the fiscal year ending March 2025 to the fiscal year ending March 2029, as well as publicly disclosed information, the corporate value and share value of the Target Company were analyzed by discounting the free cash flow expected to be generated by the Target Company from and including the fiscal year ending March 2025 back to the present value using a certain discount rate, and the value per share of the Target Company Shares is calculated to range from 674 yen to 1,000 yen. The financial forecast used by Daiwa Securities in its calculation under the DCF method does not include any fiscal year in which a significant increase or decrease in profits is expected. Daiwa Securities used the discount rate of 6.5% to 8.5%, and in calculating the going concern value, it adopted the perpetual growth rate method and used the perpetual growth rate of 0.0% to 1.0%.

Since the synergies expected to be realized through the implementation of the Transaction were difficult to specifically estimate at this stage in the business plan prepared by the Target Company which Daiwa Securities used in its analysis under the DCF method, such synergies are not take into account in the above calculation.

The specific figures in the Target Company's financial forecast, which Daiwa Securities used in its calculation under the DCF method, are as follows.

(million yen)

	Fiscal year ending March 2025	Fiscal year ending March 2026	Fiscal year ending March 2027	Fiscal year ending March 2028	Fiscal year ending March 2029
Net sales	145,000	148,000	152,000	154,217	156,775
Operating profit	7,600	8,300	8,700	9,000	9,300
EBITDA	13,600	14,800	15,700	16,500	17,050
Free cash flow	2,406	5,068	(2,029)	3,045	6,157

(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee

A Background of the Establishment of the Special Committee

As stated in "(iii) Target Company's Decision-making Process and Reasons" in "(a) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer" in "(2) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" in "2. Purpose of the Tender Offer, etc." above, the Target Company established the Special Committee by resolution at a extraordinary meeting of the board of directors held on April 5, 2024. Prior to the establishment of the Special Committee, from mid-March 2024, in order to establish a system to consider, negotiate, and make decisions regarding the Transaction from a standpoint independent of the Tender Offeror and Related Parties and from the perspective of enhancing the Target Company's corporate value and securing the interests of the Target Company's minority shareholders, the Target Company has, with the advice of Anderson Mōri & Tomotsune, individually informed the independent outside Directors and independent outside Audit & Supervisory Board Members of the Target Company who have no material interest in any of the Tender Offeror and Related Parties that the Target Company received an initial proposal letter from ITOCHU on March 18, 2024 to the effect that it wishes to commence consideration and discussion for the implementation of the Transaction and that it is necessary to take sufficient measures to ensure the fairness of the terms and conditions of the Transaction, including the establishment of the Special Committee, in conducting consideration and negotiation for the Transaction. At the same time, the Target Company has, with the advice of Anderson Mōri & Tomotsune, confirmed the independence and qualifications of the independent outside Directors and independent outside Audit & Supervisory Board Members of the Target Company who are candidates for members of the Special Committee, and has also confirmed that they do not have any material interest in the Tender Offeror and Related Parties or any material interest that is different from minority shareholders in the success or failure of the Transaction. After discussions among the independent outside Directors and independent outside Audit & Supervisory Board Members of the Target Company, with the advice of Anderson Mōri & Tomotsune, the Target Company has confirmed that they have no objection, and the Target Company has appointed the following three persons as candidates for members of the Special Committee: Ms. Yoshiko Kosaka (outside Director and independent officer), who has a high level of expertise and extensive knowledge in corporate legal matters as an attorney-at-law; Mr. Takeshi Kaide (outside Director and independent officer), who has an extensive experience and knowledge gained through his many years of experience in business promotion at a general chemical manufacturer and management of several operating companies, including overseas companies; and Mr. Hiroaki Ishizuka (outside Director and independent officer), who has an extensive knowledge and experience, having been involved in the materials field at a general chemical manufacturer for many years, as well as being involved in management decision-making as a representative director of an operating company and in the management of several operating companies (the members of the Special Committee have not been changed since its establishment, with Mr. Takeshi Kaide, an independent outside Director of the Target Company, appointed as the chairman of the Special Committee by mutual vote among the committee members). Among the members of the Special Committee, Mr. Hiroaki Ishizuka, who was not an outside Director of the Target Company at the time of the establishment of the Special Committee, has been a member of the Special Committee since its establishment because it was internally decided by a resolution of the board of directors of the Target Company that he would become an outside Director upon approval at the ordinary general shareholders' meeting to be held in June 2024.

After that, the Target Company established the Special Committee by resolution at a extraordinary meeting of the board of directors held on April 5, 2024, and consulted with the Special Committee on the Matters of Inquiry. In addition, in establishing the Special Committee, the Target Company's board of directors has resolved that the Target Company will authorize the Special Committee to: (i) be substantially involved in the process of negotiating the terms and conditions of the Transaction by, for example, confirming in advance the policies for negotiating the Tender Offer Price and other terms and conditions of the Transaction, receiving timely reports on the situation of the negotiations, expressing opinions in important aspects, and issuing instructions and making requests; (ii) approve (including ex-post facto approval) the financial advisor or legal advisor appointed by the Target Company; (iii) appoint its own advisor, as necessary, in providing its report on the Matters of Inquiry (if the Special Committee determines that the Special Committee can rely on the Target Company's advisors to provide professional advice or explanations, including that such advisors are highly professional and independent, then the Special Committee may request professional advice or explanations from the Target Company's advisors, and the reasonable costs associated with the professional advice of the advisors of the Special Committee will be borne by the Target Company); and (iv) receive from the Target Company's officers and employees and such other persons as the Special Committee deems necessary all information necessary to consider and make judgments concerning the Transaction.

At the above-mentioned Target Company's board of directors meeting, Mr. Yuji Fukuda and Mr. Noboru Fukushima among the six directors at that time are from or related to ITOCHU. Therefore, considering that the Target Company is a subsidiary of ITOCHU and that the Transaction is a type of transaction involving issues of structural conflict of interest and information asymmetry, four directors excluding these two directors deliberated and unanimously adopted the above resolution from the viewpoint of eliminating the possibility that the deliberation and resolution at the Target Company's board of directors meeting may be affected by these issues. In addition, all 3 Audit & Supervisory Board Members at that time attended the above board of directors meeting and have given their opinion that they have no objection to the above resolution.

Each member of the Special Committee shall receive a fixed remuneration for his or her services, regardless of whether the Transaction is successfully completed.

(ii) Background of consideration

The Special Committee held a total of 21 meetings during the period from April 10, 2024 to August 2, 2024. In addition, the members of the Special Committee performed their duties with respect to the Matters of Inquiry by, among other thigs, reporting to and exchanging information with the other members and deliberating and making decisions by e-mail from time to time as necessary between such meetings. Specifically, the Special Committee first considered matters such as independence, expertise, and performance, and then determined to appoint Kitahama Partners as its own legal advisor independent of the Tender Offeror and Related Parties and the Target Company Group, and to appoint Plutus Consulting as its own financial advisor and third-party valuation organization independent of the Tender Offeror and Related Parties and the Target Company Group on April 19, 2024. The Special Committee has confirmed that each of Kitahama Partners and Plutus Consulting is not an affiliated party of the Tender Offeror and Related Parties or the Target Company Group, that each of them has no material interest in the Transaction, including the Tender Offer, and that there are no other concerns with respect to the independence in the Transaction.

The Special Committee has also confirmed that there were no issues regarding the independence, expertise, performance, and other matters of Daiwa Securities, the Target Company's financial advisor and third-party valuation organization, and Anderson Mōri & Tomotsune, the Target Company's legal advisor, and approved their appointment.

The Special Committee also confirmed and approved that, from the perspective of independence and fairness, there is no problem with the internal system established by the Target Company for the consideration of the Transaction (including the scope of officers and employees of the Target Company who will be involved in the consideration, negotiation, and decision on the Transaction, and their duties).

The Special Committee then considered measures to be taken to ensure the fairness of the procedures in the Transaction based on the legal advice received from Kitahama Partners and opinions heard from Anderson Mōri & Tomotsune.

The Special Committee received an explanation from, and held a question-and-answer session with, ITOCHU regarding the background of the proposal for the Transaction, the significance and purpose of the Transaction, the management structure and policies after the implementation of the Transaction, and other matters.

Moreover, the Special Committee heard the Target Company's views and related information regarding the significance and purpose of the Transaction, the impact of the Transaction on the Target Company's business, the management structure and policies of the Target Company after the implementation of the Transaction, and other matters, and held a question-and-answer session regarding these matters.

In addition, the Special Committee confirmed the reasonableness of the business plan prepared by the Target Company and approved it after receiving explanations from the Target Company and holding a question-and-answer session regarding the details of the business plan, material assumptions, and the process of preparation, while taking into account the advice from a financial perspective received from Plutus Consulting. Thereafter, as described in "(ii) Obtainment by the Target Company of a Stock Valuation Report from an Independent Third-Party Valuation Organization" above and "(iv)

Obtainment by the Special Committee of a Stock Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Organization" below, Plutus Consulting and Daiwa Securities calculated the value of the Target Company Shares based on the contents of the Target Company's business plan. The Special Committee received explanations from Plutus Consulting and Daiwa Securities regarding the calculation methods they used to calculate the value of the Target Company Shares, the reasons for adopting such calculation methods, the details of the calculation based on each such calculation method, and the material assumptions, and confirmed the reasonableness of these matters through a question-and-answer session and through deliberation and consideration.

