

(Translation)



December 15, 2020

To whom it may concern:

Company: TOA Oil Co., Ltd.
Representative: Kazuhisa Harada,
President and Representative Director
Code No.: 5008 (Second Section,
Tokyo Stock Exchange)
Contact Person: Yasuyuki Shishido,
Director, Management Planning
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Statement of Opinion on Approval of the Tender Offer for TOA Oil Shares by Our Parent Company Idemitsu Kosan Co., Ltd. and Recommendation for Tender

We hereby announce that our Board of Directors has adopted a resolution at a meeting held today that we will state our opinion that we approve of the tender offer (the “Tender Offer”) for our common stock (the “TOA Oil Shares”) by our controlling shareholder (i.e. parent company) Idemitsu Kosan Co., Ltd. (the “Tender Offeror”), and that we will recommend that our shareholders tender their shares in the Tender Offer, as follows.

The resolution of our Board of Directors has been adopted based on the assumption that the Tender Offeror intends to make us the Tender Offeror’s wholly-owned subsidiary through the Tender Offer and a set of subsequent procedures, and that the TOA Oil Shares will be delisted.

1. Overview of the Tender Offeror

(1) Name	Idemitsu Kosan Co., Ltd.	
(2) Address	1-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo	
(3) Representative’s Title and Name	Shunichi Kito, Representative Director & Chief Executive Officer	
(4) Business Activities	Oil refining and production and sales of grease Production and sales of petrochemicals	
(5) Capital Stock	168,351 million yen (as of September 30, 2020)	
(6) Date Established	March 30, 1940	
(7) Major Shareholders and Shareholding Ratio (as of September 30, 2020)	Nissho Kosan K.K.	9.11%
	The Master Trust Bank of Japan, Ltd. (Trust account)	7.98%
	Aramco Overseas Company B.V. (Standing proxy: Anderson Mori & Tomotsune)	7.76%
	Idemitsu Culture and Welfare Foundation	4.16%

	Custody Bank of Japan, Ltd. (Trust account)	4.08%
	Idemitsu Museum of Arts Foundation	2.69%
	STATE STREET BANK WEST CLIENT TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1.86%
	JPMorgan Securities Japan Co., Ltd.	1.77%
	MUFG Bank, Ltd.	1.73%
	Sumitomo Mitsui Banking Corporation	1.73%
	Sumitomo Mitsui Trust Bank, Limited	1.73%
Relationship between the Listed (8) Company and the Tender Offeror	Capital Relationship	The Tender Offeror owns 6,234,425 shares of the TOA Oil Shares (Ownership Ratio (Note 1): 50.12%), and our company is its consolidated subsidiary, as of today.
	Personal Relationship	Our director Hiroshi Maezawa also serves as Managing Executive Officer of the Tender Offeror. In addition, our company has 16 employees seconded from the Tender Offeror, primarily for our administrative department. At the same time, 29 employees of our company are seconded to the Tender Offeror.
	Business Relationship	In the refining business, our company functions as a refinery that supplies oil products for the Tender Offeror Group (Note 2) based on the refining service agreement with the Tender Offeror. In the generation business, our company supplies electricity to the Tender Offeror Group and purchases electricity from the Tender Offeror for sale to TEPCO Energy Partner, Incorporated, based on the generation service agreement with the Tender Offeror. Short-term working capital is procured through group financing provided by the Tender Offeror.
	Applicability of Related Party	Our company is a consolidated subsidiary of the Tender Offeror and, accordingly, is a related party.

(Note 1) “Ownership Ratio” means the ratio to the number of the TOA Oil Shares (i.e., 12,439,909 shares) calculated by subtracting the number of our treasury shares as of September 30, 2020 (i.e., 3,591 shares) from the total number of issued shares of the TOA Oil Shares as of September 30, 2020 (i.e., 12,443,500 shares) set forth in the “148th Term Second Quarterly Report” (the “TOA Oil Second Quarterly Report”), as filed by us on November 13, 2020 (rounded off to the second decimal place; the same applies hereinafter with respect to the Ownership Ratio).

(Note 2) “Tender Offeror Group” means the Tender Offeror and its subsidiaries including us and affiliated companies; the same applies hereinafter. As of September 30, 2020, we believe that the Tender Offeror Group consists of the Tender

Offeror and its 163 subsidiaries, including us, and 70 affiliated companies.

2. Tender Offer Price

2,450 yen per common share

3. Details of, and Grounds and Reasons for, our Opinion on the Tender Offer

(1) Details of our Opinion on the Tender Offer

At a meeting of our Board of Directors held today, we have adopted a resolution that based on the grounds and reasons described in “(2) Grounds and Reasons for our Opinion on the Tender Offer” below, we will state our opinion that we approve of the Tender Offer to be made for all of the TOA Oil Shares (excluding the TOA Oil Shares owned by the Tender Offeror and our treasury shares; the same applies hereinafter) by the Tender Offeror, our controlling shareholder (i.e. parent company), and that we recommend that our shareholders tender their shares in the Tender Offer.

For details of the resolution of our Board of Directors, see “(V) Approval of All Directors (Including Those Who are Audit and Supervisory Committee Members) of Our Company Without Conflicts of Interest” under “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” below.

(2) Grounds and Reasons for our Opinion on the Tender Offer

As for the grounds and reasons for our opinion on the Tender Offer, descriptions related to the Tender Offeror are based on the explanation we received from the Tender Offeror.

(I) Overview of the Tender Offer

According to the Tender Offeror, as of today, the Tender Offeror owns 6,234,425 shares (ownership ratio : 50.12%) of the TOA Oil Shares listed on the Second Section of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”), and our company is a consolidated subsidiary of the Tender Offeror.

According to the Tender Offeror, at the board of directors’ meeting held today, the Tender Offeror resolved to implement the Tender Offer as part of a transaction intended to acquire all of the TOA Oil Shares and to make our company a wholly-owned subsidiary of the Tender Offeror (the “Transaction”) as described in “(II) Background, Purpose and Decision-Making Process Leading to the Decision by the Tender Offeror to Implement the Tender Offer” below.

According to the Tender Offeror, with respect to the Tender Offer, the Tender Offeror has set a minimum planned purchase quantity of 2,058,875 shares (ownership ratio: 16.55%), and if the total number of shares tendered in response to the Tender Offer (the “Tendered Shares”) falls below this minimum planned purchase quantity, the Tender Offeror will purchase no Tendered Shares. On the other hand, according to the Tender Offeror, as stated above, the Tender Offeror intends to acquire all of the TOA Oil Shares and has therefore not set a maximum planned purchase quantity, and if the total number of Tendered Shares is equal to or exceeds the minimum planned purchase quantity, the Tender Offeror will purchase all of the Tendered Shares. According to the Tender Offeror, the minimum planned purchase quantity (2,058,875 shares) is intended for the Tender Offeror to make our company its wholly-owned subsidiary through the Transaction. When implementing the procedures for the share consolidation necessary for the Tender Offeror to make our company its wholly-owned subsidiary as stated in “(II)

Share Consolidation” of “(5) Post-Tender Offer Reorganization Policy (Matters Regarding a So-called “Two-Step Acquisition”)” below, a special resolution of the shareholders’ meeting as set forth in Article 309, paragraph (2) of the Companies Act (Act No. 86 of 2005, as amended; the “Companies Act”) is required; therefore, the minimum planned purchase quantity (2,058,875 shares) was set to allow the Tender Offeror alone to satisfy the requirement. Furthermore, according to the Tender Offeror, the minimum planned purchase quantity (2,058,875 shares) was set as the number obtained by the following formula: (i) the number of treasury shares owned by our company as of September 30, 2020 (3,591 shares) is subtracted from the total number of issued shares of our company as of September 30, 2020 as stated in the TOA Oil Second Quarterly Report (12,443,500 shares); this amounts to 12,439,909 shares, which corresponds to 124,399 voting rights; (ii) such number of voting rights is then multiplied by 2/3 (82,933 voting rights) (rounded up to the nearest whole number); (iii) such number of voting rights (as rounded) is multiplied by 100 shares, which is the share unit number of our company; and (iv) the number of the TOA Oil Shares owned by the Tender Offeror as of today (6,234,425 shares) is subtracted from the product calculated in step (iii).

According to the Tender Offeror, as the Tender Offeror intends to make our company its wholly-owned subsidiary, if the Tender Offeror fails to acquire all of the remaining TOA Oil Shares during the Tender Offer, the Tender Offeror will acquire all of the TOA Oil Shares by implementing the procedures to make the Tender Offeror the sole shareholder of our company as described in “(5) Post-Tender Offer Reorganization Policy (Matters Regarding a So-called “Two-Step Acquisition”)” below.

(II) Background, Purpose and Decision-Making Process Leading to the Decision by the Tender Offeror to Implement the Tender Offer

We have received from the Tender Offeror the following explanation on the background, purpose and decision-making process leading to the decision by the Tender Offeror to implement the Tender Offer:

As of September 30, 2020, according to the Tender Offeror, the Tender Offeror Group consists of the Tender Offeror, 163 subsidiaries, including our company, and 70 affiliates, and it conducts: (i) fuel oil business; (ii) basic chemicals business; (iii) functional materials business; (iv) power and renewable energy business; (v) resources business; and (iv) other businesses. According to the Tender Offeror, the Tender Offeror was established by Mr. Sazo Idemitsu, the founder, as Idemitsu Shokai in Moji City, Fukuoka Prefecture (currently, Moji Ward, Kitakyushu City) in June 1911 and started sales of petroleum mainly in the Kanmon area. According to the Tender Offeror, in March 1940, Mr. Sazo Idemitsu established Idemitsu Kosan Co., Ltd. in Tokyo, and Idemitsu Shokai merged with Idemitsu Kosan Co., Ltd. in November 1947. According to the Tender Offeror, the Tender Offeror was listed on the First Section of the Tokyo Stock Exchange in October 2006 and still remains listed thereon.

According to the Tender Offeror, in December 2016, the Tender Offeror acquired 117,761,200 shares in Showa Shell Sekiyu K.K. (“Showa Shell Sekiyu”) (equivalent to 31.3% of the total number of issued shares at that time) from The Shell Petroleum Company Limited and The Anglo-Saxon Petroleum Company Limited, which were subsidiaries of Royal Dutch Shell plc, and thereafter, the Tender Offeror made Showa Shell Sekiyu its wholly-owned subsidiary through a share exchange which resulted in the Tender Offeror becoming the wholly-owning parent company and Showa Shell Sekiyu becoming the wholly-owned subsidiary company, effective on April 1,

2019. According to the Tender Offeror, thereafter, the Tender Offeror conducted an absorption-type company split in which the Tender Offeror was the succeeding company and Showa Shell Sekiyu was the splitting company, which became effective on July 1, 2019 (the “Absorption-type Company Split”), and the Tender Offeror succeeded to all of the businesses of Showa Shell Sekiyu from Showa Shell Sekiyu.

On the other hand, our company was founded as Nippon Juyu Co., Ltd. in February 1924 as an importer and vendor of petroleum products, and upon assuming some of the operating assets of Nichibei Koyu Co., Ltd., Nippon Juyu Co., Ltd. changed its name to TOA Oil Co., Ltd. in April 1942. Then, in May 1950, our company’s shares were listed on the Tokyo Stock Exchange and, in July 1955, our company built a refinery and began refining operations at the atmospheric distilling plant in Kawasaki-shi, Kanagawa. Our company’s shares were listed on the Osaka Exchange, Inc. (the “Osaka Exchange”) in January 1953, and then on the Nagoya Stock Exchange, Inc. (the “Nagoya Stock Exchange”) in October 1961. However, these shares were delisted from the Nagoya Stock Exchange in March 2006 and from the Osaka Exchange in April 2006, upon our application. Accordingly, our company’s shares are currently listed on the Second Section of the Tokyo Stock Exchange. In addition, in January 1998, our company entered into a power purchase agreement with Tokyo Electric Power Company, and to this day, our company continues to efficiently generate electricity using by-product gas and residual oil generated during the refining process of crude oil as fuel, and to supply electricity externally. As of today, our company is entrusted with oil refining and power generation exclusively from the Tender Offeror and delivers all of the produced oil products and generated power to the Tender Offeror (part of the power is purchased from the Tender Offeror by TEPCO Energy Partner, Incorporated). As one of the key refinery operators in the Tender Offeror Group in charge of supplying petroleum products to eastern Japan, especially the Tokyo metropolitan area, which is the largest region for demand in Japan, our company conducts refining operations in which crude oil and raw oil are refined into various petroleum products and power generation operations using by-product gas and residual oil generated during the course of refining operations, in accordance with the Basic Agreement on Crude Oil Refining and Power Generation Services entered into with the Tender Offeror as of May 31, 2018. Thanks to our equipment, including a flexicoker (Note 1), the installation ratio of residual oil treatment equipment is 99% (rounded to the nearest whole number) at our Keihin Refinery (located in Kawasaki-shi, Kanagawa). This ratio is higher than the average installation ratio of residual oil treatment equipment in domestic refineries of approximately 50.5% as of the end of March 2017 as set forth in the “FY2019 Annual Report on Energy (Japan’s Energy White Paper 2020)” published by the Agency for Natural Resources and Energy. We believe that by utilizing such equipment, our company specializes in the refining of heavy crude oil and feedstock, and efficiently refines high-value-added products such as gasoline, kerosene and diesel oil, and, by effectively utilizing power generation facilities linked thereto, our company can efficiently operate oil refineries and power plants in an integrated manner, achieving high energy efficiency and efficient use of resources.

