

Please note that the following is an unofficial English translation of Japanese original text of Notice of Convocation of the 106th Ordinary General Meeting of Shareholders of Toyo Seikan Group Holdings, Ltd. The Company provides this translation for reference and convenience purposes only, without any warranty as to its accuracy or otherwise. In the event of any discrepancy between this translation and the Japanese original, the latter shall prevail.

Securities Code: 5901

June 3, 2019

To Our Shareholders:

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

**NOTICE OF CONVOCATION OF
THE 106th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 106th Ordinary General Meeting of Shareholders of Toyo Seikan Group Holdings, Ltd. (the "Company"). The Meeting will be held as described below.

If you are unable to attend the Meeting, you can exercise your voting rights in writing or via the Internet. Please review the Reference Documents for the General Meeting of Shareholders, which are presented in the following pages, and exercise your voting rights by 5:15 p.m., Monday, June 24, 2019.

- 1. Time and Date:** 10:00 a.m., Tuesday, June 25, 2019
- 2. Place:** 2F Meeting Room, Osaki Forest Building
2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo, Japan
- 3. Agenda**
 - Items to be Reported:**
 - (1) Business Report and Consolidated Financial Statements for the 106th term (from April 1, 2018 to March 31, 2019), and Results of Audit of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Board
 - (2) Non-Consolidated Financial Statements for the 106th term (from April 1, 2018 to March 31, 2019)
 - Items to be Resolved:**
 - Proposal 1:** Appropriation of Surplus
 - Proposal 2:** Election of Thirteen (13) Directors
 - Proposal 3:** Election of One (1) Audit and Supervisory Board Member

When you attend the meeting, please present the enclosed Voting Form at the reception of the venue on the date of the meeting.

If any amendment is made to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-Consolidated Financial Statements, the amended documents will be posted on the Internet website of the Company (<https://ssl.tskg-hd.com/>).

[Translation for Reference and Convenience Purposes Only]

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Reference Documents for the 106th General Meeting of Shareholders

Proposals and References

Proposal 1: Appropriation of Surplus

We submit the following proposal for the appropriation of surplus.

Matters concerning a year-end dividend

Rewarding shareholders is one of our most important management issues. In accordance with our basic dividend policy of ensuring stable and constant payout to shareholders, we have decided to pay an annual dividend of at least 14 yen per share during the period of the Toyo Seikan Group Fifth Mid-term Management Plan, the period from fiscal 2018 to 2020.

Based on the above-mentioned policy, we intend to pay a year-end dividend for the fiscal year under review as follows:

(1) Type of dividend property: Cash

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

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

Total amount of payout: 1,353,364,992 yen

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

(3) Effective date of the distribution of surplus: June 26, 2019

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Proposal 2: Election of Thirteen (13) Directors

The term of office of the fourteen existing Directors (including five outside Directors) will expire at the close of the 106th Ordinary General Meeting of Shareholders. Thus, we ask our shareholders to approve the appointment of the thirteen Directors stated below, including five outside Directors.

The candidates for Directors are as follows:

| No. | Name | Current position and responsibility at the Company | | Attendance at Board of Directors Meetings during the 106th term |
|-----|-------------------|---|--|---|
| 1 | Takao Nakai | Chairman and Representative Director; Chairman of Group CSR Promotion Committee | Reelection | 13 out of 13 times (100.0%) |
| 2 | Ichio Otsuka | President and Representative Director; Chairman of Group Risk and Compliance Committee; Chairman of Group Environment Committee | Reelection | 10 out of 10 times (100.0%) |
| 3 | Hirohiko Sumida | Executive Vice President and Director; Management of Toyo Kohan Co., Ltd. | Reelection | 10 out of 10 times (100.0%) |
| 4 | Masashi Gobun | Senior Executive Officer and Director; Accounting, Finance, IT and Group Information Management | Reelection | 13 out of 13 times (100.0%) |
| 5 | Masakazu Soejima | Executive Officer and Director; Head of Corporate Strategy; Investor Relations and Group Procurement | Reelection | 13 out of 13 times (100.0%) |
| 6 | Kazuo Murohashi | Operating Officer and Director; Secretariat and Human Resources; General Manager of Human Resources Department | Reelection | 13 out of 13 times (100.0%) |
| 7 | Kouki Ogasawara | Operating Officer and Director; General Affairs and Legal Affairs | Reelection | 10 out of 10 times (100.0%) |
| 8 | Hideaki Kobayashi | Director | Reelection Outside Independent | 13 out of 13 times (100.0%) |
| 9 | Tsutao Katayama | Director | Reelection Outside Independent | 12 out of 13 times (92.3%) |
| 10 | Kei Asatsuma | Director | Reelection Outside Independent | 13 out of 13 times (100.0%) |
| 11 | Hiroshi Suzuki | Director | Reelection Outside Independent | 10 out of 10 times (100.0%) |
| 12 | Mamoru Shibasaka | Executive Officer; Head of Group Technical Development | New election | — |
| 13 | Mami Taniguchi | — | New election Outside Independent | — |

- Note: 1. Since Ichio Otsuka, Hirohiko Sumida, Kouki Ogasawara and Hiroshi Suzuki took office as Director at the Ordinary General Meeting of Shareholders held on June 27, 2018, the number of Board of Directors meetings available for them to attend was 10. Among them, Mr. Suzuki attended as Audit and Supervisory Board Member all of Board of Directors meetings and Audit and Supervisory Board meetings (three times and four times, respectively) which were held prior to his assumption of the Director position.
2. “Independent” marked in the above table means that the relevant candidate is independent from the Company on the basis of the independent criteria of both the Tokyo Stock Exchange (TSE) and the Company.
3. The Company has notified TSE that it has appointed Hideaki Kobayashi, Tsutao Katayama and Hiroshi Suzuki as Independent Directors under TSE’s independent criteria, and will notify TSE of the appointment of Mami Taniguchi to Independent Director.
4. Kei Asatsuma meets the independence criteria of both TSE and the Company but has not been designated as an Independent Director of the Company according to the policy of the law firm to which he belongs.

[Translation for Reference and Convenience Purposes Only]

| Candidate No. | Name (Date of birth) | Career summary, status, area of responsibility and significant concurrent positions | |
|---------------|--|---|--|
| 1 | <p>Takao Nakai (Apr. 1, 1952)</p> <p>Reelection</p> <p>Attendance at Board of Directors Meetings: 13 out of 13 times (100.0%)</p> <p>Number of the Company's shares owned: 52,900</p> | <p>Apr. 1975</p> <p>Jun. 2000</p> <p>Jun. 2003</p> <p>Jun. 2005</p> <p>Jun. 2006</p> <p>Jun. 2008</p> <p>Apr. 2013</p> <p>Jun. 2013</p> <p>Jun. 2014</p> <p>Jun. 2015</p> <p>Dec. 2016</p> <p>Jun. 2018</p> | <p>Joined the Company</p> <p>General Manager, Material Procurement Department</p> <p>General Manager, Material Procurement Department, Material Procurement & Environment Division</p> <p>Director</p> <p>Operating Officer</p> <p>Head of International Operations Division</p> <p>Executive Officer</p> <p>Senior Executive Officer</p> <p>Head of International Operations, Marketing and Procurement</p> <p>Executive Vice President and Director</p> <p>Assistant to President</p> <p>President and Representative Director</p> <p>Chairman of Group CSR Promotion Committee (up to present)</p> <p>Chairman of Group Compliance Promotion Committee</p> <p>Chairman of Group Environment Committee</p> <p>Chairman of Group Risk and Compliance Committee</p> <p>Chairman and Representative Director (up to present)</p> |
| | <p>Reason of nomination for Director: We have determined that Takao Nakai is qualified to lead the management of the Group for the vast experience and extensive knowledge and insight he has accumulated while serving as President and as Chairman of the Company.</p> | | |
| 2 | <p>Ichio Otsuka (Nov. 24, 1959)</p> <p>Reelection</p> <p>Attendance at Board of Directors Meetings: 10 out of 10 times (100.0%)</p> <p>Number of the Company's shares owned: 9,800</p> | <p>Apr. 1983</p> <p>Jun. 2005</p> <p>Jun. 2006</p> <p>Jun. 2007</p> <p>Jun. 2009</p> <p>Jun. 2011</p> <p>Apr. 2012</p> <p>Apr. 2013</p> <p>Apr. 2014</p> <p>Jun. 2014</p> <p>Apr. 2015</p> <p>Apr. 2016</p> <p>Jun. 2016</p> <p>Apr. 2018</p> <p>Jun. 2018</p> <p>Apr. 2019</p> | <p>Joined the Company</p> <p>Plant Manager, Hiroshima Plant</p> <p>Executive Vice President of Asia Packaging Industries (Vietnam) Co., Ltd.</p> <p>General Manager, Production Technology Department, Production & Operations Division</p> <p>General Manager, Quality Assurance Department, Production & Operations Division</p> <p>General Manager, International Operations Department, International Operations Division</p> <p>President of Next Can Innovation Co., Ltd.</p> <p>Operating Officer of Toyo Seikan Co., Ltd.; In charge of Management of Next Can Innovation Co., Ltd.</p> <p>Operating Officer; In charge of Business Development and CSR</p> <p>General Manager, Corporate Planning Department and International Business Development Department</p> <p>In charge of Business Development and CSR</p> <p>General Manager, Corporate Planning Department</p> <p>Executive Officer; In charge of Corporate Strategy and Investor Relations</p> <p>General Manager, Corporate Planning Department</p> <p>Senior Executive Officer and Director of Toyo Seikan Co., Ltd. (Assistant to President)</p> <p>President and Representative Director of Toyo Seikan Co., Ltd.</p> <p>Special Advisor</p> <p>President and Representative Director (up to present)</p> <p>Chairman of Group Risk and Compliance Committee (up to present)</p> <p>Chairman of Group Environment Committee (up to present)</p> |
| | <p>(Significant concurrent position)</p> <ul style="list-style-type: none"> • Director of Crown Seal Public Co., Ltd. <p>Reason of nomination for Director: We have determined that Ichio Otsuka is qualified to lead the management of the Group for his track record as President of the Company in addition to the years of experience and extensive knowledge and insight he has accumulated in the divisions of production & operations, international operations and corporate planning.</p> | | |

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| Candidate No. | Name (Date of birth) | Career summary, status, area of responsibility and significant concurrent positions |
|---|--|---|
| 3 | <p>Horohiko Sumida (Aug. 21, 1956)</p> <p>Reelection</p> <p>Attendance at Board of Directors Meetings: 10 out of 10 times (100.0%)</p> <p>Number of the Company's shares owned: 1,700</p> | <p>Feb. 1991 Joined Mitsubishi Corporation</p> <p>Jan. 2003 Manager of IT Strategy Unit, Living Essentials Group, Mitsubishi Corp.</p> <p>Apr. 2008 CIO of Living Essentials Group, Mitsubishi Corp.</p> <p>Feb. 2011 Joined Toyo Kohan Co., Ltd.</p> <p>Apr. 2011 Executive Officer, Chief and General Manager of President's Office, Toyo Kohan Co., Ltd.</p> <p>Apr. 2012 Chief of Strategic Planning Division and General Manager of Business Development Department, Toyo Kohan Co., Ltd.</p> <p>Jun. 2012 Director of Toyo Kohan Co., Ltd.</p> <p>Apr. 2013 Chief of Strategic Planning Division, Toyo Kohan Co., Ltd.</p> <p>Jun. 2014 President and Representative Director of Toyo Kohan Co., Ltd. Operating Officer of the Company</p> <p>Jun. 2018 Executive Vice President and Director (up to present) In charge of Management of Toyo Kohan Co., Ltd. (up to present)</p> |
| | <p>(Significant concurrent position)</p> <ul style="list-style-type: none"> • Director of Toyo Kohan Co., Ltd. | |
| <p>Reason of nomination for Director: We have determined that Horohiko Sumida is qualified to lead the management of the Group for the vast experience and extensive knowledge and insight he has accumulated as the President and Representative Director of a group company.</p> | | |
| 4 | <p>Masashi Gobun (Apr. 11, 1956)</p> <p>Reelection</p> <p>Attendance at Board of Directors Meetings: 13 out of 13 times (100.0%)</p> <p>Number of the Company's shares owned: 16,720</p> | <p>Apr. 1979 Joined the Company</p> <p>Jun. 2005 General Manager, Information Technology Department, Corporate Administration Division</p> <p>Jun. 2008 General Manager, Accounting & Finance Department, Corporate Administration Division</p> <p>Apr. 2012 Operating Officer</p> <p>Apr. 2013 In charge of Accounting and IT</p> <p>Apr. 2014 Executive Officer</p> <p>May 2015 In charge of Accounting, Finance and IT</p> <p>Jun. 2015 Director (up to present)</p> <p>Apr. 2016 Senior Executive Officer (up to present)</p> <p>Dec. 2016 In charge of Accounting, Finance, IT and Group Information Management</p> <p>Jun. 2017 Head of Accounting, Finance and IT; In charge of Group Information Management</p> <p>Apr. 2018 In charge of Accounting, Finance, IT and Group Information Management (up to present)</p> |
| | <p>(Significant concurrent position)</p> <ul style="list-style-type: none"> • Director of Toyo Seikan Co., Ltd. | |
| <p>Reason of nomination for Director: We have determined that Masashi Gobun is qualified to lead the management of the Group for the vast experience and extensive knowledge and insight he has accumulated while serving at the accounting, finance and IT divisions over many years.</p> | | |

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| Candidate No. | Name (Date of birth) | Career summary, status, area of responsibility and significant concurrent positions |
|---|--|---|
| 5 | <p>Masakazu Soejima (Nov. 23, 1965)</p> <p>Reelection</p> <p>Attendance at Board of Directors Meetings: 13 out of 13 times (100.0%)</p> <p>Number of the Company's shares owned: 700</p> | <p>Apr. 1988 Joined the Company</p> <p>Jun. 2010 General Manager, Accounting & Finance Department, Corporate Administration Division</p> <p>Apr. 2012 Director, Can Machinery Holdings, Inc. (up to present)</p> <p>Apr. 2013 General Manager, Accounting & Finance Department</p> <p>May 2015 General Manager, Corporate Planning Department</p> <p>Apr. 2016 Operating Officer</p> <p>Jun. 2017 Director (up to present) In charge of Corporate Strategy and Investor Relations</p> <p>Apr. 2019 Executive Officer (up to present) Head of Corporate Strategy; In charge of Investor Relations and Group Procurement (up to present)</p> |
| <p>Reason of nomination for Director: We have determined that Masakazu Soejima is qualified to lead the management of the Group for the vast experience and extensive knowledge and insight he has accumulated while serving at the accounting and corporate planning divisions over many years.</p> | | |
| 6 | <p>Kazuo Murohashi (Sep. 24, 1963)</p> <p>Reelection</p> <p>Attendance at Board of Directors Meetings: 13 out of 13 times (100.0%)</p> <p>Number of the Company's shares owned: 4,300</p> | <p>Apr. 1986 Joined the Company</p> <p>Jun. 2009 Plant Manager, Shimizu Plant, Production & Operations Division</p> <p>Oct. 2010 Plant Manager, Shizuoka Plant, Production & Operations Division</p> <p>Apr. 2012 General Manager, HR Department, Corporate Administration Division</p> <p>Apr. 2013 General Manager, General Affairs and HR Department, Corporate Administration Division, Toyo Seikan Co., Ltd.</p> <p>Jul. 2015 General Manager, HR Department, Corporate Administration Division, Toyo Seikan Co., Ltd.</p> <p>Apr. 2016 General Manager, HR Department (up to present)</p> <p>Apr. 2017 Operating Officer (up to present)</p> <p>Jun. 2017 Director (up to present) In charge of General Affairs and Human Resources</p> <p>Jun. 2018 In charge of Secretariat and Human Resources (up to present)</p> |
| <p>Reason of nomination for Director: We have determined that Kazuo Murohashi is qualified to lead the management of the Group for the vast experience and extensive knowledge and insight he has accumulated while serving at the human resources and personnel administration divisions over many years.</p> | | |

