[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

May 30, 2013

To whom it may concern

Company name	Mitsubishi Heavy Industries, Ltd.
Representative	Shunichi Miyanaga, President and CEO (Code Number 7011)
Listed stock exchange	Tokyo, Osaka, Nagoya, Fukuoka and Sapporo
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Announcement Concerning Commencement of Tender Offer for Toyo Engineering Works, Ltd. Shares

Mitsubishi Heavy Industries, Ltd. (hereinafter the “Company” or the “Tender Offeror”) announces that, upon resolution of the Board of Directors’ meeting on May 30, 2013, it decided to acquire common shares of Toyo Engineering Works, Ltd. (the “Subject Company” listed on the Second Section of Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) under the code number 6443) through tender offer (hereinafter the “Tender Offer”), as stated below.

1. Purpose of Tender Offer

(1) Overview of Tender Offer

As of today, the Company holds 8,295,000 common shares of the Subject Company (hereinafter the “Subject Company’s Common Shares”). (This represents 38.73% (rounded to the second decimal place. The same shall apply to calculation of the shares hereinafter) of (21,415,777 shares), which is calculated by subtracting treasury shares (excluding 377,000 shares held by the Employee Stock Ownership Plan (ESOP) trust account; hereinafter the same unless otherwise specified) (880,427 shares) held by the Subject Company as of December 31, 2012 as reported on the quarterly securities report for the first nine months of the 74th fiscal year filed by the Subject Company on February 13, 2013 from the total issued shares of the Subject Company as of December 31, 2012 (22,296,204 shares) as stated in the said quarterly securities report.) The Subject Company is an equity method affiliate of the Company. Upon the resolution of the Board of Directors’ meeting held on May 30, 2013, the Company decided to acquire all of the Subject Company’s Common Shares outstanding listed on the Tokyo Stock Exchange, excluding treasury shares of the Subject Company, through the Tender Offer with the aim of making the Subject Company its wholly-owned subsidiary (the “Transaction”).

In connection with the Tender Offer, the Company concluded on May 30, 2013 a tender offer acceptance agreement (the “Acceptance Agreement”) with Nichirei Corporation (“Nichirei”)—the second largest shareholder of the Subject Company (as of September 30, 2012)—under which Nichirei would accept the Tender Offer for all of the Subject Company’s Common Shares held by Nichirei. (As of the filing date hereof, Nichirei holds 2,465,000 shares, or 11.05 % (rounded to the second decimal place) of the 22,296,204 total issued shares of the Subject Company as of December 31, 2012 as reported on the quarterly securities report for the first nine months of the 74th fiscal year filed by the Subject Company on February 13, 2013 (hereinafter the "Ownership Ratio")). The second largest shareholder, Nichirei, is independent from the Company, the Tender Offeror, and is a large shareholder of the Subject Company's Common Shares. The Company concluded that Nichirei has incentives to sufficiently engage in negotiations over the tender offer price per Subject Company's Common Share in the Tender Offer, (hereinafter the "Tender Offer Price"), and other relevant terms and conditions, and made a proposal to Nichirei on this Tender Offer around March 2013, for the purpose of securing fairness of the Tender Offer through negotiations with Nichirei. Subsequently, the Company and Nichirei concluded, after a series of negotiations, the Acceptance Agreement on May 30, 2013. For an outline of the Acceptance Agreement, please refer to "(7) Matters Relating to Important Agreements between Tender Offeror and the Subject Company's Shareholders Concerning Tendering Shares" mentioned below.

In the Tender Offer, the minimum number of securities to be acquired is set at 6,929,000 shares, or 31.07%. This is calculated by adding (a) the majority of the Subject Company's Common Shares held by shareholders excluding the Company, the Affiliates, and the Affiliate's Officer, (6,192,389 shares), which is calculated by subtracting (i) the number of treasury shares (880,427 shares) held by the Subject Company as of December 31, 2012 as reported on the said quarterly securities report, (ii) the number of the Subject Company's Common Shares (8,295,000 shares) held by the Tender Offeror as of the filing date hereof, (iii) the number of the Subject Company's Common Shares (721,000 shares) (720,000 shares or 3.22%) held by Shinryo Corporation, an affiliate accounted for by the equity method as of the filing date hereof, and 1,000 shares or 0.00% held by Daiya Reidan Kogyo Co., Ltd. an affiliate, as of the filing date hereof (hereinafter collectively called the "Affiliates"), and (iv) the number of the Subject Company's Common Shares (15,000 shares), 15,000 shares or 0.06%) held by Mr. Hiroji Matsui, Director of Ryoyu Systems Co., Ltd., an affiliate accounted for by the equity method (hereinafter the "Affiliate's Officer") as of the filing date hereof from the aggregate number of the Subject Company's issued shares (22,296,204 shares) as of December 31, 2012 as reported on the quarterly securities report for the first nine months of the 74th fiscal year filed by the Subject Company on February 13, 2013, (12,384,777 shares), and (b) the number of the Subject Company's Common Shares (736,000 shares) held by the Affiliates and the Affiliate's Officer, rounded up for shares less than a trading unit (1,000 shares) (Hypothetically, if the Company acquires securities equivalent to the minimum number of securities to be acquired, the number of Subject Company's Common Shares held by the Company will be 15,224,000 shares, or 68.28%). Therefore, if the total number of shares offered to sell in response to the Tender Offer (the "Tendered Shares") is less than 6,929,000 shares (or 31.07%), none of the Tendered Shares will be purchased. The Affiliates and the Affiliate's Officer holding the Subject Company's Common Shares are to the extent known as of the filing date hereof and based on the investigations by the Tender Offeror. In addition, as we have not set an upper limit on the number of securities to be acquired, if the total number of Tendered Shares exceeds the minimum number to be purchased, all of the Tendered Shares will be purchased.

If the Company does not acquire all of the Subject Company's Common Shares outstanding (excluding treasury shares held by the Subject Company) through the Tender Offer, the Company will request after the completion of the Tender Offer that the Subject Company go through procedures for having the Company acquire all of the Subject Company's Common Shares outstanding (excluding treasury shares held by the Subject Company) to make the Subject Company a wholly-owned subsidiary (hereinafter the "Procedures for Making the Subject Company A Wholly-Owned Subsidiary), as stated in "(5) Plan for Reorganization after Tender Offer (Matters relating to Two-Step Takeover)" mentioned.

According to the "Announcement Concerning Expression of Opinion on Implementation of Tender Offer for the Company's Common Shares by Mitsubishi Heavy Industries, Ltd. and Recommendation for Tender Offer" released by the Subject Company on May 30, 2013 (the "Subject Company's Press Release"), the Subject Company has determined that, because becoming a wholly-owned subsidiary of the Company will make it possible to take advantage of the overseas expansion forces and technical capabilities that the Tender Offeror has, and further strengthen the Subject Company's overseas expansion forces, strengthen technical capabilities in order to promote the differentiation from the competitors, and further expand the scale of the services business with offices across the country which is the strength of the Subject Company by organizing the business overlap with the Tender Offeror, the Company's proposal will contribute to the improvement of its corporate value in the medium and long term. The Subject Company therefore entered into a series of consultations over the Tender Offer Price and other terms and conditions concerning the Tender Offer. The Subject Company also carefully reviewed a valuation report (the "Valuation Report") submitted on May 30, 2013 by Deloitte Touche Tohmatsu LLC ("Deloitte Tohmatsu"), a financial advisor and third-party valuation institution independent from the Company and the Subject Company, the legal advice obtained from TMI Associates ("TMI") as a legal advisor independent from the Company and the Subject Company, the report submitted from the third-party committee stated in (d) Establishment of the Independent Third-Party Committee at Subject Company under (4) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest herein and other relevant materials. In addition, the Subject Company comprehensively considered other factors, including whether the premiums offered above the market share price of the Subject Company were sufficient in view of the level of premiums offered in similar transactions, and the Subject Company concluded that the Tender Offer Price and other terms and conditions of the Tender Offer are reasonable for the Subject Company's shareholders, and that the Tender Offer will provide the Subject Company's shareholders a reasonable opportunity to sell shares. Consequently, on May 30, 2013, at the Subject Company's Board of Directors' meeting, all directors except for Mr. Masahiko Arihara and Mr. Kunio Otani unanimously approved to state an opinion supporting the Tender Offer and to recommend that the Subject Company's shareholders tender their shares in the Tender Offer.

All of the corporate auditors except for Mr. Toshiro Yagami and Mr. Masayuki Senoo participated in the aforementioned Board of Directors' meeting and stated that they agreed to the Tender Offer and had no objection to recommending that Subject Company's shareholders tender their shares in the Tender Offer.

Among the Subject Company's directors, Mr. Masahiko Arihara concurrently serves as a director of the Company, and Mr. Kunio Otani concurrently serves as a director of Nichirei, which has concluded the Acceptance Agreement with the Company. From the perspective of avoiding the possibility of any conflict of interest, both directors refrained from participating in any discussions and resolutions regarding the Transaction, including the above resolution by the Subject Company's Board of Directors to approve the Tender Offer. Mr. Masahiko Arihara and Mr. Kunio Otani refrained from participating in any consultations, reviews or negotiations with the Tender Offeror as directors of the Subject Company. Meanwhile, among the Subject Company's directors, Mr. Eiki Kurokawa is a former Deputy Head of Air-Conditioning & Refrigeration Systems at the Company, and Mr. Masaaki Futami is a former Deputy Head of Yokohama Works at the Company. However, there have been more than three years since they either resigned or transferred from the Company, and they as directors of the Subject Company are not in any position to receive directions from the Company. As such, as of today, they have no conflict of interest or any possible conflict of interest with respect to the Subject Company. Among the Subject Company's corporate auditors, Mr. Toshiro Yagami concurrently serves as a statutory auditor of the Company, and Mr. Masayuki Senoo concurrently serves as an employee of the Company. From the same perspective, both corporate auditors refrained from participating in any discussions on the Transaction, including the above resolution by the Subject Company's Board of Directors to approve the Tender Offer.