(Note 1) This refers to a device that thermally decomposes decompressed residual oil, which is a raw material for heavy oil C substrates and asphalts, at high temperatures to increase the yield of high-value-added gasoline and diesel oil.

As for the capital relationship between the Tender Offeror and our company, in December 1979, Showa Sekiyu

K.K. took over 24,806,250 shares of the TOA Oil Shares (equivalent to approximately 25% of the total number of issued shares of our company at that time) from ITOCHU Corporation and became the largest shareholder of our company in place of ITOCHU. Then, Showa Sekiyu K.K. and Shell Sekiyu K.K. merged into Showa Shell Sekiyu. After that, our company implemented a capital increase of a third-party allocation of newly issued shares in October 2005, in which newly issued shares were allocated to Showa Shell Sekiyu (which subscribed for 25,210,000 shares, or approximately 20.26% of the total number of issued shares of our company after the capital increase at that time), with the aim of strengthening the partnership with Showa Shell Sekiyu through its further capital participation, as well as improving our financial position by enhancing our shareholders' equity and achieving sustainable business development. Through such capital increase of a third-party allocation of newly issued shares, the number of the TOA Oil Shares held by Showa Shell Sekiyu became 62,344,250 (equivalent to approximately 50.10% of the total number of issued shares of our company at that time), as a result of which our company became a consolidated subsidiary of Showa Shell Sekiyu. Although the timing and method of acquisition cannot be confirmed, Showa Shell Sekiyu has acquired 12,328,000 shares, or approximately 12%, of the total number of issued TOA Oil Shares prior to such capital increase of a third-party allocation of newly issued shares. Subsequently, as a result of the Share Consolidation implemented at the rate of 1 share for every 10 shares of common stock with an effective date of October 1, 2018, the number of the TOA Oil Shares held by Showa Shell Sekiyu became 6,234,425 (equivalent to approximately 50.11% of the total number of issued shares of our company at that time). Furthermore, as a result of the Absorption-type Company Split with an effective date of July 1, 2019, the Tender Offeror succeeded to all of the TOA Oil Shares held by Showa Shell Sekiyu, and our company has been a consolidated subsidiary of the Tender Offeror up to the present time.

According to the Tender Offeror, in the petroleum industry to which the Tender Offeror and our company belong, the domestic demand for petroleum products reached a peak in 1999 and has since been on a gradual decrease due to the declining population and proliferation of eco-cars. According to the Tender Offeror, it is anticipated that this trend will be accelerated in the future and, according to the projection by the International Energy Agency (IEA), demand will decrease by approximately 20% to 30% in 2030 as compared to the current demand (Note 2) due to the movement toward a decarbonized society aimed at addressing climate change and due to the change from ownership to shared use of cars. Furthermore, according to the Tender Offeror, the decrease in the crude oil price due to the recent COVID-19 pandemic and the decrease in the demand for petroleum products for cars and airplanes have also made the business environment more severe.

(Note 2) Source: IEA (2020) World Energy Outlook. All rights reserved.

According to the Tender Offeror, by aiming at "achieving a resilient business portfolio" that can flexibly and tenaciously respond to any changes in the business environment, which was adopted as a basic policy in the mid-term management plan (FY 2020 to FY 2022) formulated and published on November 14, 2019, the Tender Offeror has made efforts to enhance its corporate value by reforming the structure of its revenue base businesses, such as the fuel oil business, by expanding its growing businesses, and by promoting the creation of next-generation businesses, under its long-term vision. According to the Tender Offeror, our company has also made efforts to enhance its corporate value by utilizing the above-mentioned flexicoker and its electric power generation capability,

exerting its high technical strength, and fostering human resources. According to the Tender Offeror, however, in the current circumstances in which both the Tender Offeror and our company independently operate their businesses as listed companies, it is necessary to carefully consider the availability of our company's management resources and the objective fairness of transactions by taking into account our company's minority interests; therefore, the Tender Offeror believes that management optimization of the Tender Offeror Group has not been fully realized.

According to the Tender Offeror, given these circumstances, the Tender Offeror commenced deliberations on its group strategies in mid-November 2019 when it published the mid-term management plan (FY 2020 to FY 2022). As a result of the deliberations, according to the Tender Offeror, in early April 2020, the Tender Offeror realized that in order to strengthen the fuel oil business, which is its revenue base, and to achieve maximization of the entire corporate value of the Tender Offeror Group, with regard to our company, which has undertaken the role of supplying petroleum products to the Tokyo metropolitan area having the largest domestic demand and has operated a core refinery of the Tender Offeror Group, it would be essential to, rather than maintaining our company's independence as a listed company, make our company its wholly-owned subsidiary and achieve integrated management of the Tender Offeror Group, and to thereby streamline and optimize management, to achieve more flexible and faster decision making, and to address the decrease in the domestic demand for petroleum products, mainly gasoline, and the movement toward a decarbonized society. Furthermore, according to the Tender Offeror, the Tender Offeror has come to believe that by making our company its wholly-owned subsidiary, it would be possible to flexibly and expeditiously respond in the Tender Offeror Group's production of petroleum products and investments in petroleum refining facilities in response to the decrease in the domestic demand for those products, and that it would be possible to strengthen the coordination of the entire Tender Offeror Group in addressing climate change and to strengthen its efforts to reduce greenhouse gas emissions. Moreover, according to the Tender Offeror, the Tender Offeror has been convinced that it would be possible to ensure optimization of the entire Tender Offeror Group's production of petroleum products, investments in the petroleum refining facilities, personnel allocation, etc., and that this would lead to continuous growth of both the Tender Offeror and our company.

Therefore, according to the Tender Offeror, in early April 2020, the Tender Offeror commenced initial discussions regarding the transaction to make our company a wholly-owned subsidiary from legal, financial and other perspectives, and in mid-August 2020, the Tender Offeror appointed Nishimura & Asahi as its legal advisor, which is independent of the Tender Offeror Group, including the Tender Offeror and our company, and Goldman Sachs Japan Co., Ltd. ("Goldman Sachs") as its financial advisor, which is independent of the Tender Offeror Group, including the Tender Offeror and our company, and the Tender Offeror commenced discussions regarding the specifics of the Transaction. According to the Tender Offeror, the Tender Offeror believed that providing a reasonable opportunity for our shareholders, other than the Tender Offeror, to sell their shares will contribute to the interests of our shareholders, other than the Tender Offeror, and thus the Tender Offeror engaged in multiple deliberations in late August 2020 through early September 2020 on the terms, conditions, methods, etc. of the Transaction, presuming a tender offer as the transaction form of the Transaction. As a result, according to the Tender Offeror, the Tender Offeror reached the conclusion that the Transaction may lead to enhancement of corporate value for both the Tender Offeror and our company. According to the Tender Offeror, in early September 2020, the Tender Offeror made an initial approach to our company to commence discussions toward implementing

the Transaction, and on September 9, 2020, it received a response from our company stating that it will also commence deliberations on the Transaction. Subsequently, according to the Tender Offeror, and after conducting further deliberations on the terms, conditions, methods, etc. of the Transaction, the Tender Offeror submitted a written proposal regarding the Transaction (the “Written Proposal”) to our company on September 28, 2020.

In response, late in September, our company appointed Nomura Securities Co., Ltd. (“Nomura Securities”) as a financial advisor and a third-party valuation organization independent from the Tender Offeror and our company, and Anderson Mōri & Tomotsune as a legal advisor independent from the Tender Offeror and our company, to ensure the fairness of the purchase price per share of the TOA Oil Shares under the Tender Offer (the “Tender Offer Price”) and the Transaction, including the Tender Offer, and on October 16, 2020, our company established a special committee (the “Special Committee,” for details of the composition and specific activities of the Special Committee, see “(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee” under “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” below) to review and negotiate the Transaction from a standpoint that is independent from the Tender Offeror. In addition, the Special Committee approved the appointment by our company of Nomura Securities as the financial advisor and the third-party valuation organization and Anderson Mōri & Tomotsune as the legal advisor, and established a system to conduct discussions and negotiations with respect to the Tender Offer.

After submission of the Written Proposal, the Tender Offeror and our company commenced specific discussions and deliberations towards implementing the Transaction. According to the Tender Offeror, simultaneously with the Tender Offeror’s performance of the due diligence to investigate the feasibility of the Transaction from early October 2020 to early December 2020, the Tender Offeror engaged in multiple discussions and deliberations with our company regarding the various conditions to the Transaction, such as more detailed discussions and deliberations concerning the significance and the purpose of the Transaction, and the managerial structure and business policy following the Transaction.

As a result, according to the Tender Offeror, today, the Tender Offeror and our company agreed that making our company a wholly-owned subsidiary of the Tender Offeror would be the best measure to respond to the changes in the business environment surrounding the Tender Offeror and our company and to contribute to enhancing the corporate value of both companies. Specifically, according to the Tender Offeror, the Tender Offeror believes that the following effects are expected to occur by making our company a wholly-owned subsidiary of the Tender Offeror.

(a) Streamlining of Operations and Prompt Action Towards Changes in the Business Environment

Firstly, according to the Tender Offeror, taking our company private through the Transaction will presumably make it possible to promptly make management decisions based on a long-term vision that aims at optimization of the Tender Offeror Group’s manufacturing structure for petroleum products, and to not necessarily be restricted by the risk of short-term revenue fluctuations.

As part of the business environment surrounding our company, the domestic demand for petroleum products, centered on gasoline, is continuously declining, and competition between refineries is expected to increase.

Furthermore, as society switches to carbon-free options, the societal demand for reducing carbon dioxide (CO₂) emissions is also expected to become stronger. From these perspectives, our company acknowledges that taking prompt action towards the changes in the business environment, such as streamlining the operations of existing refineries and strengthening the approach towards carbon neutrality to maintain competitiveness even when the domestic demand for petroleum products is declining, is an important issue for the future. According to the Tender Offeror, the Tender Offeror also assumes that there will be limitations to the streamlining of operations and prompt action towards changes in the management environment if our company continues to exist as a listed company, because attention will also need to be paid to the interests of our company's minority shareholders (including dividends for shareholders). However, according to the Tender Offeror, taking our company private through the Transaction will make it possible to take action decisively, with the cooperation of the Tender Offeror, if such action will lead to strengthening future competitiveness, and from a long-term perspective, will presumably contribute to enhancing our company's corporate value.

Moreover, according to the Tender Offeror, if our company becomes a wholly-owned subsidiary of the Tender Offeror through the Transaction, it will be possible to conduct more accurate deliberations, from a financial perspective as well as a management-decision perspective, on whether strategic and flexible investments will enhance our company's corporate value from a long-term perspective by enabling the streamlining of operations and the taking of prompt action towards changes to the business environment, which was difficult for our company to do alone, by utilizing the capital strength, credit capability, and human resources of the Tender Offeror.

(b) Stabilization of Management by Our Company Becoming a Wholly-Owned Subsidiary of the Tender Offeror

According to the Tender Offeror, the Transaction is a transaction by which the Tender Offeror will increase the capital ratio of our company in the oil refinement industry, in which its domestic demand is declining as stated above.

According to the Tender Offeror, the Tender Offeror determined that by making our company a wholly-owned subsidiary of the Tender Offeror through the Transaction, more effort may be put into making management completely consistent with the business strategies of the Tender Offeror Group, and thus enhancing the stability of the Tender Offeror Group's supply chain for fuel oil business.