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| Candidate No. | Name (Date of birth) | Career summary, status, area of responsibility and significant concurrent positions |
|---------------|--|--|
| 7 | <p>Kouki Ogasawara (Nov. 6, 1965)</p> <p>Reelection</p> <p>Attendance at Board of Directors Meetings: 10 out of 10 times (100.0%)</p> <p>Number of the Company's shares owned: 2,900</p> | <p>Apr. 1988 Joined the Company</p> <p>Apr. 2012 General Manager, General Affairs Department, Corporate Administration Division</p> <p>Apr. 2013 General Manager, General Affairs Department</p> <p>Apr. 2017 Operating Officer (up to present)</p> <p>Jun. 2018 Director (up to present) In charge of General Affairs and Legal Affairs (up to present)</p> |
| | <p>Reason of nomination for Director: We have determined that Kouki Ogasawara is qualified to lead the management of the Group for the vast experience and extensive knowledge and insight he has accumulated while serving at the general affairs division over many years.</p> | |
| 8 | <p>Hideaki Kobayashi (Dec. 19, 1945)</p> <p>Reelection Outside Independent</p> <p>Attendance at Board of Directors Meetings: 13 out of 13 times (100.0%)</p> <p>Number of the Company's shares owned: 2,800</p> | <p>Apr. 1968 Entered the Ministry of Foreign Affairs</p> <p>Jan. 1995 Assistant Vice-Minister, Minister's Secretariat & Consular and Migration Affairs Department, Ministry of Foreign Affairs</p> <p>Apr. 1995 Deputy Secretary General (External Affairs), Secretariat of the Japan Fair Trade Commission</p> <p>Aug. 1997 Envoy Extraordinary and Minister Plenipotentiary, Embassy of Japan in the United States of America</p> <p>Feb. 2000 Ambassador Extraordinary and Plenipotentiary, Permanent Mission of Japan to the United Nations</p> <p>Apr. 2001 Chief of Protocol, the Ministry of Foreign Affairs</p> <p>Oct. 2002 Chief Chamberlain to H.I.H. Crown Prince, The Imperial Household Agency</p> <p>Oct. 2005 Ambassador Extraordinary and Plenipotentiary to the Kingdom of Thailand</p> <p>Oct. 2008 Director of State Guest House, Cabinet Office</p> <p>Mar. 2011 Retired from Cabinet Office</p> <p>Apr. 2011 Advisor to the Company</p> <p>Jun. 2011 Director of the Company (up to present)</p> |
| | <p>(Significant concurrent position)</p> <ul style="list-style-type: none"> • Outside Director of Densan Co. Ltd. <p>Reason of nomination for Outside Director: We have determined that Hideaki Kobayashi is qualified to act as Outside Director of the Company for the vast experience and extensive knowledge and insight he has accumulated as a diplomat over many years. Although he has not been directly involved in corporate management, except serving as an outside director, we determined that he is capable of properly performing duties as Outside Director for the above-mentioned reason.</p> | |

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| Candidate No. | Name (Date of birth) | Career summary, status, area of responsibility and significant concurrent positions |
|---------------|--|--|
| 9 | <p>Tsuta Katayama (Apr. 24, 1949)</p> <p>Reelection Outside Independent</p> <p>Attendance at Board of Directors Meetings: 12 out of 13 times (92.3%)</p> <p>Number of the Company's shares owned: 1,000</p> | <p>Apr. 1983 Full-time Instructor, Faculty of Engineering, Doshisha University</p> <p>Apr. 1986 Assistant Professor, Faculty of Engineering</p> <p>Apr. 1991 Professor, Faculty of Engineering</p> <p>Apr. 2004 Vice President of Doshisha University</p> <p>Apr. 2008 Professor, Department of Biomedical Engineering, Faculty of Life and Medical Sciences, Doshisha University (up to present)</p> <p>Jun. 2015 Director of the Company (up to present)</p> |
| | | <p>(Significant concurrent position)</p> <ul style="list-style-type: none"> • Professor, Department of Biomedical Engineering, Faculty of Life and Medical Sciences, Doshisha University |
| | <p>Reason of nomination for Outside Director: We have determined that Tsuta Katayama is qualified to act as Outside Director of the Company for the specialized knowledge and insight and abundant experience he has accumulated as a university professor in the engineering and life and medical science fields.</p> | |
| 10 | <p>Kei Asatsuma (Sep. 5, 1970)</p> <p>Reelection Outside Independent</p> <p>Attendance at Board of Directors Meetings: 13 out of 13 times (100.0%)</p> <p>Number of the Company's shares owned: 0</p> | <p>Apr. 1997 Admitted to bar (Daiichi Tokyo Bar Association) (up to present) Joined Nagashima & Ohno (currently, Nagashima Ohno & Tsunematsu) (up to present)</p> <p>Jan. 2005 Partner of Nagashima Ohno & Tsunematsu (up to present)</p> <p>Jun. 2016 Director of the Company (up to present)</p> |
| | | <p>(Significant concurrent position)</p> <ul style="list-style-type: none"> • Lawyer (Partner of Nagashima Ohno & Tsunematsu) |
| | <p>Reason of nomination for Outside Director: We have determined that Kei Asatsuma is qualified to act as Outside Director of the Company for the specialized knowledge and insight and abundant experience he has accumulated as a lawyer. Although he has not been directly involved in corporate management, except serving as an outside director, we determined that he is capable of properly performing duties as Outside Director for the above-mentioned reason.</p> | |

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| Candidate No. | Name (Date of birth) | Career summary, status, area of responsibility and significant concurrent positions |
|---------------|---|--|
| 11 | <p>Hiroshi Suzuki (Sep. 17, 1952)</p> <p>Reelection Outside Independent</p> <p>Attendance at Board of Directors Meetings: 10 out of 10 times (100.0%)</p> <p>Number of the Company's shares owned: 500</p> | <p>Apr. 1975 Joined the Tokyo Regional Taxation Bureau</p> <p>Jul. 2000 Professor, National Tax College</p> <p>Jul. 2002 Judicial Research Official, Tokyo District Court</p> <p>Jul. 2004 Examiner, Fourth Large Enterprise Examination Department, Tokyo Regional Taxation Bureau</p> <p>Jul. 2005 District Director, Saku Tax Office</p> <p>Jul. 2006 Chief Litigation Officer (International Group), Office of Litigation, First Taxation Department, Tokyo Regional Taxation Bureau</p> <p>Jul. 2008 Director, Rulings and Legal Affairs Division, First Taxation Department, Tokyo Regional Taxation Bureau</p> <p>Jul. 2009 Director (Appeals Judge), National Tax Tribunal, Tokyo Regional Taxation Bureau</p> <p>Jul. 2011 Director, Tax Counsel Office, Management and Co-ordination Department, Tokyo Regional Taxation Bureau</p> <p>Jul. 2012 District Director, Chiba Higashi Tax Office</p> <p>Aug. 2013 Registered as Certified Tax Accountant (up to present) Established Certified Tax Accountant Office (up to present)</p> <p>Jun. 2017 Audit and Supervisory Board Member of the Company</p> <p>Jun. 2018 Director of the Company (up to present)</p> <p>(Significant concurrent position)</p> <ul style="list-style-type: none"> • Certified Tax Accountant |
| | <p>Reason of nomination for Outside Director: We have determined that Hiroshi Suzuki is qualified to act as Outside Director of the Company for the specialized knowledge and insight and abundant experience he has accumulated while serving at the Tokyo Regional Taxation Bureau, National Tax Agency, over many years. Although he has not been directly involved in corporate management, except serving as an outside director and an outside auditor, we determined that he is capable of properly performing duties as Outside Director for the above-mentioned reason.</p> | |
| 12 | <p>Mamoru Shibasaka (Aug. 16, 1961)</p> <p>New Election</p> <p>Number of the Company's shares owned: 3,300</p> | <p>Apr. 1984 Joined the Company</p> <p>Jun. 2007 General Manager, Equipment Design Department, Technical Headquarters</p> <p>Apr. 2013 General Manager, Equipment Design Department, Technical Headquarters, Toyo Seikan Co., Ltd.</p> <p>Apr. 2015 Operating Officer, Toyo Seikan Co., Ltd. Deputy Head of Technical Headquarters, Toyo Seikan Co., Ltd.</p> <p>Apr. 2016 Operating Officer General Manager, Business Development Department</p> <p>Apr. 2017 Executive Officer (up to present) In charge of Group Technical Development and Sales Strategy</p> <p>Apr. 2018 Deputy Head of Technical Development</p> <p>Apr. 2019 Head of Group Technical Development (up to present)</p> |
| | <p>Reason of nomination for Director: We have determined that Mamoru Shibasaka is qualified to lead the management of the Group as Director for the vast experience and extensive knowledge and insight he has accumulated while serving at the technical development division over many years.</p> | |

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| Candidate No. | Name (Date of birth) | Career summary, status, area of responsibility and significant concurrent positions |
|---------------|--|---|
| 13 | Mami Taniguchi (Jun. 8, 1966) New election Outside Independent Number of the Company's shares owned: 0 | Apr. 1996 Assistant Professor, Department of Economics, Hiroshima University of Economics Apr. 1999 Associate Professor, Department of Economics, Hiroshima University of Economics Apr. 2000 Associate Professor, Department of Management Studies, Graduate School of Social Sciences, Hiroshima University Apr. 2003 Associate Professor, School of Commerce and Graduate School of Commerce, Waseda University Apr. 2007 Associate Professor, Graduate School of Commerce, Waseda University Apr. 2008 Professor, Faculty of Commerce (Graduate School of Commerce), Waseda University Apr. 2012 Professor, Faculty of Commerce (School of Commerce and Graduate School of Commerce), Waseda University (up to present) |
| | | (Significant concurrent position) • Outside director of Toshiba Corporation |
| | | Reason of nomination for Outside Director: We have determined that Mami Taniguchi is qualified to serve as Outside Director of the Company for the vast experience and specialized knowledge and insight she has accumulated as a university professor of International Business Administration. Although she has not been directly involved in corporate management, except serving as an outside director, we determined that she is capable of properly performing duties as Outside Director for the above-mentioned reason. |

- Notes:
- There are no special interests between the Company and each of the above-named candidates for Directors.
 - Hideaki Kobayashi, Tsutao Katayama, Kei Asatsuma, Hiroshi Suzuki and Mami Taniguchi are candidates for Outside Directors.
 - Period in office as Outside Director of the Company
 - Hideaki Kobayashi will have served as Outside Director for eight years at the close of the 106th Ordinary General Meeting of Shareholders.
 - Tsutao Katayama will have served as Outside Director for four years at the close of the 106th Ordinary General Meeting of Shareholders.
 - Kei Asatsuma will have served as Outside Director for three years at the close of the 106th Ordinary General Meeting of Shareholders.
 - Hiroshi Suzuki will have served as Outside Director for one year at the close of the 106th Ordinary General Meeting of Shareholders.
 - Outline of Liability Limitation Agreement with Outside Directors
 - In accordance with Article 427, paragraph 1 of the Companies Act, the Company has signed an agreement which limits the liability under Article 423, paragraph 1 of the Companies Act, individually with Hideaki Kobayashi, Tsutao Katayama, Kei Asatsuma, and Hiroshi Suzuki. The maximum amount of liability based on the agreement shall be the higher of either 10 million yen or the amount set by the Companies Act. If the election of the aforementioned four candidates is approved at the 106th Ordinary General Meeting of Shareholders, the Company will extend these agreements.
 - If the election of Mami Taniguchi is approved at the shareholders meeting, the Company will conclude with her an liability limitation agreement with the same content as described above.
 - “Independent” marked in the above table means that the relevant candidate is independent from the Company on the basis of the independent criteria of both the Tokyo Stock Exchange (TSE) and the Company.
 - The Company has notified TSE that it has appointed Hideaki Kobayashi, Tsutao Katayama and Hiroshi Suzuki as Independent Directors under TSE’s independent criteria, and will notify TSE of the appointment of Mami Taniguchi to Independent Director.
 - Kei Asatsuma meets the independence criteria of both TSE and the Company but has not been designated as an Independent Director of the Company according to the policy of the law firm to which he belongs.

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

We ask for shareholders' approval of appointing one additional Outside Audit and Supervisory Board Member in order to further improve the effectiveness of audit operations. If the appointment is approved, the number of seats in the Audit and Supervisory Board will increase by one to five. The Audit and Supervisory Board has granted consent to this proposal.

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

| Name (Date of birth) | Career summary and significant concurrent positions |
|---|---|
| <p>Shoichi Ikuta (Jun. 12, 1952)</p> <p>New election Outside Independent</p> <p>Number of the Company's shares owned: 0</p> | <p>Apr. 1976 Joined the Ministry of International Trade and Industry (MITI)</p> <p>Jun. 1992 Director, Mine Damage Restoration Division, Coal Department, Agency for Natural Resources and Energy, MITI</p> <p>May 1993 Director, Commerce, Industry and Labor Department, Saga Prefecture</p> <p>May 1996 Director, Textile Products Division, Consumer Goods and Service Industries Bureau, MITI</p> <p>Jun. 1997 Director, Paper, Pulp and Printing Division, Consumer Goods and Service Industries Bureau, MITI</p> <p>Jun. 1999 President of Indonesia Jakarta Center, Japan External Trade Organization</p> <p>Jul. 2001 Deputy Director-General for International Trade Policy, Ministry of Economy, Trade and Industry</p> <p>Jul. 2002 Director, Japan Information Technology Engineers Examination Center</p> <p>Jun. 2005 Managing Director, SHIBUSHI OIL STORAGE COMPANY, LTD.</p> <p>Apr. 2007 Advisor, Marubeni Corporation</p> <p>Apr. 2008 Executive Officer, Marubeni Corporation</p> <p>Apr. 2013 Advisor, Marubeni Corporation</p> <p>Jul. 2013 Executive Managing Director, Japan-China Economic Association</p> <p>Jun. 2016 Auditor, Toyo Kohan Co., Ltd.</p> <p>(Significant concurrent position)</p> <ul style="list-style-type: none"> • Professor, School of Business, Japan University of Economics |
| <p>Reason for nomination for Outside Audit and Supervisory Board Member: We have determined that Shoichi Ikuta is qualified to serve as Audit and Supervisory Board Member of the Company for the vast experience and extensive knowledge and insight he has accumulated while serving at government offices and agencies and private-sector businesses over many years.</p> | |

- Notes:
1. There are no special interests between the Company and the above-named candidate.
 2. Shoichi Ikuta is a candidate for Outside Audit and Supervisory Board Member.
 3. Outline of Liability Limitation Agreement with outside auditors
If the election of Shoichi Ikuta is approved at the 106th Ordinary General Meeting of Shareholders, the Company will conclude with him a liability limitation agreement which limits the liability under Article 423, paragraph 1 of the Companies Act, in accordance with Article 427, paragraph 1 of the Act. The maximum amount of liability based on the agreement will be the higher of either 10 million yen or the amount set by the Companies Act.
 4. "Independent" marked in the above table means that the relevant candidate is independent from the Company on the basis of the independent criteria of both the Tokyo Stock Exchange (TSE) and the Company.
 5. The Company will notify TSE of the appointment of Shoichi Ikuta to Independent Director under TSE's independent criteria.

[Translation for Reference and Convenience Purposes Only]

<For Reference> Independence Criteria for Outside Directors and Auditors of the Company

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

Independence Criteria

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

- a) A person who is, or was within the past ten years, a Director (excluding an Outside Director), Audit and Supervisory Board Member (excluding an Outside Audit and Supervisory Board Member) or employee of the Company and its consolidated subsidiaries (collectively, the “Group”);
- b) A person who executes or executed business⁽⁴⁾ within the past three years at a major business partner⁽³⁾ of the Group or at a company or entity of which the Group is a major business partner;
- c) A person who is, or was within the past three years, a major shareholder⁽⁵⁾ of the Company (in the case where such major shareholder is a corporation, a person who executes or executed business of such corporation) or a person who executes or executed business of a company or entity of which the Group is a major shareholder;
- d) A lawyer, certified public accountant, certified tax accountant or other consultant who receives or received in any of the past three fiscal years from the Group cash and/or other property worth more than 10 million yen annually in addition to director compensation;
- e) A person who is, or was within the past three years, an employee, partner or associate of a law firm, auditing firm, tax accountant firm or other consulting company of which the Group is a major client;
- f) A person who receives or received in any of the past three fiscal years donations exceeding 10 million yen annually from the Group, or a person who executes business of a corporation or organization which receives or received in any of the past three fiscal years such donations; or
- g) A spouse or a relative within the second degree of kinship of any of the following individuals:
 - 1) A person who is, or was within the past three years, a Director, Audit and Supervisory Board Member or important employee⁽⁶⁾ of the Group; or
 - 2) A person who falls under the above b), c), d), e) or f) (if such person is an employee, this applies only to an important employee).

Notes:

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

The 106th Term Business Report

(From April 1, 2018, to March 31, 2019)

I. Current Status of the Group

1. Progress and Results of Business Operations

Although the Japanese economy was on a moderate recovery trend during the fiscal year ended March 31, 2019, on the back of improvement in employment and income conditions and corporate profits, the overall outlook remains uncertain with concerns over the potential impact of overseas trade disputes and financial and capital market conditions.

In such an environment, the Toyo Seikan Group has reported its business results for the fiscal year under review as described below. On a consolidated basis, net sales grew 1.0% from the previous year to 793,119 million yen as sales of plastic bottles for food and household products, beverage PET bottles and functional materials increased, while sales of beverage cans decreased year-on-year. Despite certain effects of cost-saving efforts across the Group, operating income and ordinary income dropped over the previous year due to rises in material and energy prices, recording 25,443 million yen (down 20.2%) and 27,784 million yen (down 5.0%), respectively. The Company posted a gain on sale of investment securities, but an impairment loss and loss on disaster incurred during the year affected its profitability. As a result, profit attributable to owners of parent for the year under review was 20,262 million yen, compared to the loss of 24,740 million yen for the previous year.