In addition, the Special Committee received reports from the Target Company and its advisors on negotiations between the Target Company and ITOCHU from time to time, and deliberated and considered them based on the advice from a financial perspective received from Plutus Consulting and the advice from a legal perspective received from Kitahama Partners, and provided necessary opinions on the Target Company's negotiation policy, as appropriate. Specifically, the Special Committee was substantially involved in the process of discussions and negotiations between the Target Company and ITOCHU, for example, by providing opinions to the Target Company on 7 occasions to the effect that the Target Company should request ITOCHU to increase the Tender Offer Price as soon as the Target Company received each proposal of the Tender Offer Price from ITOCHU, after receiving timely reports from the Target Company on the process and details of the discussions and negotiations regarding the Tender Offer Price, and by the fact that the Target Company conducted negotiations with ITOCHU in accordance with such opinions.

As a result, on July 23, 2024, the Target Company received a proposal from ITOCHU that included the Tender Offer Price of 870 yen per share and, as a result, the Tender Offer Price was increased from ITOCHU's initial offer of 705 yen to 870 yen.

Furthermore, the Special Committee received several explanations from Anderson Mōri & Tomotsune regarding the contents of the draft of the Target Company Press Release regarding the Tender Offer to be issued by the Target Company and, with the advice of Kitahama Partners, confirmed that substantial disclosure of information would be made.

(iii) Determinations

Based on the above, and taking into consideration the advice from a legal perspective received from Kitahama Partners and the advice from a financial perspective received from Plutus Consulting, as well as the content of the Stock Valuation Report (Plutus Consulting) submitted on August 2, 2024, the Special Committee carefully discussed and considered the Matters of Inquiry. As a result, on the same date, the Special Committee submitted to the Target Company's board of directors the Report, the contents of which are summarized below, with the unanimous consent of all members.

(i) Content of the Report

a. The Transaction will contribute to the enhancement of the corporate value of the Target Company, and the purpose of the Transaction is deemed reasonable.

b. The fairness and appropriateness of the terms and conditions of the Transaction (including the Tender Offer Price) are deemed to have been ensured.

c. The fairness of the procedures in the Transaction is deemed to have been ensured.

d. Based on a through c above, the Transaction is not deemed to be disadvantageous to the minority shareholders of the Target Company.
e. It is deemed appropriate for the Target Company's board of directors to express an opinion in favor of the Tender Offer and to express its opinion recommending that the Target Company's shareholders tender their shares in the Tender Offer, which is not deemed disadvantageous to the minority shareholders of the Target Company.

(ii) Reason for the Report

a. Reasonableness of the purpose of the Transaction (including whether the Transaction will contribute to enhance the corporate value of the Target Company)

● The business environment surrounding the Target Company and the Target Company's management issues as explained by ITOCHU and the Target Company, and the initiatives and synergies that can be expected after the implementation of the Transaction are not unreasonable.

● The business environment surrounding the Target Company continues to be challenging, as the Target Company's sales and profits declined significantly in FYE 2023 due to the impact of COVID-19 and unstable global economic conditions, etc., and in the single-year management plan for FYE 2024, although consolidated net income has been achieved, consolidated sales, operating income, and operating income margin were lower than the initial plan. In addition, although the current results for the first quarter of the fiscal year ending March 2025 are relatively strong, there continue to be factors that significantly affect the business environment, such as monetary policy, political changes in Europe and the Middle East, naphtha and other resource price fluctuations, and currency exchange rate fluctuations, and it is deemed necessary to establish a system that enables the prompt and flexible implementation of measures and responses in preparation for unexpected changes in the business environment in the future.

● In the Target Company's existing businesses, the domestic market, which is its main market, is in a mature and declining stage, and it is difficult to reasonably expect future demand growth in the Construction Materials and Civil Engineering Business and the Specialty Films (agriculture) Business In this area of shrinking market, it is possible to consider increasing market share and adopting a strategy of horizontal integration and roll-up, and although the Target Company can expect to achieve a certain level of success in the domestic market on its own, there is limited room to increase its market share in the domestic market, and the Target Company does not have sufficient human resources, including PMI, to consider M&A projects at the same time. Furthermore, from a larger perspective, it is important to aggressively expand into overseas markets with growth potential, rather than the shrinking domestic market, and to adopt bold strategies such as large-scale M&As and industry restructuring in order to enhance corporate value over the medium to long term, but these are difficult for the Target Company to promptly achieve on its own.

● In the High Functional Materials Business, there are certain barriers to entry, and although the domestic market is expected to grow to a certain degree, the quality level of overseas manufacturers is improving, and there are certain limits to maintaining and sustaining the superiority of the Target Company's technological capabilities. In addition, signs of industrial localization from the perspective of economic security are emerging, and the relative dependence of overseas users on Japan is expected to decline. Therefore, in the said Business as well, expansion into overseas markets, such as acquiring overseas companies and establishing new overseas factories, and business development are considered essential for medium- to long-term growth. This is also difficult for the Target Company to achieve on its own because the Target Company does not have enough people with overseas work experience, overseas networks, or information resources.

● In the Specialty Films Business, the market is expected to shrink, and although it is necessary to respond to changing market needs in light of the trend toward environmental protection, including de-plasticization, the Target Company is not sufficiently engaged in product development using new materials, manufacturing methods, and technologies on its own.

● As described above, although there is room for the Target Company to grow on its own in each of its business fields, it is limited for the Target Company to work alone to enhance its corporate value over the medium to long term, particularly with respect to business development in overseas markets or embarking on major industry restructuring regarding its human resources, negotiating power, financial resources, and other various factors. In this regard, if the Target Company becomes a wholly owned subsidiary of ITOCHU, the Target Company will be able to take full advantage of ITOCHU's human resources, negotiating power, financial strength, and network to expand its business in overseas markets, conduct large-scale M&A and cross-border M&A, undertake industry restructuring, and actively invest in and develop new businesses and products, as well as to strengthen its sales and marketing capabilities.

● In addition, if the Target Company were to embark on bold measures such as large-scale M&A or industry restructuring while remaining listed, the share price may decline due to a temporary downturn in business performance or other factors, which could impose a burden on minority shareholders. However, if the Target Company becomes a wholly owned subsidiary of ITOCHU, such concerns will be eliminated, making it easier to implement speedy measures that take into account industry trends and drastic measures and reforms from a medium- to long-term perspective, as well as to establish a system that enables prompt decision-making under a single shareholder.

● In addition to the above, the following specific benefits are expected from the Target Company becoming a wholly owned subsidiary of ITOCHU.

(a). The Target Company becoming a wholly-owned subsidiary of ITOCHU, rather than an independent listed company, would eliminate the structural conflict of interest and allow the Target Company, as a member of the ITOCHU Group, to make maximum use of the ITOCHU Group's management resources, including their information gathering capabilities (in searching for potential acquisition targets and gathering information on user needs) and their human resources and know-how (particularly with respect to overseas M&As), as well as their negotiating power, overseas networks, and value chains/supply chains.

(b). In terms of personnel exchange, the Target Company can expect to dispatch its personnel to ITOCHU and obtain ITOCHU's know-how, and to receive from ITOCHU the dispatch of personnel with extensive M&A experience and knowledge. The Target Company can also expect to receive a certain level of support concerning human resources in accounting, IT, corporate planning, legal, and other divisions, where it is difficult for the Target Company to secure human resources on its own.

(c). In terms of cost reduction, by becoming a wholly-owned subsidiary of ITOCHU, the Target Company can expect not only to simply receive volume discounts, but also to revise its overall purchasing measures (including the part concerning the procurement of resin materials) by making maximum use of the support and network of the ITOCHU Group, thereby establishing a strategic raw material purchasing system and achieving a certain level of cost reduction. In addition, as a result of the delisting of the Target Company Shares, cost reduction is expected with respect to the listing maintenance expenses.

(d). In terms of logistics and commercial distribution reforms, the Target Company can expect to break away from the structure of one-off sales to trading companies and wholesalers and expand into downstream markets on its own by utilizing CIPS Advance Inc. and other members of the ITOCHU Group.

● On the other hand, one of the potential disadvantages of the Target Company becoming a wholly-owned subsidiary of ITOCHU is that, in the abstract, taking the Target Company private may cause a decline in the motivation of its employees. However, this risk is not considered to be significant, as the ITOCHU Group plans to exchange human resources and improve the treatment of employees after making the Target Company its wholly-owned subsidiary. In addition, although it is possible, in the abstract, that taking the Target Company private will reduce the company's creditworthiness and decrease the number of business partners, such problem is not of particular concern given the Target Company's existing social credibility and name recognition, and becoming a wholly-owned subsidiary of ITOCHU is not expected to have any negative impact in this respect. Furthermore, after the privatization of the Target Company, the Target Company will no longer be able to conduct M&As using its shares as consideration or obtain direct financing from the capital market. However, by becoming a wholly-owned subsidiary, the Target Company is expected to be able to utilize the financing systems of the ITOCHU Group more than before. Therefore, the Special Committee does not see any inconvenience in this regard.