(c) Utilization of Human Resources of the Group as a Whole

According to the Tender Offeror, the Tender Offeror assumes that security of the employment of employees and effective utilization of human resources are important measures. According to the Tender Offeror, the employees who work at our company as of the time of completion of the procedures scheduled for the Transaction after the Tender Offer to make our company a wholly-owned subsidiary of the Tender Offeror (the "Procedures to Make Our Company a Wholly-Owned Subsidiary") are basically scheduled to be continuously employed for a certain period of time after the Transaction. Furthermore, according to the Tender Offeror, from the perspective of effectively utilizing human resources and providing employees growth opportunities, the Tender Offeror assumes further intensification of the interaction of personnel of the Tender Offeror Group as a whole, including our company, in the fuel oil business and other businesses, and among finite human resources, placing the right people in the right jobs. According to the Tender Offeror, it is assumed that this will enable the Tender Offeror to

effectively utilize our company's human resources in the Tender Offeror Group, which will lead to securing human resources and vitalizing the Tender Offeror Group.

According to the Tender Offeror, in addition to general disadvantages of becoming unlisted, the disadvantages to making our company a wholly-owned subsidiary include increasing the burden on the Tender Offeror if our company's business performance deteriorates due to causes such as decreases in the demand for energy. However, according to the Tender Offeror, as stated above, there are advantages that outweigh the general disadvantages of becoming unlisted. Furthermore, according to the Tender Offeror, considering that the Tender Offeror has already made our company its consolidated subsidiary and the Tender Offeror comprises 90% of our company's business partners (see page 13 of TOA Oil Securities Report for the 147th Term), it is possible to deduce that the Tender Offeror already owes a burden comparable to the burden it would owe if our company becomes its wholly-owned subsidiary. Therefore, according to the Tender Offeror, no special disadvantages are considered to arise by the Tender Offeror making our company its wholly-owned subsidiary.

Furthermore, according to the Tender Offeror, the Tender Offeror has repeatedly discussed and negotiated with our company concerning the Tender Offer Price since mid-November 2020. Specifically, according to the Tender Offeror, on November 16, 2020, the Tender Offeror made the first proposal that the Tender Offer Price be 2,050 yen per share as the fair share value as of then, using as a reference the results of financial advisors' analyses based mainly on the market price analysis and the Discounted Cash Flow (the "DCF") analysis, which are share valuation methods generally used when a parent company converts a consolidated listed subsidiary into a wholly-owned subsidiary. According to the Tender Offeror, on November 18, 2020, our company requested that the Tender Offer Price be increased, because the proposed price (2,050 yen) was lower than the past trading price of the TOA Oil Shares in the exchange-traded market and was at a level lower than the level of premiums in recent tender offer transactions for listed subsidiaries targeting to make much listed subsidiaries wholly-owned subsidiaries; therefore, according to the Tender Offeror, on November 24, 2020, the Tender Offeror made the second proposal that the Tender Offer Price be 2,150 yen per share. According to the Tender Offeror, on November 26, 2020, the Tender Offeror received questions from our company on the share valuation of and level of the premium for shares of our company, which considered that the proposed price (2,150 yen) still did not sufficiently reflect our company's corporate value; therefore, on December 1, 2020, discussions were held between the financial advisors of both the Tender Offeror and our company, in light also of the results of which, on December 2, 2020, the Tender Offeror made the third proposal that the Tender Offer Price be 2,250 yen per share. According to the Tender Offeror, on December 4, 2020, our company requested that the Tender Offer Price be increased because our company considered that the proposed price (2,250 yen) did not include a sufficient premium compared to the level of premiums in recent tender offer transactions for listed subsidiaries targeting to make them wholly-owned subsidiaries; therefore, the Tender Offeror considered this request, and on December 8, 2020, the Tender Offeror made the fourth proposal that the Tender Offer Price be 2,400 yen per share. According to the Tender Offeror, on December 9, 2020, our company requested that the Tender Offer Price be increased because our company considered that the premium calculated based on the proposed price (2,400 yen) was still at a level lower than the level of premiums added in recent tender offer transactions for listed subsidiaries targeting to make them wholly-owned subsidiaries; therefore, the Tender Offeror considered this request, and on December 10, 2020, the Tender

Offeror made the fifth proposal that the Tender Offer Price be 2,450 yen per share. Thereafter, as a result of such discussions and negotiations, the Tender Offeror and our company reached an agreement on the per-share Tender Offer Price of 2,450 yen on December 11, 2020. Based on the above background, according to the Tender Offeror, the Tender Offeror concluded that making our company the Tender Offeror's wholly-owned subsidiary would enhance the corporate value of the group as a whole. Thus, according to the Tender Offeror, the Tender Offeror decided to implement the Tender Offer pursuant to a resolution of its board of directors adopted today.

(III) Management Policy After the Tender Offer

As stated in “(II) Background, Purpose and Decision-Making Process Leading to the Decision by the Tender Offeror to Implement the Tender Offer” above, after the Tender Offeror submitted the Written Proposal to our company on September 28, 2020, the Tender Offeror and our company repeatedly discussed the management policy to be implemented after the Tender Offer during the period from early October 2020 to early December 2020. The Tender Offeror explained to our Board of Directors and the Special Committee the details stated in “(a) Streamlining of Operations and Prompt Action Towards Changes in the Business Environment,” “(b) Stabilization of Management by Our Company Becoming a Wholly-Owned Subsidiary of the Tender Offeror,” and “(c) Utilization of Human Resources of the Group as a Whole” of “(II) Background, Purpose and Decision-Making Process Leading to the Decision by the Tender Offeror to Implement the Tender Offer” above. Thereafter, our company reached the shared understanding with the Tender Offeror.

Going forward, the Tender Offeror and our company will discuss and decide on specific strategies of the Tender Offeror Group and our company after the Tender Offeror makes our company its wholly-owned subsidiary. According to the Tender Offeror, it is planned as a basic policy that as part of the efforts to strengthen the Tender Offeror's domestic business foundation, which is one of the Tender Offeror's main mid-term management plans, our company's refining business will be fully incorporated into the Tender Offeror Group's fuel oil business supply chain, and that the Tender Offeror Group, including our company, will work together to enhance competitiveness and will respond to any severe business environment in the future by providing financial support, sharing technology and knowhow, exchanging personnel, and utilizing personnel via deploying appropriate personnel to appropriate places. In addition, according to the Tender Offeror, with regard to our company's power generation business, it is planned that while operating and managing the power generation plant using by-produced gas and residual oil generated from the existing petroleum refining facilities, efforts relating to various forms of energy sought by society will be enhanced by combining the management resources of the Tender Offeror Group and our company, based on our company's knowledge and experience in its power generation business. Furthermore, according to the Tender Offeror, the Tender Offeror Group, including our company, will work together to engage in efforts toward realizing a decarbonized society.

As of today, our Board of Directors consists of nine directors, including outside directors, and one of them was an executive officer of the Tender Offeror until June 23, 2020 and one of them concurrently serves as an executive officer of the Tender Offeror. According to the Tender Offeror, the management structure after our company becomes a wholly-owned subsidiary of the Tender Offeror has not yet been determined as of today. However, according to the Tender Offeror, it is expected that establishment of an optimal structure will be considered through discussions with our company.

(IV) Process of, and Reasons for, the Decision Making by Our Company to Agree to the Tender Offer

(i) Background of the Establishment of the Structure for Consideration

In early September 2020, our company was informed by the Tender Offeror of its intention to commence discussions on the Transaction, and on September 9 of the same year, we responded to the Tender Offeror that we would also consider the Transaction. Our company then decided to hold discussions with the Tender Offeror and received the Written Proposal from the Tender Offeror on September 28 of the same year. Upon receiving this proposal, in late September, our company appointed Anderson Mōri & Tomotsune as a legal advisor independent from the Tender Offeror and our company, and Nomura Securities as a financial advisor and third-party valuation organization independent from the Tender Offeror and our company in relation to the Transaction. Our company is a consolidated subsidiary of the Tender Offeror and the Transaction constitutes a transaction that typically presents issues of structural conflicts of interest, so, in order to address these issues and ensure the fairness of the Transaction, and based on Anderson Mōri & Tomotsune's advice, our company immediately set up a system to review, negotiate and make decisions on the Transaction independent of the Tender Offeror from the perspective of enhancing our corporate value and securing the interests of our minority shareholders.

Specifically, as described in “(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee” under “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” below, from late September 2020, our company started making arrangements for the establishment of the Special Committee consisting of our independent outside directors and outside experts. Then, by resolution at the Board of Directors meeting held on October 16, 2020, our company established the Special Committee (for matters such as the background of the establishment of the Special Committee, the details of its consideration, and the details of its decision, see “(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee” under “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” below) consisting of five members, Mr. Arata Nakamura (independent outside director of our company (audit and supervisory committee member); attorney-at-law, Ginza Minami Law Office), Mr. Shigeru Kimura (independent outside director of our company (audit and supervisory committee member); outside director of erex Co., Ltd.), Mr. Keiichi Kubo (independent outside director of our company (audit and supervisory committee member); certified public accountant, Keiichi Kubo CPA Office), Mr. Shinsuke Hasegawa (certified public accountant, Hasegawa Certified Public Accountant Office) and Mr. Akito Takahashi (attorney-at-law, Takahashi & Katayama). Our company then consulted the Special Committee as to whether: (i) the purpose of the Transaction is found to be reasonable (including the point of whether the Transaction will contribute to the enhancement of our corporate value); (ii) the fairness of the procedures for the Transaction has been ensured; (iii) the appropriateness of the terms and conditions of the Transaction (including the Tender Offer Price) has been ensured; (iv) based on (i) to (iii) above, the Transaction is not considered to be disadvantageous to our minority shareholders; and (v) our Board of Directors should express its opinion to agree to the Tender Offer and resolve to recommend that our shareholders tender their shares in the Tender Offer (collectively, the “Advisory Matters”). In addition, in establishing the Special Committee, our Board of Directors resolved to ensure that its decision making in relation to the Transaction will

respect the decisions of the Special Committee to the maximum extent possible and, in particular, if the Special Committee determines that any of the terms and conditions of the Transaction is not appropriate, our Board of Directors will not approve the Transaction under such terms and conditions. Our Board of Directors also resolved that it will grant the Special Committee: (i) the authority to appoint its own financial advisor, legal advisor and other advisors (the reasonable cost thereof will be borne by our company), or approve our company's advisors, if the Special Committee deems it necessary; (ii) the authority to receive information necessary for the consideration of, and decisions on, the Transaction from our officers and employees or other persons deemed necessary by the Special Committee; and (iii) the authority to discuss and negotiate the terms and conditions of the Transaction and other matters with the Tender Offeror if the Special Committee deems it necessary (for the method of resolution at such Board of Directors meeting, see "(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee" under "(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest" below).

In addition, as described in "(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee" under "(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest" below, our company has confirmed with the Special Committee that there are no issues with the independence and expertise of Nomura Securities as our financial advisor and third-party valuation organization, and of Anderson Mōri & Tomotsune as our legal advisor, and has received the Special Committee's approval for their appointment.

(ii) Details of the Decision

Based on the background stated above, our company took into consideration the guidance and other legal advice received from Anderson Mōri & Tomotsune regarding measures to ensure fairness of the procedures in the Transaction, as well as reports regarding the results of the share valuation of the TOA Oil Shares, advice regarding policies for negotiating with the Tender Offeror, and other advice from a financial perspective, received from Nomura Securities, and then carefully discussed and considered whether the Transaction, including the Tender Offer, would contribute to the improvement of our corporate value and whether the terms and conditions of the Transaction, including the Tender Offer Price, are appropriate.

In the discussions and consideration by our company, and during the negotiation process with the Tender Offeror, the Special Committee received reports from our company and our advisors, as necessary, and confirmed and stated opinions regarding relevant matters. When negotiating with the Tender Offeror, our financial advisor discussed the relevant matters with our company in advance of any such negotiations with the Tender Offeror and took measures in accordance with the negotiation policy while taking into consideration the Special Committee's opinions. In addition, when our financial advisor received proposals regarding the Tender Offer Price from the Tender Offeror, it immediately reported such proposals to the Special Committee, discussed the proposals with our company while taking into consideration the Special Committee's advice, and took other relevant measures.

On December 14, 2020, our company received a written report (the "Report") from the Special Committee to the effect that the Special Committee concluded that (i) the purpose of the Transaction, including the Tender Offer,

was reasonable (the Transaction would contribute to the improvement of our corporate value), (ii) due consideration was given to the interests of our shareholders through the fair procedures in the Transaction, (iii) the appropriateness and fairness of the conditions for the Transaction (including the Tender Offer Price) were ensured, (iv) given (i) through (iii) above, the Transaction would not be disadvantageous to our minority shareholders, and (v) given (i) through (iv) above, it would be reasonable for our Board of Directors to make a decision to express its opinion to support the Tender Offer and to recommend that our shareholders tender their shares in the Tender Offer at the current stage (for an outline of the Report, see “(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee” under “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” below).

As a result, as stated below, our company also reached the conclusion today that, by becoming a wholly-owned subsidiary of the Tender Offeror, we can expect to generate synergies and contribute to the improvement of our corporate value.