(2) Background Leading up to Decision to Conduct Tender Offer, Purpose and Decision-Making Process

Since its foundation in 1884, the Company has coexisted in partnership with customers and society. The Company has consistently delivered a variety of products that support people' s lives around the world, and has contributed to the development of society by being at the forefront in pioneering new approaches to "manufacturing" in every era. The product line ranges widely from aerospace rockets and power-generation facilities to ships, industrial equipment and home air-conditioners. These 700 types of products have built the infrastructure underlying people's lives. The Company believes that it can resolve issues faced by people living on this planet by leveraging its experience and insight from involvement in the development of the world's social and industrial infrastructure, thereby expanding the arena of its activity further. In particular, it is imperative to shift to a low carbon society on a global scale as an initiative to reduce carbon dioxide (CO_2) emission, one of the major causes of "global warming." Global warming has been caused by complex and entangled factors such as economic growth, expanding energy demands and environmental loads. As an unparalleled global enterprise with a broad range of technologies and products, the Company will be able to strike a balance between stable energy supply and environmental load reduction. The Company will provide a comprehensive solution to realize low carbon society and create new businesses by integrating its technologies accumulated in a variety of fields and capitalizing on its strength in existing businesses, with an aim to become a leading company in the energy and environment domain in the future.

The air-conditioning & refrigeration (AC&R) business, one of the Company's core businesses in the energy and environment domain, is roughly divided into two segments—one is the stationary equipment segment, such as air-conditioners (residential use air-conditioners and commercial use air-conditioners) and centrifugal chillers, and the other is the vehicle equipment segment, such as car air-conditioners and transport freezers. The heat pump technology—a core technology in the Company's AC&R business—is recognized as one of renewable energies, including sunlight, wind power and water power. In the European Union (EU), this technology was defined as a renewable energy earlier in 2008, while in Japan, it was positioned as a renewable energy under the Law Concerning Sophisticated Methods of Energy Supply Structures in 2009. Today, this technology is increasingly used around the world as an important energy source leading to the low carbon society, and its demand is expanding not only in the developed countries but also in the emerging countries. The Company provides an array of product lineups using this technology, including vehicle equipment business, and has entered the market of electric heat-pump water heaters. The Company also made a foray into overseas market early among Japanese competitors, and is currently operating widely in Europe, China, Asia and other locations.

The stationary equipment segment of the Company's AC&R business and the Subject Company have a common business field of air conditioning and refrigeration in a broad sense. The domestic market for the stationary equipment segment is already maturing and not expected to grow in the medium and long term due to the falling birth rate, aging population, and declining domestic investment. On the other hand, overseas markets continue to see a high growth potential in the future because of the increasing penetration rates of air conditioners in developed countries, improving living standards in emerging countries in tandem with economic growth, and expanding population. In terms of business environment, however, added values from selling equipment alone have been dwindling every year as price competition gets fiercer, and this has caused a shift of added values to the downstream of a supply chain, such as solutions, construction works and after-sales services. Japanese manufactures previously enjoyed high market shares in the world on the back of advanced technological capabilities, but competition has been intensifying year after year as Chinese and Korean manufactures have gained power recently.

Under such business environment, the Company has been promoting the following measures in order to strengthen business infrastructure for the stationary equipment segment as well as to expand the business scale:

(a) Strengthen the solution service business in the downstream of a supply chain, establish an operational framework that covers consistently from equipment sales to after-sales service, and strengthen the business structure by reviewing the traditional practice that largely depends on equipment unit sale.

(b) Focus on system proposals to differentiate the Company's products from competitors' and avoid price competition. Differentiation is difficult to achieve just by selling equipment alone.

(c) Launch heat-pump water heaters primarily for commercial facilities and industrial plants, expand the sales of these heaters both in Japan and overseas, and capture the rapidly-expanding market of electric heat-pump water heaters that are designed to reduce CO_2 emission and help energy saving.

(d) Consolidate the air-conditioning business unit and the centrifugal chiller business unit to promote the joint development and sales of chillers and heat-pump water heaters. These products are positioned midway between air conditioners and centrifugal chillers in terms of capability.

Meanwhile, the Subject Company was established in 1952 through joint investment by Nichirei (Nippon Reizo Co. Ltd. at that time) and the Company, in pursuit of “an advanced use of refrigeration engineering systems and equipment.” Its business contents were mainly ice making and refrigeration, and the Subject Company has worked from early in air conditioning for buildings, sale of refrigeration equipment for chemical plants, and engineering. In 1962, the Subject Company was listed on the Second Section of the Tokyo Stock Exchange, and built a new plant in Yamato city, Kanagawa prefecture. Today, the Subject Company has established a certain position in the domestic freezing and refrigeration industry, based on two pillars—the engineering business, such as refrigerator-freezer warehouses and environmental test equipment, and the air conditioning business, including air handling units (an integrated type large air conditioning unit which distributes temperature- and humidity-conditioned air through rooms, using chilled water, hot water, steam, etc. supplied from external heat source equipment), and the Company’s centrifugal chiller service.

The engineering business mainly provides temperature-controlled logistics, food processing, beverage cooling, environmental tests, design/manufacturing/construction of refrigeration & environmental engineering systems such as manufacturing plant process and special air-conditioning, and maintenance service. The Subject Company contributes to society through energy saving and environment protection and has earned a good reputation. Using a technology to customize varying orders from industries and production facilities, the Subject Company caters to a wide range of industries from food to cutting-edge IT firms as an EPC (Engineering Procurement Construction) provider in the refrigeration related field. Especially in terms of environment-responsive technology, the Subject Company has strived to disseminate chlorofluorocarbon (CFC)-free refrigeration units using natural refrigerant (CO_2, NH_3).

The air conditioning business is mainly engaged in the manufacturing and sale of air-conditioners and refrigeration equipments as well as in the installation and test run of air-conditioning products and centrifugal chillers manufactured by the Company. The Subject Company has consistently deployed the business in order to create comfortable environments that satisfy various customer needs. Its wide-ranging products from heat source equipment to terminal equipment and refrigerant equipment, advanced technological capabilities, and nation-wide distribution & service networks are highly praised. The Subject Company has self-developed and sold a “direct expansion air handling unit” that shows excellent energy saving ability and environmental countermeasure benefits.

Business environment is expected to become more difficult for the Subject Company as its main domestic market remains flat or shrink due to the falling birth rate, aging population, and declining domestic investment. It is therefore necessary to expand into growing global markets to capture more business opportunities. And to do so, it is also urgently needed to enhance cost competitiveness. A big challenge is to accelerate overseas expansion as aggressively as competitors. As one of its air-conditioning services, the Subject Company undertakes the Company’s centrifugal chiller service business, but the number of centrifugal chiller units to receive maintenance is on the decrease, which will affect profits inevitably. Given this business environment, the Subject Company has been promoting the following three measures as business challenges to be addressed:

(a) Securing orders and sales

Satisfy customer needs by putting on sale improved natural refrigerant equipment in anticipation of the promotion of CFC elimination, launching heat-pump products, introducing proposal-type sales by sales engineers for the renewal market, and taking orders including construction works through utilization of service networks. On the other hand, strengthen overseas business capability and establish a support system in response to clients’ rapid overseas expansion.

(b) Promotion of cost reduction

Strengthen risk management at the time of order acceptance, ensure thorough budget management, and promote purchase cost reduction including increasing of overseas procurement. Reduce hours of work and improve productivity by standardizing designing and manufacturing processes and strengthening process management at construction sites. Reduce fixed expenses by revamping mission-critical systems for sales, purchase and accounting, drastically simplifying indirect operations, and minimizing administrative and indirect operations.

(c) Promotion of quality improvement
Prevent non-compliance by enhancing technological capabilities of the Design Division and the Construction Division and improving check systems. Improve quality by promoting an early resolution of non-compliant cases through enhancement of quality meeting and thorough cause analysis. Promote deliberate technology accessions such as strengthening of a design support framework in order to maintain and improve technological strength.

The Company was one of the (two) investors when the Subject Company was established. The Company and the Subject Company have the AC&R business infrastructure in common. The Subject Company serves as a service agent for the Company's centrifugal chiller and as a distributor of the Company's air-conditioning equipment. As a partner to develop specific products, both companies have maintained a flexible cooperative relationship based on the AC&R business, which is believed to have achieved some positive results in the development and sale of new products. However, both companies share recognition that business environment will become more difficult due to the sluggish domestic market and intensifying price competition, and have discussed ways to deepen cooperation further in order to improve corporate values of both companies.

