

March 15, 2019

**Notice of Conclusion of Capital and Business Alliance Agreement
with TOYO KNIFE CO., LTD.**

The Company has recently held an extraordinary Board of Directors meeting and resolved to enter into a capital and business alliance agreement (hereinafter referred to as the "Agreement" and the capital and business alliance as provided in the Agreement is referred to as the "Capital and Business Alliance") with TOYO KNIFE CO., LTD. (hereinafter referred to as the "TOYO KNIFE"), as described below.

In addition, the Regional Economy Vitalization Corporation of Japan (hereinafter referred to as "REVIC Fund"), which is the largest shareholder of TOYO KNIFE became the parent company of TOYO KNIFE with holding 865,900 shares of TOYO KNIFE (the ratio of voting rights, the ratio to the total voting rights of TOYO KNIFE; the same shall apply hereinafter: 47%), as REVIC Fund acquired 288,600 shares of TOYO KNIFE's common stock as of today by exercising the 1st series of unsecured convertible bond-type bonds with subscription rights to shares issued by TOYO KNIFE to the REVIC Fund on March 31, 2016. As of today, the REVIC Fund has reached an agreement with the Company to transfer 476,600 shares of TOYO KNIFE common stock (approximately 26% of voting rights) to the Company through a negotiated transaction outside the market (hereinafter referred to as the "Share Transfer").

As a result of the Share Transfer, TOYO KNIFE will become its equity-method affiliate.

1. Reasons for the Capital and Business Alliance

As a manufacturer and distributor of machine blades and machinery and parts, TOYO KNIFE contributes to society by providing products that earn the trust and satisfaction of customers in compliance with laws and regulations. At the same time, TOYO KNIFE pursues management based on its basic management philosophy of creating a vibrant workplace through participation and cooperation. The basic policy of the Medium-Term Management Plan is to "endeavor to create customer-oriented manufacturing, strengthen technology and competitiveness, respond to changes in the industrial structure, and stabilize the management foundation". Since the Great East Japan Earthquake damaged its main factories and head office buildings, the entire group has worked hard to rebuild the Company. As a result, despite some improvement in business performance, In order to further recover and grow its business performance, on March 14, 2016, the Company entered into a capital and business alliance agreement with REVIC Fund managed by REVIC Partners Co., Ltd. (hereinafter referred to as "REVIC Partners") as a general partner, and issued new shares and bonds with stock acquisition rights to REVIC Fund through a third-party allotment.

After forming a capital and business alliance and raising funds from the REVIC Fund, TOYO KNIFE has been carrying out company-wide improvements, and is making steady progress toward achieving the goals of the Mid-term Management Plan, which ends this year.

Against this backdrop, TOYO KNIFE has held numerous discussions with REVIC Partners. Since around September 2018, the Company had been looking for new partners with which it can expect synergies with its businesses to further enhance its corporate value while maintaining the independence of its management. Based on the consultations with TOYO KNIFE, the Company reached to believe that its global network will strengthen the overseas sales of TOYO KNIFE. At the same time, the Company will be able to effectively utilize the existing Chinese management resources and strengthen its industrial blades business at the Chinese subsidiary, and the Company examined the possibility of becoming a core business other than the semiconductor-related and electronic devices

businesses in the future. As a result, the Company has concluded a capital and business alliance that will benefit the shareholders of both companies.

2. Details of capital and business alliance

The capital and business alliance will begin on the condition that the Company acquire 476,600 shares (approximately 26% of voting rights) of TOYO KNIFE from the REVIC Fund and become shareholders of TOYO KNIFE.

The Company plans to acquire 389,300 shares of TOYO KNIFE held by the REVIC Fund by May of this year, with the aim of holding approximately 33% of the voting rights of TOYO KNIFE.

In the capital and business alliance, the Company will utilize its global network of semiconductor-related businesses to expand overseas sales of high-value-added products such as high-precision products used in the manufacturing process of TOYO KNIFE's flat panel displays. At the same time, the Company will work with Hangzhou Heyuan Precision Tool Limited Company, its Chinese subsidiary that manufactures and sells industrial blades, to efficiently market industrial blades in overseas markets.