Our company’s two main core businesses consist of: a “petroleum refining business” in which it processes crude oil and raw oil into various petroleum products on behalf of the Tender Offeror pursuant to the outsourcing arrangements with the Tender Offeror; and an “electricity generation business” in which it generates electric power using by-produced gas and residual oil generated in the petroleum refining process. In the petroleum refining business, our company owns a competitive facility called a “flexicoker,” and when compared with general refineries, our facility has higher capacities in cracking in upper-stream facilities enabling it to produce higher value-added product per unit. In addition, our company also generates electric power by using low-calorie gases generated in the process of cracking in our steam boilers.

However, with respect to demand for petroleum products, there is a strong tendency for supply to exceed demand. In light of the energy-saving efforts in society, among other things, demand is expected to continue to decrease hereafter. In addition, due to the COVID-19 pandemic, demand for such products is currently decreasing more significantly than expected. Our company generates profit by cracking heavy oil into light oil products, and the greater the price difference between heavy oil and light oil, the more our profit increases; however, the current price difference is not as large as expected, and this has also affected our competitiveness and our recent business performance.

In order for our company to further develop our business even under such circumstances, we believe that it is necessary to enhance our business and operations integration with the Tender Offeror. In other words, we reached the conclusion that, by unifying the perspectives within the Tender Offeror Group and making the decision making process faster, we will be able to respond flexibly to the drastically changing business environment and to more effectively utilize the facilities of our workplaces, and that, as a listed company, although our company is currently becoming inflexible as an organization, by concentrating on daily operations, we will be able to realize more efficient management.

In addition, in order to promptly and appropriately respond to changes in the business environment, such as the trend towards a decarbonized society and demand for ESG management, our dependence on the oil refining business limits our performance and thus it is desirable for our company to become a wholly-owned subsidiary of the Tender Offeror Group that is able to utilize the Tender Offeror Group’s assets, technology, and capital, among

other resources.

Furthermore, as our company is concerned with the limited business scale and shortage of human resources that may constrain future business development, we are hopeful that through a stronger alliance with the Tender Offeror, our company would be able to implement strategic and timely investments and develop strong human resources who are familiar with various businesses.

Also, as a listed company, our company has respected the interests of our minority shareholders and ensured its own independence. Accordingly, our company has expended considerable efforts to balance interests between the Tender Offeror Group and those of our minority shareholders, resulting in additional work in maintaining our independence while promoting fast and smooth sharing of the management infrastructure of the Tender Offeror Group. Upon the closing of the Transaction and after becoming a wholly-owned subsidiary of the Tender Offeror, we will no longer need to put in excessive efforts to avoid conflicts of interest between the Tender Offeror Group and our minority shareholders and to respond to restrictions against our independence, and will be able to contribute to the improvement of the corporate value of the Tender Offeror Group as a whole, including our company, over a medium to long period of time by aligning with the Tender Offeror Group our perspectives on achieving such medium- to long-term growth and by efficiently using management resources in a fast and smooth manner.

With respect to the background of negotiations concerning the Tender Offer Price, since our company received an initial offer from the Tender Offeror on November 16, 2020, with the Tender Offer Price being set at 2,050 yen per share, we have been continuously discussing and negotiating the terms and conditions of the Transaction, including the Tender Offer Price, with the Tender Offeror. Specifically, our company received a proposal to set the Tender Offer Price at 2,150 yen per share on November 24, 2020, a proposal to set the Tender Offer Price at 2,250 yen per share on December 2, 2020, and a proposal to set the Tender Offer Price at 2,400 yen per share on December 8, 2020. Thereafter, we engaged in discussions and negotiations with the Tender Offeror continuously through our financial advisor, and as a result thereof, on December 10, 2020, we ultimately received the final proposal from the Tender Offeror, including the proposal to set the Tender Offer Price at 2,450 yen per share. With respect to the Tender Offer Price, based on the following points, among other factors, we determined that the Tender Offer Price of 2,450 yen per share is an appropriate price ensuring the interests of our minority shareholders and that the Tender Offer provides to our minority shareholders reasonable opportunities to sell their TOA Oil Shares at a price including an appropriate premium.

(a) The Tender Offer Price is a price agreed upon as a result of our company sufficiently taking measures to ensure fairness of the terms and conditions of the Transaction, including the Tender Offer Price, as described in “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” below, and then negotiating with the Tender Offeror a number of times, with the substantial involvement of the Special Committee.

(b) The Tender Offer Price exceeds the amount calculated using the market price analysis and is within the range calculated using the DCF analysis included in the share valuation of the TOA Oil Shares prepared by Nomura Securities in the share valuation report regarding the results of the share valuation of the TOA Oil Shares submitted

by Nomura Securities on December 14, 2020 (the “Share Valuation Report”) as stated in “(I) Acquisition of a Share Valuation Report by Our Company from an Independent Third-party Valuation Organization” under “(3) Matters Pertaining to Valuation” below.

(c) The Tender Offer Price includes a premium of 23.05% (rounded to the nearest hundredth, the same applies hereinafter to the calculation of the premium rate) on 1,991 yen, which is the closing price of the TOA Oil Shares on the Second Section of the Tokyo Stock Exchange on December 14, 2020, the business day immediately preceding the announcement date of the implementation of the Tender Offer; a premium of 35.58% on the simple average of the closing price of 1,807 yen (rounded to the nearest whole number, the same applies hereinafter to the calculation of the simple average of the closing price) for the latest one-month period from December 14, 2020, a premium of 39.05% on the simple average of the closing price of 1,762 yen for the latest three-month period from December 14, 2020, and a premium of 34.76% on the simple average of the closing price of 1,818 yen for the latest six-month period from December 14, 2020. Therefore, in light of similar cases of tender offers conducted by a parent company to make its listed subsidiary a wholly-owned subsidiary, the Tender Offer Price is found to be within a range of a reasonable level.

(d) As stated in “(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee” under “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” below, it has been also determined in the Report acquired from the Special Committee that the Tender Offer Price has been found to be appropriate.

Based on the above, our company determined that the Transaction contributes to the improvement of its corporate value and that the terms and conditions of the Transaction, including the Tender Offer Price, are appropriate, and during its board of directors meeting held today, resolved to express an opinion to support the Tender Offer and to recommend that its shareholders tender in the Tender Offer.

For the method of resolution in the board of directors meeting, see “(V) Approval of All Directors (Including Those Who are Audit and Supervisory Committee Members) of Our Company Without Conflicts of Interest” under “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” below.

(3) Matters Pertaining to Valuation

As for the grounds and reasons for the opinion on the Tender Offer, the descriptions regarding the Tender Offeror are based on explanations received from the Tender Offeror.

(I) Acquisition of a Share Valuation Report by Our Company from an Independent Third-party Valuation Organization

(i) Name of the Valuation Organization and its Relationship to Our Company and the Tender Offeror

In expressing our company’s opinion on the Tender Offer Price, in order to ensure the fairness of the decision making on the Tender Offer Price proposed by the Tender Offeror, we requested Nomura Securities, our financial advisor and third-party valuation organization independent from the Tender Offeror and our company, to calculate

the value of the TOA Oil Shares, and acquired the Share Valuation Report as of December 14, 2020. Nomura Securities is not a related party of our company or the Tender Offeror and has no material interest in relation to the Transaction, including the Tender Offer. In addition, at its first meeting, the Special Committee approved Nomura Securities as our financial advisor and third-party valuation organization after confirming that there were no issues with the independence and expertise of Nomura Securities. Our company has not received a written opinion on the fairness of the Tender Offer Price (fairness opinion) from Nomura Securities.

In addition, the fees payable to Nomura Securities in connection with the Transaction include a contingency fee to be paid contingent upon the consummation of the Transaction and other conditions.

(ii) Overview of Valuation of the TOA Oil Shares

Nomura Securities considered the valuation method to be applied to the valuation of our shares from among various valuation methods and, based on the idea that the valuation of our shares should be evaluated from various perspectives on the premise our company is a going concern, Nomura Securities calculated the valuation of our shares using the average market price method since the TOA Oil Shares are listed on the Second Section of the Tokyo Stock Exchange, and the DCF method to reflect the status of future business activities in the calculation. Our company has acquired the Share Valuation Report from Nomura Securities as of December 14, 2020.

The ranges of values per share of the TOA Oil Shares calculated by each of the above methods in the Share Valuation Report are as follows.

Average market price method:	1,762 yen to 1,991 yen
DCF method:	2,017 yen to 3,212 yen

In the average market price method, the range of the value per share of the TOA Oil Shares was calculated to be 1,762 yen to 1,991 yen based on the closing price of the TOA Oil Shares on the Second Section of the Tokyo Stock Exchange on the base date of December 14, 2020, which was 1,991 yen, the simple average of the closing prices for the five (5) business days prior to the base date, which was 1,947 yen, the simple average of the closing prices for the one (1) month prior to the base date, which was 1,807 yen, the simple average of the closing prices for the three (3) months prior to the base date, which was 1,762 yen, and the simple average of the closing prices for the six (6) months prior to the base date, which was 1,818 yen.

In the DCF method, the range of the value per share of the TOA Oil Shares was calculated to be 2,017 yen to 3,212 yen based on the corporate value and share value of our company, which was calculated by discounting to present value at a certain discount rate the free cash flow expected to be generated by our company in and after the third quarter of the fiscal year ending March 2021 on the assumption of various factors, including the earnings forecasts and investment plans in the business prospects for the six fiscal years from the fiscal year ending March 2021 to the fiscal year ending March 2026 prepared by our company as well as publicly available information. The discount rate ranged from 3.75% to 4.25%. In calculating the terminal value, the perpetuity growth rate model was used and the value per share of the TOA Oil Shares was calculated with the perpetuity growth rate ranging from -0.25% to 0.25%.

The business prospects prepared by our company, which were used by Nomura Securities for the calculation by the DCF method, include fiscal years in which significant increases or decreases in profits are expected.

Specifically, in the fiscal years ending March 2021 and 2022, a significant increase in profits from the previous fiscal year is expected as a result of the resumption of normal operation following the shutdown of all units at the Keihin Refinery in the fiscal year ended March 2020 due to a fire accident in the heavy oil cracking units. Meanwhile, in the fiscal year ending March 2026, a significant decrease in profits from the previous fiscal year is expected due to the scheduled temporary suspension of the operations of refineries and power plants for periodic repairs. In addition, the synergies expected to be realized from the execution of the Transaction are not taken into account in the following financial forecasts because those amounts are difficult to estimate specifically at this time.

The financial forecasts assumed in the analysis by the DCF method are as follows:

(In millions of yen)

	FY ending March 2021 (6 months)	FY ending March 2022	FY ending March 2023	FY ending March 2024	FY ending March 2025	FY ending March 2026
Sales	13,969	29,517	29,486	29,804	29,188	31,020
Operating income	478	3,899	3,022	3,481	3,964	2,482
EBITDA	2,629	8,293	7,627	8,973	9,277	9,170
Free cash flow	(290)	5,310	(12,018)	10,280	7,622	(22,629)

(Note) In calculating the value of the TOA Oil Shares, Nomura Securities assumed that the public information and all information provided by our company was accurate and complete, and has not independently verified the accuracy and completeness of such information. The assets and liabilities (including derivatives, off-balance sheet assets and liabilities, and other contingent liabilities) of our company and its affiliates have not been independently evaluated, appraised or assessed, including analysis and evaluation of individual assets and liabilities, nor has any third-party organization requested to appraise or assess those assets and liabilities. Nomura Securities assumed that the business prospects of our company had been reasonably reviewed or prepared by our management based on the best and good faith forecasts and judgments currently available. The valuation by Nomura Securities reflects the information obtained by Nomura Securities and the economic conditions prior to December 14 2020. The sole purpose of the valuation by Nomura Securities is to serve as a reference for our Board of Directors to consider the value of the TOA Oil Shares.

(II) Acquisition of a Share Valuation Report by the Tender Offeror from an Independent Financial Advisor

(i) Name of the Financial Advisor and its Relationship with Our Company and the Tender Offeror

According to the Tender Offeror, in determining the Tender Offer Price, the Tender Offeror requested Goldman Sachs, its financial advisor, to perform financial analyses of the value of the TOA Oil Shares, and subsequently received the financial analysis report relating thereto dated December 15, 2020 (the "Analysis Report (GS)") prepared by Goldman Sachs. Goldman Sachs is not a related party of the Tender Offeror or our company, and does not have any material interest in the Tender Offer. Further, the Tender Offeror has not obtained from Goldman Sachs, and Goldman Sachs has not expressed, any opinion concerning the fairness of the Tender Offer Price or the Tender Offer (a fairness opinion).