As a result, the Company has reached a conclusion that making the Subject Company a wholly-owned subsidiary and strengthening the two companies' cooperation would allow them to cooperate closer in business and reorganize their functions. Consequently, the Company made a proposal in February 2013 to the Subject Company to make the Subject Company a wholly-owned subsidiary. They believe that this will enable them to cooperate in each value chain for technology, sales and production in the AC&R business in general, as well as to make utmost efforts to create synergies and help improve business results on a consolidated basis. They also believe that the Subject Company will benefit from synergies in the centrifugal chiller service business and the engineering business. Furthermore, they believe that this combination will allow them to make best use of their limited management resources, promote efficient business development and maximize synergies. Starting early May 2013, the Company and the Subject Company held several meetings for consultations over the Tender Offer Price and other terms and conditions concerning the Tender Offer. Consequently, at its Board of Directors' meeting held on May 30, 2013, therefore, the Company adopted a resolution to conduct the Tender Offer to make the Subject Company a wholly-owned subsidiary of the Company.

To be more specific, the Company believes that corporate values will be improved through the following measures after making the Subject Company a wholly-owned subsidiary of the Company:

(a) The Subject Company's business is focused on domestic customers, but the domestic market is unlikely to grow due to declining population and relocation of plants to foreign countries. Competitors have already been developing business overseas, while the Subject Company only receives subordinate construction orders from domestic customers for their overseas expansion. It is an urgent task for the Subject Company to embark on the development of overseas markets. On the other hand, the Company has already operated globally and has many plants, offices and sales networks abroad. The Company has also been involved in many deals in the EPC business—a mainstay line of business for the Subject Company. Accordingly, the Subject Company will be able to accelerate overseas expansion by utilizing the Company's knowhow and infrastructure for overseas business. The Company also considers implementing personnel exchanges between the two companies in order to benefit from the knowhow on overseas expansion.

(b) In the engineering business, the Company has dealt with various plants as a diversified heavy industrial manufacturer. As a recent trend, an effective use of heat generated within a plant has emerged as an issue to be addressed from the standpoint of global warming prevention and running cost improvement. Meanwhile, the Subject Company has a heat utilization technology through the use of cooling, waste heat recovery and CO_2 recovery, and this technology will not only enhance the competitiveness of the Company's plants but also expand the business scale of the Subject Company. The trend is toward regulating the use of CFC. In the low temperature engineering field, the Company has CFC-free compressor technology, and the Subject Company can use this technology to expand business in the low temperature market and the quick freezing market. Likewise in the field of environmental test equipment, the Company has advanced technologies such as a noise reduction technology, and use of these technologies will help the Subject Company expand its business. In addition, the Company has technological capabilities to handle a wide range of businesses, including EPC, and can address various technological issues promptly and appropriately. Use of the Company's technological capabilities will also help the Subject Company strengthen its engineering infrastructure. Moreover, becoming a wholly-owned subsidiary will further facilitate the Subject Company's use of the Company's technological capabilities, and will allow further technological exchanges more than ever.

(c) In the air-conditioning business, the Subject Company is able to provide construction & service not only for freezer main units but also for peripheral devices for air-conditioning equipment. This is a kind of service not offered by the Company. Combining with the Company's air-conditioner service business will allow both companies to expand their service businesses. Some of centrifugal chiller services overlap between the Company and the Subject Company, therefore, by making the Subject Company a wholly-owned subsidiary this time, operational processes will be simplified, and labor saving will be achieved. Excess personnel resulting from this labor saving will be used to develop service demands to increase revenue from the service business. Besides these services, both companies mull ways to unify centrifugal chiller-related operations in order to bolster their business structures.

(d) The Company has strived to improve and systemize operational processes, and has various kinds of knowhow and systems for that purpose. These include accounting, sales and materials management systems, a design support system to develop designers and enhance design efficiency, and a production management system to improve productivity at plants. Employing these systems will greatly help the Subject Company reinforce its business infrastructure, enhance its technological capabilities and improve the efficiency in design and engineering work.

(3) Management Policies after Tender Offer

As stated earlier, in order to achieve further enhancement of the enterprise value of the Mitsubishi Heavy Industries' group comprised of the Company, the Company's subsidiaries and affiliates, if the Company is unable to acquire all of the aggregate issued shares of the Subject Company (excluding the treasury shares owned by the Subject Company), the Company plans to request that the Subject Company implement the Procedures for Making the Subject Company a Wholly-Owned Subsidiary and to make the Subject Company its wholly-owned subsidiary through said Procedures. (For further details, please refer to "(5) Plan for Reorganization after Tender Offer (Matters relating to Two-Step Takeover)". As a matter of the Subject Company's management policies after completion of the Procedures for Making the Subject Company a Wholly-Owned Subsidiary, the Company places the first priority on achieving anticipated synergistic effects as early as possible, and utilizes the management resources of both companies and promptly implements the necessary measures and frameworks through consultation with the Subject Company. The Company essentially envisions keeping the Subject Company's management framework as it currently stands after completion of the Procedures for Making the Subject Company a Wholly-Owned Subsidiary. However, in order to ensure that the framework will create synergies between the Company and the Subject Company to the maximum extent possible, the Company plans to continue its reviews and to ultimately determine the management framework after the completion of the Procedures for Making the Subject Company a Wholly-Owned Subsidiary (at this moment, the Procedures for Making the Subject Company a Wholly-Owned Subsidiary is scheduled to be completed in late November 2013). According to the Notice Regarding Changes on the Board of Directors released on May 10, 2013 by the Subject Company, the Subject Company resolved at the Board of Director's meeting held on the day a plan of changes on the Board of Directors, on the assumption that the election of Board of Directors would be resolved at the 74th Ordinary General Meeting of Shareholders to be held in June 2013. Specifically, three directors of the Subject Company, Mr. Hiroshi Yamamoto, Mr. Masanobu Akama, and Mr. Kunio Otani, will retire while the other four directors, Mr. Eiki Kurokawa, Mr. Ken Kurachi, Mr. Masaaki Futami, and Mr. Masahiko Arihara, will be reappointed. In addition, three persons, Mr. Isao Hirano, Mr. Seiichi Yamashita and Mr. Takumi Taguchi, will be newly appointed as directors of the Subject Company.

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

As stated in "(1) Overview of Tender Offer", the Company treats the Subject Company as an affiliate to which the equity method is applicable. Given the possibility that structural conflicts of interest may arise as the Subject Company reviews the Transaction, the Company and the Subject Company have implemented the following measures as measures to ensure the fairness of the Tender Offer, including those to ensure the fairness of the Tender Offer Price and to avoid any conflicts of interests:

(a) Procurement of Valuation Report from Independent Third-Party Valuation Institution by Tender Offeror

In determining the Tender Offer Price, the Company used as a reference a valuation report (the "Valuation Report") submitted on May 30, 2013 by Nomura Securities Co., Ltd. ("Nomura Securities"), a third-party financial advisor independent from the Company and the Subject Company.

Having considered calculation methods for the purpose of the Tender Offer, Nomura Securities calculated the value of the Subject Company's Common Shares by means of Average Market Price Analysis, Comparable Companies Analysis, and Discounted Cash Flow (DCF) Analysis. The Company has not obtained a fairness opinion on the fairness of the Tender Offer Price from Nomura Securities.

According to the Valuation Report, the range of implied values per common share of the Subject Company resulting from the above-mentioned analyses is as follows:

(i) Average Market Price Analysis: 216 yen to 249 yen

Under the Average Market Price Analysis, using May 29, 2013 as the reference date, the Subject Company's Common Shares were analyzed on the basis of the average closing prices of the common shares traded on the Second Section of the Tokyo Stock Exchange for the most recent six months (216 yen, rounded to the nearest whole number; hereinafter the same shall apply to the numerical value of yen in this paragraph), the most recent three months (235 yen), the most recent one month (244 yen) and the most recent one week (249 yen), and of the closing price on the reference date (249 yen), and that yielded a range of 216 yen to 249 yen for the implied per-share value of the Subject Company's Common Shares.

(ii) Comparable Companies Analysis: 188 yen to 483 yen

Under the Comparable Companies Analysis, the Subject Company's Common Shares were analyzed by comparing the financial indicators representing the market share price, profitability, etc. of the Subject Company with those of listed companies operating businesses relatively comparable to the Subject Company's businesses, and that yielded a range of 188 yen to 483 yen for the implied per-share value of the Subject Company's Common Shares.

(iii) DCF Analysis: 414 yen to 563 yen

Under the DCF Analysis, the enterprise value and the value of the Subject Company's Common Shares were analyzed by discounting to their present value at a certain specific discount rate the free cash flow that the Subject Company is expected to generate in the future based upon the Subject Company's projected earnings for the fiscal year ending March 31, 2014 and thereafter which factored in various factors including the Company's own business plan, originally provided by the Subject Company and considered by the Company (part of the anticipated effect from the Transaction is reflected in the business plan), up-to-date business performance trends and publicly disclosed information, and that yielded a range of 414 yen to 563 yen for the implied per-share value of the Subject Company's Common Shares. Significant increases or decreases in profit are projected in some fiscal years in the business plan used for the DCF analysis. This is primarily attributed to a decrease in profits as the extraordinary gains from transfer of fixed assets recorded in the fiscal year ended March 31, 2013 will not be recorded in the fiscal year ending March 31, 2014, and an increase in profits as projected expenses for office relocation, etc. in the fiscal year ending March 31, 2014 will not likely be incurred in the fiscal year ending March 31, 2015.

Taking comprehensively into consideration the results of calculations based on the analyses described in the Valuation Report obtained from Nomura Securities, the results of the due diligence on the Subject Company, the market trend of the price of the Subject Company's Common Shares for the last six months, the likelihood of obtaining the support of the Subject Company for the Tender Offer, and the expected number of shares to be tendered in the Tender Offer, as well as the consultations and negotiations with the Subject Company and Nichirei, which has concluded the Acceptance Agreement with the Company, the Company ultimately determined the Tender Offer Price to be 542 yen at its Board of Directors' meeting held on May 30, 2013.