The overall operating results by segment were as follows:

| Business segment | Net Sales | | |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------|
| | March 2019 (million yen) | March 2018 (million yen) | YOY Comparison (%) |
| Packaging business | 655,671 | 656,730 | 99.8 |
| Steel plate related business | 61,764 | 59,263 | 104.2 |
| Functional materials related business | 41,072 | 37,031 | 110.9 |
| Real estate related business | 7,798 | 7,766 | 100.4 |
| Other businesses | 26,812 | 24,486 | 109.5 |
| Total | 793,119 | 785,278 | 101.0 |

[Packaging business]

The Group's packaging business recorded 655,671 million yen in net sales (down 0.2% year-on-year) and 19,825 million yen in operating income (down 16.5% year-on-year).

1) Manufacturing and sales of metal packaging

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

<Domestic>

Despite increased sales of cans for alcoholic beverages (canned *Chuhai* cocktails), overall domestic sales declined year-on-year due to weaker sales of cans for coffee drinks and caps as well as damage to facilities of Toyo Seikan Co., Ltd. caused by the earthquake in the northern part of Osaka prefecture and the torrential rains in Western Japan.

<Overseas>

Overseas sales declined from the previous year as sales of cans for beer and coffee drinks dropped in Thailand.

2) Manufacturing and sales of plastic packaging

Sales of plastic packaging products increased from the previous fiscal year.

<Domestic>

Domestic sales grew year-on-year as salad dressing bottles, PET bottles for tea and coffee drinks and plastic caps for soft drink bottles performed well and detergent refill pouches increased.

[Translation for Reference and Convenience Purposes Only]

<Overseas>

Overseas sales decreased year-on-year due to a drop in sales of beverage PET bottles as contract filling volume of tea drinks declined in China.

3) Manufacturing and sales of paper products

Sales of paper products were lower than the previous fiscal year due to declined sales of paper containers, including yogurt cups and cups for coffee sold at convenience store counters, and sluggish performance of corrugated paper packaging materials for soft drinks and beer products.

4) Manufacturing and sales of glass packaging

Sales of glass packaging products fell from the previous fiscal year with demand shifting from glass bottles to other materials in salad dressing and soft drink categories.

5) Contract filling and sales of aerosol products and general liquid-filled products

Overall sales of this category were largely unchanged compared to the previous fiscal year. Despite growth in aerosol products, such as hair dye products, sales were sluggish in the general liquid-filling category, including antiperspirants and deodorants and hair care products.

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

Overall sales of this category exceeded the previous year's results thanks to increased sales of can and can-end production machines for the U.S. and Europe, although sales of beverage-filling equipment declined in Japan.

[Steel plate related business]

Net sales rose 4.2% from the previous year to 61,764 million yen, while operating income dropped 63.3% to 1,483 million yen.

Sales of materials for electrical and electronic components rose from the previous fiscal year as materials for automotive rechargeable batteries performed well.

Sales of materials for automotive and industrial machinery parts fell year-on-year with weaker sales of materials for driving system components.

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

[Functional materials related business]

Net sales gained 10.9% year-on-year to 41,072 million yen, while operating income grew 66.1% to 3,387 million yen.

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

Sales of optical functional films expanded as their functional advantages were recognized in the flat panel display-related market.

Pigments and several other products also grew over the previous year.

[Real estate related business]

Net sales from leasing of properties, including office buildings and commercial facilities, inched up 0.4% year-on-year to 7,798 million yen, while operating income fell 1.5% to 4,764 million yen.

[Other businesses]

This segment (including manufacturing and sales of automotive press dies, machinery and appliances, hard alloys and agricultural-use materials, sales of petroleum products, and non-life insurance agency business) recorded net sales of 26,812 million yen, up 9.5% year-on-year, and operating loss of 314 million yen, compared to the loss of 306 million yen for the previous year.

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

In Japan, net sales gained 0.3% year-on-year to 678,022 million yen, while operating income dropped 27.2% to 18,117 million yen over the previous year.

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In Asia (including Thailand, China and Malaysia), net sales grew 7.6% year-on-year to 58,585 million yen, while operating income fell 8.3% to 5,271 million yen.

As for other regions, including the U.S., net sales increased 3.4% year-on-year to 56,510 million yen, with operating income jumping 281.8% to 2,039 million yen over the previous year.

As of the end of March 2019, the number of consolidated subsidiaries of the Company was 75 (up 3 from the year earlier), while that of affiliates accounted for under the equity method was 4 (unchanged). The change in consolidated subsidiaries during the year under review is as follows:

- Companies added to consolidated subsidiaries (5 companies):
 - TOYO PACKS CO., LTD.
 - KYODO KAIUN CO., LTD.
 - TOYO PARTNER CO., LTD.
 - TOYO KOHAN SHANGHAI CO., LTD.
 - Stolle Machinery (Guangdong) Co., Ltd.
- Companies removed from consolidated subsidiaries (2 companies):
 - PET Refine Technology Co., Ltd.⁽¹⁾
 - Stolle Tokan Machinery (Shanghai) Co., Ltd.⁽²⁾

Note: 1. Toyo Seikan Co., Ltd., a consolidated subsidiary of the Company, transferred all its holdings in PET Refine Technology Co., Ltd. to JEPLAN, Inc. as of April 1, 2018.

2. Stolle Tokan Machinery (Shanghai) Co., Ltd. was liquidated in December 2018.

2. Capital Investment

- (1) Capital investment made during the fiscal year under review amounted to 57,664 million yen. Total invested amount by segment and major projects during the year are as follows:

| | |
|--|--------------------|
| [Packaging business] | 48,720 million yen |
| ▶Toyo Seikan Group Holdings, Ltd. (the Company) | |
| •Land for a new plant of Toyo Seikan Co., Ltd. (Sanda-shi, Hyogo Prefecture) | |
| ▶Toyo Seikan Co., Ltd. | |
| •Production facilities for plastic products (Osaka Plant) | |
| ▶Nippon Closures Co., Ltd. | |
| •Expansion of factory buildings, etc. (Komaki Plant) | |
| ▶Nippon Tokan Package Co., Ltd. | |
| •Expansion of plant buildings, etc. (Ibaraki Plant) | |
| ▶Bangkok Can Manufacturing Co., Ltd. | |
| •New plant construction, etc. | |
| [Steel plate related business] | 4,862 million yen |
| ▶Toyo Kohan Co., Ltd. | |
| •Continuous plating and annealing line for battery electrode (Kudamatsu Plant) | |
| [Functional materials related business] | 1,872 million yen |
| [Real estate related business] | 31 million yen |
| [Other businesses] | 1,563 million yen |

- (2) Major facilities whose construction (or acquisition) completed during the fiscal year under review:

| | |
|--|--|
| [Packaging business] | |
| ▶Toyo Seikan Group Holdings, Ltd. (the Company) | |
| •Land for a new plant of Toyo Seikan Co., Ltd. (Sanda-shi, Hyogo Prefecture) | |
| ▶Tokan Kogyo Co., Ltd. | |
| •Expansion of plant buildings, etc. (Atsugi Plant) | |

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[Steel plate related business]

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

(3) Ongoing construction and expansion of major facilities as of the end of the fiscal year under review:

[Packaging business]

- ▶Toyo Seikan Co., Ltd.
 - Production facilities for plastic products (Osaka Plant)
 - Expansion of plant buildings, etc. (Toyohashi Plant)
- ▶Nippon Closures Co., Ltd.
 - Expansion of plant buildings, etc. (Komaki Plant)
- ▶Mebius Packaging Co., Ltd.
 - Production facilities for plastic products (Izumisano Plant)
- ▶Nippon Tokan Package Co., Ltd.
 - Expansion of plant buildings, etc. (Ibaraki Plant)
- ▶Toyo Mebius Co., Ltd.
 - Expansion of warehouses and facilities (Maebashi Logistics Center)
- ▶Toyo Glass Machinery Co., Ltd.
 - New plant construction, etc. (Head Office Plant)
- ▶Bangkok Can Manufacturing Co., Ltd.
 - New plant construction, etc.

[Steel plate related business]

- ▶Toyo Kohan Co., Ltd.
 - Production facilities for nickel-plated steel sheet (Kudamatsu Plant)

[Functional materials related business]

- ▶Toyo Kohan Co., Ltd.
 - Production facilities for optical functional films (Kudamatsu Plant)

3. Financing

Not applicable.

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

On April 1, 2018, the Company completed an absorption-type company split in which operations related to plastic bottles and caps mainly for non-beverage products were carved out from consolidated subsidiaries Toyo Seikan Co., Ltd., Tokan Kogyo Co., Ltd. and Nippon Closures Co., Ltd. and succeeded and integrated by another consolidated subsidiary Mebius Packaging Co., Ltd.

5. Business Taken Over from Other Companies

Not applicable.

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

Not applicable.

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

- (1) Consolidated subsidiary Toyo Seikan Co., Ltd. transferred its holdings in PET Refine Technology Co., Ltd. to JEPLAN, Inc. as of April 1, 2018. Following the transfer, the Company has removed PRT Refine Technology from its consolidated financial statements.
- (2) On June 28, 2018, the Company became a special controlling shareholder of Toyo Kohan Co., Ltd., a consolidated subsidiary of the Company, after conducting a tender offer to purchase shares in the

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subsidiary. The Company subsequently implemented the share cash-out demand under Article 179, Paragraph 1 of the Companies Act, and turned Toyo Kohan into a wholly owned subsidiary as of August 2, 2018.

8. Issues to Address

Although the Japanese economy is expected to continue on a moderate recovery track with improvement in employment and income conditions and corporate profits, the overall outlook remains uncertain with concerns over the potential impact of overseas trade disputes and financial and capital market conditions. Meanwhile, the business environment surrounding the Group has been getting more challenging amid the prospect of limited growth for the domestic packaging container market. The labor shortage is driving up labor and logistics costs, while beverage makers (our customers) are increasing in-house production of PET bottles for their beverage products.

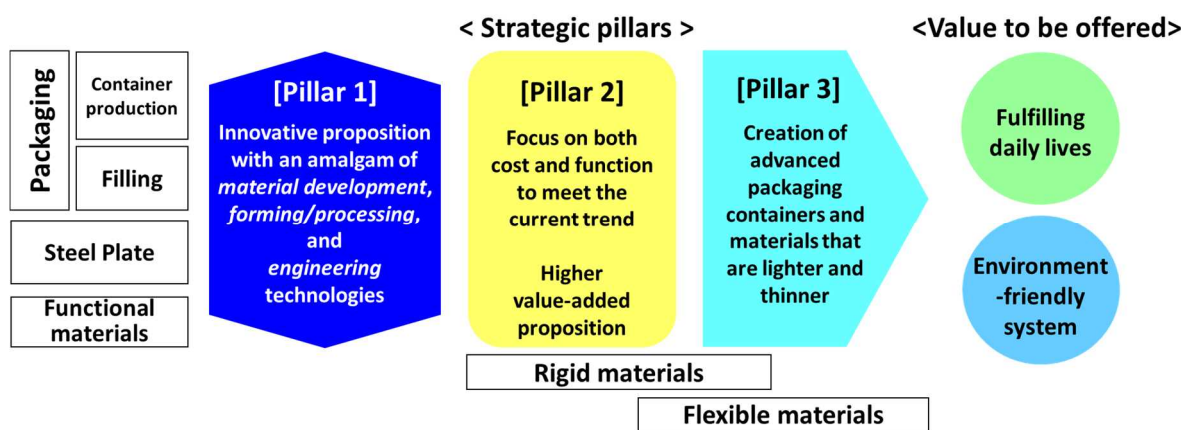
Under such conditions, the Toyo Seikan Group Fifth Mid-term Management Plan (the “Mid-term Plan”), which was launched in May 2018 for the years to fiscal 2020, has now entered its second year. The Mid-term Plan defines the fiscal 2018 as the year of a fresh start with the spirit of foundation and provides the Group’s growth strategies and the measures to implement the strategies, including reforms of business structure and corporate culture as well as financial and capital management measures, based on which the Group continues to pursue sustainable development.

The following are the outline of the Mid-term Plan and its progress status.

Basic Strategy of the Fifth Mid-term Management Plan

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

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



<Progress>

- The Company decided to acquire shares of its listed consolidated subsidiary Toyo Kohan through a tender offer, intending to strengthen the Group’s competitiveness in the metal packaging market. As a result of the acquisition, Toyo Kohan became a wholly owned subsidiary of the Company as of August 2, 2018. This enables the Group to vertically integrate “metal material development” operations conducted by Toyo Kohan and operations of “metal container forming and processing” and “manufacturing and sales of can and can-end production machinery” performed by other wholly-owned subsidiaries Toyo Seikan and Stolle Machinery Company, respectively, thereby enhancing the Group’s existing business model.
- The Group has been making efforts to explore new markets through the development of high value-added products in various categories, including plastic bottle *SLIDEX*, which enables pouring out the content smoothly with fewer residuals sticking to inner surface, glass bottle *KINUHARI* with higher-quality printed design, and nickel-plated steel sheet for automotive rechargeable batteries.

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

We will take measures based on the following three policies:

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

<Progress>

- The Company has acquired a site to build a new plant of consolidated subsidiary Toyo Seikan with the aim of reallocating the subsidiary's production bases for beverage cans and realizing the concept of next-generation smart factory.
- On April 1, 2019, the Company implemented reorganization and launched new departments with new functions to allow the Group to demonstrate its integrated abilities across all group companies. Through this reorganization, the Group aims to upgrade its existing business structure, which was based on its traditional business segmentation, including packaging and material related businesses, to a new structure that enables the Group to create and offer new value beyond the conventional segmentation. As part of the reorganization, the Company has established a new branch office in the Republic of Singapore, seeking more opportunities to expand its international packaging container operations in Asia, where further growth of the market is expected. The Singapore Branch, which began operation on April 1, 2019, is designed to be the Group's Asian base for market research, marketing activities and business development as well as for creating innovations.

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

We will take measures based on the following two policies:

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

<Progress>

- Consolidated subsidiary Tokan Kogyo has built a new factory building on the site of its Atsugi Plant to supply paper containers to the ready-to-eat food or HMR (home meal replacement) market. The new facility, which began operation in May 2018, is aimed at achieving more labor-saving and establishing a stable manufacturing system amid a growing labor shortage.
- Consolidated subsidiary Nippon Closure has built a new factory building on the site of its Komaki Plant for the purposes of i) securing manufacturing space which is scalable in response to growing plastic closure market, ii) reducing logistic cost through the realignment of production bases to produce plastic caps for beverage, and iii) improving productivity by introducing automated and labor-saving equipment. The new facility started operation in April 2019.
- Consolidated subsidiary Bangkok Can Manufacturing has built a new plant to tap into the growing demand for beverage cans in Thailand. The new facility is expected to start operation around the middle of fiscal 2019.
- As consolidated subsidiary Toyo Seikan manufactures and sells flexible packaging containers with high growth potential, such as film pouches and plastic cups, it has decided to construct a new factory building at the Toyohashi Plant to raise production capacity and significantly improve productivity for these products. Preparations for the new facility are currently under way to start operation during the second half of fiscal 2019.
- In order to maximize its corporate value through achieving a more sound financial condition and higher capital efficiency to allow for future growth investment, the Company repurchased a total of 9,523,300 shares (worth 19.9 billion yen) of its own stock during the year ended March 2019, and completed the retirement of 14,912,905 treasury shares on June 27, 2018. It also sold off 25.2 billion yen worth of "strategic holdings" (including cross-held shares) during the year.

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On April 20, 2017, and February 6, 2018, the Company and consolidated subsidiary Toyo Seikan were subject to on-site inspections by the Japan Fair Trade Commission on suspicion of violating the Antimonopoly Act of Japan in connection with trading of cans for food and beverage. The two companies have taken these facts seriously and have been fully cooperating with the inspections.

Although the business environment surrounding the Group is likely to become more challenging in the years ahead, we will continue to pursue a sustainable growth by ensuring the implementation of the measures in the Mid-term Plan.

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

9. Asset Condition and Profit and Loss for the Recent Years

(in millions of yen except for per-share amounts)

| | March 2016 (FY2015) | March 2017 (FY2016) | March 2018 (FY2017) | March 2019 (FY2018) (Year under review) |
|--|------------------------|------------------------|------------------------|---|
| Net sales | 802,048 | 779,469 | 785,278 | 793,119 |
| Operating income | 32,426 | 36,273 | 31,870 | 25,443 |
| Ordinary income | 26,770 | 36,098 | 29,244 | 27,784 |
| Profit (Loss) attributable to owners of parent | 10,135 | 12,183 | -24,740 | 20,262 |
| Profit (Loss) per share | 49.96 yen | 60.06 yen | -121.96 yen | 103.05 yen |
| Total assets | 1,148,351 | 1,140,003 | 1,113,994 | 1,068,781 |
| Net assets | 702,204 | 725,838 | 720,207 | 649,812 |
| Net asset per share | 3,124.03 yen | 3,234.69 yen | 3,193.97 yen | 3,239.81 yen |

Note: Since the Company has adopted the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, issued on February 16, 2018) for its consolidated financial statements from the fiscal year under review, figures for the periods from fiscal 2015 to 2017 are retrospectively adjusted according to the currently adopted standards.