(ii) Overview of Analysis Report

According to the Tender Offeror, Goldman Sachs, in the Analysis Report (GS) referred to above, performed a market price analysis and a DCF analysis. The DCF analysis was based on the Forecasts (as defined below). The respective analyses resulted in a range of implied values per share of our company shown below.

1. Market price analysis: 1,568 yen – 2,509 yen

According to the Tender Offeror, in performing the market price analysis, Goldman Sachs used December 14, 2020 as the base date and reviewed the closing prices of our company for the 52-week period ending on such date. Based on this review, Goldman Sachs derived the implied per-share value for the TOA Oil Shares to range from 1,568 yen to 2,509 yen.

2. DCF analysis: 1,245 yen – 2,930 yen

According to the Tender Offeror, in performing the DCF analysis, Goldman Sachs analyzed the value of the TOA Oil Shares by discounting our future free cash flow estimated with certain assumptions reflected in the Forecasts to present value. Based on the analysis, Goldman Sachs derived the implied per-share value for the TOA Oil Shares to range from 1,245 yen to 2,930 yen. The Forecasts, which covers six fiscal years (fiscal years ending March 2021, 2022, 2023, 2024, 2025 and 2026), were used by Goldman Sachs for the DCF analysis, and include fiscal years during which a significant increase or decrease in profit are expected. Specifically, profits for the fiscal years ending March 2021 and March 2022 are forecasted to significantly increase compared to each previous fiscal year as a result of returning to a steady operation from the shutdown of the facility due to the fire accident at the Keihin refinery in the fiscal year ending March 2020. Profit for the fiscal year ending March 2026 is forecasted to significantly decrease compared to the previous fiscal year because the operation of the refinery and the power plant is planned to shut down for a certain period for regular repair.

In addition, the Forecasts were prepared on a stand-alone basis and do not reflect synergies because it is difficult to specifically estimate the synergies expected to be realized upon consummation of the Transaction.

(Note) According to the Tender Offeror, the following is a supplemental explanation of the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with performing Goldman Sachs' financial analyses of the TOA Oil Shares and preparing the Analysis Report (GS).

According to the Tender Offeror, Goldman Sachs and its affiliates (collectively, "Goldman Sachs Group") are engaged in advisory, underwriting and financing, principal investing, sales and trading, research, investment management and other financial and non-financial activities and services for various persons and entities. Goldman Sachs Group and its employees, and funds or other entities they manage or in which they invest or have other economic interests or with which they co-invest, may at any time purchase, sell, hold or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments of the Tender Offeror, our company and any of their respective affiliates and third parties, including Cornwall Capital Management LP, a significant shareholder of our company, or any currency or commodity that may be involved in the Tender Offer. Goldman Sachs has acted as financial advisor to the Tender Offeror in connection with, and has participated in certain of the negotiations leading to, the Transaction. Goldman Sachs expects to receive fees for its services in connection with the Transaction, the principal portion of which is

contingent upon consummation of the Tender Offer, and the Tender Offeror has agreed to reimburse certain of Goldman Sachs' expenses arising, and indemnify Goldman Sachs against certain liabilities that may arise, out of Goldman Sachs' engagement. Goldman Sachs has provided certain financial advisory and/or underwriting services to the Tender Offeror and/or its affiliates from time to time for which its Investment Banking Division has received, and may receive, compensation, including having acted as financial advisor to the Tender Offeror in connection with the business integration with the Showa Shell Sekiyu K. K. in April 2019. Goldman Sachs may also in the future provide financial advisory and/or underwriting services to the Tender Offeror, our company and their respective affiliates for which Goldman Sachs' Investment Banking Division may receive compensation. Affiliates of Goldman Sachs also may have co-invested with affiliates of our company and their respective affiliates from time to time and may have invested in limited partnership units of affiliates of our company from time to time and may do so in the future.

In connection with preparing the Analysis Report (GS), Goldman Sachs has reviewed, among other things, the Annual Securities Reports (Yuka Shoken Hokoku-sho) of our company for the fiscal year ended March 31, 2020 and for each of the fiscal years ended December 31, 2018, 2017, 2016 and 2015; the Quarterly Report (Shihanki Hokoku-sho) of our company for the second fiscal quarter ended September 30, 2020; certain other communications from our company to its stockholders; and certain internal financial analyses and forecasts for our company, as prepared by its management and reflecting certain adjustments by the Tender Offeror and approved for Goldman Sachs' use by the Tender Offeror (the "Forecasts"). Goldman Sachs has also held discussions with members of the senior management of each of the Tender Offeror and our company regarding their respective assessments of the past and current business operations, financial condition and future prospects of our company and with the members of senior management of the Tender Offeror regarding their assessment of the past and current business operations, financial condition and future prospects of the Tender Offeror and the strategic rationale for, and the potential benefits of, the Tender Offer; reviewed the reported price and trading activity for the shares of our common shares; compared certain financial and stock market information for our company with similar information for certain other companies the securities of which are publicly traded; and performed such other studies and analyses, and considered such other factors, as Goldman Sachs deemed appropriate.

For purposes of performing its financial analyses and preparing the Analysis Report (GS), Goldman Sachs has, with the Tender Offeror's consent, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by, Goldman Sachs, without assuming any responsibility for independent verification thereof. In that regard, Goldman Sachs has assumed with Tender Offeror's consent that the Forecasts have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of our company. Goldman Sachs has not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of our company or any of our respective subsidiaries and Goldman Sachs has not been furnished with any such evaluation or appraisal.

The Analysis Report (GS) does not address the underlying business decision of the Tender Offeror to engage in the Transaction, or the relative merits of the Transaction as compared to any strategic alternatives that may be available to the Tender Offeror; nor does it address any legal, regulatory, tax or accounting matters. Goldman Sachs does not express any view on, and any term or aspect of the Transaction or any term or aspect of any other

agreement or instrument contemplated by the Transaction or entered into or amended in connection with the Transaction, including, the fairness of the Tender Offer to, or any consideration received in connection therewith by, the holders of any class of securities, creditors, or other constituencies of our company; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of our company, or any class of such persons in connection with the Tender Offer. Goldman Sachs is not expressing any opinion as to the prices at which our common shares will trade at any time, as to the potential effects of volatility in the credit, financial and stock markets on our company or the Tender Offeror, or as to the impact of the Tender Offer on the solvency or viability of the Tender Offeror or our company or the ability of the Tender Offeror or our company to pay their respective obligations when they come due. The Analysis Report (GS) is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of, the date thereof and Goldman Sachs assumes no responsibility for updating, revising or reaffirming the Analysis Report (GS) based on circumstances, developments or events occurring after the date thereof. Goldman Sachs' advisory services and the Analysis Report (GS) expressed herein are provided solely for the information and assistance of the Board of Directors of the Tender Offeror in connection with its consideration of the Tender Offer. Goldman Sachs did not recommend any specific offer prices to the Tender Offeror, or that any specific offer prices constituted the only appropriate offer price. The Analysis Report (GS) is not necessarily susceptible to partial analysis or summary description. Selecting portions of the Analysis Report (GS) or the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying the Analysis Report (GS). Goldman Sachs did not attribute any particular weight to any factor or any analysis it performed.

The 2,450 yen per share Tender Offer Price is a price that includes the following premiums for each of the following prices and average prices: a premium of 23.05% on the closing price of the TOA Oil Shares listed on the Second Section of the Tokyo Stock Exchange of 1,991 yen on December 14, 2020, the business day immediately preceding the announcement date of the implementation of the Tender Offer; a premium of 35.58% on the simple average closing price of 1,807 yen for the latest one-month period from November 15, 2020 until December 14, 2020, a premium of 39.05% on the simple average closing price of 1,762 yen for the latest three-month period from September 15, 2020 until December 14, 2020, and a premium of 34.76% on the simple average closing price of 1,818 yen for the latest six-month period from June 15, 2020 until December 14, 2020.

(4) Possibility of Delisting and Reasons Therefor

The TOA Oil Shares are listed on the Second Section of the Tokyo Stock Exchange as of today; however, because the Tender Offeror has not set an upper limit on the number of shares to be purchased in the Tender Offer, depending on the results of the Tender Offer, the TOA Oil Shares may be delisted through prescribed procedures based on the delisting standards of the Tokyo Stock Exchange. In addition, even if such standards are not met at the time of the consummation of the Tender Offer, the Tender Offeror plans to implement the procedures to acquire all of the TOA Oil Shares after the consummation of the Tender Offer, as described in “(5) Post-Tender Offer Reorganization Policy (Two-Step Acquisition Items)” below, in which case the TOA Oil Shares will be delisted through prescribed procedures based on the delisting standards of the Tokyo Stock Exchange. After delisting, the

TOA Oil Shares will no longer be traded on the Second Section of the Tokyo Stock Exchange.

(5) Post-Tender Offer Reorganization Policy (Matters Regarding a So-called “Two-Step Acquisition”)

As is stated in “(1) Overview of the Tender Offer” under “(2) Grounds and Reasons for our Opinion on the Tender Offer” above, according to the Tender Offeror, the Tender Offeror’s policy is to make our company its wholly-owned subsidiary. Thus, if the Tender Offeror fails to acquire all of the TOA Oil Shares through the Tender Offer, once the Tender Offer is complete, the Tender Offeror will implement procedures for acquiring all of the TOA Oil Shares by using the following methods:

(I) Demand for Sale of Shares

According to the Tender Offeror, if, upon completion of the Tender Offer, the Tender Offeror holds 90% or more of the total shareholder voting rights of our company, and the Tender Offeror becomes a Special Controlling Shareholder as prescribed in Article 179(1) of the Companies Act (Act No. 86 of 2005, as amended; the “Companies Act”), the Tender Offeror will, in accordance with Part II, Chapter 2, Section 4-2 of the Companies Act, request our shareholders (excluding the Tender Offeror and our company) to sell all of their TOA Oil Shares to the Tender Offeror promptly after completion of the settlement of the Tender Offer (the “Demand for Sale of Shares”). With respect to the Demand for Sale of Shares, a monetary amount equivalent to the Tender Offer Price will be provided to our shareholders (excluding the Tender Offeror and our company) as consideration per TOA Oil Share. In such event, the Tender Offeror will notify our company of, and seek our approval for, the Demand for Sale of Shares. If our company approves the Demand for Sale of Shares by a resolution of its board of directors, the Tender Offeror will acquire all of the TOA Oil Shares from all of our shareholders (excluding the Tender Offeror and our company) as of the acquisition date designated in the Demand for Sale of Shares without the need for each shareholder’s individual approval, in accordance with the procedures set forth in the relevant laws and regulations. The Tender Offeror will provide each of our shareholders a monetary amount equivalent to the Tender Offer Price as consideration per TOA Oil Share owned by such shareholder. If our company receives notice from the Tender Offeror that it intends to make a Demand for Sale of Shares and notice concerning each item in Article 179-2(1) of the Companies Act, we will approve the Demand for Sale of Shares at our Board of Directors meeting. For the purpose of protecting the rights of minority shareholders in relation to a Demand for Sale of Shares, it is stipulated that our shareholders may, in accordance with Article 179-8 of the Companies Act and other relevant laws and regulations, petition a court for a decision on the sale price of their TOA Oil Shares.

(II) Share Consolidation

On the other hand, according to the Tender Offeror, if, following the completion of the Tender Offer, the total number of our company’s voting rights owned by the Tender Offeror is less than 90% of all of the voting rights for our company, the Tender Offeror will, promptly after completion of the settlement of the Tender Offer, request our company to hold a special shareholders’ meeting (the “Special Shareholders’ Meeting”) and for proposals to be submitted which will include (i) implementation of consolidation of the TOA Oil Shares in accordance with Article 180 of the Companies Act (the “Share Consolidation”), and (ii) subject to the Share Consolidation being effective, changes to our articles of incorporation that will eliminate provisions on a share unit number. The Tender

Offeror considers that it is desirable for our company to hold the Special Shareholders' Meeting as soon as possible from the perspective of improving our corporate value. Therefore, the Tender Offeror plans to ask our company to make a public notice during the purchase period of the Tender Offer (the "Tender Offer Period") setting the record date for the Special Shareholders' Meeting so that such record date will be a date shortly after the start date of the settlement of the Tender Offer (as of today, such date is planned to be February 10, 2021) and to target to hold the Special Shareholders' Meeting in late March or early April of the same year. The Tender Offeror will approve each of the proposals above at the Special Shareholders' Meeting.