The Tender Offer Price of 542 yen represents a premium of 117.67% (rounded to the second decimal place; hereinafter the same shall apply in this paragraph) on the closing price of the Subject Company's Common Shares of 249 yen on the Second Section of the Tokyo Stock Exchange on May 29, 2013, which is the business day immediately preceding the day on which the Company announced the commencement of the Tender Offer; a premium of 122.13% on the simple arithmetic average closing price of 244 yen for the Subject Company's Common Shares on the Second Section of the Tokyo Stock Exchange for the last one month up to May 29, 2013; a premium of 130.64% on the simple arithmetic average closing price of 235 yen for the Subject Company' Common Shares on the Second Section of the Tokyo Stock Exchange for the last three months up to May 29, 2013; and a premium of 150.93% on the simple arithmetic average closing price of 216 yen for the Subject Company's Common Shares on the Second Section of the Tokyo Stock Exchange for the last six months up to May 29, 2013.

(b) Procurement of Valuation Report from Independent Third-Party Valuation Institution by Subject Company

According to the Subject Company's press release, for the purpose of considering the appropriateness of the Tender Offer Price, the Subject Company used as a reference a valuation report (the "Subject Company Valuation Report") submitted by Deloitte Touche Tohmatsu LLC ("Deloitte Tohmatsu") on May 30, 2013, a third-party valuation institution independent from the Company and the Subject Company.

Having considered calculation methods for the purpose of the Tender Offer, Deloitte Tohmatsu calculated the value of the Subject Company's Common Shares by means of Average Market Price Analysis, Comparable Companies Analysis, and Discounted Cash Flow (DCF) Analysis. The Subject Company has not obtained a fairness opinion on the fairness of the Tender Offer Price from Deloitte Tohmatsu.

According to the Subject Company Valuation Report, the range of implied values per common share of the Subject Company resulting from the above-mentioned methods is as follows:

(i) Average Market Price Analysis: 216 yen to 249 yen

Under the Average Market Price Analysis, using May 29, 2013 as the reference date, the Subject Company's Common Shares were analyzed on the basis of the average closing prices of the Subject Company's Common Shares traded on the Second Section of the Tokyo Stock Exchange for the most recent six months (216 yen), the most recent three months (235 yen), the most recent one month (244 yen) the most recent one week (249 yen), and of the closing price on the reference date (249 yen), and that yielded a range of 216 yen to 249 yen for the implied per-share value of the Subject Company's Common Shares.

(ii) Comparable Companies Analysis: 272 yen to 384 yen

Under the Comparable Companies Analysis, the Subject Company's Common Shares were analyzed by comparing the financial indicators representing the market share price, profitability, etc. of the Subject Company with those of listed companies operating businesses relatively comparable to the Subject Company's businesses, and that yielded a range of 272 yen to 384 yen for the implied per-share value of the Subject Company's Common Shares.

(iii) DCF Analysis: 331 yen to 574 yen

Under the DCF Analysis, the enterprise value and the value of the Subject Company's Common Shares were analyzed by discounting to their present value at a certain specific discount rate the free cash flow that the Subject Company is expected to generate in the future based upon the Subject Company's projected earnings for the fiscal year ending March 31, 2014 and thereafter which factored in various factors including the Subject Company's business plan (the synergies from the Transaction are reflected in the business plan), up-to-date business performance trends, and publicly disclosed information, and that yielded a range of 331 yen to 574 yen for the implied per-share value of the Subject Company's Common Shares. Significant increases or decreases in profit are projected in some fiscal years in the business plan used for the DCF analysis. This is primarily attributed to a decrease in profits as the extraordinary gains from transfer of fixed assets recorded in the fiscal year ended March 31, 2013 will not be recorded in the fiscal year ending March 31, 2014, and an increase in profits as projected expenses for office relocation, etc in the fiscal year ending March 31, 2014 will not likely be incurred in the fiscal year ending March 31, 2015.

(c) Advice to Subject Company from Independent Law Firm

According to the Subject Company's press release, in order to engage in careful discussions of the Transaction and to ensure the fairness and appropriateness of the process of decision-making by its Board of Directors, the Subject Company retained TMI Associates ("TMI") as a legal advisor independent from the Company and the Subject Company, and obtained legal advice on the methods and procedures of decision-making by the Board of Directors concerning the Transaction and other issues to be considered in making decisions on the Transaction.

(d) Establishment of the Third-Party Committee at Subject Company

According to the Subject Company's press release, on April 2, 2013 and prior to deliberating and passing a resolution on the pros and cons of the Transaction including the Tender Offer at the Subject Company's Board of Directors' meeting, the Subject Company established a third-party committee consisting of Mr. Hideyuki Sakai, an outside expert highly independent from the Subject Company's Board of Directors (an attorney at law with Bingham McCutchen LLP and Sakai, Mimura and Aizawa Law Office), Mr. Akira Nishida (an attorney at law with Nishida Law Office), and Mr. Shinsuke Hasegawa (a certified public accountant and licensed tax accountant with Hasegawa CPA Office), for the purposes of ensuring fairness in the process taken by the Subject Company's Board of Directors' meeting concerning the Transaction including the Tender Offer and avoiding potential conflicts of interest by eliminating arbitrariness from the decision-making by said Board of Directors' meeting, and thereby confirming that the Transaction including the Tender Offer would not be disadvantageous to general shareholders, including minor shareholders of the Subject Company ("Minor Shareholders") after the Tender Offer. On the occasion of reviewing the Transaction including the Tender Offer, the Subject Company requested that the third-party committee consider (a) whether or not the purpose of the Transaction is legitimate, (b) whether or not the process of negotiations relative to the Transaction is fair, (c) whether or not the consideration to be delivered to the Subject Company's Minor Shareholders under the Transaction is reasonable, and (d) whether or not the Transaction would be disadvantageous to the Subject Company's Minor Shareholders given (a) through (c); and submit to the Subject Company a report setting forth its opinion on these consultation matters.

The third-party committee has held 6 meetings in total since April 2, 2013 through May 23, 2013, and the members consulted with each other on, and reviewed, these consultation matters. Specifically, the third-party committee received explanations from the Subject Company, Deloitte Tohmatsu as the Subject Company's financial advisor, and TMI as the Subject Company's legal advisor concerning various matters such as the details of the Company's proposal to the Subject Company, the Tender Offer, the purpose of a series of procedures that are described in "(5) Plan for Reorganization after Tender Offer (Matters relating to Two-Step Takeover)" below and are scheduled to be taken after the Tender Offer, and specific details of the enterprise value of the Subject Company to be enhanced by the Tender Offer. Based on such explanations, the third-party committee asked questions of, and received answers from, the Subject Company and said advisors. In addition, the third-party committee consulted the Subject Company Valuation Report submitted by Deloitte Tohmatsu, and received explanations from Deloitte Tohmatsu about the valuation of common shares of the Subject Company, and asked questions of, and received answers from, Deloitte Tohmatsu on such valuation. On May 30, 2013, after such consultations and reviews, and carefully discussing and reviewing the abovementioned consultation matters, the third-party committee submitted to the Subject Company a report summarizing its opinion to the effect that (a) the Transaction is deemed to be aimed at enhancing the enterprise value of the Subject Company, and the purpose of the Transaction is appropriate, (b) the process of negotiations concerning the Transaction is fair, (c) the consideration to be delivered to the Subject Company's Minor Shareholders under the Transaction is reasonable, and (d) given the foregoing opinions stated in items (a) through (c), the Transaction will not be disadvantageous to the Subject Company's Minor Shareholders. The third-party committee offered such opinions on the basis of various factors, including that (w) the committee found no unreasonable points in the explanations from the Subject Company concerning the significance and purpose of the Transaction including the Tender Offer that were given in the manner similar to that provided in "(2) Background Leading up to Decision to Conduct Tender Offer, Purpose and Decision-Making Process", and therefore it is considered that the decision-making by the Subject Company was based on rational consideration; (x) for the purpose of ensuring the fairness of the process of decision-making by the Subject Company and avoiding conflicts of interest, the relevant measures were taken as stated in "(4) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest"; (y) (i) the Subject Company is believed to have carefully reviewed the Tender Offer Price by referring to the Valuation Report obtained from Deloitte Tohmatsu, a third-party valuation institution independent from the Company and the Subject Company, and (ii) as stated in (x) above, among others, throughout the Subject Company's review process of the Tender Offer Price, the negotiations are believed to have been fair as fairness was ensured and conflicts of interest were avoided by obtaining legal advice from an independent legal advisor and unanimous approval by the Subject Company's disinterested directors and corporate auditors; and (z) the Company plans that the amount of cash to be distributed to each shareholder of the Subject Company in the two-step takeover which is scheduled after the Tender Offer is to be equal to the Tender Offer Price multiplied by the number of the Subject Company's Common Shares held by said shareholder.