● From the above, the disadvantages associated with the Target Company becoming a wholly-owned subsidiary are considered to be very limited.

● In light of the foregoing, and after careful discussion and consideration, the Special Committee believes that the Transaction will contribute to the enhancement of the Target Company's corporate value and that the purpose of the Transaction is reasonable.

b. The fairness and appropriateness of the terms and conditions of the Transaction (including the Tender Offer Price)

(a). Procurement of the Stock Valuation Report (Daiwa Securities) and the Stock Valuation Report (Plutus Consulting)

● According to the Stock Valuation Report (Daiwa Securities), the value per share of the Target Company Shares is calculated to range from 701 yen to 821 yen under the average market share price method, from 497 yen to 829 yen under the comparable company method, and from 674 yen to 1,000 yen under the DCF method. The Tender Offer Price exceeds the upper limits of the ranges calculated under the average market share price method and the comparable company method, respectively, and is within and exceeds the median (837 yen) of the range calculated under the DCF method.

● According to the Stock Valuation Report (Plutus Consulting), the value per share of the Target Company Shares is calculated to range from 703 yen to 806 yen under the average market share price method, from 817 yen to 963 yen under the comparable company method, and from 770 yen to 1,140 yen under the DCF method. The Tender Offer Price exceeds the upper limit of the range calculated under the average market share price method, and is within the ranges calculated under the comparable company method and the DCF method, respectively.

● In addition, the Special Committee received detailed explanations from both Daiwa Securities and Plutus Consulting regarding the valuation methods used in the valuation of the share value and other relevant matters, held Q&A sessions with Daiwa Securities, Plutus Consulting, and the Target Company regarding the selection of the valuation methods, the selection of the comparable companies and the indices used as the multiple in the comparable company method, the business plan of the Target Company used as the basis for the DCF method, the financial forecasts based on such business plan, the calculation method for the going concern value, the basis for the discount rate, and the required working capital, and reviewed the valuation results on that basis. As a result, the Special Committee finds no unreasonable point in the valuation results in light of general valuation practices.

● In particular, the Special Committee finds that the business plan has been prepared in the same process and manner as the medium-term management plan regularly prepared by the Target Company, that there is no fact of undue involvement or influence of the Tender Offeror and Related Parties in the preparation of the Target Company's business plan, and that the business plan is considered reasonable in light of the assumptions and the background and process of preparation. In this regard, the strong performance in the first quarter of the fiscal year ending March 31, 2025 is a temporary and transitory factor related to the Construction Materials and Civil Engineering Business due to hail damage (mainly in Hyogo Prefecture) and other events, and the Special Committee believes that it is not necessary to revise the business plan due to such special factor.

● In addition, Daiwa Securities and Plutus Consulting each took appropriate measures to ensure that their valuation results were not affected by the results of the other party's valuation results, and reasonable measures are considered to have been taken in this regard as well.

● Therefore, the Special Committee believes that the content of both the Stock Valuation Report (Daiwa Securities) and the Stock Valuation Report (Plutus Consulting) are reasonable.

(b). Level of premiums

● The Tender Offer Price (870 yen) represents a premium of 9.71% over the closing price of the Target Company Shares of 793 yen on the Prime Market of the TSE on August 2, 2024; a premium of 7.94% over the simple average closing price of 806 yen for the most recent one month; a premium of 15.85% over the simple average closing price of 751 yen for the most recent three months; and a premium of 23.76% over the simple average closing price of 703 yen for the most recent six months, in each case until August 2, 2024.

● In this regard, the recent fluctuations in the Target Company's market share price may have been influenced by the Target Company's "Consolidated Financial Results for the Year Ended March 31, 2024" and its medium-term management plan "'Go Beyond' Innovation 2026," both of which were released on May 8, 2024, or the "Notice of Compliance with the Prime Market Listing Maintenance Standards" announced on June 20, 2024. In addition, as noted by ITOCHU, the Target Company's name was directly mentioned in media articles published on May 14, 2024 and June 20, 2024 regarding the stocks of companies expected to dissolve their parent-subsidiary listings. In August 2023, the ITOCHU actually announced that ITOCHU would make ITOCHU Techno-Solutions Corporation, a subsidiary of ITOCHU, and DAIKEN CORPORATION, an equity method affiliate of ITOCHU, wholly-owned subsidiaries of ITOCHU group. Thus, it is possible that the market price of the Target Company Shares during the period may have incorporated the market's expectation of the delisting of the Target Company Shares affected by such articles and publicly announced information.

● On the other hand, the market price of the Target Company Shares has been at a level over 800 yen since mid-July 2024. In addition, although the Target Company has not announced any corporate information that would affect the market share price, the market price of the Target Company Shares has sometimes increased significantly in a single day, with a maximum of 7.3% compared to the previous day's closing price (59 yen, specifically, the difference between the closing price of the Target Company Shares of 806 yen on July 17, 2024 and that of 865 yen on July 18, 2024), and the Target Company receives an inquiry about the possibility of implementation of the tender offer, making it difficult to provide a reasonable explanation in view of the past trend of the market share price of the Target Company Shares. Moreover, the possibility cannot be denied that speculative buying occurs including market's expectation of the delisting of the Target Company Shares, though the reason is no identified. Therefore, it is quite possible that the formation of the market share price was not only based on the reasonable evaluation and expectation of the Target Company's performance, but that other factors also contributed to the sharp increase in the market share price.

● In analyzing the level of premiums attached to the Tender Offer Price based on the above, the level of premiums over the closing price on August 2, 2024, the business day immediately preceding the date of announcement of the Tender Offer, and over the simple average of closing prices for the most recent one month is not necessarily high compared to the premiums in similar cases in the past. However, given that the market price level of the Target Company Shares has been more than around 100 yen higher than the Target Company's previous market share price level (i.e. around the 700-800 yen range) in the most recent one-month period, in particular, even though no specific corporate information was announced by the Target Company, and that the highest market price of the Target Company Shares during the period (the closing price on July 23, 2024 of 875 yen) is significantly higher than the highest market price of the Target Company Shares over the past 10 years (the closing price on November 14, 2024 of 852 yen), excluding the most recent market share price, which is difficult to explain rationally, there is a possibility that the trend of the market share price during the period was temporarily shaped by stock market influences that are difficult to explain rationally. Therefore, we should not focus excessively on the market share price at the relevant time and during the relevant period.

● On the other hand, the Tender Offer Price is a price with a premium of more than 10% over the simple average closing prices for the most recent three months, and the premium over the most recent six months can be evaluated as being at a reasonable level compared to the premium level in similar cases in the past. The Tender Offer Price can also be evaluated as a reasonable price by the fact that it is higher than 852 yen, which is the highest price of the Target Company Shares for the past 10 years, excluding the most recent market share price, which is difficult to explain rationally, that it is higher than the median (837 yen) of the results of share valuations by Daiwa Securities using the DCF method, that it is within the range of the results of share valuations by Plutus Consulting using the DCF method, and that if the range of 770 yen to 1,000 yen, in which the results of the DCF method by Daiwa Securities and Plutus Consulting overlap are referenced, then it is close to the median (885 yen) thereof. The Special Committee concluded, from the perspective of providing the Target Company's minority shareholders with an appropriate opportunity to sell their shares, that the Tender Offer Price is at a level where a certain degree of reasonableness is recognized, rather in light of the fact that the Target Company's future business environment involves risk factors such as exchange rate fluctuations and rising raw material prices, and that there is a high degree of uncertainty regarding the Target Company's expansion into overseas markets with growth potential.

(c). Relationship with PBR

● Based on the explanation by Daiwa Securities and Plutus Consulting, the PBR of 1x (as of March 31, 2024) is a theoretical liquidation value, and the Special Committee believes that it is not reasonable to emphasize it as a concern in evaluating the corporate value of the Target Company. Furthermore, in the case of liquidation of the Target Company, considering the significant percentage of illiquid assets in the total assets on the Target Company's consolidated balance sheet as of the same date, and also considering the difficulty in selling those assets, as well as various additional costs, such as personnel reduction costs associated with liquidation, removal costs associated with closing plants, soil contamination measure costs, etc., a considerable reduction from the book value of those assets is expected. Therefore, the Special Committee does not believe that the PBR being below one makes the Tender Offer Price unreasonable.

(d). Details of discussions and negotiations with ITOCHU

● The Target Company and the Special Committee conducted discussions and negotiations with ITOCHU on multiple occasions regarding the tender offer price from the perspective of protecting the interests of the Target Company's minority shareholders in accordance with the negotiation policy approved in advance by the Special Committee.

● Specifically, the Target Company and the Special Committee, through Daiwa Securities, conducted price negotiations in accordance with the policy approved by the Special Committee and succeeded in raising the price 7 times, resulting in a total increase of 165 yen (the difference between the Tender Offer Price of 870 yen and the initial offer price) from ITOCHU's initial offer price (705 yen per share).

(e). Other points regarding the appropriateness of the scheme and terms of the Transaction

● It cannot be said that it is unreasonable to adopt the scheme of the Transaction because such a scheme is used as a general going private method and the Tender Offer Price can be evaluated as a reasonable amount, as described above.

● There are no other unreasonable points regarding the scheme and terms of the Transaction.