If proposals concerning the Share Consolidation are approved at the Special Shareholders' Meeting, our shareholders will each, as of the effective date of the Share Consolidation, retain a number of the TOA Oil Shares corresponding to the share consolidation ratio approved at the Special Shareholders' Meeting. If the Share Consolidation results in fractional shares that are less than one share, in accordance with the procedures set forth in Article 235 of the Companies Act and other relevant laws and regulations, our shareholders retaining such fractional shares will be provided with money to be obtained through the sale of the TOA Oil Shares equivalent to the sum of such fractional shares (if the sum of such fractional shares is less than one share, such fractional shares will be discarded; the same applies hereinafter) to our company or the Tender Offeror. With respect to the sale price of the TOA Oil Shares equivalent to the sum of such fractional shares, the Tender Offeror will request our company to petition a court for permission for voluntary sale, after ensuring that as a result of such sale of fractional shares, the monetary amount provided to our shareholders who did not apply for the Tender Offer (excluding the Tender Offeror and our company) will be the same as the value obtained when the number of the TOA Oil Shares owned by each shareholder is multiplied by the Tender Offer Price. Furthermore, although the consolidation ratio of the TOA Oil Shares has not yet been decided as of today, the consolidation ratio will be determined such that as a result of the Share Consolidation, the shareholders of our company who did not tender their TOA Oil Shares into the Tender Offer (excluding the Tender Offeror and our company) will each hold fractional shares less than one share and that after the settlement of the sum of such fractional shares, the Tender Offeror will own all of the TOA Oil Shares.

For the purpose of protecting the rights of minority shareholders in relation to the Share Consolidation, if the Share Consolidation is implemented, and this results in fractional shares that are less than one share, the Companies Act allows our shareholders to demand that our company purchase all fractional shares less than one share owned by them at a fair price, as well as to petition a court for a decision regarding the sale price of their TOA Oil Shares, in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations. As described above, in connection with the Share Consolidation, the TOA Oil Shares to be owned by our shareholders who did not apply for the Tender Offer (excluding the Tender Offeror and our company) will be fractional shares less than one share. Therefore, our shareholders who oppose the Share Consolidation will be able to petition a court for a decision regarding the sale price of their TOA Oil Shares, in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations.

The Tender Offer is not intended to solicit our shareholders to approve the relevant proposals at the Special Shareholders' Meeting.

Implementing each procedure described in (I) and (II) above may take extra time, or implementation methods may change, depending on the status of amendments to, execution of, and interpretation by relevant authorities of,

the relevant laws and regulations. However, even in such event, if the Tender Offer is completed, measures will be taken by which monetary consideration will be ultimately provided to our shareholders who did not apply for the Tender Offer (excluding the Tender Offeror and our company), and the value of such consideration will be calculated to be the price obtained when the number of TOA Oil Shares owned by our relevant shareholders is multiplied by the Tender Offer Price. However, in the event our shareholders petition a court for a decision on the sale price of their TOA Oil Shares in response to a Demand for Sale of Shares, or for a decision on the price of shares in response to a share purchase demand made in relation to a Share Consolidation, the sale price or the price for a share purchase demand of their TOA Oil Shares will be ultimately determined by a court.

Our company will promptly announce the specific procedures for, and implementation timing of, each situation described above, once they are determined after consultation between the Tender Offeror and our company. Our shareholders are each personally responsible for consulting with tax experts regarding the handling of taxes relating to applications for the Tender Offer, and each of the procedures described above.

Furthermore, if by completing the above procedures, the Procedures to Make Our Company a Wholly-Owned Subsidiary are expected to be completed by June 30, 2021, the Tender Offeror plans to request that, subject to completion of the Procedures to Make Our Company a Wholly-Owned Subsidiary, our company make changes to our articles of incorporation that will eliminate the provision on the record date for voting rights for regular shareholders' meetings, in order to make shareholders eligible to exercise their rights at our regular shareholders' meeting for the fiscal year ending March 2021 (the "Regular Shareholders' Meeting") our shareholders after the Procedures to Make Our Company a Wholly-Owned Subsidiary (meaning the Tender Offeror). Accordingly, shareholders, even if listed or recorded in our shareholder register as of March 31, 2021, might not be eligible to exercise their rights at the Regular Shareholders' Meeting.

(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest

(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee

(i) Background of the Establishment

As stated in "(IV) Process of, and Reasons for, the Decision Making by Our Company to Agree to the Tender Offer" under "(2) Grounds and Reasons for our Opinion on the Tender Offer" above, our company established the Special Committee by resolution of the board of directors meeting held on October 16, 2020. With the advice from Anderson Mōri & Tomotsune, we ascertained the independence, eligibility and other criteria of the independent outside directors of our company, who were to be candidates for members of the Special Committee. After confirming that the prospective candidates were independent of the Tender Offeror (It has been confirmed that Messrs. Arata Nakamura, Shigeru Kimura, Keiichi Kubo, Shinsuke Hasegawa and Akito Takahashi have no material interest in the Tender Offeror or our company), and that they did not have any material interest in the success or failure of the Transaction that differed from that of minority shareholders, with the view to forming an adequately-sized Special Committee while ensuring a balance of knowledge, experience and ability within the Special Committee as a whole, we selected, with the advice from Anderson Mōri & Tomotsune, the following five persons as candidates for the Special Committee members: Mr. Arata Nakamura (independent outside director of

our company (audit and supervisory committee member); attorney-at-law, Ginza Minami Law Office), who possesses abundant experience and expertise gained through his long-standing career in corporate legal affairs and other legal matters; Mr. Shigeru Kimura (independent outside director of our company (audit and supervisory committee member); outside director of Irex Co., Ltd.), an expert in the electric power industry with abundant experience and expertise gained through his long-standing career in the electric power industry; Mr. Keiichi Kubo (independent outside director of our company (audit and supervisory committee member); certified public accountant, Keiichi Kubo CPA Office), who possesses expertise regarding finance and accounting gained through his experience as a certified public accountant; Mr. Shinsuke Hasegawa (certified public accountant, Hasegawa Certified Public Accountant Office), an outside expert with expertise regarding finance and accounting gained through his experience as a certified public accountant; and Mr. Akito Takahashi (attorney-at-law, Takahashi & Katayama), an outside expert with abundant experience and expertise gained through his long-standing career in corporate legal affairs and other legal matters (The membership of the Special Committee has not been changed since the establishment. A fixed-amount fee is to be paid to each of the members of the Special Committee in consideration of their work, irrespective of the contents of their report.).

Then, as stated in “(IV) Process of, and Reasons for, the Decision Making by Our Company to Agree to the Tender Offer” under “(2) Grounds and Reasons for our Opinion on the Tender Offer” above, our company established the Special Committee by resolution of the board of directors meeting held on October 16, 2020, and consulted with the Special Committee on the Advisory Matters. In addition, in establishing the Special Committee, our Board of Directors resolved that it should respect the Special Committee’s determinations to the fullest extent in making decisions regarding the Transaction (In particular, if the Special Committee determines that the terms of the Transaction are not appropriate, our Board of Directors should not agree to the Transaction on such terms). Our Board of Directors further resolved, among other things, to grant to the Special Committee: (a) authority to appoint its financial advisors, legal advisors or other advisors as it deems necessary (at the reasonable expense of our company), or to approve our advisors; (b) authority to receive information required for considering and deciding on the Transaction from our officers and employees or other persons that the Special Committee deems necessary; and (c) authority to consult and negotiate with the Tender Offeror the terms of the Transaction or otherwise, if the Special Committee deems it necessary.

In light of the fact that, among the nine directors of our company, Mr. Kazuhisa Harada served as executive officer of the Tender Offeror in the past and that Mr. Hiroshi Maezawa is concurrently serving as executive officer of the Tender Offeror, from the viewpoint of eliminating the possibility of the deliberations and resolutions at the board of directors meetings being tainted by the issue of structural conflicts of interest in the Transaction and of ensuring fairness of the Transaction, these two directors were excluded from the deliberation at the above-mentioned board of directors meeting, and the remaining seven directors (including those who are audit and supervisory committee members) unanimously adopted the above-mentioned resolution after deliberation.

(ii) Details of the Consideration

During the period from October 20, 2020 through December 10, 2020, a total of eight meetings of the Special Committee were held, and a total of approximately 14.5 hours were spent in the meetings. In addition, the Special Committee made deliberations and considerations on the Advisory Matters between meeting dates by way of sharing reports and information, and making discussions and decisions via electronic mail.

Specifically, at its first meeting, the Special Committee approved the appointment of Nomura Securities, our financial advisor and third-party valuation organization, and Anderson Mōri & Tomotsune, our legal advisor, after confirming that there was no issue regarding their independence and expertise, and confirmed that the Special Committee also may receive professional advice from each entity, if needed.

Then, the Special Committee conducted a review of the measures that should be taken to ensure fairness in the process of the Transaction, taking into account the opinion obtained from Anderson Mōri & Tomotsune.

The Special Committee sent to the Tender Offeror through our Board of Directors a written questionnaire regarding, among other things, the purposes, reasons and the like of the Transaction, the background and purpose of choosing to implement the Transaction at this time, the management policy, governance and the like of our company after the Transaction, any disadvantages of the Transaction, and the process, terms and the like of the Transaction. Regarding these matters, the Special Committee received explanations directly from the Tender Offeror, and held a question-and-answer session.

In addition, the Special Committee received from our company an explanation on the substance of the business plan prepared by us and the background of the preparation thereof, among other things, and confirmed the reasonableness of these matters. Furthermore, since Nomura conducted the valuation of the TOA Oil Shares based on the business plan prepared by us, as stated in “(I) Acquisition of a Share Valuation Report by Our Company from an Independent Third-party Valuation Organization” under “(3) Matters Pertaining to Valuation” above, the Special Committee received from Nomura Securities an explanation on the calculation methods used for the valuation of the TOA Oil Shares, the reason for adopting such calculation methods, the results of the valuation by each calculation method, and important assumptions. Then, the Special Committee confirmed the reasonableness of these matters after a question-and-answer session, deliberations and consideration.

The Special Committee, which was given reports from time to time by our company and Nomura Securities about our negotiations with the Tender Offeror, held deliberations and reviews, and provided necessary opinions on our negotiation policies, as appropriate. In particular, on November 16, 2020, the Special Committee received from our company a report that we had received an initial offer from the Tender Offeror, which offered, among other things, to set the Tender Offer Price at 2,050 yen per share. Then, on November 24, December 2, and December 8 of the same year, the Special Committee was given a report that we had received an offer to set the Tender Offer Price at 2,150 yen per share, 2,250 yen per share, and 2,400 yen per share, respectively. The Special Committee deliberated on the matter after hearing Nomura Securities’ opinion as to how we should respond to the offers and negotiate with the Tender Offeror, taking into consideration the opinion obtained from Anderson Mōri & Tomotsune. On all of these occasions, the Special Committee provided our company with an opinion that it had no objection to our intention to request that the Tender Offeror reconsider the Tender Offer Price, and also stated its opinion regarding the matters that we should discuss with the Tender Offeror in order to attain our aim and purpose of the Transaction. Thus, the Special Committee was involved in all aspects of discussions and negotiations regarding the terms of the Transaction, including the Tender Offer Price between our company and the Tender Offeror. As a result, on December 10, 2020, our company received an offer from the Tender Offeror, which offered, among others things, to set the Tender Offer Price at 2,450 yen per share. This represents a total of four increases in price and a 19.51% (rounded off to the second decimal place) increase from the price proposed in the initial offer.

Moreover, on multiple occasions, the Special Committee received from Anderson Mōri & Tomotsune an

explanation on the substance of a draft of this Press Release on the Tender Offer that our company was to announce or submit, and has confirmed that sufficient information disclosure is to be made by us.

(iii) Details of the Decision

Under the circumstances described above, the Special Committee carefully discussed and reviewed the Advisory Matters on multiple occasions, and finally, based on unanimous consent of the members, submitted to our Board of Directors the Report as of December 14, 2020, as summarized below.

(a) Contents of the Report

- i. The Special Committee believes that the purpose of the Transaction, including the Tender Offer, is reasonable (The Transaction will contribute to enhancement of our corporate value).
- ii. The Special Committee believes that sufficient consideration has been given to the interests of our shareholders through fair procedures in the Transaction.
- iii. The Special Committee believes that the appropriateness and fairness of the terms of the Transaction (including the Tender Offer Price) has been ensured.
- iv. Based on i. through iii. above, the Special Committee does not believe that the Transaction is disadvantageous to minority shareholders of our company.
- v. Based on i. through iv. above, the Special Committee believes that at present, it is reasonable for our Board of Directors to decide to express an opinion in support of the Tender Offer and to recommend that our shareholders tender their shares in the Tender Offer.