(e) Unanimous Approval by Subject Company's Disinterested Directors and Corporate Auditors in Attendance

According to Subject Company's press release, the Board of Directors of the Subject Company discussed and reviewed the terms and conditions of the Tender Offer, which aims to make the Subject Company a wholly-owned subsidiary of the Company, referring to the Subject Company Valuation Report received from Deloitte Tohmatsu on May 30, 2013, the legal advice obtained from TMI, the report submitted from the third-party committee, and other relevant materials. Based on such discussions and review, the Subject Company has determined that becoming a wholly-owned subsidiary of the Tender Offeror will make it possible to take advantage of the overseas expansion forces and technical capabilities that the Tender Offeror has, and further strengthen the Company's overseas expansion force, strengthen technical capabilities in order to promote the differentiation from the competitors, and further expand the scale of the services business with offices across the country which is the strength of the Subject Company by organizing the business overlap with the Tender Offeror, and will contribute to the improvement in its corporate value in the medium and long term. The Subject Company has also determined that the Tender Offer Price and other terms and conditions of the Tender Offer are reasonable for the Subject Company's shareholders, and that the Tender Offer will provide the Subject Company's shareholders a reasonable opportunity to sell shares.

Consequently, on May 30, 2013, at the Subject Company's Board of Director's meeting, all directors except for Mr. Masahiko Arihara and Mr. Kunio Otani unanimously approved to state an opinion supporting the Tender Offer and to recommend that Subject Company's shareholders tender their shares in the Tender Offer.

All of the corporate auditors except for Mr. Toshiro Yagami and Masayuki Seno participated in the aforementioned Board of Directors' meeting and stated that they agreed to the Tender Offer and had no objection to recommending that Subject Company's shareholders tender their shares in the Tender Offer.

Among the Subject Company's directors, Mr. Masahiko Arihara concurrently serves as a director of the Company, and Mr. Kunio Otani concurrently serves as a director of Nichirei, which has concluded the Acceptance Agreement with the Company. From the perspective of avoiding the possibility of any conflict of interest, both directors refrained from participating in any discussions and resolutions regarding the Transaction, including the above resolution by the Subject Company's Board of Directors to approve the Tender Offer. Mr. Masahiko Arihara and Mr. Kunio Otani refrained from participating in any consultations, reviews or negotiations with the Tender Offeror as directors of the Subject Company. Meanwhile, among the Subject Company's directors, Mr. Eiki Kurokawa is a former Deputy Head of Air-Conditioning & Refrigeration Systems at the Company, and Mr. Masaaki Futami is a former Deputy Head of Yokohama Works at the Company. However, there have been more than three years since they either resigned or transferred from the Company, and they as directors of the Subject Company are not in any position to receive directions from the Company. As such, as of today, they have no conflict of interest or any possible conflict of interest with respect to the Subject Company. Among the Subject Company's corporate auditors, Mr. Toshiro Yagami concurrently serves as a statutory auditor of the Company, and Mr. Masayuki Seno concurrently serves as an employee of the Company. From the same perspective, both corporate auditors refrained from participating in any discussions on the Transaction, including the above resolution by the Subject Company's Board of Directors to approve the Tender Offer.

(f) Securing Objective Circumstances That Assure Appropriateness of Tender Offer Price

The Company set the tender offer period for the Tender Offer (the "Tender Offer Period") at 30 business days, while the statutory minimum period is 20 business days. By setting the Tender Offer Period relatively long, the Company contemplates to assure the fairness of the Tender Offer by providing all of the holders of the Subject Company's Common Shares an appropriate opportunity to consider and decide whether or not to tender their securities in the Tender Offer and securing an opportunity for potential buyers other than the Company to acquire the Subject Company's Common Shares.

In addition, the Company and the Subject Company have not entered into any agreement that may restrict the Subject Company from contacting competing potential buyers. By ensuring an opportunity to make such competing offers as well as setting a relatively long Tender Offer Period, the Company and the Subject Company are giving due consideration to ensure the fairness of the Tender Offer.

(5) Plan for Reorganization after Tender Offer (Matters relating to Two-Step Takeover)

As stated in "(2) Background Leading up to Decision to Conduct Tender Offer, Purpose and Decision-Making Process" the Company aims to make the Subject Company its wholly-owned subsidiary. In the event that the Company cannot acquire all of the issued common shares of the Subject Company (excluding the treasury shares held by the Subject Company) through the Tender Offer, the Company plans to acquire all of the issued common shares of the Subject Company (excluding the treasury shares held by the Subject Company) by the method described below.

Specifically, after the Tender Offer comes into effect, with a view to complete the Procedures for Making the Subject Company a Wholly-Owned Subsidiary in late November 2013, the Company intends to request that the

Subject Company implement the following procedures: (a) to become a "company with class shares" under the Companies Act (Act No. 86 of 2005, as amended; the "Company Act") by amending a part of its articles of incorporation to allow the Subject Company to issue shares of a class different from the common shares; (b) to partially amend the articles of incorporation to subject all of the common shares issued by the Subject Company to a Wholly Call (as prescribed in Article 108, paragraph (1), item (vii) of the Companies Act; hereinafter the same); and (c) to acquire all of the Subject Company's Shares subject to the Wholly Call (excluding the treasury shares held by the Subject Company) and allot Subject Company's shares of a class different from the common shares in exchange for such common shares; and to hold the Extraordinary Shareholders Meeting, the agenda of which will include items (a) through (c) above; and to hold the Class Shareholders Meeting for the holders of the Subject Company's Common Shares, the agenda of which will include a partial amendment to the articles of incorporation as stated in (b) above. The Company intends to vote in favor of the abovementioned agenda items at the Extraordinary Shareholders Meeting and the Class Shareholders Meeting.

If the aforementioned steps are implemented, all of the issued common shares of Subject Company (excluding treasury shares held by the Subject Company) will, after being made subject to the Wholly Call, be acquired by the Subject Company, and the shareholders of the Subject Company (except for the Subject Company itself) will receive shares of a different class of the Subject Company stock in exchange for their common shares. However, the shareholders who would receive a fraction of less than one share of the different class will, pursuant to procedures under Article 234 of the Companies Act and other applicable laws and regulations, receive cash that would be obtained through a sale of the shares of a different class equivalent to the aggregate sum of such fraction of less than one share (such aggregate sum will be rounded to the nearest whole number). The amount of cash to be distributed to each shareholder as a result of the sale of the aggregate sum of the fractions of shares is expected to be equivalent to the price obtained by multiplying the Tender Offer Price by the number of Subject Company's Common Shares held by each shareholder. The class and number of the Subject Company's shares to be allotted in exchange for the Subject Company's Common Shares with the Wholly Call have not yet been determined as of today. However, the Company plans to request to the Subject Company that the number of shares to be issued to the shareholders who did not tender their shares in the Subject Company be a fraction of less than one share so that the Company will hold all of the issued common shares of Subject Company (excluding treasury shares held by the Subject Company).

The Companies Act sets forth the following measures to protect the interests of the Minor Shareholders in connection with the procedures described above: (i) when amending the articles of incorporation to subject the common shares to a Wholly Call as set forth in item (b) described above, the shareholders can exercise their holding Share Purchase Demand pursuant to Articles 116 and 117 of the Companies Act and other applicable laws and regulations; and (ii) if a resolution to acquire all of the shares subject to a Wholly Call as stated in item (c) described above is passed at the Extraordinary Shareholders Meeting, shareholders may petition for a determination of the acquisition price of such shares pursuant to Article 172 of the Companies Act and other applicable laws and regulations. A court will ultimately determine the exercise price or acquisition price per common share acquired by these methods. If the Wholly Call of the common shares comes into effect based on the resolution of the shareholders meeting in item (c) above and the shareholders lose the relevant common shares, they may file a petition for a determination of the purchase price prescribed in Article 117, paragraph (2) of the Companies Act that is stated in (i) above.

The above-described method of subjecting all of the common shares issued by the Subject Company to a Wholly Call and allotting the shares of a different type to the Subject Company in exchange for acquisition of all of the common shares may require some time to implement or may be changed to another method that would generate comparable effects depending upon the status of interpretation by the regulatory authorities of the relevant laws and regulations, the status of ownership of the Subject Company's shares by the Company after the Tender Offer, and the status of ownership of the Subject Company's share by the Subject Company's shareholders other than the

Company. However, even if the aforementioned method is changed, the method to ultimately distribute cash to the shareholders of the Subject Company other than the Company will be applied, and the amount of cash to be distributed to the shareholders of the Subject Company will be calculated and set to be equal to the amount obtained by multiplying the Tender Offer Price by the number of the Subject Company's Common Shares held by said shareholders.

The Company plans to discuss specific procedures for the aforementioned case and the timing for implementation thereof with the Subject Company, and the Subject Company will announce them promptly. (At this moment, the Company plans to complete the Procedures for Making the Subject Company a Wholly-Owned Subsidiary by late November 2013.)

This Tender Offer is not in any way intended to solicit agreement of the shareholders of the Subject Company at the abovementioned Extraordinary Shareholders Meeting or the Class Shareholders Meeting. Please consult your own tax specialists such as certified tax accountants as to the tendering for the Tender Offer, the receipt of cash delivered as consideration for execution of the foregoing procedures, and the tax treatment of purchases made on Share Purchase Demands associated with the foregoing procedures.

(6) Prospect of, and Reasons for Delisting

The Subject Company's Common Shares are currently listed on the Second Section of the Tokyo Stock Exchange. It is possible that, as a result of the Tender Offer, these shares will be delisted pursuant to the delisting standards of the Tokyo Stock Exchange under prescribed procedures, since the Company has not set a cap on the number of shares to be acquired through the Tender Offer. Even if none of the relevant delisting thresholds is reached upon the completion of the Tender Offer, the Company will, as stated in "(5) Plan for Reorganization after Tender Offer (Matters relating to Two-Step Takeover)", implement the Procedures for Making the Subject Company a Wholly-Owned Subsidiary pursuant to the provisions of applicable laws and regulations if and when the Tender Offer is formed, in which case, the Subject Company's Common Shares will be delisted pursuant to the delisting standards of the Tokyo Stock Exchange under prescribed procedures. After the said common shares are delisted, it will not be possible to trade the Subject Company's Common Shares on the Tokyo Stock Exchange.