(f). Summary

● As a result of careful discussion and consideration based on the above points, the Special Committee has concluded that the fairness and appropriateness of the terms and conditions of the Transaction (including the Tender Offer Price) are considered to be ensured, taking into account such circumstances as that the Tender Offer Price is at a level higher than the median (837 yen) of the results of the share valuations by Daiwa Securities using the DCF method, that it is within the range of the results of share valuations by Plutus Consulting using the DCF method, and that the range of 770 yen to 1,000 yen, in which the results of the DCF method by Daiwa Securities and Plutus Consulting overlap are referenced, then it is close to the median (885 yen) thereof, that the premiums over the simple average closing prices for the most recent three months and six months can be evaluated as at a certain level, that the Tender Offer Price is at a level higher than 852 yen, which is the highest price of the Target Company Shares for the past 10 years, excluding the most recent market price, which is difficult to explain rationally, and that the Target Company has succeeded in increasing the Tender Offer Price by 165 yen from ITOCHU's initial offer price.

c. Fairness of the Transaction procedures

(a). Establishment of the Special Committee

● For the purpose of eliminating arbitrariness and avoiding conflicts of interest in the Target Company's decision-making process regarding the Tender Offer, the Target Company established a special committee consisting of Mr. Takeshi Kaide, Ms. Yoshiko Kosaka, and Mr. Hiroaki Ishizuka, who are independent from the Tender Offeror and Related Parties, and obtained its Report.

● The Special Committee met a total of 21 times and, as described above, was substantially involved in the discussions and negotiations with ITOCHU, and it is acknowledged that sincere negotiations were conducted on terms deemed equivalent to those of an arm's length transaction.

(b). Appointment by the Target Company of its advisors

● The Target Company appointed Daiwa Securities as its third-party valuation organization and financial advisor with expertise who is independent of the Tender Offeror and Related Parties and the Target Company Group, and received the Stock Valuation Report (Daiwa Securities) as well as advice and opinions from a financial perspective. In addition, the Target Company appointed Anderson Mōri & Tomotsune as its independent legal advisor with expertise, and has received advice and opinions with respect to the measures to be taken to ensure the fairness of the procedures in the Transaction and other matters from a legal perspective.

(c). Appointment by the Special Committee of its own advisors

● The Special Committee appointed Plutus Consulting as its own third-party valuation organization and financial advisor with expertise who is independent of the Tender Offeror and Related Parties and the Target Company Group, and received the Stock Valuation Report (Plutus Consulting) as well as advice and opinions from a financial perspective. In addition, the Special Committee appointed

Kitahama Partners as its own independent legal advisor with expertise, and has received advice and opinions with respect to the measures to be taken to ensure the fairness of the procedures in the Transaction and other matters from a legal perspective.

(d). Establishment of an independent review system in the Target Company

● The Target Company established a project team exclusively consisting of officers and employees who are independent of the Tender Offeror and Related Parties since the commencement of consideration to implement the Transaction. The Special Committee finds no issue regarding the independence or fairness of the review system.

● The Target Company has caused this team to consider the Transaction and to engage in discussions and negotiations with ITOCHU. The Special Committee finds no facts that would lead to the conclusion that the Tender Offeror and Related Parties exercised any undue influence on the Target Company in the process of considering the Transaction.

(e). No involvement of special stakeholders

● The three directors: Messrs. Yuji Fukuda, Noboru Fukushima, and Akihiro Ueda, among the seven directors of the Target Company, served as an officer or employee of ITOCHU in the past. In addition, Mr. Hideki Sugiura, among the four Audit & Supervisory Board Members of the Target Company, currently serves as an employee of ITOCHU. In order to solve the issue of structural conflict of interest, they did not participate in any of the deliberations and resolutions of the Target Company's board of directors meetings regarding the Transaction so far, nor do they intend to participate in the deliberations and resolutions of the board of directors meeting scheduled to be held on August 5, 2024 to express opinion on the Transaction. They have not participated in the consideration of the Transaction or in the discussions and negotiations with ITOCHU in a position to represent the Target Company.

● The Special Committee finds no other facts that would lead to the conclusion that, in the process of discussions, consideration, and negotiations of the Transaction, the Tender Offeror and Related Parties and other special stakeholders in the Transaction exercised any undue influence on the Target Company in making its decisions.

(f). Ensuring the opportunity to make competing offers

● For the Tender Offer, the Tender Offeror intends to set the tender offer period for the Tender Offer ("Tender Offer Period") to 30 business days, which is longer than the minimum period (20 business days) required by laws and regulations. In addition, the Tender Offeror and the Target Company have not entered into any agreement containing a transaction protection clause that would prohibit or restrict the Target Company from contacting a competing offeror other than the Tender Offeror so as not to unduly restrict the opportunity for a person other than the Tender Offeror to make a tender offer. Consideration has been given to ensuring the fairness of the procedures for the Transaction by ensuring the opportunity to make competing offers, together with setting the relatively longer tender offer period as described above.

● Although no active market checks have been conducted in the Tender Offer, the fairness of the procedures has been ensured by other fairness measures. In addition, active market checks generally do not work well in the case of an acquisition of 100% of the shares in a subsidiary by its controlling shareholder. Accordingly, the mere absence of active market checks in the Tender Offer is not expected to impair the fairness of the procedures for the Transaction.

(g). Imposition of a majority-of-minority condition

● A so-called majority-of-minority condition has not been imposed on the Tender Offer. However, in the Tender Offer, considering the fact that the ITOCHU, et al. hold 54,341,418 shares of the Target Company Shares in total (Ownership Ratio: 55.69%), if a majority-of-minority condition is imposed, the successful completion of the Tender Offer may become uncertain and such a condition may not contribute to the interests of the minority shareholders who wish to tender their shares in the Tender Offer.

● While a majority-of-minority condition has not been imposed, the mere absence of a majority-of-minority condition in the Tender Offer is not expected to impair the fairness of the procedures for the Transaction for the following reasons: the attainment of the minimum number of shares to be purchased in the Tender Offer (10,707,900 shares) requires that a certain number of minority shareholders of the Target Company support and tender their shares in the Tender Offer; the fairness of the procedures has been ensured by other fairness measures and the interests of the minority shareholders of the Target Company have been sufficiently taken into account; and the interests of the minority shareholders would also be served by respecting their decision to tender in the Tender Offer and to sell their shares of the Target Company Shares at a reasonable premium in order for them to avoid uncertain market conditions in the future.

(h). Squeeze-Out Procedures

● Minority shareholders who do not tender their shares in the Tender Offer will ultimately receive cash in the Squeeze-Out Procedures to be implemented after the Tender Offer. Press releases will expressly state that the amount of cash to be delivered in such process will be calculated to be the same as the amount obtained by multiplying the Tender Offer Price by the number of shares of the Target Company Shares held by the relevant shareholders. In this way, consideration has been given to the avoidance of coercion to a certain extent. In addition, a demand for share cash-out or a share consolidation, which is planned in the Squeeze-Out Procedures, is a common method of taking an entity private, and in both of these procedures, minority shareholders will have an appropriate opportunity to express their objections to the consideration. Accordingly, the Special Committee does not see anything unreasonable with respect to the Squeeze-Out Procedures.

(i). Summary

● In light of the foregoing, and after careful discussion and consideration by the Special Committee, the Special Committee believes that the fairness of the procedures for the Transaction has been ensured.

d. Whether the Transaction is disadvantageous to the minority shareholders of the Target Company, in light of a. through c. above

● In light of a. through c. above, the Special Committee believes that the Transaction is not disadvantageous to the minority shareholders of the Target Company.

e. Whether the decision by the Target Company's board of directors to express its opinion in favor of the Tender Offer and to recommend that the Target Company's shareholders tender their shares in the Tender Offer is appropriate

● The Special Committee believes that the decision by the Target Company's board of directors to express its opinion in favor of the Tender Offer and to recommend that the Target Company's shareholders tender their shares in the Tender Offer is appropriate, and is not disadvantageous to the minority shareholders

(iv) Obtainment by the Special Committee of a Stock Valuation Report from an Independent Third-Party Valuation Organization

(a) Name of Valuation Organization and its Relationship with the Target Company and the Tender Offeror

In considering the Matters of Inquiry, in order to ensure the appropriateness of the terms and conditions of the Transaction, including the Tender Offer Price, the Special Committee requested Plutus Consulting, a financial advisor and third-party valuation organization independent of the Tender Offeror and Related Parties and the Target Company Group, to calculate the value of the Target Company Shares and received the Stock Valuation Report (Plutus Consulting) on August 2, 2024.

Plutus Consulting is not a related party of the Tender Offeror and Related Parties or the Target Company Group and has no material interest in the Transaction, including the Tender Offer, that should be disclosed. In addition, the fees payable to Plutus Consulting consists solely of a fixed fee to be paid regardless of the success or failure of the Transaction, and does not include a performance fee, which is payable subject to the successful completion of the Transaction and other conditions.