(b) Reasons for the Proposals Made in the Report

- i. Regarding “whether the purpose of the Transaction is found to be reasonable (including whether the Transaction will contribute to enhancement of our corporate value)”
 - “(a) The purpose, necessity and background of the Transaction” and “(b) the merits of the Tender Offer and subsequent Transaction” as described in “(2) Grounds and Reasons for our Opinion on the Tender Offer” under “3. Details of, and Grounds and Reasons for, our Opinion on the Tender Offer” above, which were explained by our company and other parties, are considered to be concrete and premised on, among other things, the current business and management status of our company, and the forecasts of future trends of, and expected issues facing our company’s industry.
 - The matters mentioned in (a) and (b) above are considered to conform to what is generally explained as the environment of the industry and market of our company.
 - The matters mentioned in (a) and (b) above are also considered to be realistic for the purpose of increasing our future competitive advantage.
 - It can be said that our company and the Tender Offeror have considered the necessity and merits of the Transaction taking into consideration, among other things, the environment of the market of our company and forecasts of future trends.
 - It can be said that the future prospects of our business and our growth as well as the measures and plans that have been considered for implementation after the Transaction, which were explained by our company and other parties, are premised on the details of our business and

our management status, and based on the Tender Offeror's management policies, and are based on future issues in our company's industry and market, and will contribute to maintenance and enhancement of our corporate value amid the expected significant changes in the business environment in the future. Thus, none of such prospects, plans and measures is found to be unreasonable.

ii. Regarding "whether fairness of the procedures for the Transaction has been ensured"

- In considering how to deal with the Transaction, our company set up the Special Committee, which is independent of both our company and the Tender Offeror, with the intention of eliminating the Tender Offeror's influence over the process of consideration and decision-making at our company. Three of the Special Committee members are outside directors of our company, and the remaining two are a certified public accountant and an attorney-at-law, who are outside professionals.
- With the aim of ensuring fairness of the terms of the Tender Offer, in particular the Tender Offer Price, in considering how to deal with the Transaction, our company requested Nomura Securities, a third-party valuation organization, which is independent of both our company and the Tender Offeror, to calculate the value of the TOA Oil Shares and obtained an intended share valuation report. In addition, the Special Committee confirmed the independence of Nomura Securities after receiving necessary explanations on such independence.
- Our company appointed Anderson Mōri & Tomotsune as a legal advisor, which is independent of both our company and the Tender Offeror, to obtain legal advice regarding the Transaction. In addition, the Special Committee confirmed the independence of Anderson Mōri & Tomotsune after receiving necessary explanations on such independence.
- The Transaction, including the procedures scheduled for the Transaction after the Tender Offer to make our company a wholly-owned subsidiary of the Tender Offeror (the "Procedures to Make Our Company a Wholly-Owned Subsidiary"), may result in structural and typical conflicts of interest because it is to be implemented with the Tender Offeror, our controlling shareholder (parent company). It can be said, however, that within such framework, our company was aware that it needed to ensure the appropriateness and fairness of the terms of the Transaction even more carefully, and requested, from an early stage of consultation process, that the Tender Offeror propose transaction terms with due consideration of the interests of the minority shareholders.
- With respect to the policies on consultations and negotiations between our company and the Tender Offeror, the Special Committee received from our company and Nomura Securities, which is our financial advisor, an explanation of the negotiation policies and related matters. Then, the negotiations with the Tender Offeror were conducted in line with such negotiation policies confirmed by the Special Committee.
- The specific status of consultation and negotiations between our company and the Tender Offeror has been reported to the Special Committee in a timely manner. In particular, in a critical phase of the negotiations for the Tender Offer Price, based on the substance of such reports, the Special Committee stated its opinions to, and made suggestions and requests to,

our company and our financial advisor, as needed. Thus, a system is in place that allows the Special Committee to be substantially involved in the process of negotiation for the terms of the Tender Offer, in particular the Tender Offer Price.

- Then, after exhaustive consideration of various circumstances, including the appropriateness and fairness, and reality of the terms, and multiple discussions with the Tender Offeror (in particular, after our tenacious requests to the Tender Offeror to raise the Tender Offer Price), our company engaged in a final adjustment of the price to be resolved at its board of directors meeting.
- Following that, our company and the Tender Offeror finally reached an agreement on the terms of the Transaction, including the Tender Offer Price. Such agreed price was determined to be the Tender Offer Price to be approved by resolution of our Board of Directors.
- Furthermore, with respect to the “two-step acquisition” and related matters, it can be said that the Tender Offeror has made efforts to secure opportunities for our shareholders to make a proper decision because the Tender Offeror states that it plans to provide them with a detailed disclosure and explanation at an early stage. In addition, information deemed necessary and appropriate for the shareholders (in particular, minority shareholders) of our company to determine the appropriateness and other characteristics of each of the terms of the Transaction, including the Tender Offer, is expected to be disclosed in the disclosure documents to be prepared by the Tender Offeror and our company.
- With the view to enhancing fairness, transparency and objectivity of the decision-making process, directors who were or are associated with the Tender Offeror have not participated in the consideration of the Transaction at our company, and will not participate in the deliberations and resolution at the board of directors meetings to be held in regard to the Transaction. Thus, it can be said that our company is making efforts to eliminate arbitrariness in its decision-making process.
- In the Tender Offer, a lower limit will be set on the number of shares to be acquired, as described in this Press Release. As a result, if the number of shares tendered in the Tender Offer is below the lower limit, the purchase of the TOA Oil Shares through the Tender Offer will not occur. Such a measure can serve to pay respect to the intention of minority shareholders of our company to the fullest extent possible.
- The purchase period under the Tender Offer is expected to be 30 business days in length, which is longer than the statutorily required minimum period of 20 business days. In addition, our company has not made any agreement with the Tender Offeror that prohibits us from contacting any competing offerors for acquisition, such as an agreement containing a “deal protection clause,” under which we are restricted from contacting a competing offeror for acquisition. Judging from these factors, it is considered that there are no particularly unreasonable circumstances in terms of the “market-check.” From the viewpoint of information management, it is not necessarily easy in practice to implement a proactive “market-check” to investigate and consider the existence (or inexistence) of potential acquirers in the market. Therefore, in this case, the mere fact that such an investigation has not been

made is not considered to result in an unreasonable situation with respect to the market-check.

- In the Transaction, the procedures for the “two-step acquisition” are scheduled to be implemented to take our company private (at present, either the Demand for Sale of Shares or the Share Consolidation is planned to be implemented as the said procedures, depending on the results of the Tender Offer). Pursuant to a provision of the Companies Act for the protection of minority shareholders’ interest in relation to the Demand for Sale of Shares, such shareholders may file a petition with the court for determination of the purchase price. In addition, pursuant to a provision under the Companies Act for the protection of minority shareholders’ interest in relation to the Share Consolidation, a shareholder of our company may, subject to certain conditions, demand that we purchase at a fair price all of the common shares owned by that shareholder that will become a fraction less than one share and may file a petition with the court for determination of the price of the TOA Oil Shares. If such a petition is filed, the purchase price will be ultimately determined by the court and our minority shareholders will be able to secure economic benefit through such procedures.
- As described above, one may consider that specific measures have been taken to ensure, among others, objective circumstances for the purpose of securing fairness of the conditions for the Procedures to Make Our Company a Wholly-Owned Subsidiary. One may also consider that in the Transaction, sufficient attention has been given to the interests of our shareholders through fair procedures.

iii. Regarding “whether the appropriateness of the terms of the Transaction (including the Tender Offer Price) has been ensured”

- With the objective of ensuring the fairness and appropriateness of the terms of the Transaction (in particular, the Tender Offer Price), in reviewing and judging such terms, our company appointed an independent third-party valuation organization for the valuation of the TOA Oil Shares, obtained the Share Valuation Report from the third-party valuation organization and used such Share Valuation Report as a reference.
- With respect to the calculation process leading to the conclusion of the Share Valuation Report prepared by the third-party valuation organization, the calculation method used therein is considered to be orthodox and reasonable in the light of current practice.
- The results of the above-mentioned valuation are also considered to be appropriate in the light of current practice. Furthermore, based on the explanation of our company and the third-party valuation organization to the Special Committee regarding the substance of our business plans on which such valuation was premised, the Special Committee verified reasonableness of those business plans by first verifying the process of preparation of our business plans and the current state of our company, and checking whether there are any unreasonable elements that do not conform with them. In conclusion, the Special Committee believes that such business plans, which set the petroleum refining business and the electricity generation business as the two main cores of our company’s business, are reasonable.
- Based on the above factors, it is considered that there is no particularly unreasonable element or serious problem in the Share Valuation Report prepared by the third-party valuation

organization.

- It can be said that based on such Share Valuation Report, our company has also considered the Tender Offer Price generally taking into account such circumstances as the necessity and merits of the Transaction and possible impacts on our future businesses.
 - It can be said that our company appointed an experienced financial advisor (third-party valuation organization) and conducted multiple negotiations with the Tender Offeror for the overall terms of the Transaction, including the Tender Offer Price.
 - It can be said that an appropriate premium is included in the Tender Offer Price to be finally approved by resolution of our Board of Directors.
 - The above-mentioned actions taken by our company are considered to be reasonable and appropriate as means to ensure fairness and appropriateness of the Tender Offer Price and other terms of the Transaction, including the Tender Offer, and to eliminate arbitrariness in the process of judgment and decision making by our company regarding the relevant matters.
 - According to our explanation, with respect to the conditions for the Procedures to Make Our Company a Wholly-Owned Subsidiary, in the absence of any future extraordinary circumstances, the squeeze-out price is expected to be calculated and determined on the basis of a price that is the same as the Tender Offer Price.
 - In this regard, given that the Procedures to Make Our Company a Wholly-Owned Subsidiary are expected to be implemented after the Tender Offer as procedures subsequent to the Tender Offer (the procedures for “two-step acquisition”), it is considered to be reasonable that the transaction terms of the procedures that are close in time are made to be the same.
- iv. Regarding “whether, based on i. through iii. above, the Transaction is not considered to be disadvantageous to minority shareholders of our company”
- With respect to matters other than those discussed in i. through iii. above, at present, there are no particular circumstances that make the Special Committee believe that the Transaction (including the Tender Offer) is disadvantageous to minority shareholders of our company. Hence, the Special Committee believes that the Transaction is not disadvantageous to minority shareholders of our company.
 - Regarding “whether our Board of Directors should resolve to express an opinion in support of the Tender Offer and to recommend that our shareholders tender their shares in the Tender Offer”
 - As described above, (i) the purpose of the Transaction, including the Tender Offer, is considered to be reasonable (the Transaction will contribute to enhancement of our corporate value), (ii) it is considered that, in the Transaction, sufficient consideration has been given to the interests of our shareholders through fair procedures, (iii) it is considered the appropriateness and fairness of the terms of the Transaction (including the Tender Offer Price) has been ensured, and (iv) based on i. through iii. above, the Transaction is not considered to be disadvantageous to minority shareholders of our company. Therefore, the Special Committee believes that at present, it is reasonable for our Board of Directors to decide to express an opinion in support of the Tender Offer and to recommend that our shareholders

tender their shares in the Tender Offer, and at present, it has found no particular circumstances to the contrary.

(II) Acquisition by Our Company of Advice from an Independent Legal Advisor

As stated in “(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee” above, our company appointed Anderson Mōri & Tomotsune as its legal advisor independent of the Tender Offeror and our company, and received legal advice, including advice on the measures to be implemented to ensure fairness in the process of the Transaction, the procedures for the Transaction and the methods, processes and the like of our decision making regarding the Transaction.

Anderson Mōri & Tomotsune is not a related party of the Tender Offeror or our company, and has no material interest in the Transaction, including the Tender Offer. The Special Committee approved, at its first meeting, Anderson Mōri & Tomotsune as a legal advisor of our company after confirming that there is no issue with respect to its independence and expertise.

(III) Acquisition by Our Company of a Share Valuation Report from an Independent Financial Advisor and Third-Party Valuation Organization

As stated in “(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee” above, our company appointed Nomura Securities as our financial advisor and third-party valuation organization independent of the Tender Offeror and our company. We received advice and support from Nomura Securities from a financial point of view, including advice on valuation of the TOA Oil Shares, and our policy of negotiation with the Tender Offeror, and obtained the Share Valuation Report as of December 14, 2020. For an outline of the Share Valuation Report, see “(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee” under “(3) Matters Pertaining to Valuation” above.

Nomura Securities is not a related party of the Tender Offeror or our company, and has no material interest in the Transaction, including the Tender Offer.