(7) Matters Relating to Important Agreements between Tender Offeror and Subject Company's Shareholders Concerning Tendering Shares

The Company concluded the Acceptance Agreement with Nichirei, the second largest shareholder of the Subject Company (as of September 30, 2012) (with 2,465,000 shares and Ownership Ratio of 11.05 % as of today; rounded to the second decimal place). Nichirei has agreed to tender all of its shares (2,465,000 shares and Ownership Ratio of 11.05 %; rounded to the second decimal place) in the Tender Offer. This Acceptance Agreement is not accompanied by any special condition precedent.

2. Outline of Tender Offer

(1) Outline of Subject Company

(i)	Name	Toyo Engineering Works, Ltd.
(ii)	Location	1634 Shimotsuruma, Yamato-city, Kanagawa
(iii)	Title and Name of Representative	Eiki Kurokawa, President and Representative Director
(iv)	Type of Business	Engineering business (a business that is mainly intended to provide temperature-controlled logistics, food processing, beverage cooling, environmental tests, design/manufacturing/construction of refrigeration & environmental engineering systems such as manufacturing plant process and special air-conditioning, and maintenance services) Air-conditioning business (a business that is mainly intended to manufacture and sell air-conditioners and refrigeration equipment as well as in the installation and test run of air-conditioning products and centrifugal chillers manufactured by the affiliates.
(v)	Stated Capital	JPY 2,334 million
(vi)	Date of Incorporation	February 16, 1952
(vii)	Major Shareholders and Shareholding Ratio (As of September 30, 2012)	Mitsubishi Heavy Industries, Ltd. 37.20% Nichirei Corporation 11.05% Shinryo Corporation 3.22% Toyo Engineering Works, Ltd. Employees' Share Ownership Association 2.91% Prospect Japan Fund Limited (Standing Proxy: Tokyo Branch, The Hong Kong and Shanghai Banking Corporation) 2.87% The Master Trust Bank of Japan, Ltd. (ESOP accounts: 75443) 1.80% Meiji Yasuda Life Insurance Company (Standing Proxy: Trust & Custody Service Bank, Ltd.) 1.56% Shizuo Okazaki 1.05% Mitsubishi Corporation 0.89% Mitsubishi UFJ Trust and Banking Corporation (Standing Proxy: The Master Trust Bank of Japan, Ltd.) 0.56%
(viii)	Relationships Between the Company and the Subject Company	
	Capital Relationship	The Company owns 37.20% of the total shares issued by the Subject Company. The Subject Company is the Company's equity-method affiliate (the ownership ratio as of September 30, 2012 as stated in the quarterly securities report for the first six months of the 74th fiscal year filed by the Subject Company on November 12, 2012).
	Personal Relationship	The Company dispatches one external director and two auditors to the Subject Company. Specifically, Mr. Masahiko Arihara, the Company's director, serves as the Subject Company's external director, and Mr. Toshiro Yagami, the Company's statutory auditor, and Mr. Masayuki Senoo, the Company's employee, both serve concurrently as the Subject Company's auditors.
	Business Relationship	The Company sells to and buys products from the Subject Company.
	Status as a Related Party	The Subject Company is the Company's equity-method affiliate and falls under the category of a related party of the Company.

(2) Schedule, etc.

(i) Schedule

Resolution of Board of Directors	Thursday, May 30, 2013
Date of Public Notice of Commencement of Tender Offer	Friday May 31, 2013
Newspaper Listing Public Notice	Public notice will be made electronically and a notice thereof will be published in the Nihon Keizai Shinbun (URL of electronic disclosure http://info.edinet-fsa.go.jp/)
Filing Date of Tender Offer Registration Statement	Friday May 31, 2013

(ii) Tender Offer Period as of Filing Date

From Friday, May 31, 2013 to Thursday, July 11, 2013 (30 business days)

(iii) Possibility of Extension Pursuant to Request by Subject Company

Not applicable.

(3) Price of Tender Offer

JPY 542 per Common Stock

(4) Basis of Calculation for the Purchase Price

(i) Basis of Calculation

In determining the Tender Offer Price, the Company used as a reference the Valuation Report submitted on May 30, 2013 by Nomura Securities, a third-party financial advisor independent from the Company and the Subject Company.

Having considered calculation methods for the purpose of the Tender Offer, Nomura Securities calculated the value of Subject Company's Common Shares by means of Average Market Price Analysis, Comparable Companies Analysis, and DCF Analysis. The Company has not obtained a fairness opinion on the fairness of the Tender Offer Price from Nomura Securities.

According to the Valuation Report, the range of implied values per common share of the Subject Company resulting from the above-mentioned analyses is as follows:

(i) Average Market Price Analysis: 216 yen to 249 yen

Under the Average Market Price Analysis, using May 29, 2013 as the reference date, the Subject Company's Common Shares were analyzed on the basis of the average closing prices of the common shares traded on the Second Section of the Tokyo Stock Exchange for the most recent six months (216 yen, rounded to the nearest whole number; hereinafter the same shall apply to the numerical value of yen in this paragraph), the most recent three months (235 yen), the most recent one month (244 yen) and the most recent one week (249 yen), and of the closing price on the reference date (249 yen), and that yielded a range of 216 yen to 249 yen for the implied per-share value of the Subject Company's Common Shares.

(ii) Comparable Companies Analysis: 188 yen to 483 yen

Under the Comparable Companies Analysis, the Subject Company's Common Shares were analyzed by comparing the financial indicators representing the market share price, profitability, etc. of the Subject Company with those of listed companies operating businesses relatively comparable to the Subject Company's businesses, and that yielded a range of 188 yen to 483 yen for the implied per-share value of the Subject

Company's Common Shares.

(iii) DCF Analysis: 414 yen to 563 yen

Under the DCF Analysis, the enterprise value and the value of the Subject Company's Common Shares were analyzed by discounting to their present value at a certain specific discount rate the free cash flow that the Subject Company is expected to generate in the future based upon the Subject Company's projected earnings for the fiscal year ending March 31, 2014 and thereafter which factored in various factors including the Company's own business plan, originally provided by the Subject Company and considered by the Company (part of the anticipated effect from the Transaction is reflected in the business plan), up-to-date business performance trends and publicly disclosed information, and that yielded a range of 414 yen to 563 yen for the implied per-share value of the Subject Company's Common Shares. Significant increases or decreases in profit are projected in some fiscal years in the business plan used for the DCF analysis. This is primarily attributed to a decrease in profits as the extraordinary gains from transfer of fixed assets recorded in the fiscal year ended March 31, 2013 will not be recorded in the fiscal year ending March 31, 2014, and an increase in profits as projected expenses for office relocation, etc. in the fiscal year ending March 31, 2014 will not likely be incurred in the fiscal year ending March 31, 2015.

Taking comprehensively into consideration the results of calculations based on the analyses described in the Valuation Report obtained from Nomura Securities, the results of the due diligence on the Subject Company, the market trend of the price of the Subject Company's Common Shares for the last six months, the likelihood of obtaining the support of the Subject Company for the Tender Offer, and the expected number of shares to be tendered in the Tender Offer, as well as the consultations and negotiations with the Subject Company and Nichirei, which has concluded the Acceptance Agreement with the Company, the Company ultimately determined the Tender Offer Price to be 542 yen at its Board of Directors' meeting held on May 30, 2013.

The Tender Offer Price of 542 yen represents a premium of 117.67% (rounded to the second decimal place; hereinafter the same shall apply in this paragraph) on the closing price of the Subject Company's Common Shares of 249 yen on the Second Section of the Tokyo Stock Exchange on May 29, 2013, which is the business day immediately preceding the day on which the Company announced the commencement of the Tender Offer; a premium of 122.13% on the simple arithmetic average closing price of 244 yen for the Subject Company's Common Shares on the Second Section of the Tokyo Stock Exchange for the last one month up to May 29, 2013; a premium of 130.64% on the simple arithmetic average closing price of 235 yen for the Subject Company' Common Shares on the Second Section of the Tokyo Stock Exchange for the last three months up to May 29, 2013; and a premium of 150.93% on the simple arithmetic average closing price of 216 yen for the Subject Company's Common Shares on the Second Section of the Tokyo Stock Exchange for the last six months up to May 29, 2013.

(ii) Background of Calculation

(Decision-making Process Concerning Tender Offer Price)

The Company and the Subject Company have the AC&R business infrastructure in common. The Subject Company serves as a service agent for the Company's centrifugal chiller and as a distributor of the Company's air-conditioning equipment. As a partner to develop specific products, both companies have maintained a flexible cooperative relationship based on the AC&R business, which is believed to have achieved some positive results in the development and sale of new products. However, both companies share recognition that operating environment will become more difficult due to the sluggish domestic market and intensifying price competition, and have discussed ways to deepen cooperation further in order to improve their corporate values.

As a result, the Company has reached a conclusion that making the Subject Company a wholly-owned subsidiary of the Company would allow them to cooperate closer in business and reorganize their functions.