(b) Overview of calculations regarding the Target Company Shares

After examining the calculation method to be adopted in the valuation of the Target Company Shares from among several calculation methods, based on the premise that the Target Company is a going concern and the belief that the value of the Target Company Shares should be evaluated from multiple perspectives, Plutus Consulting used the following methods to analyze and calculate the value per share of the Target Company Shares: the average market share price method, in order to take the trends of the Target Company's share price in the market into account; the comparable company method, as there are several listed companies comparable to the Target Company and it is possible to analogize the share value of the Target Company Shares by comparing to that of similar listed companies; and the DCF method to reflect the details and forecast of the Target Company' s business performance in the valuation, and the Special Committee received the Stock Valuation Report (Plutus Consulting) from Plutus Consulting on August 2, 2024.

The range of the value per share of the Target Company Shares calculated under each of the above methods is as follows:

Average market share price method:	703 yen to 806 yen
Comparable company method:	817 yen to 963 yen
DCF method:	770 yen to 1,140 yen

Under the average market share price method, with August 2, 2024 being set as the reference date, the value per share of the Target Company Shares is calculated to range from 703 yen to 806 yen based on the closing price of the Target Company Shares on the Prime Market of the TSE as of the reference date of 793 yen; the simple average closing price for the most recent one month (from July 3, 2024 to August 2, 2024) of 806 yen; the simple average closing price for the most recent three months (from May 7, 2024 to August 2, 2024) of 751 yen; and the simple average closing price for the most recent six months (from February 5, 2024 to August 2, 2024) of 703 yen.

Under the comparable company method, the value per share of the Target Company Shares is calculated to range from 817 yen to 963 yen, with GUNZE LIMITED, Showa Paxxs Corporation, Lonseal Corporation, OKAMOTO INDUSTRIES, INC., ACHILLES CORPORATION, Mitsuboshi Belting Ltd., TOLI Corporation and Sangetsu Corporation being selected as a listed company that is deemed similar to the Target Company, and the value of the Target Company Shares being calculated using the ratios of EBIT and EBITDA to the corporate value.

Under the DCF method, based on the business plan developed by the Target Company and under various assumptions including the revenue forecast and investment plans in the business plan for the five fiscal years from the fiscal year ending March 2025 to the fiscal year ending March 2029 as well as publicly disclosed information, the corporate value and share value of the Target Company were analyzed by discounting the free cash flow expected to be generated by the Target Company from and including the fiscal year ending March 2025 back to the present value using a certain discount rate, and the value per share of the Target Company Shares is calculated to range from 770 yen to 1,140 yen. Plutus Consulting used the discount rate of 5.7% to 6.2%, and in calculating the going concern value, it adopted the perpetual growth rate method and the multiple method. The perpetuity growth rate is determined to be 0% and the EBIT and EBITDA multiples are used for the calculation, which are 8.3 and 5.7 respectively.

The consolidated financial forecast based on the business plan prepared by the Target Company, which was used by Plutus Consulting in its calculation under the DCF method, is as follows. The business plan prepared by the Target Company does not include any fiscal year in which a significant increase or decrease in profits is expected. Since the synergies expected to be realized through the implementation of the Transaction were difficult to specifically estimate at this stage, except for the effect of reducing the listing maintenance cost, such synergies are not take into account in the above calculation.

(million yen)

	Fiscal year ending March 2025	Fiscal year ending March 2026	Fiscal year ending March 2027	Fiscal year ending March 2028	Fiscal year ending March 2029
Net Sales	145,000	148,000	152,000	154,217	156,775
Operating profit	7,600	8,300	8,700	9,000	9,300

EBITDA	13,600	14,800	15,700	16,500	17,050
Free cash flow	(207)	5,311	(1,926)	3,410	5,788

According to Plutus Consulting, in evaluating the Target Company Shares, Plutus Consulting in principle has adopted the information that was supplied by the Target Company or publicly available as it is and assumed the accuracy and completeness of such information without independent verification. Moreover, Plutus Consulting has not made any independent valuation or appraisal of the assets or liabilities (including out-of-book assets and liabilities, and other contingent liabilities) of the Target Company, nor has Plutus Consulting requested an assessment or appraisal from any third-party organization. With respect to the information regarding the financial projections of the Target Company, Plutus Consulting has assumed that they have been reasonably prepared by the management of Target Company based on the best projections and judgments available at present. However, Plutus Consulting analyzed and examined the business plan of the Target Company that forms the basis for the valuation of the Target Company Share by conducting several times of interviews. Furthermore, as described in "(iii) Target Company's Decision-making Process and Reasons" in "(a) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer" in "(2) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" in "2. Purpose of the Tender Offer, etc." above, the Special Committee confirmed the reasonableness of the business plan regarding the details of the business plan, material assumptions, and the process of preparation.

(v) Advice Obtained by the Special Committee from an Independent Law Firm

As stated in "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" above, the Special Committee appointed Kitahama Partners as a legal advisor independent of the Tender Offeror and Related Parties and the Target Company Group, to provide legal advice with respect to measures to be taken to ensure fairness of the procedures in the Transaction and the Special Committee's consideration and deliberation of the Matters of Inquiry. In addition, Kitahama Partners is not a related party of the Tender Offeror and Related Parties or the Target Company Group and has no material interest in the Transaction, including the Tender Offer. The fees paid to Kitahama Partners are to be calculated by multiplying the hours worked by the hourly rate, regardless of whether the Transaction is successfully completed, and do not include any performance fee payable upon successful completion of the Transaction.

(vi) Advice Obtained by the Target Company from an Independent Law Firm

As described above in "(iii) Target Company's Decision-making Process and Reasons" in "(a) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer" in "(2) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" in "2. Purpose of the Tender Offer, etc." above, the Target Company retained Anderson Mōri & Tomotsune as its legal advisor independent from the Tender Offeror and Related Parties and the Target Company Group, and has received legal advice from the firm with respect to the measures to be taken to ensure the fairness of the procedures in the Transaction, the procedures for the Transaction, the method and process of decision-making by the Target Company regarding the Transaction, and other matters that must be noted in making decisions.

In addition, as described above in "(iii) Establishment of an Independent Special Committee at the Target Company and Obtainment of a Report from the Special Committee" above, the Special Committee has confirmed that there is no issue regarding the independence, expertise, or performance of Anderson Mōri & Tomotsune and approved its retention.

Anderson Mōri & Tomotsune is not a related party of the Tender Offeror and Related Parties or the Target Company Group and has no material interest in the Transaction, including the Tender Offer. The fees paid to Anderson Mōri & Tomotsune are to be calculated by multiplying the hours worked by the hourly rate, regardless of whether the Transaction is successfully completed, and do not include any performance fee payable upon successful completion of the Transaction.

(vii) Establishment of an Independent Evaluation Framework at the Target Company

As described above in "(iii) Target Company's Decision-making Process and Reasons" in "(a) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer" in "(2) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" in "2. Purpose of the Tender Offer, etc." above, the Target Company has established a system within the Target Company to consider, negotiate, and make judgments concerning the Transaction in a position independent of the Tender Offeror and Related Parties. Specifically, the Target Company established a project team to consider the Transaction and to engage in discussions and negotiations with ITOCHU upon receipt of a notice of commencement of consideration to implement the Transaction on March 11, 2024. The members of the project team must, in principle, be exclusively consist of officers and employees of the Target Company, who do not simultaneously serve as officers or employees of any of the companies of the ITOCHU Group (excluding the Target Company Group) and who have not in the past served as officers or employees of any of the companies of the ITOCHU Group (excluding the Target Company Group), which requirement is still applicable. One of the members of the project team (an executive officer of the Target Company) was formerly employed by ITOCHU, but not less than four years have passed since he transferred to the Target Company, and he does not simultaneously serve as an officer or employee of the ITOCHU Group (excluding the Target Company Group). In addition, he is currently the General Manager of the Target Company's Corporate Planning Department and is familiar with the Target Company's quantitative analysis. His involvement is indispensable and irreplaceable in the consideration of the Transaction (including the preparation of the business plan that forms the basis for the valuation of the shares of the Target Company) and in the discussions and negotiations with ITOCHU. Therefore, in light of the establishment of the independent special committee and the measures taken to ensure fairness, he has joined the project team. In addition, two other members of the project team (employees of the Target Company) have been seconded to ITOCHU in the past. (i) One of them was seconded to ITOCHU for approximately two years, but not less than eight years have passed since the end of the secondment, and he does not simultaneously serve as an officer or employee of the ITOCHU Group (excluding the Target Company Group). He is currently the General Manager of the Target Company's Finance and Accounting Department and is familiar with the Target Company's quantitative analysis. His involvement is indispensable and irreplaceable in the consideration of the Transaction (including the responses to the due diligence conducted by ITOCHU) and in the discussions and negotiations with ITOCHU; and (ii) the other was seconded to ITOCHU for approximately three months, but not less than eight years have passed since the end of the secondment, and he does not simultaneously serve as an officer or employee of the ITOCHU Group (excluding the Target Company Group). He is currently a member of the Target Company's Corporate Planning Department and is familiar with the Target Company's quantitative analysis. His involvement is indispensable and irreplaceable in the consideration of the Transaction (including the preparation of the business plan that forms the basis for the valuation of the shares of the Target Company and responses to the due diligence conducted by ITOCHU) and in the discussions and negotiations with ITOCHU. Therefore, in light of the establishment of the independent special committee and the measures taken to ensure fairness, they have joined the project team. In addition, the Special Committee has determined that there is no issue regarding the independence or fairness of the Target Company's review system including the treatment described above (including the scope and functions of the officers and employees of the Target Company who are involved in the consideration, negotiation, and determination of the Transaction).