(IV) Establishment of a Structure for Independent Review by Our Company

As stated in “(IV) Process of, and Reasons for, the Decision Making by Our Company to Agree to the Tender Offer” under “(2) Grounds and Reasons for our Opinion on the Tender Offer” above, our company established an internal structure to review, negotiate and make decisions on the Transaction independent of the Tender Offeror. To be specific, from the viewpoint of eliminating structural conflicts of interest, since early September 2020, when we received an initial offer from the Tender Offeror indicating that it would like to start considering making our company a wholly-owned subsidiary of the Tender Offeror, our company has excluded the officers and employees of our company who are serving as officers or employees of companies of the Tender Offeror Group other than the TOA Oil Group (meaning our company and TOA TECS CO., LTD., a consolidated subsidiary of our company) from the process of negotiation between our company and the Tender Offeror on the terms of the Transaction, including the Tender Offer Price, and the process of drafting of our business forecast, which is used as a basis for the valuation of the TOA Oil Shares.

(V) Approval of All Directors (Including Those Who are Audit and Supervisory Committee Members) of Our Company Without Conflicts of Interest

As described in “(IV) Process of, and Reasons for, the Decision Making by Our Company to Agree to the Tender Offer” under “(2) Grounds and Reasons for our Opinion on the Tender Offer” above, we carefully discussed and considered whether the Transaction, including the Tender Offer, contributes to enhancement of our corporate value, and whether the terms of the Transaction, including the Tender Offer Price, are appropriate, based on the legal advice received from Anderson Mōri & Tomotsune and the financial advice from Nomura Securities as well as the substance of the Share Valuation Report, respecting to the fullest extent the Special Committee’s determinations presented in the Report.

As a result, as stated in “(IV) Process of, and Reasons for, the Decision Making by Our Company to Agree to the Tender Offer” under “(2) Grounds and Reasons for our Opinion on the Tender Offer” above, our Board of Directors determined that the Transaction would contribute to enhancement of our corporate value and that the terms of the Transaction, including the Tender Offer Price, are reasonable, and resolved at its meeting held today, by a unanimous vote of the directors who participated in the deliberation and the resolution (including those who are audit and supervisory committee members) (unanimously by six (out of nine) directors of our company who participated in the deliberation and the resolution), to express an opinion in support of the Tender Offer, and to recommend that the shareholders of our company tender their shares in the Tender Offer.

In light of the fact that Mr. Kazuhisa Harada served as executive officer of the Tender Offeror in the past, and that Mr. Hiroshi Maezawa is concurrently serving as executive officer of the Tender Offeror, from the viewpoint of eliminating the possibility of the deliberations and resolutions at the board of directors meetings being tainted by the issue of structural conflicts of interest in the Transaction and of ensuring fairness of the Transaction, these two directors refrained from participating in the deliberations and the resolutions of all proposals in relation to the Transaction at the board of directors meetings of our company, including the above-mentioned board of directors meeting held today, and refrained from participating in the discussions or negotiations with the Tender Offeror on behalf of our company. Mr. Shigeru Kimura was absent from the above-mentioned board of directors meeting held today for personal reasons. However, he attended all eight meetings of the Special Committee and participated in the discussions. Moreover, our Board of Directors separately confirmed with Mr. Shigeru Kimura, who was absent from the relevant board of directors meeting, that he agreed that the relevant Board of Directors was to express its opinion in support of the Tender Offer and to recommend that the shareholders of our company tender their shares in the Tender Offer.

(VI) Measures to Secure Purchase Opportunities from Other Buyers

The Tender Offeror has not entered into any agreement with our company that limits the opportunities for us to have contact with a competing offeror, such as an agreement that includes deal protection provisions that prohibit our company from having contact with a competing offeror.

Furthermore, the Tender Offeror has set a Tender Offer Period of 30 business days, which is longer than the minimum period of 20 business days provided by relevant laws and regulations. According to the Tender Offeror, by setting such a comparatively long Tender Offer Period, it intends to secure an appropriate opportunity to allow our shareholders to decide whether to tender their shares into the Tender Offer, and at the same time, to ensure opportunities for a potential purchaser other than the Tender Offeror to make a competing offer and to ensure the

appropriateness of the Tender Offer Price.

As is described in “(I) Overview of the Tender Offer” under “(2) Grounds and Reasons for our Opinion on the Tender Offer” above, since the Tender Offeror already owns 6,234,425 TOA Oil Shares (ownership ratio: 50.12%) as of today, the Tender Offeror believes that if a minimum planned purchase quantity that would satisfy the so-called “majority of minority” is set with respect to the Tender Offer, this would destabilize completion of the Tender Offer and actually undercut the interests of minority shareholders who seek to participate in the Tender Offer. Thus, according to the Tender Offeror, the Tender Offeror has not included such “majority of minority” condition. However, as both the Tender Offeror and our company have put in place the measures described above, we believe that sufficient care and thought have been put into the interests of minority shareholders of our company.

4. Matters Related to Material Agreements between the Tender Offeror and Our Shareholders Regarding Tender of Shares in the Tender Offer

Not applicable.

5. Details of Provision of Benefits by the Tender Offeror or its Specially Related Parties

Not applicable.

6. Response Policies in Terms of Basic Policies on Control of Companies

Not applicable.

7. Questions to the Tender Offeror

Not applicable.

8. Request for Extension of Tender Offer Period

Not applicable.

9. Future Prospects

See “(II) Background, Purpose and Decision-Making Process Leading to the Decision by the Tender Offeror to Implement the Tender Offer,” “(III) Management Policy After the Tender Offer” and “(IV) Process of, and Reasons for, the Decision Making by Our Company to Agree to the Tender Offer” under “(2) Grounds and Reasons for our Opinion on the Tender Offer,” “(4) Possibility of Delisting and Reasons Therefor” and “(5) Post-Tender Offer Reorganization Policy (Matters Regarding a So-called “Two-Step Acquisition”)” under “3. Details of, and Grounds and Reasons for, our Opinion on the Tender Offer” above.

10. Matters Related to Transactions with Controlling Shareholders

(1) Constitution of a Transaction with the Controlling Shareholder and Status of Compliance with Guidelines on Measures for Protecting Minority Shareholders

The Tender Offeror is our controlling shareholder (parent company), and to express an opinion regarding the Tender Offer constitutes a transaction with the controlling shareholder. The “Guidelines Concerning Measures to Protect Minority Shareholders in Transactions with the Controlling Shareholder” contained in our corporate governance report

disclosed on July 10, 2020 state as follows: “When we propose to enter into a material agreement with Idemitsu Kosan Co., Ltd., our controlling shareholder, such a proposal will be deliberated at a board of directors meeting from the viewpoint of protection of minority shareholders. Our agreements with Idemitsu Kosan Co., Ltd. that have already been concluded will also be reviewed on a regular basis or as necessary. The directors who are audit and supervisory committee members oversee the process of deliberations at board of directors meetings with the aim of ensuring fairness between our company and the controlling shareholder.”

With respect to the Transaction, including the Tender Offer, our company has taken measures to address the issue of structural conflicts of interest and to ensure the fairness of the terms of the Transaction, including the Tender Offer Price, as described in “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” under “3. Details of, Grounds and Reasons for, our Opinion on the Tender Offer” above. We believe that such measures conform to the above-mentioned guidelines.

(2) Matters Related to Measures for Securing Fairness and Measures for Avoiding Conflicts of Interest

As stated in “(1) Constitution of a Transaction with the Controlling Shareholder and Status of Compliance with Guidelines on Measures for Protecting Minority Shareholders” above, the Transaction, including the Tender Offer, constitutes a transaction with our controlling shareholder. Therefore, our company determined that measures to ensure fairness and to avoid conflicts of interest should be implemented. Our company has made decisions in settings where fairness is ensured and conflicts of interest are avoided by implementing the measures described in “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” under “3. Details of, and Grounds and Reasons for, our Opinion on the Tender Offer” above.

(3) Summary of Written Opinion Received from Persons with No interest in the Controlling Shareholder to the Effect that the Relevant Transactions Are Not Disadvantageous to Minority Shareholders

Today, our company obtained the Report from the Special Committee stating that the Special Committee believes that it is not disadvantageous to minority shareholders of our company for our Board of Directors to resolve to express an opinion in support of the Tender Offer and to recommend that our shareholders tender their shares in the Tender Offer. For details, see “(iii) Details of the Decision” under “(I) Establishment by Our Company of an Independent Special Committee and Acquisition of a Report from Said Committee” under “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest” under “3. Details of, and Grounds and Reasons for, our Opinion on the Tender Offer” above. The Report serves as a statement of the Special Committee’s opinion that it is not disadvantageous to minority shareholders of our company for the Tender Offeror to make our company a wholly-owned subsidiary of the Tender Offeror after the successful completion of the Tender Offer, as described in “(5) Post-Tender Offer Reorganization Policy (Matters Regarding a So-called “Two-Step Acquisition”)” under “3. Details of, and Grounds and Reasons for, our Opinion on the Tender Offer” above.

11. Other Information

At our board of directors meeting held today, our company resolved not to pay year-end dividends for the fiscal year ending 2021, revising its dividend forecast for the fiscal year ending 2021, subject to the successful completion of the

Tender Offer. For the details, see the “Announcement Concerning Revision of Dividend Forecast for Fiscal Year Ending 2021 (Non-payment of Dividends)” published today by our company.

End

Soliciting Regulations

This Press Release is intended to announce our opinion on the Tender Offer and has not been prepared for the purpose of soliciting offers to sell shares. If a shareholder wishes to make an offer to sell his/her/its shares, the shareholder should first read the Tender Offer Explanatory Statement for the Tender Offer carefully and make his/her/its own independent decision. This Press Release does not constitute or form any part of an offer to sell, a solicitation of a sale of, or a solicitation of an offer to buy, any securities. This Press Release (or any part of it) or the fact of its distribution shall not form the basis of any contract relating to the Tender Offer, and neither this Press Release nor the fact of its distribution may be relied on in entering into such contract.

U.S. Regulations

The Tender Offer will be conducted in compliance with the procedures and information disclosure standards as provided in the Financial Instruments and Exchange Act of Japan. Those procedures and standards are not necessarily the same as the procedures and information disclosure standards in the United States. In particular, Section 13(e) and Section 14(d) of the United States Securities Exchange Act of 1934 (as amended; the “Securities Exchange Act of 1934”) and the rules promulgated thereunder do not apply to the Tender Offer, and the Tender Offer does not conform to such procedures and standards. None of the financial information included or referred to in this Press Release and the reference documents of this Press Release is based on the U.S. accounting standards. Thus, such information is not necessarily equivalent or comparable to financial information prepared in accordance with the U.S. accounting standards. In addition, the Tender Offeror is a corporation established outside the United States and some or all of its directors and officers are non-residents of the United States, and it may be difficult for you to enforce your rights or claims arising under the U.S. securities laws. You may not be able to take legal actions against a corporation outside the United States or its directors and officers in a non-U.S. court for violation of the U.S. securities laws. Furthermore, the jurisdiction of the U.S. court may not be found over a corporation outside the United States or its subsidiaries or affiliates.

All of the procedures concerning the Tender Offer will be conducted in the Japanese language. While all or some of the documents relating to the Tender Offer are prepared in English, should there be any inconsistency between such document in English and any document in Japanese, the Japanese language document shall take precedence.

The Tender Offeror and its affiliates (including our company) and affiliates of their respective financial advisors may, in accordance with the requirements of Rule 14e-5(b) of the Securities Exchange Act of 1934, purchase or arrange to purchase shares of the common stock of our company for their own account or for the account of their customers by any means other than through the Tender Offer before the commencement of the Tender Offer or during the period of purchase under the Tender Offer within the ordinary course of their business, to the extent permitted under Japanese legislation relating to financial instruments trading. If any information concerning such purchase is disclosed in Japan, the person making such purchase will disclose on its website such information in the English language.

Forward-looking Statements

This Press Release contains “forward-looking statements” as defined in Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934. These “forward-looking statements” tend to mainly address future business prospects of our company or other companies, and tend to include words such as “anticipated,” “expected,” “scheduled,” “plans” and “believes.” Any known or unknown risks, uncertainties or other factors could cause actual results to differ materially from the projections expressed or implied in “forward-looking statements.” Neither the Tender Offeror nor its affiliates can guarantee that the projections expressed or implied in the “forward-looking statements” will prove to have been correct. The “forward-looking statements” in this Press Release were prepared based on information available to the Tender Offeror as of the date of this Press Release, and unless required by law or rules of stock exchanges, neither our company nor any affiliate of ours is obligated to update or modify such statements to reflect any future event or condition.

Other Countries

Some countries or regions may impose restrictions on the announcement, issuance or distribution of this Press Release. In such a case, such restrictions should be noted and complied with. The announcement, issuance or distribution of this Press Release shall not constitute an offer to purchase shares or a solicitation of offers to sell shares in relation to the Tender Offer, and shall be deemed to be a distribution of materials for informational purposes only.