Consequently, the Company made a proposal in February 2013 to the Subject Company to make the Subject Company a wholly-owned subsidiary. They believe that this will enable them to cooperate in each value chain for technology, sales and production in the AC&R business in general, as well as to make utmost efforts to create synergies and thereby help improve business results on a consolidated basis. They also believe that the Subject Company will have benefits from synergies in the centrifugal chiller service business and the engineering business. Furthermore, they believe that this combination will allow them to make best use of their limited management resources, promote efficient business development, and maximize synergies. Starting early May 2013, the Company and the Subject Company held several meetings for consultation over the Tender Offer Price and other terms and conditions concerning the Tender Offer. Consequently, at its Board of Directors' meeting held on May 30, 2013, therefore, the Company adopted a resolution to conduct the Tender Offer to make the Subject Company a wholly-owned subsidiary of the Company.

The following provides the background leading to the Company's determination of the Tender Offer Price.

(a) Independent Third Party Valuation Institution

In determining the Tender Offer Price, the Company used as a reference the Valuation Report submitted by Nomura Securities on May 30, 2013, a third-party financial advisor independent from the Company and the Subject Company. The Company has not obtained a fairness opinion on the fairness of the Tender Offer Price from Nomura Securities.

(b) Outline of Valuation

Having considered calculation methods for the purpose of the Tender Offer, Nomura Securities calculated the value of Subject Company's Common Shares by means of Average Market Price Analysis, Comparable Companies Analysis, and DCF Analysis. The Company has not obtained a fairness opinion on the fairness of the Tender Offer Price from Nomura Securities.

According to the Valuation Report, the range of implied values per common share of the Subject Company resulting from the above-mentioned analyses is as follows:

Average Market Price Analysis:	216 yen to 249 yen
Comparable Companies Analysis:	188 yen to 483 yen
DCF Analysis:	414 yen to 563 yen

(c) Process for Determining Tender Offer Price Based on Valuation

Taking comprehensively into consideration the results of calculations based on the analyses described in the Valuation Report obtained from Nomura Securities, the results of the due diligence on the Subject Company, the market trend of the price of the Subject Company's Common Shares for the last six months, the likelihood of obtaining the support of the Subject Company for the Tender Offer, and the expected number of shares to be tendered in the Tender Offer, as well as the consultations and negotiations with the Subject Company and Nichirei, which has concluded the Acceptance Agreement with the Company, the Company ultimately determined the Tender Offer Price to be 542 yen at its Board of Directors' meeting held on May 30, 2013.

(Measures to ensure the fairness of the Tender Offer, such as to ensure the fairness of the Tender Offer Price and to prevent the conflict of interest)

(a) Procurement of Valuation Report from Independent Third-Party Valuation Institution by Tender Offeror

In determining the Tender Offer Price, the Company used as a reference the Valuation Report submitted by Nomura Securities on May 30, 2013, a third-party financial advisor independent from the Company and the Subject Company.

Having considered calculation methods for the purpose of the Tender Offer, Nomura Securities calculated the value of Subject Company's Common Shares by means of Average Market Price Analysis, Comparable Companies Analysis, and DCF Analysis. The Company has not obtained a fairness opinion on the fairness of the Tender Offer Price from Nomura Securities.

According to the Valuation Report, the range of implied values per common share of the Subject Company resulting from the above-mentioned analyses is as follows:

(i) Average Market Price Analysis: 216 yen to 249 yen

Under the Average Market Price Analysis, using May 29, 2013 as the reference date, the Subject Company's Common Shares were analyzed on the basis of the average closing prices of the common shares traded on the Second Section of the Tokyo Stock Exchange for the most recent six months (216 yen, rounded to the nearest whole number; hereinafter the same shall apply to the numerical value of yen in this paragraph), the most recent three months (235 yen), the most recent one month (244 yen) and the most recent one week (249 yen), and of the closing price on the reference date (249 yen), and that yielded a range of 216 yen to 249 yen for the implied per-share value of the Subject Company's Common Shares.

(ii) Comparable Companies Analysis: 188 yen to 483 yen

Under the Comparable Companies Analysis, the Subject Company's Common Shares were analyzed by comparing the financial indicators representing the market share price, profitability, etc. of the Subject Company with those of listed companies operating businesses relatively comparable to the Subject Company's businesses, and that yielded a range of 188 yen to 483 yen for the implied per-share value of the Subject Company's Common Shares.

(iii) DCF Analysis: 414 yen to 563 yen

Under the DCF Analysis, the enterprise value and the value of the Subject Company's Common Shares were analyzed by discounting to their present value at a certain specific discount rate the free cash flow that the Subject Company is expected to generate in the future based upon the Subject Company's projected earnings for the fiscal year ending March 31, 2014 and thereafter which factored in various factors including the Company's own business plan, originally provided by the Subject Company and considered by the Company (part of the anticipated effect from the Transaction is reflected in the business plan), up-to-date business performance trends and publicly disclosed information, and that yielded a range of 414 yen to 563 yen for the implied per-share value of the Subject Company's Common Shares. Significant increases or decreases in profit are projected in some fiscal years in the business plan used for the DCF analysis. This is primarily attributed to a decrease in profits as the extraordinary gains from transfer of fixed assets recorded in the fiscal year ended March 31, 2013 will not be recorded in the fiscal year ending March 31, 2014, and an increase in profits as projected expenses for office relocation, etc. in the fiscal year ending March 31, 2014 will not likely be incurred in the fiscal year ending March 31, 2015.

Taking comprehensively into consideration the results of calculations based on the analyses described in the Valuation Report obtained from Nomura Securities, the results of the due diligence on the Subject Company, the market trend of the price of the Subject Company's Common Shares for the last six months, the likelihood of obtaining the support of the Subject Company for the Tender Offer, and the expected number of shares to be tendered in the Tender Offer, as well as the consultations and negotiations with the Subject Company and Nichirei, which has concluded the Acceptance Agreement with the Company, the Company ultimately determined the Tender Offer Price to be 542 yen at its Board of Directors' meeting held on May 30, 2013.

The Tender Offer Price of 542 yen represents a premium of 117.67% (rounded to the second decimal place; hereinafter the same shall apply in this paragraph) on the closing price of the Subject Company's Common Shares of 249 yen on the Second Section of the Tokyo Stock Exchange on May 29, 2013, which is the business day immediately preceding the day on which the Company announced the commencement of the Tender Offer; a premium of 122.13% on the simple arithmetic average closing price of 244 yen for the Subject Company's Common Shares on the Second Section of the Tokyo Stock Exchange for the last one month up to May 29, 2013; a premium of 130.64% on the simple arithmetic average closing price of 235 yen for the Subject Company' Common Shares on the Second Section of the Tokyo Stock Exchange for the last three months up to May 29, 2013; and a premium of 150.93% on the simple arithmetic average closing price of 216 yen for the Subject Company's Common Shares on the Second Section of the Tokyo Stock Exchange for the last six months up to May 29, 2013.

(b) Procurement of Valuation Report from Independent Third-Party Valuation Institution by Subject Company

According to the Subject Company's press release, for the purpose of considering the appropriateness of the Tender Offer Price, the Subject Company used as a reference the Subject Company Valuation Report submitted by Deloitte Tohmatsu on May 30, 2013, a third-party valuation institution independent from the Company and the Subject Company.

Having considered calculation methods for the purpose of the Tender Offer, Deloitte Tohmatsu calculated the value of the Subject Company's Common Shares by means of Average Market Price Analysis, Comparable Companies Analysis, and Discounted Cash Flow (DCF) Analysis. The Subject Company has not obtained a fairness opinion on the fairness of the Tender Offer Price from Deloitte Tohmatsu.

According to the Subject Company Valuation Report, the range of implied values per common share of the Subject Company resulting from the above-mentioned methods is as follows:

(i) Average Market Price Analysis: 216 yen to 249 yen

Under the Average Market Price Analysis, using May 29, 2013 as the reference date, the Subject Company's Common Shares on the basis of the average closing prices of the Subject Company's Common Shares traded on the Second Section of the Tokyo Stock Exchange for the most recent six months (216 yen), the most recent three months (235 yen), the most recent one month (244 yen) the most recent one week (249 yen), and of the closing price on the reference date (249 yen), and that yielded a range of 216 yen to 249 yen for the implied per-share value of the Subject Company's Common Shares.

(ii) Comparable Companies Analysis: 272 yen to 384 yen

Under the Comparable Companies Analysis, the Subject Company's Common Shares were analyzed by comparing the financial indicators representing the market share price, profitability, etc. of the Subject Company with those of listed companies operating businesses relatively comparable to the Subject Company's businesses, and that yielded a range of 272 yen to 384 yen for the implied per-share value of the Subject Company's Common Shares.

(iii) DCF Analysis: 331 yen to 574 yen

Under the DCF Analysis, the enterprise value and the value of the Subject Company's Common Shares were analyzed by discounting to their present value at a certain specific discount rate the free cash flow that the Subject Company is expected to generate in the future based upon the Subject Company's projected earnings for the fiscal year ending March 31, 2014 and thereafter which factored in various factors including the Subjecting Company's business plan (the synergies from the Transaction are reflected in the business plan), up-to-date business performance trends and publicly disclosed information, and that yielded a range of 331 yen to 574 yen for the implied per-share value of the Subject Company's Common shares. Significant increases or decreases in profit are projected in some fiscal years in the business plan used for the DCF analysis. This is primarily attributed to a decrease in profits as the extraordinary gains from transfer of fixed assets recorded in the fiscal year ended March 31, 2013 will not be recorded in the fiscal year ending March 31, 2014, and an increase in profits as projected expenses for office relocation, etc in the fiscal year ending March 31, 2014 will not likely be incurred in the fiscal year ending March 31, 2015.