(viii) Approval of All Disinterested Directors at the Target Company and Opinion of All Disinterested Audit and Supervisory Board Members that They Had No Objection

Based on the legal advice from Anderson Mōri & Tomotsune, the financial advice from Daiwa Securities, the content of the Stock Valuation Report (Daiwa Securities), the Stock Valuation Report (Plutus Consulting) submitted through the Special Committee, the Report procured from the Special Committee, the content of the continuing discussions held several times with ITOCHU, and other related materials, the Target Company carefully discussed and considered whether the corporate value of the Target Company will increase through the Transaction, including the Tender Offer by the Tender Offeror, and whether the terms and conditions of the Transaction, including the Tender Offer Price, are reasonable. As a result, as described above in "(iii) Target Company's Decision-making Process and Reasons" in "(a) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer" in "(2) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" in "2. Purpose of the Tender Offer, etc." above, the Target Company resolved at its board of directors meeting held on August 5, 2024 that the Target Company will express its opinion in favor of the Tender Offer and will recommend its shareholders to tender their shares of the Target Company Shares in the Tender Offer.

At the above-mentioned Target Company's board of directors meeting, Mr. Yuji Fukuda, Mr. Akihiro Ueda and Mr. Noboru Fukushima among the seven directors of the Target Company are from ITOCHU. Therefore, considering that the Target Company is a subsidiary of ITOCHU and that the Transaction is a type of transaction involving issues of structural conflict of interest and information asymmetry, four directors excluding these three directors deliberated and unanimously adopted the above resolution from the viewpoint of eliminating the possibility that the deliberation and resolution at the Target Company's board of directors meeting may be affected by these issues. In addition, all three Audit & Supervisory Board Members, except Mr. Hideki Sugiura who is an employee of ITOCHU, attended the above-mentioned board of directors meeting, and all Audit & Supervisory Board Members present at the meeting expressed their opinion that they have no objection to the above resolution.

Considering that the Transaction is a type of transaction involving issues of structural conflict of interest and information asymmetry, three directors of the Target Company: Mr. Yuji Fukuda, Mr. Akihiro Ueda and Mr. Noboru Fukushima, and Mr. Hideki Sugiura among the Audit & Supervisory Board Members of the Target Company did not participate in any of the deliberations and resolutions of the board of directors meetings regarding the Transaction, including the above-mentioned board of directors meeting, nor did they participate in the discussions and negotiations of the Transaction in a position to represent the Target Company from the viewpoint of eliminating the possible effects of these issues.

(ix) No Transaction Protection Clause

The Target Company and the Tender Offerors have not agreed to any transaction protection clause that prohibits the Target Company from contacting competing acquisition offerors or made any other agreement on any matter that would restrict competing acquisition offerors from contacting the Target Company, and have been mindful of ensuring fairness in the Tender Offer by not preventing any opportunity for a competing offer.

(x) Measures for Securing Opportunities for the Target Company's Shareholders to Appropriately Decide Whether to Tender Their Shares in the Tender Offer

As stated in "(4) Policy for Reorganization after the Tender Offer (Matters Concerning the So-Called "Two-Step Acquisition")" in "2. Purpose of the Tender Offer, etc." above, the Tender Offerors clarify that (i) they plan to request, promptly after settlement after the Tender Offer is completed, (x) that the Target Company approve the Demand for Share Cash-Out, or (y) that the Target Company hold a Special Shareholders' Meeting with agenda items that include implementation of the Share Consolidation and a partial amendment of the articles of incorporation to abolish the provisions on share unit numbers subject to effectuation of the Share Consolidation, depending on the number of shares to be obtained by the Tender Offeror due to completion of the Tender Offer, and not adopt any method that does not secure the right to request purchase of shares or the right to request a determination of price of shares of the Target Company's shareholders; and (ii) when the Demand for Share Cash Out or the Share Consolidation is conducted, the amount of money to be delivered to the relevant Target Company's shareholders in exchange will be calculated so that it will be the same price obtained by multiplying the Tender Offer Price by the number of the Target Company Shares held by each of the shareholders (excluding the Target Company and the Tender Offerors); therefore, the Tender Offerors secure opportunities for the Target Company's shareholders to appropriately decide whether or not to tender their shares in the Tender Offer, and thereby give consideration not to put strong pressure on the shareholders to do so.

In addition, while the minimum period of purchase in a tender offer set forth in relevant laws and regulations is 20 business days, the Tender Offeror has set the "Tender Offer Period" as 30 business days, which is comparatively long in light of the minimum period set forth in relevant laws and regulations. By setting a comparatively long Tender Offer Period, the Tender Offerors intend to secure opportunities for the Target Company's shareholders to appropriately decide whether or not to tender their shares in the Tender Offer, and thereby ensure the fairness of the Tender Offer Price.

(iii) Relationship with the Valuation Organization

Nomura Securities, ITOCHU's financial advisor, is not a related party of the Tender Offerors and the Target Company, and does not have any significant interest in relation to the Tender Offer.

(5) Number of Shares Scheduled to Be Purchased

Number of Shares to Be Purchased	Lower Limit of Shares to Be Purchased	Upper Limit of Shares to Be Purchased
43,232,543 shares	10,707,900 shares	–

(Note 1) If the total number of Tendered Shares is below the lower limit of shares to be purchased (10,707,900 shares), the Tender Offeror will not purchase any of the Tendered Shares. If the total number of Tendered Shares is or exceeds the lower limit of shares to be purchased (10,707,900 shares), the Tender Offeror will purchase all the Tendered Shares.

(Note 2) Since no upper limit of shares to be purchased is set for the Tender Offer, the maximum number of shares (43,232,543 shares) that can be acquired by the Tender Offeror through the Tender Offer is indicated as the number of shares to be purchased. Such maximum number is the number of shares obtained by deducting, from the total number of the Target Company's issued shares as of June 30, 2024, as stated in the Target Company's Financial Results (97,597,530 shares), the number of treasury shares owned by the Target Company as of the same date (23,569 shares) and the number of the Target Company Shares owned by ITOCHU et al., which are not intended to be tendered in the Tender Offer as of today (54,341,418 shares).

(Note 3) Shares of less than one unit are also subject to the Tender Offer. If shareholders exercise their right to request that the Target Company repurchase its shares of less than one unit in accordance with the Companies Act, the Target Company may purchase such shares during the Tender Offer Period pursuant to the procedures under laws and regulations.

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

(6) Changes in the Ownership Ratio of Shares as a Result of the Purchase

Number of Voting Rights Pertaining to Shares Owned by the Tender Offeror Before the Purchase	—	(Ownership Ratio of Shares Before the Purchase) —
Number of Voting Rights Pertaining to Shares Owned by Specially Related Parties Before the Purchase	543,414 voting rights	(Ownership Ratio of Shares Before the Purchase) 55.69%
Number of Voting Rights Pertaining to Shares Owned by the Tender Offeror After the Purchase	432,325 voting rights	(Ownership Ratio of Shares After the Purchase) 44.31%
Number of Voting Rights Pertaining to Shares Owned by	543,414 voting rights	(Ownership Ratio of Shares After the Purchase) 55.69%

Specially Related Parties After the Purchase		
Number of Voting Rights of All Target Company Shareholders, etc.	975,431 voting rights	

(Note 1) "Number of Voting Rights Pertaining to Shares Owned by the Tender Offeror After the Purchase" (432,325 voting rights) is the number of voting rights pertaining to number of shares to be purchased in the Tender Offer (43,232,543 shares).

(Note 2) "Number of Voting Rights Pertaining to Shares Owned by Specially Related Parties Before the Purchase" and "Number of Voting Rights Pertaining to Shares Owned by Specially Related Parties After the Purchase" are the total number of voting rights pertaining to shares owned by each specially related party (however, among specially related parties, those who will be excluded from the specially related parties pursuant to Article 3, paragraph 2, item 1 of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates by Persons Other Than Issuer (Ministry of Finance Order No. 38 of 1990, as amended; the "Cabinet Office Order") in the calculation of the ownership ratio of shares in each item of Article 27-2, paragraph 1 of the Act shall be excluded).

(Note 3) "Number of Voting Rights of All Target Company's Shareholders, etc." is the total number of voting rights of all Target Company's Shareholders as of March 31, 2024, as stated in the Target Company's Securities Report for the 129th term submitted on June 26, 2024 (one unit of shares is stated to consist of 100 shares). However, since shares in quantities of less than one unit are subject to the Tender Offer, for the purpose of calculating the "Ownership Ratio of Shares Before the Purchase" and "Ownership Ratio of Shares After the Purchase," the number of voting rights (975,739 voting rights) pertaining to the number of shares (97,573,961 shares) obtained by deducting (a) from (b) was used as the numerator, wherein (a) is the number of treasury shares owned by the Target Company as of June 30, 2024 (23,569 shares), and (b) is the total number of issued shares of the Target Company as of the same date, as stated in the Target Company's Financial Results (97,597,530 shares).