10. Material Status of the Parent Company and Subsidiaries

(1) Parent company
Not applicable.

(2) Significant subsidiaries

| Company name | Capital (million yen) | Share of voting rights (%) | Major operations |
|-------------------------------------|--------------------------|----------------------------------|--|
| Toyo Seikan Co., Ltd. | 1,000 | 100.0 | Manufacturing and sales of metal and plastic packaging products |
| Toyo Kohan Co., Ltd. | 5,040 | 100.0 | Manufacturing and sales of tinplate, steel sheets, surface-treated steel sheets and functional materials |
| Tokan Kogyo Co., Ltd. | 1,531 | 100.0 | Manufacturing and sales of paper and plastic containers |
| Nippon Closures Co., Ltd. | 500 | 100.0 | Manufacturing and sales of metal and plastic caps |
| Toyo Glass Co., Ltd. | 960 | 100.0 | Manufacturing and sales of glass bottles |
| Mebius Packaging Co., Ltd. | 1,000 | 100.0 | Manufacturing and sales of plastic packaging products |
| Toyo Aerosol Industry Co., Ltd. | 315 | 100.0 | Contract filling and sales of aerosol products and liquid-filled products |
| Tokan Material Technology Co., Ltd. | 310 | 100.0 | Manufacturing and sales of glaze, pigment, gel coat and trace-element fertilizer |

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| | | | |
|-------------------------------------|------------------------------|------------------|---|
| Nippon Tokan Package Co., Ltd. | 700 | 55.0 [55.0] | Manufacturing and sales of corrugated paper products and paper container products, etc. |
| Bangkok Can Manufacturing Co., Ltd. | 1,800 (million Thai baht) | 99.9 [99.9] | Manufacturing and sales of beverage cans |
| Crown Seal Public Co., Ltd. | 528 (million Thai baht) | 47.6 [47.6] | Manufacturing and sales of metal and plastic caps |
| Stolle Machinery Company, LLC | — | 100.0 [100.0] | Manufacturing and sales of can and can-end production machinery and related services |

Notes: 1. The share of indirect voting rights is shown in parentheses in the column of the “Share of voting rights.”

2. The status of specific wholly owned subsidiary as of the end of the fiscal year under review is as follows.

| | |
|---|---|
| Name of the subsidiary | Toyo Seikan Co., Ltd. |
| Address of the subsidiary | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| Carrying value of the shares in the subsidiary on the Company’s balance sheet | 195,247 million yen |
| Total assets of the Company | 630,841 million yen |

11. Major Operations (as of March 31, 2019)

| Business segment | Major operations |
|---------------------------------------|---|
| Packaging business | Manufacturing and sales of metal packaging, plastic packaging, paper products and glass packaging; contract manufacturing and sales of aerosol and general liquid-filled products; and manufacturing and sales of machinery and equipment related to packaging containers |
| Steel plate related business | Manufacturing and sales of steel plate and related processed products |
| Functional materials related business | Manufacturing and sales of aluminum substrates for magnetic disks, optical functional films, glaze, pigment, gel coat and trace-element fertilizer |
| Real estate related business | Leasing of office buildings and commercial properties |
| Other businesses | Manufacturing and sales of automotive press dies, machinery and appliances, hard alloys, and agricultural-use materials; sales of petroleum products; and non-life insurance agency business |

12. Major Offices and Plants (as of March 31, 2019)

| Company name | Major facilities | |
|----------------------------------|------------------|---|
| Toyo Seikan Group Holdings, Ltd. | Head Office | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| Toyo Seikan Co., Ltd. | Head Office | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| | Plants | Chitose (Chitose-shi), Sendai (Miyagino-ku, Sendai-shi), Ishioka (Ishioka-shi), Kuki (Kuki-shi), Saitama (Yoshimi-cho, Hiki-gun), Yokohama (Tsurumi-ku, Yokohama-shi), Shizuoka (Makinohara-shi), Toyohashi (Toyohashi-shi), Shiga (Higashi-Omi-shi), Ibaraki (Ibaraki-shi), Osaka (Izumisano-shi), Hiroshima (Mihara-shi), Kiyama (Kiyama-cho, Miyaki-gun) |
| Toyo Kohan Co., Ltd. | Head Office | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| | Plant | Kudamatsu (Kudamatsu-shi) |
| Tokan Kogyo Co., Ltd. | Head Office | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| | Plants | Atsugi (Ayase-shi), Shizuoka (Kakegawa-shi), Komaki (Komaki-shi), Fukuoka (Miyawaka-shi) |
| Nippon Closures Co., Ltd. | Head Office | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| | Plants | Ishioka (Ishioka -shi), Hiratsuka (Hiratsuka-shi), Komaki (Komaki-shi), Okayama (Shouo-cho, Katsuta-gun) |
| Toyo Glass Co., Ltd. | Head Office | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| | Plants | Chiba (Kashiwa-shi), Shiga (Konan-shi) |

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| | | |
|-------------------------------------|-------------|---|
| Mebius Packaging Co., Ltd. | Head Office | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| | Plants | Ibaraki (Goka-machi, Sashima-gun), Kawasaki (Kawasaki-ku, Kawasaki-shi), Settsu (Settsu-shi), Izumisano (Izumisano-shi) |
| Toyo Aerosol Industry Co., Ltd. | Head Office | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| | Plants | Tsukuba (Ryugasaki-shi), Kawagoe (Kawagoe-shi), Mie (Iga-shi) |
| Tokan Material Technology Co., Ltd. | Head Office | 2-1-27 Oyodo Kita, Kita-ku, Osaka-shi, Osaka |
| | Plants | Osaka (Kita-ku, Osaka-shi), Komaki (Komaki-shi), Kyushu (Nakama-shi) |
| Nippon Tokan Package Co., Ltd. | Head Office | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| | Plants | Sendai (Taiwa-cho, Kurokawa-gun), Fukushima (Iwaki-shi), Ibaraki (Goka-machi, Sashima-gun), Koga (Koga-shi), Tochigi (Sakura-shi), Saitama (Soka-shi), Sagami-hara (Minami-ku, Sagami-hara-shi), Atsugi (Ayase-shi), Shizuoka (Kakegawa-shi), Aichi (Anjo-shi), Shiga (Kusatsu-shi), Osaka (Settsu-shi), Fukuoka (Shingu-machi, Kasuya-gun) |
| Bangkok Can Manufacturing Co., Ltd. | Head Office | Thailand (Pathumthani) |
| | Plant | Thailand (Pathumthani) |
| Crown Seal Public Co., Ltd. | Head Office | Thailand (Pathumthani) |
| | Plant | Thailand (Pathumthani) |
| Stolle Machinery Company, LLC | Head Office | United States (Delaware) |
| | Plant | United States (Colorado) |

13. Employees (as of March 31, 2019)

(1) Employees of the Group

| Business segment | Number of employees | Year-on-year change in number |
|---------------------------------------|---------------------|-------------------------------|
| Packaging business | 14,884 [2,871] | +28 [-107] |
| Steel plate related business | 1,498 [147] | +378 [+64] |
| Functional materials related business | 1,259 [97] | +75 [+9] |
| Real estate related business | 6 [1] | -1 [±0] |
| Other businesses | 892 [111] | +25 [+2] |
| Corporate (common) | 399 [17] | +14 [-1] |
| Total | 18,938 [3,244] | +519 [-33] |

Notes: 1. “Number of employees” consists of the number of employees who are working within the Group as of the date, excluding those who are seconded to companies outside of the Group and including those who are seconded from companies outside of the Group to any of group companies. In addition to the number of employees, the number of temporary workers is shown in [] as an annual average.

2. The number of temporary workers includes contract employees, associate employees and part-time workers, and excludes temps dispatched from staffing agencies.

3. Number of employees stated as “Corporate (common)” refers to employees who belong to administrative departments that cannot be categorized into a specific business segment.

(2) Employees of the Company

| Number of employees | Year-on-year change in number | Average age (years) | Average years of service |
|---------------------|-------------------------------|---------------------|--------------------------|
| Male | 299 [12] | +7 [-1] | 42.6 |
| Female | 100 [5] | +7 [±0] | 37.9 |
| Total | 399 [17] | +14 [-1] | 41.4 |

Notes: 1. “Number of employees” consists of the number of employees who are working within the Group as of the date, excluding those who are seconded to companies outside of the Group and including those who are seconded from companies outside of the Group to any of Group companies. In addition to the number of employees, the number of temporary workers is shown in [] as an annual average.

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2. The number of temporary workers includes contract employees, associate employees and part-term workers, and excludes temps dispatched from staffing agencies.
3. All employees of the Company are included in the “Corporate (common)” category in the table of the previous section 13(1).

14. Major Lenders (as of March 31, 2019)

| Lender | Loan amount (million yen) |
|-------------------------------------|------------------------------|
| Sumitomo Mitsui Banking Corporation | 87,570 |
| Sumitomo Mitsui Trust Bank, Limited | 39,354 |
| Mizuho Bank, Ltd. | 13,664 |

15. Other Material Matters Concerning Current Status of the Group

On April 1, 2019, the Company completed an absorption-type company split in which the bicycle related operations were split off from KY TECHNOLOGY CO., LTD., a consolidated subsidiary of the Company and succeeded by another consolidated subsidiary KOHAN SHOJI CO., LTD.

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II. Current Status of the Company

1. Equity of the Company (as of March 31, 2019)

- (1) Number of shares authorized to be issued: 450,000,000 shares
(2) Number of issued shares: 202,862,162 shares
(3) Number of shareholders: 5,165
(4) Major shareholders (Top ten):

| Name | Number of shares held (in thousands) | Ownership ratio (%) |
|--|---|------------------------|
| The Master Trust Bank of Japan, Ltd. (trust account) | 29,455 | 15.2 |
| Toyo College of Food Technology | 16,192 | 8.4 |
| Toyo Institute of Food Technology | 12,390 | 6.4 |
| Japan Trustee Services Bank, Ltd. (trust account) | 10,653 | 5.5 |
| Fukoku Mutual Life Insurance Company | 5,600 | 2.9 |
| Sumitomo Mitsui Banking Corporation | 5,000 | 2.6 |
| The Gunma Bank, Ltd. | 4,219 | 2.2 |
| Sumitomo Mitsui Trust Bank, Limited | 4,200 | 2.2 |
| Toyo Ink SC Holdings Co., Ltd. | 3,798 | 2.0 |
| Trust & Custody Services Bank, Ltd. (trust account) | 3,296 | 1.7 |

- Notes: 1. In addition to the above-stated shares, the Company holds 9,524,306 shares of treasury stock.
2. The 9,524,306 treasury shares are excluded from the total outstanding shares in calculation of the ownership ratio.

(5) Other material information about the equity

(i) Retirement of own shares

The Company completed the retirement of treasury shares as follows based on the resolution at the Board of Directors Meeting held on May 15, 2018.

| | |
|--|--|
| Type of shares retired: | Common shares of the Company |
| Number of shares retired: | 14,912,905 shares (6.8% of the issued shares before the retirement) |
| Number of issued shares after the retirement: | 202,862,162 shares |
| Date of retirement: | June 27, 2018 |

(ii) Repurchase of own shares

The Company repurchased its own shares as follows based on the resolution at the Board of Directors Meeting held on May 15, 2018.

| | |
|-------------------------------|--------------------------------------|
| Type of shares repurchased: | Common shares of the Company |
| Number of shares repurchased: | 9,523,300 shares |
| Total price of repurchase: | 19,999,837,200 yen |
| Period of repurchase program: | From May 16, 2018, to March 29, 2019 |

2. Stock Acquisition Rights

Not applicable.

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3. Directors and Auditors of the Company

(1) Directors and Audit and Supervisory Board Members (as of March 31, 2019)

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

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| Title | Name | Responsibility and significant concurrent positions |
|------------------------------------|---------------|---|
| Audit and Supervisory Board Member | Fuminari Hako | - Certified Public Accountant/ Certified Tax Accountant (Representative Partner of Reson Partners Tax Accountant Corporation) - Outside Director (Audit Committee member) of Showa Chemical Industry Co., Ltd. |

- Notes: 1. Mitsuo Arai, Hideaki Kobayashi, Tsutao Katayama, Kei Asatsuma and Hiroshi Suzuki are outside Directors.
2. Ryusaku Konishi and Fuminari Hako are outside Audit and Supervisory Board Members.
3. The Company has notified the Tokyo Stock Exchange (TSE) that it has appointed Mitsuo Arai, Hideaki Kobayashi, Tsutao Katayama, Hiroshi Suzuki, Ryusaku Konishi and Fuminari Hako as Independent Director under TSE's independent criteria.
4. Kei Asatsuma meets the independent criteria of both TSE and the Company but has not been designated as Independent Director of the Company according to the policy of the law firm to which he belongs.
5. Kunio Okawa, Standing Audit and Supervisory Board Member, has considerable insight into finance and accounting based on his experience as General Manager of the Accounting Department of the Company.
6. Fuminari Hako, Audit and Supervisory Board Member, is a CPA and certified tax accountant and has considerable insight into finance and accounting.
7. Hiroshi Suzuki resigned from Audit and Supervisory Board Member to assume the role of Director upon the close of the 105th Ordinary General Meeting of Shareholders held on June 27, 2018.
8. Resignations from significant concurrent positions during the fiscal year under review are as follows:

| Title | Name | Significant concurrent positions | Date of resignation |
|---|------------------|--|---------------------|
| Director | Norimasa Maida | Director of Toyo Kohan Co., Ltd. | June 26, 2018 |
| Standing Audit and Supervisory Board Member | Kunio Okawa | Auditor of Tokan Material Technology Co., Ltd. | June 18, 2018 |
| Standing Audit and Supervisory Board Member | Toshitaka Uesugi | Auditor of Toyo Glass Co., Ltd. | June 25, 2018 |

9. Reson Partners Tax Accountant Corporation changed its name to the current one from Aoyama Trust Tax Accounting Firm as of September 1, 2018.

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

| | Basic compensation | | Bonus | | Total Amount (million yen) |
|--|--------------------|------------------------------|-------------------|----------------------------------|-------------------------------|
| | Number of persons | Amount Paid (million yen) | Number of persons | Amount Provided (million yen) | |
| Directors (of the above, outside Directors) | 15 (5) | 359 (36) | 14 (5) | 44 (5) | 404 (41) |
| Audit and Supervisory Board Members (of the above, outside Audit and Supervisory Board Members) | 5 (3) | 64 (16) | 4 (2) | 9 (2) | 74 (18) |
| Total (of the above, outside Directors and Audit and Supervisory Board Members) | 20 (8) | 424 (52) | 18 (7) | 54 (7) | 478 (59) |

- Notes: 1. The 93rd Ordinary General Meeting of Shareholders held on June 29, 2006, resolved that the total

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amount of compensation paid to Directors will be no more than 430 million yen per year (excluding the employee salary portion if a Director concurrently serves as an employee).

2. The 104th Ordinary General Meeting of Shareholders held on June 27, 2017, resolved that the total amount of compensation paid to Audit and Supervisory Board Members will be no more than 110 million yen per year.
3. Under the “Basic compensation” for Directors in the above table, “Number of persons paid” includes one Director who retired due to the expiration of term of office upon the close of the 105th Ordinary General Meeting of Shareholders held on June 27, 2018, and “Amount paid” includes the compensation paid to the Director.
4. Under the “Basic compensation” for Audit and Supervisory Board Members in the above table, “Number of persons” includes one Audit and Supervisory Board Member who resigned from the position to assume the role of Director upon the close of the 105th Ordinary General Meeting of Shareholders held on June 27, 2018, and “Amount paid” includes the compensation paid to the Audit and Supervisory Board Member.

(3) Outside directors and auditors

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

| Name | Significant concurrent positions outside the Company |
|-------------------|---|
| Mitsuo Arai | Certified Public Accountant/ Certified Tax Accountant (Representative Partner of Mizuho Tax Accountant Corporation) Outside director (Audit committee member) of Okamoto Industries, Inc. |
| Hideaki Kobayashi | Outside director of Densan Co., Ltd. |
| Kei Asatsuma | Lawyer (Partner of Nagashima Ohno & Tsunematsu) |

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

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

| Name | Significant concurrent positions outside the Company |
|-----------------|---|
| Ryusaku Konishi | President and Representative Director of Nippon Zoki Pharmaceutical Co., Ltd. |
| Fuminari Hako | Certified Public Accountant/ Certified Tax Accountant (Representative Partner of Reson Partners Tax Accountant Corporation) Outside director (Audit committee member) of Showa Chemical Industry Co., Ltd. |

- Notes: 1. There are no special interests between the Company and Nippon Zoki Pharmaceutical Co., Ltd.
2. There are no special interests between the Company and Reson Partners Tax Accountant Corporation.
 3. There are no special interests between the Company and Showa Chemical Industry Co., Ltd.