In addition, through the capital and business alliance, the Company will consider the possibility that the procurement of materials will lead to cost reductions through joint purchasing and other means. At the same time, through joint development of new products and personnel exchanges, the Company will identify products that are important to its business strategy and expand its business portfolio. In order to efficiently advance this capital and business alliance, the Company plans to establish a new Capital and Business Alliance Promotion Committee (tentative name) at both companies and plan to formulate and implement concrete measures.

Under this agreement, the Company has agreed to be able to nominate one director candidate for TOYO KNIFE, as long as its voting rights are 30% or more (but until TOYO KNIFE acquires 389,300 or more shares of treasury stock, it is 25% or more). Based on the agreement, TOYO KNIFE plans to submit a proposal for the appointment of directors, including one nominee for director, at the 142nd Ordinary General Meeting of Shareholders of TOYO KNIFE, to be held in June 2019.

3. Acquisition price of newly acquired shares of the other party

The Company will purchase 476,600 shares (679 million yen) of TOYO KNIFE common stock from the REVIC Fund.

The number of outstanding shares after the acquisition of treasury stock and the results of calculations using the comparable company method have been taken into account in calculating the share price based on the simple average market price for the past six months calculated from the record date of February 22, 2019. This is due to the need to eliminate the risk of price fluctuations, in addition to the need to determine the value prior to the conclusion of the Assignment Agreement in the negotiation process with the other party in this acquisition.

4. Outline of partners for capital and business alliances

(1) Name	TOYO KNIFE CO., LTD.	
(2) Location	34-11 Tomiya-Hiwata, Tomiya-shi, Miyagi	
(3) Status and name of representative	Seino Yoshiaki, President	
(4) Business	Manufacture and sale of machine blades and machinery and parts, and landscaping business	
(5) Capital	5 billion yen (As of July 1, 2018)	
(6) Established	August 9, 1925	
Major shareholders and percentage of shares	Regional Economy Vitalization Corporation of Japan	37.61%
	The 77 Bank, Ltd.	3.22%
	Joyo Bank, Ltd.	3.22%
	TOYO KNIFE Employee Shareholding Association	2.56%

(7) (As of September 30, 2018)	Mizuho Trust & Banking Co., Ltd.	1.82%	
	Sendai Building Co., Ltd.	1.53%	
	Yoshiyuki Michibata	1.39%	
	HIKARI TSUSHIN, INC.	1.36%	
	Daido Steel Co., Ltd.	1.30%	
	Sendai Television Incorporated	1.30%	
(8) Relationships between the parties	Business relationships	Not applicable.	
	Personal relationship	Not applicable.	
	Business relationship	Not applicable.	
	Related party information	Not applicable.	
(9) Consolidated Operating Results and Financial Position of the Company for the Last Three Years			
Fiscal year	FY3/16	FY3/17	FY3/18
Consolidated net assets	1,249 million yen	1,524 million yen	1,750 million yen
Consolidated total assets	6,132 million yen	6,314 million yen	6,717 million yen
Consolidated net assets per share	792.05 yen	991.86 yen	1,139.01 yen
Consolidated net sales	4,910 million yen	4,975 million yen	5,293 million yen
Consolidated ordinary income	184 million yen	207 million yen	259 million yen
Net income attributable to owners of parents	139 million yen	265 million yen	246 million yen
Consolidated net income per share	139.97 yen	170.36 yen	160.62 yen
Dividend per share	0 yen	0 yen	0 yen

5. Schedule

- (1) Date of resolution of the Board of Directors regarding capital and business alliance: March 15, 2019
- (2) Date of conclusion of the capital and business alliance agreement: March 15, 2019
- (3) Start date of capital and business alliance (planned): March 27, 2019

6. Future outlook

The impact of the capital and business alliance on the business results for the current fiscal year is expected to be minor. The Company currently in the process of scrutinizing the impact on its business results for the next fiscal year, and will announce it as soon as it becomes clear that there will be a significant impact on its business results.