(Note 4) With regard to the "Ownership Ratio of Shares Before the Purchase" and the "Ownership Ratio of Shares After the Purchase," any fraction is rounded off to two decimal places.

(7) Purchase Price 37,612,312,410 yen

(Note) The purchase price is the amount calculated by multiplying the number of shares to be purchased (43,232,543 shares) by the Tender Offer Price (870 yen).

(8) Method of Settlement

(i) Name and Location of the Head Office of the Financial Instruments Business Operator, Bank, etc., That Settles the Purchase

Nomura Securities Co., Ltd. 1-13-1, Nihonbashi, Chuo-ku, Tokyo

(ii) Commencement Date of Settlement

September 26, 2024 (Thursday)

(iii) Method of Settlement

After the expiration of the Tender Offer Period, a notice of purchase through the Tender Offer is mailed to the address of any person who accepts an offer to purchase or offers to sell shares related to the Tender Offer (a "Tendering Shareholder") (or the standing proxy in the case of foreign shareholders) without delay.

The purchase is made for cash. After the commencement date of settlement, the Tendering Shareholders may receive the purchase price for the Tender Offer without delay in a manner that they designate, such as remittance. (Remittance fees may be charged.)

(iv) Method of Return of Shares

If it is decided that none of the Tendered Shares are purchased pursuant to the conditions stated in "(i) Conditions Set Forth in Each Item of Article 27-13, Paragraph 4 of the Act and Details Thereof" and "(ii) Conditions of Withdrawal, etc. of Tender Offer, Details Thereof and Method of Disclosure of Withdrawal, etc." in "(9) Other Conditions and Procedures of the Tender Offer" below, the shares to be returned are returned promptly after two business days following the last day of the Tender Offer Period (where the Tender Offer has been withdrawn, the business day immediately following the day when the withdrawal was made) by restoring such shares to the state immediately before the tender application on the Tendering Shareholders' accounts at the tender offer agent. (If a Tendering Shareholder wishes to transfer its shares to the account of the Tendering Shareholder opened at the other financial instruments business operator, etc., please contact the head office or a branch office of the tender offer agent that accepted the tender application.)

(9) Other Conditions and Procedures of the Tender Offer

(i) Conditions Set Forth in Each Item of Article 27-13, Paragraph 4 of the Act and Details Thereof

If the total number of Tendered Shares is below the lower limit of shares to be purchased (10,707,900 shares), the Tender Offeror will not purchase any of the Tendered Shares. If the total number of Tendered Shares is or exceeds the lower limit of shares to be purchased (10,707,900 shares), the Tender Offeror will purchase all the Tendered Shares.

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

If any event listed in Article 14, paragraph 1, items 1(1) through 1(10) and items 1(13) through 1(19), items 3(1) through 3(8) and item 3(10) and Article 14, paragraph 2, items 3 through 6 of the Order occurs, the Tender Offer may be withdrawn. The "facts equivalent to those set forth in (1) to (9)" set forth in Article 14, paragraph 1, item 3(10) of the Order mean (i) cases where statutory disclosure documents submitted by the Target Company in the past turn out to contain false statements regarding material matters or to omit statements regarding material matters to be stated, under which the Tender Offeror did not know that the statements were false or omitted and, in the exercise of reasonable care, could not have known them, and (ii) cases where facts set forth in (1) through (7) of the same item occur in any of the Target Company's material subsidiaries. In order to withdraw the Tender Offer, the Tender Offeror will issue an electronic public notice and post the notice to that effect in the Nihon Keizai Shimbun. However, if it is difficult to issue an electronic public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement by the method stipulated in Article 20 of the Cabinet Office Order and subsequently issue a public notice as soon as possible.

(iii) Conditions to Reduce Purchase Price, Details Thereof and Method of Disclosure of Reduction

In accordance with Article 27-6, paragraph 1, item 1 of the Act, if the Target Company conducts any act listed in Article 13, paragraph 1 of the Order during the Tender Offer Period, the purchase price may be reduced pursuant to the standards set forth in Article 19, paragraph 1 of the Cabinet Office Order. In order to reduce the purchase price, the Tender Offeror will issue an electronic public notice and post the notice to that effect in the Nihon Keizai Shimbun. However, if it is difficult to issue an electronic public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement by the method stipulated in Article 20 of the Cabinet Office Order and subsequently issue a public notice as soon as possible. If the purchase price is reduced, Tendered Shares that were tendered on or before the date of the public notice are also purchased at the reduced purchase price.

(iv) Matters Concerning Tendering Shareholders' Rights to Cancel Their Agreements

The Tendering Shareholders may cancel a contract related to the Tender Offer at any time during the Tender Offer Period. When canceling the contract, please deliver or send a document indicating the intention of canceling the contract regarding the Tender Offer (the "Cancellation Document") to the head office or the domestic branch of the person designated below where your tender was accepted no later than 3:30 PM on the last day of the Tender Offer Period. However, if sending the Cancellation Document, the document must arrive by 3:30 PM on the last day of the Tender Offer Period.

When canceling a contract regarding your tender made through the online service, please cancel the contract via the online service (https://hometrade.nomura.co.jp/), or by delivering or sending the Cancellation Document. If canceling the contract via the online service, please follow the instructions provided on the online service screen, and complete cancellation procedures no later than 3:30 PM on the last day of the Tender Offer Period. Any contract regarding your tender made at a transaction branch cannot be cancelled via the online service. When delivering or sending the Cancellation Document, please first request a Cancellation Document form from your transaction branch and then deliver or send the Cancellation Document to the same transaction branch no later than 3:30 PM on the last day of the

Tender Offer Period. However, if sending the Cancellation Document, the document must arrive by 3:30 PM on the last day of the Tender Offer Period.

Party authorized to receive the Cancellation Document

Nomura Securities Co., Ltd. 1-13-1 Nihonbashi, Chuo-ku, Tokyo
(Other domestic branches of Nomura Securities Co., Ltd.)

The Tender Offeror will not make any claim for damages or a penalty payment to the Tendering Shareholders due to the cancellation of their contracts. In addition, the Tender Offeror will bear the cost of returning the Tendered Shares to the Tendering Shareholders. If a Tendering Shareholder applies for cancellation, the Tendered Shares shall be returned promptly after the completion of procedures related to the application for cancellation in accordance with the method stated in "(iv) Method of Return of Shares" in "(8) Method of Settlement" above.

(v) Method of Disclosure in Case of Change in the Purchase Terms of the Tender Offer

The Tender Offeror may, during the Tender Offer Period, change the purchase terms, except in cases where it is prohibited by Article 27-6, paragraph 1 of the Act or Article 13, paragraph 2 of the Order. If the Tender Offeror wishes to change the purchase terms, it will issue an electronic public notice regarding the details of the change and post the notice to that effect in the Nihon Keizai Shimbun. However, if it is difficult to issue an electronic public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement by the method stipulated in Article 20 of the Cabinet Office Order and subsequently issue a public notice immediately. If the purchase terms have been changed, Tendered Shares that were tendered on or before the date of the public notice are also purchased based on the changed purchase terms.

(vi) Method of Disclosure in Case of Filing of Amendment Statement

If the Tender Offeror files an amendment statement with the Director-General of the Kanto Local Finance Bureau (excluding the cases set forth in the proviso to Article 27-8, paragraph 11 of the Act), the Tender Offeror will immediately make a public announcement on the details relating to those described in the public notice of the commencement of the Tender Offer among other things in the amendment statement, by the method stipulated in Article 20 of the Cabinet Office Order. The Tender Offeror will also immediately amend the explanatory statement of the Tender Offer and deliver the amended explanatory statement of the Tender Offer to the Tendering Shareholders to whom the explanatory statement of the Tender Offer has already been delivered. However, if the scope of the amendment is limited, the amendment may be made by preparing a document stating the reason for the amendment and the subject matters before and after the amendment, and delivering the document to the Tendering Shareholders.

(vii) Method of Disclosure of Results of Tender Offer

The results of the Tender Offer will be publicly announced on the day following the last day of the Tender Offer Period using the method stipulated in Article 9-4 of the Order and Article 30-2 of the Cabinet Office Order.

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

August 6, 2024 (Tuesday)

(11) Tender Offer Agent

Nomura Securities Co., Ltd. 1-13-1, Nihonbashi, Chuo-ku, Tokyo

4. Policies after the Tender Offer and Future Outlook

Please see "(2) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer," "(4) Policy for Reorganization after the Tender Offer (Matters Concerning the So-Called "Two Step Acquisition")" and "(5) Possibility of Delisting and Reasons Thereof" in "2. Purpose of the Tender Offer, etc." above.

5. Other Information

(1) Whether There Is Any Agreement between the Tender Offeror and the Target Company or Its Directors; Details Thereof If Applicable

(i) Support for the Tender Offer

According to the Target Company Press Release, at the Target Company's board of directors meeting held on August 5, 2024, it made a resolution declaring the Target Company's opinion supporting the Tender Offer, and to recommend to its shareholders that they tender their shares in the Tender Offer. For details, please see "(viii) Approval of All Disinterested Directors at the Target Company and Opinion of All Disinterested Audit and Supervisory Board Members that They Had No Objection" in "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3 Outline of the Tender Offer" above.