- 3) Major activities in the fiscal year under review

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

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

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| Name | Position | Record of attendance | | Participation status |
|-------------------|--|----------------------------|-------------------------------------|---|
| | | Board of Directors Meeting | Audit and Supervisory Board Meeting | |
| Mitsuo Arai | Outside Director | 13 out of 13 times | — | He properly expresses opinions mainly from a professional viewpoint of a CPA. |
| Hideaki Kobayashi | Outside Director | 13 out of 13 times | — | He properly expresses opinions mainly based on his international experience and broad insights as a diplomat over many years. |
| Tsuta Katayama | Outside Director | 12 out of 13 times | — | He properly expresses opinions mainly from a professional viewpoint of a professor. |
| Kei Asatsuma | Outside Director | 13 out of 13 times | — | He properly expresses opinions mainly from a professional viewpoint of a lawyer. |
| Hiroshi Suzuki | Outside Director | 10 out of 10 times | — | He properly expresses opinions mainly from a professional viewpoint of a certified tax accountant. |
| Ryusaku Konishi | Outside Audit and Supervisory Board Member | 11 out of 13 times | 12 out of 14 times | He properly expresses opinions mainly based on his abundant experience in corporate management. |
| Fuminari Hako | Outside Audit and Supervisory Board Member | 13 out of 13 times | 14 out of 14 times | He properly expresses opinions mainly from a professional viewpoint of a CPA and certified tax accountant. |

Notes: 1. Since Hiroshi Suzuki took office as Director at the 105th Ordinary General Meeting of Shareholders held on June 27, 2018, the number of Board of Directors meetings available for him to attend as Director was 10 during the year under review. He attended as Audit and Supervisory Board Member all of Board of Directors meetings and Audit and Supervisory Board meetings (three times and four times, respectively) which were held prior to his assumption of the Director position.

2. In addition to the above-stated meetings, outside directors and auditors have actively been engaged in activities such as the outside directors' meeting, which is held in principle on a monthly basis to exchange views and opinions with Representative Directors, and on-site inspections of group companies in Japan and overseas on a timely basis.
3. Outside Directors also participate in the Governance Committee, a voluntarily-established consultative body consisting of two representative directors and five independent outside directors, to discuss such issues as the nomination of director and auditor candidates and the remuneration of directors and officers.

4) Outline of the limited liability agreements

In accordance with Article 427, Paragraph 1 of the Companies Act, the Company has signed with each outside Director and outside Audit and Supervisory Board Member an agreement which limits the liability under Article 423, Paragraph 1 of the Companies Act. Based on the agreement, the maximum amount of liability for each of them shall be the higher of either 10 million yen or the amount set by the Companies Act.

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4. Accounting Auditor

(1) Name of Accounting Auditor: Sohken Audit Corporation

(2) Audit fees

| | | Payment Amount (million yen) |
|----|---|---------------------------------|
| 1) | Amount of audit fees to be paid to the Accounting Auditor for the fiscal year under review | 52 |
| 2) | Amount of monetary and other economic benefits to be paid to the Accounting Auditor by the Company and its subsidiaries | 212 |

Notes: 1. The audit agreement entered into by the Company and the Accounting Auditor does not clearly distinguish between audit fees derived from audits under the Companies Act and that derived from audits under the Financial Instruments and Exchange Act, and practically cannot do so. Therefore, the payment amount of 1) of the above table shows the combined amount of such audit fees.

2. The Audit and Supervisory Board carefully examined the Accounting Auditor's explanation of the accounting audit plan for the fiscal year under review, the results of the previous year's audit work, the implementation status of its audit activities, and the calculation basis for its audit fee estimates. Based on the explanation, the Board has determined that the amount of audit fees to be paid to the Accounting Auditor is appropriate and has approved it.

Among the Company's major subsidiaries, Bangkok Can Manufacturing Co., Ltd., Crown Seal Public Co., Ltd. and Stolle Machinery Company, LLC have been subject to statutory audits (limited only to audits under the Companies Act or the Financial Instruments and Exchange Act, or any foreign law equivalent to the foregoing Japanese laws) by certified public accountants or audit corporations other than the Company's Accounting Auditor, including those who hold foreign licenses equivalent to licenses required for the foregoing entities in Japan.

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

If the Audit and Supervisory Board determines that the Accounting Auditor has become significantly inappropriate for the Company's accounting auditor, including the case where the Accounting Auditor has violated any of its professional obligations, neglected its duties or committed any misconduct, the Board shall dismiss the Accounting Auditor with its unanimous consent in accordance with the provisions of Article 340, paragraph 1 of the Companies Act.

In addition, if the Accounting Auditor cannot properly perform its duties due to the occurrence of circumstances that impair qualification and/or independence of the Accounting Auditor, or if the Board determines that the replacement of the Accounting Auditor should be reasonable to enhance the appropriateness of audits, the Board shall determine a proposal for the dismissal or refusal of reelection of the Accounting Auditor, which will be submitted to the General Meeting of Shareholders.

5. System to Ensure Appropriateness of Business and Its Operating Status

(1) System to Ensure Appropriateness of Business

The Company's Board of Directors resolved the following to establish systems and frameworks that ensure the appropriateness of business operations.

1) System to ensure that business execution by directors and employees at the Company and its group companies complies with laws and regulations and the Articles of Incorporation

(a) The Company shall formulate the Toyo Seikan Group Code of Conduct and Guidelines of Behavior, which provide standards for directors, operating officers and employees of the Company and its group companies (collectively, "Officers and Employees") to comply with laws and regulations, the Articles of Incorporation and corporate ethics.

(b) The Company shall establish the Group Risk and Compliance Committee, which governs the entire group's commitment to compliance. Under the supervision of the Committee, the Company shall provide training opportunities for Officers and Employees to fully understand compliance-related

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- issues.
- (c) The Company and its group companies shall develop a system of reporting and consultation about compliance issues for the prevention, early detection and correction of compliance violations. They establish internal and external compliance hotlines to provide a means for their employees to directly report law violations and alleged non-compliance, and set rules for operating the hotline system.
- 2) System to retain and manage information regarding the business execution by directors of the Company and its group companies
 - (a) In accordance with laws and regulations and internal regulations, the Company and its group companies shall record and retain information related to the execution of duties by their directors, including minutes of shareholders meetings, board of directors meetings and management meetings, deliberation records and approval documents, for a period of time set forth by the relevant regulations in an appropriate and easy-to-search manner, in a hard copy or electronic form, to allow their directors and auditors to access such information at all time.
 - (b) The Company shall oversees information management of the Company and its group companies under the supervision of the Group Risk and Compliance Committee, and formulate information management rules to ensure appropriate information control across the group.
 - 3) Rules and framework for controlling the risk of loss at the Company and its group companies
 - (a) The Company shall formulate the “Group Risk and Crisis Management Regulations” and establish a group-wide risk and crisis management framework under the Group Risk and Compliance Committee. Through this framework, the Company shall check the risk management status at each group company and take necessary measures to improve and correct situations.
 - (b) In the event of unforeseen circumstances, the Company shall establish a crisis management headquarters that supervises group companies’ emergency control action, or relevant group companies shall individually establish a crisis management headquarters, as appropriate, to prevent and minimize the escalation of damage to the entire group.
 - 4) System to ensure efficient performance of duties by respective Directors of the Company and each Group company
 - (a) The Company shall stipulate matters to be resolved and reported at the Board of Directors meetings. In addition, the Board of Directors meetings of the Company shall be held once per month, in principle, and at other times, as needs dictate, to make appropriate and quick decisions with regard to Group-wide management policies and strategies, as well as important issues in relation to the execution of business operations.
 - (b) The Company shall stipulate matters to be discussed and reported at the management meetings. In addition, the management meetings of the Company shall be held three times per month, in principle, and at other times, as appropriate, to discuss important issues relating to the execution of business operations of the Company and each Group company to help the Board of Directors of the Company improve the efficiency and effectiveness of deliberations. Each Group company shall also establish management meetings, etc., in principle, to help its Board of Directors improve the efficiency and effectiveness of deliberations.
 - (c) At the Company and each Group company, business operations based on the decisions regarding a course of action made by the Board of Directors shall be executed by each department in charge according to rules governing the division of duties, final decisions (*kessai*) and authority, which shall be stipulated by the Company or each Group company through prior consultation with the Company and shall be checked or rectified by Directors, as necessary.
 - 5) Other systems to ensure the appropriateness of operations at the Company and each Group company
 - (a) As the holding company that controls the overall businesses of all the Group companies, the Company shall confirm and validate the scope of business, operating performance, etc., by holding regular meetings with each Group company.
 - (b) The Company shall formulate the “Group Companies Management Regulations” and streamline systems to receive reports on business operations, etc., from each Group company and provide it with business administration and support in the pursuit of seeking the appropriate management of each Group company.
 - (c) The Internal Audit Division of the Company shall audit the internal control systems at the Company

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

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the General Affairs Department as the response team that takes action against any such antisocial forces, and shall maintain close connections with law enforcement agencies and attorneys in order to act swiftly to prohibit further activity by such groups.

(2) Operating Status of System to Ensure Appropriateness of Business

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

1) Overall internal control system

The Company and its group companies operate an internal control system, and the status of improvement and operation of the system and the status of compliance are checked through regular internal audit work performed by the Internal Audit Office, the Company's internal audit division. Based on the results of audit, corrective measures are implemented if necessary. The audit results are reported by the Internal Audit Office to the directors and auditors of the Company via the Board of Directors, the Executive Management Meeting and the Audit and Supervisory Board.

2) Risk management

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

3) Compliance

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

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

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

The Group has seriously taken to heart these investigations and has undertaken substantial efforts to further enhance its compliance system in accordance with its internal regulations to comply with the Antimonopoly Act. To encourage full understanding of compliance, the Company has been conducting e-learning programs for all officers and employees across the Group to learn the compliance with the Act. Officers and employees in sales departments are also required to submit a written pledge to comply with the Act and carry "Antimonopoly Act Compliance Card" at all times. In addition, the Group has newly developed the Toyo Seikan Group Code of Conduct and Guidelines of Behavior, which provide the group members with a compliance framework to follow as well as guidelines for fair competitive relationships with rival companies, while the Internal Audit Office has been conducting audits of group companies to check their compliance status with the Antimonopoly Act.

4) Voluntarily established committee

As of October 31, 2018, the Company established the Governance Committee, a voluntarily established consultative body, which consists of two representative directors and five independent outside directors. The committee is designed for more objective, transparent and timely decision-making of the Board of Directors regarding such issues as the appointment of representative directors and director and auditor candidates and the remuneration of directors and officers, with the aim of further enhancing the Company's corporate governance.

[Translation for Reference and Convenience Purposes Only]

5) Management of group companies

Based on the “Group Companies Management Regulations”, an important decision for a group company is discussed by such group company’s management meeting before being discussed at a management meeting of the Company.

The Company regularly holds meetings with major group companies, including the Group Management Promotion Committee, to share and discuss business issues across the Group.

6) Performance of duties by Audit and Supervisory Board Members

Audit and Supervisory Board Members, including outside Audit and Supervisory Board Members, have checked and supervised the business execution status through holding Audit and Supervisory Board Meetings (14 times during the year under review) and receiving report on important management issues at the Board of Directors Meetings and the management meetings, which are attended by Standing Audit and Supervisory Board Members.

Audit and Supervisory Board Members, including outside Audit and Supervisory Board Members, appropriately share management issues with the Company’s Representative Directors and key group companies’ representative directors, audit and supervisory board members and accounting auditors through regular meetings and other opportunities to exchange opinions.

6. Basic Policy for Control of the Company (the “Basic Policy”)

(1) Outline of the Basic Policy

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

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

However, there have been quite a few large-scale share acquisitions performed with a purpose that could result in obvious damage to the target company’s value and its shareholders’ common interests as well as other negative outcomes. If a buyer who acquires massive amount of shares in the Company never understands the source of its corporate value nor has the capability to maintain and increase the source over the medium- to long-term, the Company’s value and its shareholders’ common interests would be impaired.

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

(2) Details of activities to implement the Basic Policy

(a) Specific activities that contribute to the implementation of the Basic Policy

Mid-Term Management Plan

In May 2018, the Group launched its Fifth Mid-term Management Plan for the period from fiscal 2018 to 2020, and the plan has now entered its second year. Under the plan, which defines the fiscal 2018 as the year of a fresh start with the spirit of foundation, we have been pursuing the Group’s growth strategy to achieve a sustainable growth with various measures that drive the strategy, including business structure and corporate culture reforms and finance and capital management measures.

Reinforcement of corporate governance

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

[Translation for Reference and Convenience Purposes Only]

1) Holding company structure

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

2) Structures of outside directors and auditors

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

The Board of Directors is composed of fourteen members, five of whom are Independent Outside Directors. The Independent Outside Directors therefore represent more than one-third of the Board members. The Director’s term of office is set as one year in order to clarify the Directors’ management responsibility and flexibly establish a management system that can swiftly respond to changes in business environment.

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

In addition to active discussions at the Board meetings, the outside Directors and Audit and Supervisory Board Members provide monitoring on management with an objective view of an outsider, which ensures that the surveillance function for the Company’s management structure works effectively.

3) Executive structure

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

The Company has also established the Governance Committee, a voluntarily established consultative body, which consists of two representative directors and five independent outside directors. The committee is designed for more objective, transparent and timely decision-making of the Board of Directors regarding such issues as the appointment of representative directors and director and auditor candidates and the remuneration of directors and officers.

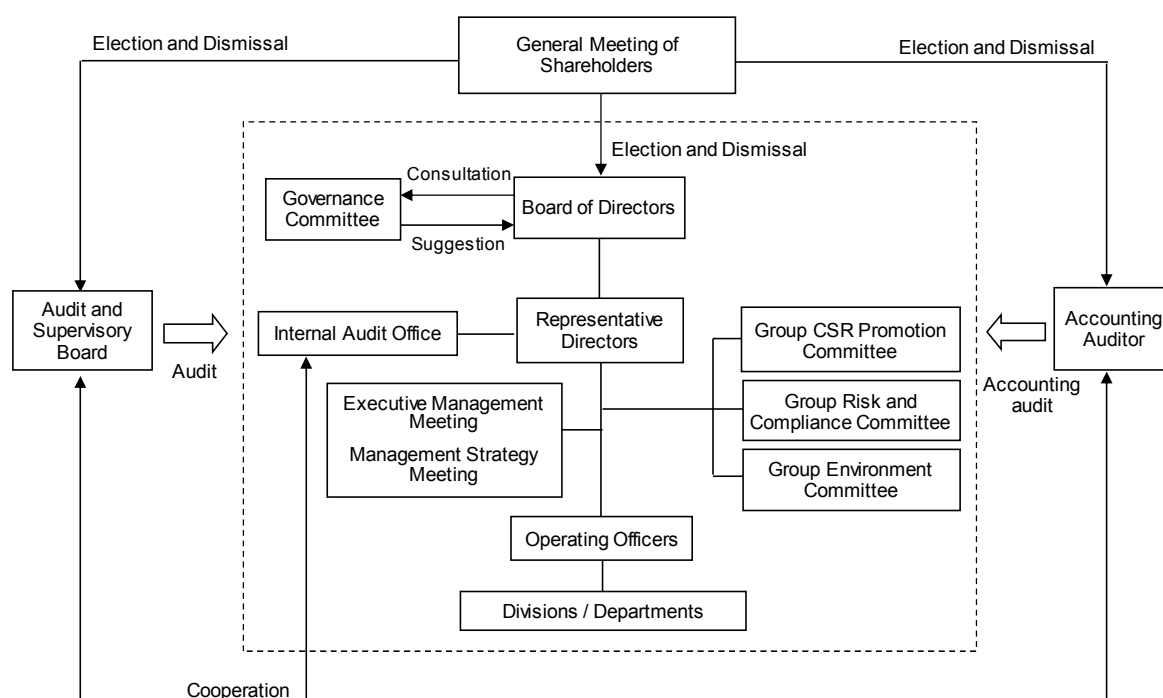
4) Structure of internal control system operation

The Company and its group companies operate an internal control system, and in order to ensure thorough compliance in business activities and improve management efficiency, the status of improvement and operation of the system and the status of compliance are checked through regular internal audit work performed by the Internal Audit Office, the internal audit division that is directly under the President of the Company. Based on the results of audit, corrective measures are implemented if necessary.

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

[Translation for Reference and Convenience Purposes Only]

The Company's Corporate Governance Structure



- (b) Outline of measures to prevent any party deemed inappropriate in light of the Basic Policy from controlling decisions on the Company's financial and business policies
- (i) The Company updated the countermeasure plan against large-scale acquisitions of shares in the Company (takeover defense measures) following resolutions at the Board of Directors meeting held on May 15, 2018, and the 105th Ordinary General Meeting of Shareholders held on June 27, 2018 (the "Plan"). Details of the Plan are explained in the next section (ii).
 - (ii) Outline of the Plan

As set forth in the Basic Policy, the Board of Directors believes that any party who would conduct a large-scale acquisition of shares in the Company that does not contribute to the Company's corporate value and its shareholders' common interests is inappropriate to control decisions on the Company's financial and business policies. The Plan is designed to prevent such party from performing such acquisition and controlling decisions on the Company's financial and business policies. In the event of an attempt to make a large-scale acquisition, the Plan allows the Board to make a counter proposal to shareholders, secure necessary information and time for shareholders to decide whether or not to accept such acquisition, and negotiate with the potential buyer for the benefit of shareholders.

The Plan sets forth necessary procedures to achieve the above-mentioned objectives in the event that a potential buyer intends to own a 20 percent or more stake in the Company, including demanding information from such potential buyer in advance.

Only if the Board resolves not to trigger the Plan in accordance with the procedures provided in the Plan, the buyer may conduct such large-scale acquisition after the resolution by the Board.

If an buyer does not follow the procedures set forth in the Plan, or if an acquisition of a large stake in the Company could harm its corporate value and, in turn, the common interests of its shareholders, and in the case where such acquisition satisfies the triggering requirements of the Plan, the Company shall implement a gratis allotment of stock acquisition rights with an exercise condition that does not allow in principle the buyer to exercise the rights as well as an acquisition clause that enables the Company to acquire the stock acquisition rights from shareholders other than the buyer and its related parties in exchange for shares of the Company, or shall take any other reasonable measures under the Japanese laws and regulations and the Company's Articles of Incorporation.

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If the Company implements a gratis allotment of stock acquisition rights in accordance with the Plan and then its shareholders, except the buyer, receive additional shares in the Company as a result of their exercising the rights or the Company's acquiring the rights from them in exchange for its shares, the buyer's share of the voting rights in the Company may be diluted by up to approximately 50%.

In order to avoid any arbitrary decision of Directors about whether to implement a gratis allotment of stock acquisition rights and whether to acquire the rights from shareholders under the Plan, the Company establishes the Special Committee, in accordance with the Rules for Special Committee, that is composed solely of members who are independent from the management of the Company, such as Outside Directors, to ensure objective decision-making. In addition, the Board of Directors will convene a shareholders meeting to confirm the intent of the shareholders.

These procedures are implemented with appropriate information disclosure to the shareholders to maintain the transparency of the process. The effective period of the Plan will expire upon the close of the ordinary general shareholders meeting related to the last fiscal year ending within three years after the close of the 105th Ordinary General Meeting of Shareholders held on June 27, 2018.

(3) The Board of Directors' judgment on the specific measures and grounds for the judgment

The Company's mid-term management plan and various other measures to strengthen corporate governance have been formulated to continuously enhance its corporate value and the common interests of its shareholders, and therefore they are fully in line with the Basic Policy of the Company.

The Plan is also in line with the Basic Policy since it forms a framework for the Company to protect its corporate value and, in turn, the common interests of its shareholders in case of massive acquisition of shares in the Company.

Furthermore, in order to pay due attention to the intent of the Company's shareholders, the Plan (i) fully satisfies the three principles provided in the "Guidelines Regarding Takeover Defense Measures for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders' Common Interests"; (ii) has obtained the approval of shareholders for its renewal; (iii) incorporates a system to confirm the intent of shareholders at the shareholders meeting regarding the triggering of the Plan if needed; (iv) includes a so-called "sunset clause" to set the effective period of the Plan to approximately three years; and (v) allows the shareholders to decide at the shareholders meeting to abolish the Plan even before the expiration of its effective period. The Plan is also guaranteed fairness and objectivity by (i) reasonable and objective requirements set forth to trigger the Plan; (ii) the Special Committee consisting solely of independent outside directors that practically makes a decision to trigger the Plan; (iii) the Committee's ability to use external expert advice at the Company's cost; and (iv) Director's term of office that is set at one year.

With the above-mentioned facts, it is obvious that the goal of the Plan is not to maintain the status of Directors and Audit and Supervisory Board Members of the Company but to contribute to its corporate value and, in turn, the common interests of its shareholders.

Note: The amounts of money and the numbers of shares stated in this Business Report are rounded down to the nearest unit. The ratios are rounded off to the nearest unit.

[Translation for Reference and Convenience Purposes Only]

Consolidated Balance Sheet

(As of March 31, 2019)

(All amounts are in millions of yen)

| Accounting title (Assets) | Amount | Accounting title (Liabilities) | Amount |
|--|-----------|--|-----------|
| Current assets | 528,914 | Current liabilities | 264,746 |
| Cash and deposits | 141,955 | Notes and accounts payable—trade | 87,695 |
| Notes and accounts receivable— trade | 208,021 | Short-term loans payable | 94,876 |
| Electronically recorded monetary claims—operating | 36,694 | Lease obligations | 590 |
| Merchandise and finished goods | 74,866 | Income taxes payable | 6,762 |
| Work in process | 16,847 | Provision for directors' bonuses | 442 |
| Raw materials and supplies | 30,055 | Provision for business structure reform | 9 |
| Other | 23,275 | Provision for loss on disaster | 517 |
| Allowance for doubtful accounts | (2,801) | Provision for pollution load levy | 119 |
| | | Other | 73,733 |
| | | Non-current liabilities | 154,222 |
| Non-current assets | 539,866 | Bonds payable | 5,000 |
| Property, plant and equipment | 334,396 | Long-term loans payable | 65,806 |
| Buildings and structures | 111,715 | Lease obligations | 1,880 |
| Machinery, equipment and vehicles | 104,894 | Deferred tax liabilities | 10,385 |
| Land | 80,829 | Provision for special repairs | 4,767 |
| Leased assets | 2,075 | Provision for PCB | 374 |
| Construction in progress | 22,524 | Provision for asbestos | 155 |
| Other | 12,357 | Provision for soil improvement expenses | 324 |
| Intangible assets | 31,313 | Provision for pollution load levy | 2,609 |
| Goodwill | 119 | Provision for directors' retirement benefits | 1,003 |
| Other | 31,193 | Net defined benefit liability | 53,904 |
| Investments and other assets | 174,157 | Asset retirement obligations | 1,138 |
| Investment securities | 143,522 | Other | 6,873 |
| Long-term loans receivable | 372 | | |
| Net defined benefit asset | 11,022 | Total liabilities | 418,968 |
| Deferred tax assets | 7,375 | | |
| Other | 12,916 | (Net assets) | |
| Allowance for doubtful accounts | (1,051) | Shareholders' equity | 556,303 |
| | | Capital stock | 11,094 |
| | | Capital surplus | 11,468 |
| | | Retained earnings | 553,742 |
| | | Treasury shares | (20,002) |
| | | Accumulated other comprehensive income | 70,074 |
| | | Valuation difference on available-for-sale securities | 61,274 |
| | | Deferred gains or losses on hedges | (10) |
| | | Foreign currency translation adjustment | 11,336 |
| | | Remeasurements of defined benefit plans | (2,525) |
| | | Non-controlling interests | 23,434 |
| | | Total net assets | 649,812 |
| Total assets | 1,068,781 | Total liabilities and net assets | 1,068,781 |

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Income

(From April 1, 2018
to March 31, 2019)

(All amounts are in millions of yen)

| Accounting title | Amount | |
|---|--------|---------|
| Net sales | | 793,119 |
| Cost of sales | | 678,414 |
| Gross profit | | 114,704 |
| Selling, general and administrative expenses | . | 89,260 |
| Operating income | | 25,443 |
| Non-operating income | | |
| Interest income | 486 | |
| Dividend income | 2,793 | |
| Rent income | 1,311 | |
| Foreign exchange gains | 1,213 | |
| Other | 6,313 | 12,118 |
| Non-operating expenses | | |
| Interest expenses | 1,789 | |
| Rent expenses on non-current assets | 885 | |
| Loss on retirement of non-current assets | 1,231 | |
| Share of loss of entities accounted for using equity method | 2,539 | |
| Other | 3,332 | 9,777 |
| Ordinary income | | 27,784 |
| Extraordinary income | | |
| Gain on sale of non-current assets | 1,389 | |
| Gain on sale of investment securities | 19,524 | 20,913 |
| Extraordinary losses | | |
| Impairment loss | 8,470 | |
| Loss on disaster | 7,493 | |
| Provision for loss on disaster | 517 | 16,481 |
| Profit before income taxes | | 32,216 |
| Income taxes—current | 10,136 | |
| Income taxes—deferred | 149 | 10,286 |
| Profit | | 21,930 |
| Profit attributable to non-controlling interests | | 1,667 |
| Profit attributable to owners of parent | | 20,262 |

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Changes in Equity (1/2)

(From April 1, 2018
to March 31, 2019)

(in millions of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 11,094 | 1,361 | 560,228 | (24,779) | 547,904 |
| Changes during period | | | | | |
| Change in the parent's stake related to transactions with non-controlling interests | | 10,107 | | | 10,107 |
| Transfer from retained earnings to capital surplus | | 24,779 | (24,779) | | — |
| Dividends of surplus | | | (2,795) | | (2,795) |
| Profit attributable to owners of parent | | | 20,262 | | 20,262 |
| Change in scope of consolidation | | | 825 | | 825 |
| Repurchase of own shares | | | | (20,002) | (20,002) |
| Retirement of treasury shares | | (24,779) | | 24,779 | — |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | 10,107 | (6,486) | 4,777 | 8,399 |
| Balance at end of period | 11,094 | 11,468 | 553,742 | (20,002) | 556,303 |

[Translation for Reference and Convenience Purposes Only]

Consolidated Statement of Changes in Equity (2/2)

(From April 1, 2018
to March 31, 2019)

(in millions of yen)

| | Accumulated other comprehensive income | | | | | Non-controlling interests | Total net assets |
|---|---|------------------------------------|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 84,924 | 17 | 16,377 | (1,287) | 100,031 | 72,271 | 720,207 |
| Changes during period | | | | | | | |
| Change in the parent's stake related to transactions with non-controlling interests | | | | | | | 10,107 |
| Transfer from retained earnings to capital surplus | | | | | | | — |
| Dividends of surplus | | | | | | | (2,795) |
| Profit attributable to owners of parent | | | | | | | 20,262 |
| Change in scope of consolidation | | | | | | | 825 |
| Repurchase of own shares | | | | | | | (20,002) |
| Retirement of treasury shares | | | | | | | — |
| Net changes in items other than shareholders' equity | (23,650) | (27) | (5,040) | (1,237) | (29,956) | (48,837) | (78,793) |
| Total changes during period | (23,650) | (27) | (5,040) | (1,237) | (29,956) | (48,837) | (70,394) |
| Balance at end of period | 61,274 | (10) | 11,336 | (2,525) | 70,074 | 23,434 | 649,812 |

Notes to Consolidated Financial Statements

◆ Significant Matters That Serve as the Basis for Preparing Consolidated Financial Statements

1. Scope of Consolidation

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

Number of consolidated subsidiaries: 75

(Toyo Seikan Co., Ltd., Toyo Kohan Co., Ltd., Tokan Kogyo Co., Ltd., Nippon Closures Co., Ltd., Toyo Glass Co., Ltd., Mebius Packaging Co., Ltd., Toyo Aerosol Industry Co., Ltd., Tokan Material Technology Co., Ltd., Can Machinery Holdings, Inc. and 66 other companies)

The consolidated financial statements for the year under review include TOYO PACKS CO., LTD., KYODO KAIUN CO., LTD., TOYO PARTNER CO., LTD. and TOYO KOHAN SHANGHAI CO., LTD. since their importance has increased, and Stolle Machinery (Guangdong) Co., Ltd. since it was newly established. Meanwhile, PET Refine Technology Co., Ltd. is excluded from the scope of consolidation for the year since the Company sold its holdings in the company, and Stolle Tokan Machinery (Shanghai) Co., Ltd. since it was liquidated.

- 2) Non-consolidated subsidiaries

ISHIKAWA INK CO., LTD. and 12 other non-consolidated subsidiaries are excluded from the scope of consolidation since their respective total assets, net sales, profit or loss (the portion corresponding to equity held by the Company) and retained earnings (the portion corresponding to equity held by the Company) are relatively small and have no significant effect on the consolidated financial statements.

2. Application of the Equity Method

Number of associates accounted for using the equity method: 4

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

The non-consolidated subsidiaries (ISHIKAWA INK CO., LTD. and 12 others) and associates (Takeuchi Hi-Pack Co., Ltd., and 7 others) are not accounted for using the equity method since they have no significant importance and their respective profit or loss (the portion corresponding to equity held by the Company) and retained earnings (the portion corresponding to equity held by the Company) have no significant effect on the consolidated financial statements.

As for associates accounted for using the equity method with a book-closing date that is different from the book-closing date for consolidated accounting, the financial statements they prepared for their own fiscal years are used for the consolidated financial statements.

3. Book-Closing Date for Accounting of Consolidated Subsidiaries

Of the consolidated subsidiaries, 34 companies (including 7 companies mentioned below) close their accounts on December 31. Because the difference between their book-closing date and the book-closing date for consolidated accounting is less than three months, the financial statements they prepared for their own fiscal years are used for the consolidated financial statements.

Bangkok Can Manufacturing Co., Ltd.

TOYO-MEMORY TECHNOLOGY SDN. BHD.

Toyo Seikan (Thailand) Co., Ltd.

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

Crown Seal Public Co., Ltd.

Stolle Machinery Company, LLC

Next Can Innovation Co., Ltd.

As for material transactions performed during the period between their closing date (December 31) and the consolidated closing date (March 31), necessary adjustments are made for the purposes of consolidated accounting.

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4. Accounting Policies

(1) Valuation basis and method for major assets

1) Securities

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

Available-for-sale securities

With fair value: Valued based on market values as of the book-closing date. (The valuation gains and losses are all recorded in the net assets section. The cost of securities sold is calculated using the moving-average method.)

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

2) Derivatives

Derivatives are valued using the fair value method.

3) Inventories

Inventories are principally valued at cost determined by the average cost method (the valuation is subject to the book value reduction method based on decreased profitability).

(2) Depreciation and amortization methods of major assets

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

Depreciated using the straight-line method.

2) Intangible assets (excluding leased assets)

Amortized using the straight-line method.

3) Leased assets (related to non-ownership-transfer financial lease transactions)

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

Among financial lease transactions where ownership of the leased property is not transferred to the lessee, transactions that had commenced before the first fiscal year of application of the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, revised on March 30, 2007) are accounted for using the same method as for standard leasing transactions.

(3) Accounting for major reserves

1) Allowance for doubtful accounts

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

2) Provision for directors' bonuses

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

3) Provision for special repairs

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

4) Provision for business structure reforms

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

5) Provision for pollution load levy

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

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

The percentage-of-completion method is applied to projects where the cumulative percentage of work

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completed until the end of the fiscal year under review can be determined clearly (the percentage of completion is estimated mainly based on the cost-to-cost method), while the completed-contract method is applied to other projects.

(5) Other significant matters in preparing the consolidated financial statements

1) Hedge accounting method

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

2) Accounting for consumption taxes

Transactions subject to the consumption tax and local consumption tax are recorded excluding the consumption taxes.

Nondeductible consumption taxes related to assets are recorded as period expenses for the fiscal year in which such consumption taxes are incurred.

3) Method and period of goodwill amortization

Goodwill is amortized under the straightforward depreciation method over a period of 5-10 years. If the value of goodwill is insignificant, all the value is amortized at once in the fiscal year in which the goodwill is recognized.

4) Application of consolidated tax payment system

The Group has adopted the consolidated tax payment system, with the Company being as the parent company under the system.

5) Accounting procedure regarding employees' retirement benefits

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

Prior service cost is amortized at one time in the fiscal year in which such cost is incurred.

Actuarial gains or losses are amortized on a straight-line basis from the following year of the fiscal year of recognition over a period (10 years) within the average remaining service years for employees at the time of recognition.

Unrecognized actuarial gains or losses are reported as remeasurements of defined benefit plans under “Accumulated other comprehensive income” in the net assets section after adjusting tax effects.

◆ Note to Change in Indication Method

The Company has changed the way of indicating deferred tax assets and liabilities on the balance sheet from the fiscal year under review according to the partial amendment to corporate accounting rules based on an ordinance of the Ministry of Justice (Ordinance No. 5, issued on March 26, 2018), which followed the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, issued on February 16, 2018). As a result of this change, “Deferred tax assets” is indicated under the investment and other assets category, while “Deferred tax liabilities” is shown under the non-current liabilities category.

◆ Note to Consolidated Balance Sheet

1. Accumulated depreciation on property, plant and equipment: 1,233,656 million yen

2. Pledged assets and secured liabilities

Pledged assets

Buildings: 769 million yen

Land: 1,414 million yen

Secured liabilities

Short-term loans payable: 347 million yen

Long-term loans payable: 57 million yen

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3. Guaranteed loans

The Company has provided the following credit guarantees on loans from financial institutions.

| | |
|---|---|
| Employees (housing loans): | 734 million yen |
| TOSYALI TOYO CELIK ANONIM SIRKETI (bank loans): | 36,146 million yen (325 million dollars) |

◆ **Notes to Consolidated Statement of Income**

1. Matters concerning extraordinary income

Gain on sale of non-current assets

This consists mainly of the gain on sale of land by three domestic consolidated subsidiaries.