(ii) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer

Please refer to "(2) Background, Purpose, and Decision-making Process Leading to the Decision to Conduct the Tender Offer, and Management Policy Following the Tender Offer" in "2. Purpose of the Tender Offer, etc." above.

(iii) 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

Please refer to "(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)" in "(ii) Background of Valuation" in "(4) Basis for Valuation of the Tender Offer Price" in "3. Outline of the Tender Offer" above.

(2) Other Information Deemed Necessary for Investors to Determine Whether to Tender Their Shares in the Tender Offer

(a) Announcement of the "Summary of the Financial Results for the First Quarter of the Fiscal Year Ending March 2025 [Japanese GAAP] (Consolidated)"

The Target Company announced the Target Company's Financial Results on August 5, 2024. The Target Company's status of profit and loss for the same fiscal year based on the announcement is as follows. According to the Target Company, the content thereof has not undergone quarterly review by an auditing firm pursuant to Article 193-2, paragraph 1 of the Act. In addition, the outline of the announcement below is a partial extract of the content announced by the Target Company, and the Tender Offeror is not in a position to independently verify the accuracy and truth thereof and has not actually conducted such verification. For details, please see the content of the announcement.

(i) Profit and Loss (consolidated)

Fiscal Year	The First Quarter of the Fiscal Year Ending March 31, 2025
Net sales	34,828 million yen
Operating profit	2,114 million yen
Ordinary profit	2,164 million yen
Net profit attributable to owners of parent	1,384 million yen

(ii) Per Share (consolidated)

Fiscal Year	The First Quarter of the Fiscal Year Ending March 31, 2025
Earnings per share	14.22 yen
Net assets per share	999.67 yen
Dividends per share	0 yen

(b) Publication of "Notice Regarding the Revision of Dividend Forecast for the Fiscal Year Ending March 31, 2025 (No Dividend Payment)"

According to the "Notice Regarding the Revision of Dividend Forecast for the Fiscal Year Ending March 31, 2025 (No Dividend Payment)" announced by the Target Company as of August 5, 2024, at the board of directors meeting held on the same date, the Target Company resolved to revise its dividend forecast for the fiscal year ending March 31, 2025, which was announced on May 8, 2024, and not to pay interim and year-end dividends for that fiscal year. For details, please see the content of the announcement by the Target Company.

(c) Publication of "Notice Regarding the Cancellation of Issuance of New Shares as Restricted Stock-based Remuneration"

At the board of directors meeting held on August 5, 2024, the Target Company resolved to cancel the issuance of new shares as restricted stock-based remuneration, which was announced on July 24, 2024. For details, please see the content of the announcement by the Target Company.

(Reference) ITOCHU's consolidated earnings forecast for the fiscal year ending March 2025 (from April 1, 2024 to March 31, 2025) (announced on May 8, 2024) and consolidated actual results for the previous fiscal year

	Earnings attributable to shareholders of ITOCHU	Basic earnings per share attributable to shareholders of ITOCHU
Consolidated earnings forecast for the current fiscal year (fiscal year ending March 2025)	880,000 million yen	614.63 yen
Consolidated actual results for the previous fiscal year (fiscal year ending March 2024)	801,770 million yen	553.00 yen

[Solicitation Regulations]

This press release is intended to publicly release the Tender Offer, and was not prepared for the purpose of soliciting a tender for a sale. If you intend to tender an offer to sell shares in the Tender Offer, please make sure that you refer to the Tender Offer Explanatory Document regarding the Tender Offer in advance, and tender shares at your own discretion. This press release is not a tender for, or a solicitation for a tender for, a sale or purchase of securities, and does not constitute a part of the foregoing. In addition, this press release (or any part of it) and any distribution hereof will not be the basis for any agreement concerning the Tender Offer, nor will it be relied upon when executing an agreement.

[Cautionary Note regarding Forward-looking Statements]
This press release contains outlook for the schedule and other terms of the Tender Offer, and statements regarding the outlook for business developments, based on views of the management team of ITOCHU, in the case where C.I. TAKIRON Corporation shares are acquired. Actual results may deviate significantly from these estimates due to a number of factors.

[U.S. Regulations]
The Tender Offer is to be conducted in compliance with the procedures and information disclosure standards stipulated by the Financial Instruments and Exchange Act of Japan, and the procedures and standards therefor are not necessarily the same as those applicable in the United States. Specifically, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934 (as amended; hereinafter the same) as well as the regulations promulgated thereunder do not apply to the Tender Offer, and the Tender Offer is not necessarily in compliance with the procedures and standards thereunder. Unless otherwise specified, all procedures related to the Tender Offer will be conducted in the Japanese language. While all or part of the documents in connection with the Tender Offer may be prepared in English, the Japanese documents shall prevail in the case of any discrepancy between the Japanese documents and the corresponding English documents. Statements in this press release and the documents referenced herein include "forward-looking statements" as defined in Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the Securities Exchange Act of 1934. The actual results may significantly differ from the projections expressed or implied as the "forward-looking statements" due to known or unknown risks, uncertainties, or other factors. Neither the Tender Offeror nor the Target Company nor any of their affiliates guarantee that the projections expressed or implied as the "forward-looking statements" will turn out to be accurate. The "forward-looking statements" contained in this press release and the documents referenced herein have been prepared based on the information available to the Tender Offeror and the Target Company as of the date of this press release and the documents referenced herein, and unless required by laws and regulations, neither the Tender Offeror nor the Target Company nor any of their affiliates are obligated to update or correct the statements made herein and therein in order to reflect future events or circumstances. The financial information contained in this press release and the documents referenced herein is based on the accounting standards applicable in Japan. Such accounting standards may be substantially different from accounting principles generally accepted in the United States or other countries. It may be difficult to exercise or claim any right that may be asserted under U.S. federal securities laws, because both the Tender Offeror and the Target Company are established outside the United States and all or part of their officers are non-U.S. residents. Further, it may be impossible to initiate legal

proceedings in a non-U.S. court against a non-U.S. company or its officers for violations of U.S. federal securities laws. Additionally, non-U.S. entities and their subsidiaries and affiliates may not necessarily be subject to the jurisdiction of U.S. courts.

There is a possibility that, in the ordinary course of business, the Tender Offeror, financial advisors of the Tender Offeror and the Target Company, and the tender offer agent (including their affiliates) may, to the extent permitted by the laws and regulations relating to financial instruments transactions and other applicable laws and regulations of Japan and in accordance with the requirements of Rule 14e-5(b) of the U.S. Securities Exchange Act of 1934, on their own or their customers' account, purchase or take action toward purchasing shares of the Target Company Share listed on the Prime Market of the TSE outside the Tender Offer prior to or during the tender offer period of the Tender Offer. If information regarding such a purchase is disclosed in Japan, it will be disclosed in English on the website of the relevant purchaser (or by other disclosure methods).

According to the Target Company, as described in the "Notice Regarding the Introduction of a Stock-based Remuneration System for Officers" published by the Target Company on May 9, 2018, the Target Company has introduced the Stock-based Remuneration System. The Stock-based Remuneration System provides that the Directors, etc. of the Target Company who are covered by this system will, at a certain time each year, be awarded points in accordance with their titles, number of months in office, and consolidated operating profit target achievement rate, and then their rights to receive delivery of Target Company Shares in the number corresponding to such points will vest (beneficial interests in trust), and the Directors, etc. will receive delivery of Target Company Shares in such number. Under the Stock-based Remuneration System, on August 5, 2024, the rights to receive delivery of Target Company Shares (the "Beneficial Interests") will vest for Mr. Kazuya Saito, who resigned as a director of the Target Company on March 31, 2024, and for Messrs. Hideharu Iwasaki, Hiroji Kimura, Akihiko Shiraishi, and Tetsuya Tsukaguchi, who resigned as executive officers of the Target Company as of the same date (collectively, the "Beneficiaries") in the following number of Target Company Shares, respectively: 15,100 shares (Ownership Ratio: 0.02%); 9,200 shares (Ownership Ratio: 0.01%); 8,200 shares (Ownership Ratio: 0.01%); 5,700 shares (Ownership Ratio: 0.01%); 2,700 shares (Ownership Ratio: 0.00%) (total: 40,900 shares, Ownership Ratio: 0.04%). Based on the requirement to promptly deliver those shares after the beneficial interests vest under the Stock-based Remuneration System, the date of delivery is expected to be August 16, 2024, being a day during the Tender Offer Period. Following the delivery of the respective Target Company Shares as described above, the Ownership Ratios of the Beneficiaries will all be less than 5%. The Beneficiaries and the Target Company executed a written agreement to the effect that they will confirm the details of the Beneficial Interests and the share delivery before the announcement of this press release, and on the premise that the share delivery is not subject to any conditions for future performance of the vested rights and is based on a legally binding prior agreement, the share delivery will be implemented based on Rule 14e-5(b)(7) of the U.S. Securities Exchange Act of 1934. Such vesting of the rights to receive delivery of Target Company Shares and the delivery of Target Company Shares will be made as stock-based remuneration to the Beneficiaries, and no amount of money will be delivered by the Beneficiaries to the Target Company in connection therewith.

[Other Countries]

In some countries or regions, the release, issuance, or distribution of this press release may be restricted by relevant laws, in which case, please keep such restriction in mind and comply with it.