2. Matters concerning extraordinary losses

1) Impairment loss

The Group posted impairment losses on the following asset groups.

| Location | Uses of assets | Type of assets | Loss amount (million yen) | Collectible value |
|---|--|---|------------------------------|----------------------|
| Nippon Tokan Package Co., Ltd. Sendai Plant (Kurokawa-gun, Miyagi) | Manufacturing facilities for corrugated paper products | Buildings and structures, machinery, equipment and vehicles, land, etc. | 511 | Use value |
| TOYO-SASAKI GLASS CO., LTD. (Yachiyo-shi, Chiba, and other regions) | Manufacturing facilities for glass products, etc. | Buildings and structures, machinery, equipment and vehicles, etc. | 1,417 | Net sales price |
| Fuji Technica & Miyazu Inc. (Sunto-gun, Shizuoka, and other regions) | Manufacturing facilities for automotive press dies, etc. | Buildings and structures, machinery, equipment and vehicles, land, goodwill, etc. | 6,540 | Use value |

The Group classifies owned assets based on management accounting categories; business assets are mainly classified by plant or by office, while leasing assets and idle assets are classified by property.

The Group estimated the future cash flow of the asset groups for which profitability significantly declined. As for an asset group whose profitability is unlikely to recover, its book value is reduced to a collectible amount, and the reduction amount is posted as an impairment loss under extraordinary losses.

The collectible amounts for individual asset groups were based on the use values or net sales prices; the use values are calculated by discounting the future cash flow by 5%, in principle, while the net sales prices are determined according to the estimated disposal values.

The following table describes the details of the impairment loss (8,470 million yen) posted under extraordinary losses.

(in millions of yen)

| Location | Buildings and structures | Machinery, equipment and vehicles | Land | Other (Property, plant and equipment) | Goodwill | Other (Intangible assets) | Total |
|--|--------------------------|-----------------------------------|-------|---------------------------------------|----------|---------------------------|-------|
| Nippon Tokan Package Co., Ltd. Sendai Plant | 122 | 156 | 227 | 4 | — | — | 511 |
| TOYO-SASAKI GLASS CO., LTD. | 714 | 543 | — | 153 | — | 6 | 1,417 |
| Fuji Technica & Miyazu Inc. | 412 | 1,342 | 1,195 | 103 | 1,674 | 1,812 | 6,540 |
| Total | 1,248 | 2,042 | 1,423 | 261 | 1,674 | 1,819 | 8,470 |

[Translation for Reference and Convenience Purposes Only]

- 2) Loss on disaster
This consists of losses incurred mainly due to the earthquake in the northern part of Osaka prefecture and the torrential rains in Western Japan.
- 3) Provision for loss on disaster
The provision for loss on disaster is a reasonably estimated amount of costs and losses expected to accrue in the future mainly in conjunction with the earthquake in the northern part of Osaka prefecture and the torrential rains in Western Japan.

◆ Notes to Consolidated Statement of Changes in Equity

1. Matters concerning class and total number of issued shares

(All numbers are in thousands)

| Class of shares | Number of shares at beginning of period | Increase during period | Decrease during period | Number of shares at end of period |
|-----------------|---|------------------------|------------------------|-----------------------------------|
| Issued shares | | | | |
| Common shares | 217,775 | — | 14,912 | 202,862 |
| Treasury shares | | | | |
| Common shares | 14,912 | 9,524 | 14,912 | 9,524 |

Note: 1. The breakdown of the increase in treasury shares:

- Purchase of own shares under the provisions of Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 165, Paragraph 3 of the Act: 9,523 thousand shares
 - Purchase of own shares in odd lots: 1 thousand shares
2. The decrease of 14,912 thousand in issued common shares and in treasury shares is a result of the retirement of treasury shares conducted based on provisions of Article 178 of the Companies Act.

2. Matters concerning dividends

(1) Amount of dividends paid

| Resolution on the payment | Class of shares | Total payout (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|-----------------|----------------------------|--------------------------|--------------------|------------------|
| Ordinary General Meeting of Shareholders on June 27, 2018 | Common shares | 1,420 | 7.00 | March 31, 2018 | June 28, 2018 |
| Board of Directors Meeting on October 31, 2018 | Common shares | 1,375 | 7.00 | September 30, 2018 | December 5, 2018 |

(2) Dividends with a record date belonging to the fiscal year under review whose effective date for payment comes during the following fiscal year

| Resolution on the payment | Class of shares | Dividend resource | Total payout (million yen) | Dividend per share (yen) | Record date | Effective date |
|---|-----------------|-------------------|----------------------------|--------------------------|----------------|----------------|
| Ordinary General Meeting of Shareholders on June 25, 2019 | Common shares | Retained earnings | 1,353 | 7.00 | March 31, 2019 | June 26, 2019 |

◆ **Notes to Financial Instruments**

1. Status of financial instruments

(1) Policy on treatment of financial instruments

The Toyo Seikan Group only uses highly secured financial assets for its fund management. It raises funds necessary for implementing its business plan primarily through bank loans and bond issuances. The cash management service (CMS) is also effectively utilized for the appropriate management of Group's funds. The Group engages in derivatives trading only for the purpose of hedging currency risk and interest rate risk arising from its business activities, and uses derivatives only based on actual demand and not based on speculation.

(2) Details of financial instruments, their risks and related risk management system

Notes and accounts receivable are operating receivables and exposed to customer credit risk. To control this risk, we regularly check due dates and balances for each business partner and the credit status of major business partners. For several operating receivables denominated in foreign currencies, their currency risk is hedged using forward exchange contracts. Most of investment securities are held-to-maturity bonds and shares of the companies with which we have business relationships. These securities are exposed to market risk, and we control the risk by regularly monitoring market prices and financial and other conditions of issuers and business partners.

Notes and accounts payable are operating debts, and most of them are due within a year. For several operating debts denominated in foreign currencies, their currency risk is hedged using forward exchange contracts.

Loans (borrowings) are used to collect funds needed mainly for business transactions and capital investment, while bonds are used to raise funds mainly for capital investments. The market risk for several loans is hedged through the use of derivatives (interest rate swaps).

Derivatives trading is managed through a mutual check between the executing division and the accounting division and the monitoring of derivatives positions for each trading counterparty, and the trading status is regularly reported to the Board of Directors (derivatives are used only based on actual demand and not based on speculation to aim for capital gains). We engage in derivatives transactions only with major financial institutions with high creditworthiness in order to reduce credit risk arising from the transactions.

Operating debts and loans are exposed to liquidity risk. We control this risk with the financing plan drawn up and renewed by the Company's finance division, maintaining liquidity at or above a certain level and concluding a commitment line agreement with financial institutions.

2. Matters concerning fair values of financial instruments

The table in the following page indicates carrying values of financial assets and liabilities on the consolidated balance sheet, their fair values, and the difference between carrying and fair values as of March 31, 2019. Please note that several financial assets and liabilities are excluded from the table since the determination of fair values of such assets and liabilities is extremely difficult. (See Note 2.)

[Translation for Reference and Convenience Purposes Only]

| (in millions of yen) | | | |
|---|----------------|----------------|-------------|
| | Carrying value | Fair value | Difference |
| (1) Cash and deposits | 141,955 | 141,955 | — |
| (2) Notes and accounts receivable | 208,021 | | |
| (3) Electronically recorded monetary claims | 36,694 | | |
| Allowance for doubtful accounts | (2,056) | | |
| | 242,659 | 242,659 | — |
| (4) Investment securities | | | |
| 1) Bonds held to maturity | 10,300 | 10,564 | 264 |
| 2) Available-for-sale securities | 123,525 | 123,525 | — |
| (5) Long-term loans receivable | 372 | | |
| Allowance for doubtful accounts | (16) | | |
| | 355 | 336 | (18) |
| Total assets | 518,796 | 519,042 | 245 |
| (1) Notes and accounts payable | 87,695 | 87,695 | — |
| (2) Short-term loans payable | 94,876 | 94,876 | — |
| (3) Income taxes payable | 6,762 | 6,762 | — |
| (4) Bonds payable | 5,000 | 4,992 | (7) |
| (5) Long-term loans payable | 65,806 | 65,787 | (18) |
| Total liabilities | 260,139 | 260,113 | (26) |
| Derivatives* | | | |
| Without the application of hedge accounting | — | — | — |
| With the application of hedge accounting | (15) | (15) | — |
| Total derivatives | (15) | (15) | — |

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

Note 1: Methods to calculate fair values of financial instruments and matters concerning securities and derivatives

Assets

(1) Cash and deposits

Since this item is settled in a short period of time, its fair value is nearly equal to its carrying value. Therefore, the fair value is the same amount as the carrying value.

(2) Notes and accounts receivable / (3) Electronically recorded monetary claims

Because these items are settled in a short period, their fair values are in accordance with their carrying values less the estimated amount of doubtful accounts where credit risks are reflected. The fair value of some accounts receivable is in accordance with the price presented by transacting financial institutions as these items are subject to procedures for appropriation treatment such as forward exchange contracts (refer to “Derivatives” below).

(4) Investment securities

The fair value of a stock is in accordance with the price on the relevant stock exchange, whereas that of a bond is in accordance with the price presented by the transacting financial institutions.

(5) Long-term loans receivable

The future cash flow of each loan group into which these loans are classified by specific periods is calculated at the rate of indicator such as yield of government bonds to which the elements of credit risks are added according to the credit risk category in the light of the credit controls. The resulting amount is the present value at which the fair value of this item is calculated. For doubtful receivables, the estimated amount of doubtful accounts is calculated based on the collectible amount, etc., secured by pledge and security. The fair value of this item is then in accordance with the carrying value less the estimated amount of doubtful accounts.

Liabilities

(1) Notes and accounts payable

Because this item is settled in a short period, its fair value is nearly equal to its carrying value. Therefore, the notes and accounts payable are stated at their carrying value.

(2) Short-term loans payable / (3) Income taxes payable

Because these items are settled in a short period, their fair values are nearly equal to their carrying values. Therefore, fair value is in accordance with the carrying value.

[Translation for Reference and Convenience Purposes Only]

(4) Bonds payable

Fair value is in accordance with the present value determined by calculating the total of principal and interest at a discount rate which incorporates the remaining period of said bonds and credit risks.

(5) Long-term loans payable

Fair value is in accordance with present value, which is calculated at a discount rate obtained under the assumption that a similar loan is newly provided to the total of principal and interest.

Derivatives

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

Since several transactions subject to *furiate-shori* (an exceptional accounting treatment), such as forward foreign exchange contracts, are treated by being included in accounts receivable that are hedged, the fair value of such transactions is included in that of the accounts receivable (See “Assets” (2) above).

Note 2: Financial instruments for which the determination of fair values are extremely difficult

Unlisted shares (carrying value on the consolidated balance sheet: 9,696 million yen) and investments in equity of subsidiaries and associates (carrying value: 7,696 million yen) do not have market prices and the estimation of their future cash flow is not available. The determination of fair values of these items are therefore deemed extremely difficult, and they are excluded from “(2) available-for-sale securities” under “(4) Investment securities” in the above table.

◆ Note to Leasing Property

The Company and several consolidated subsidiaries own office buildings (including land) and commercial facilities for leasing in Tokyo and other regions. The carrying values on the consolidated balance sheet and fair values of these properties are described in the following table.

| Use of properties | (in millions of yen) | | | |
|-----------------------|----------------------|---------|----------|------------|
| | Carrying value | Revenue | Expenses | Fair value |
| Office buildings | 14,342 | 4,848 | 2,279 | 77,494 |
| Commercial facilities | 2,509 | 672 | 257 | 13,718 |
| Others | 11,172 | 2,465 | 659 | 40,584 |
| Total | 28,023 | 7,986 | 3,196 | 131,798 |

Notes: 1. “Carrying value” is acquisition costs of assets, net of accumulated depreciation expenses and impairment loss.

2. Revenue includes rent income and gain on sale of non-current assets, while expenses include depreciation expenses, repair expenses, insurance premiums and taxes and dues.

3. Fair values as of the end of the fiscal year under review are mainly based on real estate appraisal reports or real estate inspection reports provided by an external real estate appraiser.

◆ Note to Per Share Information

Net assets per share: 3,239.81 yen

Profit per share: 103.05 yen

◆ Notes to Matters Concerning Business Combination

Transaction between entities under common control

[Company split transaction between consolidated subsidiaries]

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

[Translation for Reference and Convenience Purposes Only]

1. Names of parties to the business combination and their major operations, date and legal form of the transaction, company name after transaction, and purpose and overview of the transaction.

(1) Names of parties to the business combination and their major operations

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

(2) Date of the business combination

April 1, 2018

(3) Legal form of the business combination

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

(4) Company name after the business combination

Mebius Packaging Co., Ltd.

(5) Outline of transaction including the purpose of the transaction

(i) Purpose of the business consolidation

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

(ii) Outline of the business consolidation

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

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

(a) Splitting companies

| | | | |
|--------------------------------------|---|--|---|
| (1) Company name | Toyo Seikan Co., Ltd. | Tokan Kogyo Co., Ltd. | Nippon Closures Co., Ltd. |
| (2) Head office | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo | 2-18-1 Higashi-Gotanda, Shinagawa-ku, Tokyo |
| (3) Title and name of representative | Ichio Otuka ⁽¹⁾ President | Kiyoyasu Takasaki President | Hisashi Nakajima President |
| (4) Business | Manufacturing and sales of packaging containers and filling equipment | Manufacturing and sales of paper packaging products and diversified plastic packaging products | Manufacturing and sales of metal and plastic caps |
| (5) Capital | 1,000 million yen | 1,531 million yen | 500 million yen |
| (6) Date of incorporation | April 2, 2012 | February 18, 1943 | January 17, 1941 |
| (7) Number of shares issued | 20,000 shares | 30,571,231 shares | 10,000,000 shares |
| (8) Fiscal year-end | March 31 | March 31 | March 31 |

[Translation for Reference and Convenience Purposes Only]

| | | | |
|--|--|--|--|
| (9) Major shareholders and ownership ratio | Toyo Seikan Group Holdings, Ltd. 100% | Toyo Seikan Group Holdings, Ltd. 100% | Toyo Seikan Group Holdings, Ltd. 100% |
| (10) Financial position and business performance for the most recent fiscal year (Non-consolidated basis; in millions of yen, except for per-share amounts) | | | |
| Net sales | 267,459 | 67,310 | 49,930 |
| Operating income | 6,540 | 1,818 | 4,357 |
| Ordinary income | 8,982 | 1,316 | 4,857 |
| Profit (Loss) | (4,638) | (150) | 3,221 |
| Net assets | 222,492 | 47,301 | 56,360 |
| Total assets | 299,589 | 74,364 | 66,082 |
| Net assets per share | 11,124,613.03 yen | 1,547.26 yen | 5,636.09 yen |
| Profit (Loss) per share | (231,923.28) yen | (4.92) yen | 322.16 yen |

Note 1: Masanori Honda assumed the President of Toyo Seikan Co., Ltd. as of April 1, 2018.

(b) Succeeding company

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

Note 2: Michio Oiwa assumed the President of Mebius Packaging Co., Ltd. as of April 1, 2018.

Note 3: The capital increased to 1,000 million yen as of April 1, 2018.

2. Outline of implemented accounting treatment

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

[Acquisition of additional shares in a subsidiary]

On June 28, 2018, the Company became a special controlling shareholder of consolidated subsidiary Toyo Kohan Co., Ltd. (“Toyo Kohan”) after purchasing shares in the subsidiary through a tender offer based on the resolution at the Board of Directors meeting held on February 7, 2018 (the “Tender Offer”). The Company subsequently implemented the share cash-out demand under Article 179, Paragraph 1 of the Companies Act, and turned Toyo Kohan into a wholly owned subsidiary as of August 2, 2018.

1. Outline of transaction

(1) Name and major operation of the party to the business combination

Name of party: Toyo Kohan Co., Ltd.
Major operations: Manufacturing and sales of tinsplate, steel sheet and surface-treated steel plate and functional materials

(2) Date of business combination

(Acquisition date)

Completion of Tender Offer: June 28, 2018 (Deemed acquisition date: June 30, 2018)

Completion of share cash-out: August 2, 2018 (Deemed acquisition date: September 30, 2018)

(3) Legal form of the business combination

Share acquisition for cash

[Translation for Reference and Convenience Purposes Only]

- (4) Company name after business combination
Unchanged

- (5) Other matters concerning the transaction outline

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

In light of continuously challenging business environment, the both parties reached a conclusion that the Company's acquiring all shares in Toyo Kohan and turning it into a wholly-owned subsidiary would be the best solution to allow the Group as a whole to improve its corporate value and achieve sustainable development with an organizational structure that ensures solid business management over the medium- to long- term. Consequently, the Company conducted the Tender Offer and the subsequent share cash-out.

2. Outline of implemented accounting treatment

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on September 13, 2013), this transaction was treated as a transaction with non-controlling interests, a type of transaction under common control.

3. Cost of additionally acquired shares in the subsidiary

| | | |
|----------------------|------|--------------------|
| Total purchase price | cash | 37,953 million yen |
| Acquisition cost | | 37,953 million yen |

4. Change in the Company's stake following the transaction with non-controlling interests

- (1) Major cause of the change in capital surplus:

Acquisition of additional shares in the relevant subsidiary

- (2) Amount of increase in capital surplus resulting from the transaction with non-controlling interests:

10,107 million yen

[Acquisition of additional shares in a subsidiary]

As of December 21, 2018, the Company provided new capital to Can Machinery Holdings, Inc., a wholly-owned subsidiary of the Company, by exchanging loans it had extended to the subsidiary for new equity.

1. Outline of transaction

- (1) Name and major operations of the party to the business combination

Name of party: Can Machinery Holdings, Inc.

Major operations: Development, manufacturing and sales of can and can-end production machinery and provision of related services

- (2) Date of business combination

December 21, 2018

- (3) Legal form of the business combination

Share acquisition by converting existing loans into equity (debt/equity swap)

- (4) Company name after business combination

Unchanged

[Translation for Reference and Convenience Purposes Only]

(5) Other matters, including purpose of the transaction

The Company provided new capital to Can Machinery Holdings, Inc. through a debt-for-equity swap transaction with the aim of improving the company's financial condition.

2. Outline of implemented accounting treatment

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on September 13, 2013) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on September 13, 2013), the accounting of this transaction was processed as a transaction under common control.

3. Matters concerning acquisition of additional shares in a subsidiary

Acquisition cost and purchase price paid by consideration type

| | | |
|---|---------------------|----------------------|
| Purchase price (face value of the loans converted into equity) | 300 million dollars | (33,405 million yen) |
| Total acquisition cost | 300 million dollars | (33,405 million yen) |

Business divestitures

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

1. Outline of the business divestiture

(1) Name of the purchasing company
JEPLAN, Inc.

(2) Divested operations

Name of the company (consolidated subsidiary): PET Refine Technology Co., Ltd.
Major operations: PET bottle recycling

(3) Major reasons for the divestiture

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

The Company has reached a conclusion that transferring Toyo Seikan's holdings in PRT to JEPLAN and allowing JEPLAN to have control over management of PRT should lead to a further enhancement of PRT's corporate value. It has also determined that the share transfer will enable the Group to accelerate structural reforms of its existing operations and use resources intensively in its key business fields.

(4) Date of divestiture

April 1, 2018 (the date of completion of share transfer)

(5) Other matters, including legal form of the transaction

Share transfer with the sale price being paid solely in cash

2. Outline of implemented accounting treatment

(1) Amount of gain or loss on the transfer

Gain on sale of shares of subsidiaries and associates: 88 million yen

[Translation for Reference and Convenience Purposes Only]

(2) Appropriate carrying values of assets and liabilities related to the divested business

| | |
|--------------------------|-------------------|
| Current assets: | 1,299 million yen |
| Non-current assets: | 3 million yen |
| Total of assets: | 1,302 million yen |
| Current liabilities: | 1,291 million yen |
| Non-current liabilities: | — |
| Total of liabilities: | 1,291 million yen |

(3) Accounting treatment

The amount of difference between the sale price of PRT and its carrying value on the consolidated balance sheet is recorded in the non-operating income of the consolidated statement of income.

3. Reportable segment (for consolidated accounting) to which the divested business belonged

Packaging business

4. Estimated amount of profit or loss associated with the divested business that is recorded in the consolidated statement of income for the year under review

Not applicable

◆ Material Events after the Reporting Period

[Transfer of non-current assets]

Consolidated subsidiary Toyo Glass Machinery Co., Ltd. resolved at its board meeting held on April 24, 2019, that it would enter into an agreement with Yokohama City on the sale of the site of its head office and plant as well as a relocation compensation agreement with the city. The decision on the sale followed the land expropriation conducted by the city as part of its river improvement project for Katabira River. These agreements were concluded on April 25, 2019.

| | | |
|----------------------------------|--|--------------------------|
| Transferee: | Yokohama City | |
| Transferred property: | Land of 6,847.49 square meters located at 75/76 Kawaihoncho, Asahi-ku, Yokohama-shi | |
| Transfer price and compensation: | Transfer price: | 1,086 million yen |
| | <u>Compensation for relocation:</u> | <u>1,647 million yen</u> |
| | Total proceed: | 2,733 million yen |

In conjunction with this asset transfer, the Company expects to post extraordinary income of approximately 2.4 billion yen on a consolidated basis for the fiscal year ending March 2020.

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

Non-Consolidated Balance Sheet

(As of March 31, 2019)

(All amounts are in millions of yen)

| Accounting title | Amount | Accounting title | Amount |
|---|---------|---|----------|
| (Assets) | | (Liabilities) | |
| Current assets | 139,063 | Current liabilities | 145,256 |
| Cash and deposits | 97,804 | Short-term loans payable | 76,810 |
| Short-term loans receivable | 35,123 | Lease obligations | 105 |
| Accrued receivable | 7,576 | Accounts payable—other | 5,343 |
| Other | 398 | Accrued expenses | 2,266 |
| Allowance for doubtful accounts | (1,839) | Income taxes payable | 4,682 |
| | | Deposits received | 55,957 |
| | | Provision for directors' bonuses | 54 |
| | | Other | 35 |
| | | Non-current liabilities | 72,901 |
| Non-current assets | 491,778 | Long-term loans payable | 60,800 |
| Property, plant and equipment | 29,232 | Lease obligations | 196 |
| Buildings | 21,012 | Deferred tax liabilities | 6,395 |
| Structures | 334 | Provision for retirement benefits | 75 |
| Machinery and equipment | 151 | Provision for asbestos | 155 |
| Vehicles | 20 | Asset retirement obligations | 582 |
| Tools, furniture and fixtures | 654 | Other | 4,696 |
| Land | 6,605 | | |
| Leased assets | 280 | Total liabilities | 218,157 |
| Construction in progress | 173 | | |
| Intangible assets | 830 | (Net assets) | |
| Software | 729 | Shareholders' equity | 354,828 |
| Other | 101 | Capital stock | 11,094 |
| Investments and other assets | 461,715 | Capital surplus | 1,361 |
| Investment securities | 123,434 | Legal capital surplus | 1,361 |
| Shares of subsidiaries and associates | 303,186 | Retained earnings | 362,375 |
| Long-term loans receivable from subsidiaries and associates | 36,297 | Legal retained earnings | 2,773 |
| Other | 264 | Other retained earnings | 359,601 |
| Allowance for doubtful accounts | (1,466) | Reserve for advanced depreciation of non-current assets | 268 |
| | | General reserve | 328,441 |
| | | Retained earnings brought forward | 30,892 |
| | | Treasury shares | (20,002) |
| | | Valuation and translation adjustments | 57,856 |
| | | Valuation difference on available-for-sale securities | 57,840 |
| | | Deferred gains or losses on hedges | 15 |
| | | Total net assets | 412,684 |
| Total assets | 630,841 | Total liabilities and net assets | 630,841 |

[Translation for Reference and Convenience Purposes Only]

Non-Consolidated Statement of Income

(From April 1, 2018
to March 31, 2019)

(All amounts are in millions of yen)

| Accounting title | Amount | |
|---|--------|--------|
| Operating revenue | | |
| Management fee income from subsidiaries and associates | 3,478 | |
| Income from operations consignment by subsidiaries and associates | 4,679 | |
| Dividends from subsidiaries and associates | 5,570 | |
| Rent income of real estate | 6,369 | 20,098 |
| Operating expenses | | |
| Expenses of real estate rent | 2,981 | |
| General and administrative expenses | 11,392 | 14,374 |
| Operating income | | 5,723 |
| Non-operating income | | |
| Interest and dividend income | 4,476 | |
| Foreign exchange gains | 1,244 | |
| Other | 973 | 6,694 |
| Non-operating expenses | | |
| Interest expenses | 1,383 | |
| Other | 230 | 1,613 |
| Ordinary income | | 10,804 |
| Extraordinary income | | |
| Gain on sale of investment securities | 19,501 | 19,501 |
| Profit before income taxes | | 30,305 |
| Income taxes—current | | 6,728 |
| Income taxes—deferred | | 144 |
| Profit | | 23,433 |

[Translation for Reference and Convenience Purposes Only]

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

(From April 1, 2018
to March 31, 2019)

(in millions of yen)

| | Shareholders' equity | | | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|---|-----------------|-----------------------------------|-------------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | | | Legal retained earnings | Retained earnings | | | Total retained earnings | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | | Other retained earnings | | | | | |
| | | | | | | Reserve for advanced depreciation of non-current assets | General reserve | Retained earnings brought forward | | | |
| Balance at beginning of period | 11,094 | 1,361 | - | 1,361 | 2,773 | 69 | 342,441 | 22,130 | 367,414 | (25,677) | 354,192 |
| Changes during period | | | | | | | | | | | |
| Transfer from retained earnings to capital surplus | | | 25,677 | 25,677 | | | | (25,677) | (25,677) | | - |
| Provision of reserve for advanced depreciation of non-current assets | | | | | | 199 | | (199) | - | | - |
| Reversal of reserve for advanced depreciation of non-current assets | | | | | | (1) | | 1 | - | | - |
| Reversal of general reserve | | | | | | | (14,000) | 14,000 | - | | - |
| Dividends of surplus | | | | | | | | (2,795) | (2,795) | | (2,795) |
| Profit | | | | | | | | 23,433 | 23,433 | | 23,433 |
| Purchase of own shares | | | | | | | | | | (20,002) | (20,002) |
| Retirement of treasury shares | | | (25,677) | (25,677) | | | | | | 25,677 | - |
| Net changes in items other than shareholders' equity | | | | | | | | | | | |
| Total changes during period | - | - | - | - | - | 198 | (14,000) | 8,762 | (5,039) | 5,674 | 635 |
| Balance at end of period | 11,094 | 1,361 | - | 1,361 | 2,773 | 268 | 328,441 | 30,892 | 362,375 | (20,002) | 354,828 |

[Translation for Reference and Convenience Purposes Only]

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

(From April 1, 2018
to March 31, 2019)

(in millions of yen)

| | Valuation and translation adjustments | | | Total net assets |
|--|---|------------------------------------|---|------------------|
| | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Total valuation and translation adjustments | |
| Balance at beginning of period | 81,079 | 25 | 81,104 | 435,297 |
| Changes during period | | | | |
| Transfer from retained earnings to capital surplus | | | | - |
| Provision of reserve for advanced depreciation of non-current assets | | | | - |
| Reversal of reserve for advanced depreciation of non-current assets | | | | - |
| Reversal of general reserve | | | | - |
| Dividends of surplus | | | | (2,795) |
| Profit | | | | 23,433 |
| Purchase of own shares | | | | (20,002) |
| Retirement of treasury shares | | | | - |
| Net changes in items other than shareholders' equity | (23,238) | (10) | (23,248) | (23,248) |
| Total changes during period | (23,238) | (10) | (23,248) | (22,613) |
| Balance at end of period | 57,840 | 15 | 57,856 | 412,684 |

Notes to Non-Consolidated Financial Statements

◆ Notes to Significant Accounting Policies

1. Valuation basis and method for securities

- 1) Bonds held to maturity:
Valued at amortized cost determined by the straight-line method.
- 2) Shares of subsidiaries and associates:
Valued at cost determined by the moving-average method.
- 3) Available-for-sale securities
Securities with fair value: Valued based on market values as of the book-closing date. (The valuation gains and losses are all recorded in the net assets section. The cost of securities sold is calculated using the moving-average method.)
Securities without fair value: Valued at cost determined by the moving-average method.

2. Valuation basis and method for derivatives

Derivatives are valued using the fair value method.

3. Depreciation and amortization methods of non-current assets

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

4. Accounting for reserves

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

5. Other important matters in preparing the non-consolidated financial statements

- 1) Hedge accounting method
The Company has adopted the deferral method for hedging activities. Certain forward foreign exchange contracts are subject to "*furiate-shori*", an exceptional accounting treatment for foreign exchange contracts, if they satisfy the requirements of the treatment.
- 2) Accounting for consumption taxes
Transactions subject to the consumption tax and local consumption tax are recorded excluding the consumption taxes.
Nondeductible consumption taxes related to assets are recorded as period expenses for the fiscal year in which such consumption taxes are incurred.
- 3) Application of consolidated tax payment system
The Company has adopted the consolidated tax payment system.

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◆ Note to Change in Indication Method

The Company has changed the way of indicating deferred tax assets and deferred tax liabilities on the balance sheet from the fiscal year under review according to the partial amendment to corporate accounting rules based on an ordinance of the Ministry of Justice (Ordinance No. 5, issued on March 26, 2018), which followed the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, issued on February 16, 2018). As a result of this change, “Deferred tax assets” is indicated under the investment and other assets category, while “Deferred tax liabilities” is shown under the non-current liabilities category.

◆ Notes to Non-Consolidated Balance Sheet

(in millions of yen)

| | |
|--|--------|
| 1. Accumulated depreciation on property, plant and equipment: | 28,787 |
| 2. Guarantee of liabilities | |
| The Company has guaranteed loans from financial institutions for the following subsidiaries: | |
| • Stolle Machinery Company, LLC (loans, etc.): | 6,730 |
| • Stolle Machinery Company, LLC (lease agreements): | 1,227 |
| • Tokan Trading Corporation (accounts payable): | 73 |
| 3. Monetary receivables due from subsidiaries and associates: | 40,706 |
| 4. Monetary payables due to subsidiaries and associates: | 59,864 |

◆ Note to Non-Consolidated Statement of Income

| | |
|--|----------------------|
| Volume of trading with subsidiaries and associates | (in millions of yen) |
| Operating revenue: | 14,865 |
| Operating expenses: | 186 |
| Amount of non-operating transactions: | 1,821 |

◆ Note to Non-Consolidated Statement of Changes in Equity

Matters concerning class and total number of treasury shares

(All numbers are in thousands)

| Class of shares | Number of shares at beginning of period | Increase during period | Decrease during period | Number of shares at end of period |
|-----------------|---|------------------------|------------------------|-----------------------------------|
| Common shares | 14,912 | 9,524 | 14,912 | 9,524 |

Note: 1. Breakdown of increase in treasury shares:

- Shares acquired under Article 156 of the Companies Act as applied by replacing terms pursuant to the provisions of Article 165, Paragraph 3 of the Act: 9,523 thousand shares
 - Purchase of shares in odd lots: 1 thousand shares
2. Breakdown of decrease in treasury shares:
- Shares retired under Article 178 of the Companies Act: 14,912 thousand shares

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◆ **Note to Tax-Effect Accounting**

Breakdown of deferred tax assets and liabilities by cause

| Deferred tax assets | (in millions of yen) |
|---|----------------------|
| Shares of subsidiaries and associates | 15,088 |
| Excessive depreciation | 1,057 |
| Loss on valuation of shares of subsidiaries and associates | 7,765 |
| Other | 2,408 |
| Subtotal of deferred tax assets | 26,318 |
| Valuation allowance related to total deductible temporary differences | (9,040) |
| Subtotal of Valuation allowance | (9,040) |
| Total of deferred tax assets | 17,277 |
| Deferred tax liabilities | |
| Valuation difference on available-for-sale securities | (23,376) |
| Reserve for advanced depreciation of non-current assets | (118) |
| Assets adjusted for gains or losses on transfer | (172) |
| Other | (6) |
| Total of deferred tax liabilities | (23,673) |
| Net deferred tax liabilities | (6,395) |

◆ **Note to Transactions with Related Parties**

Subsidiaries

1. Transactions with related parties

| Attribute | Company name | Ownership of voting rights (Parent's share) | Relationship with the related party | Description of transactions | Transaction amount (million yen) |
|------------|------------------------------|---|---|---|----------------------------------|
| Subsidiary | Toyo Seikan Co., Ltd. | Direct 100% | Business management/ Concurrent post of officers | Management fee/ Contract service fee ⁽¹⁾ | 3,445 ⁽³⁾ |
| Subsidiary | Can Machinery Holdings, Inc. | Direct 100% | Business management / Concurrent post of officers | Purchase of new equity ⁽²⁾ | 33,405 |

Note 1. The fee amount is determined based on certain reasonable standards for the purpose of business management.

2. Part of loans to the subsidiary of 33,071 million yen and interest receivable of 333 million yen were converted into newly issued shares of the subsidiary through a debt/equity swap.

3. The transaction amounts do not include consumption taxes.

2. Loan guarantees by the Company

| Attribute | Balance at end of period (million yen) |
|------------|--|
| Subsidiary | 8,031 |

Note: 1. The Company provides guarantees on bank loans to subsidiaries.

2. The Company provides guarantees on rent for the remaining lease period of subsidiaries' lease agreements.

3. Loan guarantees for the Company

| Attribute | Balance at end of period (millions of yen) |
|------------|--|
| Subsidiary | 124,847 |

Note: Subsidiaries provide guarantees on bank loans to the Company.

[Translation for Reference and Convenience Purposes Only]

◆ Notes to Per Share Information

| | |
|-----------------------|--------------|
| Net assets per share: | 2,134.53 yen |
| Profit per share: | 119.18 yen |

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