(c) Advice to Subject Company from Independent Law Firm

According to the Subject Company's press release, in order to engage in careful discussions of the Transaction and to ensure the fairness and appropriateness of the process of decision-making by its Board of Directors, the Subject Company retained TMI as a legal advisor independent from the Company and the Subject Company, and obtained legal advice on the methods and procedures of decision-making by the Board of Directors concerning the Transaction and other issues to be considered in making decisions on the Transaction.

(d) Establishment of Third-Party Committee at Subject Company

According to the Subject Company's press release, on April 2, 2013 and prior to deliberating and passing a resolution on the pros and cons of the Transaction including the Tender Offer at the Subject Company's Board of Directors' meeting, the Subject Company established a third-party committee consisting of Mr. Hideyuki Sakai, an outside expert highly independent from the Subject Company's Board of Directors (an attorney at law with Bingham McCutchen LLP and Sakai, Mimura and Aizawa Law Office), Mr. Akira Nishida (an attorney at law with Nishida Law Office), and Mr. Shinsuke Hasegawa (a certified public accountant and licensed tax accountant with Hasegawa CPA Office), for the purposes of ensuring fairness in the process taken by the Subject Company's Board of Directors' meeting concerning the Transaction including the Tender Offer and avoiding potential conflicts of interest by eliminating arbitrariness from the decision-making by said Board of Directors' meeting, and thereby confirming that the Transaction including the Tender Offer would not be disadvantageous to Minor Shareholders. On the occasion of reviewing the Transaction including the Tender Offer, the Subject Company requested that the third-party committee consider (a) whether or not the purpose of the Transaction is legitimate, (b) whether or not the process of negotiations relative to the Transaction is fair, (c) whether or not the consideration to be delivered to the Subject Company's Minor Shareholders under the Transaction is reasonable, and (d) whether or not the Transaction would be disadvantageous to the Subject Company's Minor Shareholders given (a) through (c); and submit to the Subject Company a report setting forth its opinion on these consultation matters. The third-party committee has held 6 meetings in total since April 2, 2013 through May 23, 2013, and the members consulted with each other on, and reviewed, these consultation matters. Specifically, the third-party committee received explanations from the Subject Company, Deloitte Tohmatsu as the Subject Company's financial advisor, and TMI as the Subject Company's legal advisor concerning various matters such as the details of the Company's proposal to the Subject Company, the Tender Offer, the purpose of a series of procedures that are described in "(5) Plan for Reorganization after Tender Offer (Matters Relating to Two-Step Takeover)" under "1. Purpose of Tender Offer" above and are scheduled to be taken after the Tender Offer, and specific details of the enterprise value of the Subject Company to be enhanced by the Tender Offer. Based on such explanations, the third-party committee asked questions of, and received answers from, the Subject Company and said advisors. In addition, the third-party committee consulted the Subject Company Valuation Report submitted by Deloitte Tohmatsu, and received explanations from Deloitte Tohmatsu about the valuation of common shares of the Subject Company, and asked questions of, and received answers from, Deloitte Tohmatsu on such valuation. On May 30, 2013, after such consultations and reviews, and carefully discussing and reviewing the abovementioned consultation matters, the third-party committee submitted to the Subject Company a report summarizing its opinion to the effect that (a) the Transaction is deemed to be aimed at enhancing the enterprise value of the Subject Company, and the purpose of the Transaction is appropriate, (b) the process of negotiations concerning the Transaction is fair, (c) the consideration to be delivered to the Subject Company's Minor Shareholders under the Transaction is reasonable, and (d) given the foregoing opinions stated in items (a) through (c), the Transaction will not be disadvantageous to the Subject Company's Minor Shareholders. The third-party committee offered such opinions on the basis of various factors, including that (w) the committee found no unreasonable points in the explanations from the Subject Company concerning the significance and purpose of the Transaction including the Tender Offer that were given in the manner similar to that provided in "(2) Background leading up to the decision to conduct the Tender Offer, the purpose and the decision-making process" under "1. Purpose of Tender Offer" above, and therefore it is considered that the decision-making by the Subject Company was based on rational consideration; (x) for the purpose of ensuring the fairness of the process of decision-making by the Subject Company and avoiding conflicts of interest, the relevant measures were taken as stated in "(4) Measures to ensure fairness of Tender Offer including those to ensure fairness of Tender Offer Price and to avoid conflicts of interest" under "1. Purpose of Tender Offer" above; (y) (i) the Subject Company is believed to have carefully reviewed the Tender Offer Price by referring to the Valuation Report obtained from Deloitte Tohmatsu, a third-party valuation institution independent from the Company and the Subject Company, and (ii) as stated in (x) above, among others, throughout the Subject Company's review process of the Tender Offer Price, the negotiations are believed to have been fair as the fairness was ensured and conflicts of interest were avoided by obtaining legal advice from an independent legal advisor and unanimous approval by the Subject Company's disinterested directors and corporate auditors; and (z) the Company plans that the amount of cash to be distributed to each shareholder of the Subject Company in the two-step takeover which is scheduled after the Tender Offer is to be equal to the Tender Offer Price multiplied by the number of the Subject Company's Common Shares held by said shareholder.

(e) Unanimous Approval by Subject Company's Disinterested Directors and Corporate Auditors in Attendance

According to Subject Company's press release, the Board of Directors of the Subject Company discussed and reviewed the terms and conditions of the Tender Offer, which aims to make the Subject Company a wholly-owned subsidiary of the Company, referring to the Subject Company Valuation Report received from Deloitte Tohmatsu, the legal advice obtained from TMI, the report submitted from the third-party committee, and other relevant materials. Based on such discussions and review, the Subject Company considered that, becoming a wholly-owned subsidiary of the Company will make it possible to take advantage of the overseas expansion forces and technical capabilities that the Tender Offeror has, and further strengthen the Subject Company's overseas expansion force, strengthen technical capabilities in order to promote the differentiation from the competitors, and further expand the scale of the services business with offices across the country which is the strength of the Subject Company by organizing the business overlap with the Tender Offeror, and will contribute to the improvement of its corporate value in the medium and long term., The Subject Company has also considered that the Tender Offer Price and other terms and conditions of the Tender Offer are reasonable to the Subject Company's shareholders, and that the Tender Offer would provide the Subject Company's shareholders with a reasonable opportunity to sell their shares. Consequently, on May 30, 2013, at the Subject Company's Board of Director's meeting, all directors except for Mr. Masahiko Arihara and Mr. Kunio Otani unanimously approved to state an opinion supporting the Tender Offer and to recommend that Subject Company's shareholders tender their shares in the Tender Offer.

All of the corporate auditors except for Mr. Toshiro Yagami and Masayuki Seno participated in the aforementioned Board of Directors' meeting and stated that they agreed to the Tender Offer and had no objection to recommending that Subject Company's shareholders tender their shares in the Tender Offer.

Among the Subject Company's directors, Mr. Masahiko Arihara concurrently serves as a director of the Company, and Mr. Kunio Otani concurrently serves as a director of Nichirei, which has concluded the Acceptance Agreement with the Company. From the perspective of avoiding the possibility of any conflict of interest, both directors refrained from participating in any discussions and resolutions regarding the Transaction, including the above resolution by the Subject Company's Board of Directors to approve the Tender Offer. Mr. Masahiko Arihara and Mr. Kunio Otani refrained from participating in any consultations, reviews or negotiations with the Tender Offeror as directors of the Subject Company. Meanwhile, among the Subject Company's directors, Mr. Eiki Kurokawa is a former Deputy Head of Air-Conditioning & Refrigeration Systems at the Company, and Mr. Masaaki Futami is a former Deputy Head of Yokohama Works at the Company. However, there have been more than three years since they either resigned or transferred from the Company, and they are not in any position to receive directions from the Company. As such, as of today, they have no conflict of interest or any possible conflict of interest with respect to the Subject Company. Among the Subject Company's corporate auditors, Mr.

Toshiro Yagami concurrently serves as a statutory auditor of the Company, and Mr. Masayuki Seno concurrently serves as an employee of the Company. From the same perspective, both corporate auditors refrained from participating in any discussions on the Transaction, including the above resolution by the Subject Company's Board of Directors to approve the Tender Offer.

(f) Securing Objective Circumstances That Assure Appropriateness of Tender Offer Price

The Company set the Tender Offer Period at 30 business days, while the statutory minimum period is 20 business days. By setting the Tender Offer Period relatively long, the Company contemplates to assure the fairness of the Tender Offer by providing all of the holders of the Subject Company's Common Shares an appropriate opportunity to consider and decide whether or not to tender their securities in the Tender Offer and securing an opportunity for potential buyers other than the Company to acquire the Subject Company's Common Shares.

In addition, the Company and the Subject Company have not entered into any agreement that may restrict the Subject Company from contacting competing potential buyers. By ensuring an opportunity to make such competing offers as well as setting the relatively long Tender Offer Period, the Company and the Subject Company are giving due consideration to ensure the fairness of the Tender Offer.

(iii) Relations with the Third Party Appraiser

Nomura Securities, the Company's financial advisor (valuation institution), is not considered a related party of the Company or the Subject Company, and does not have any material interest in relation to the Tender Offer.

(5) Number of Shares to Be Acquired

Number of Shares to Be Acquired	Minimum Number of Shares to Be Acquired	Maximum Number of Shares to Be Acquired
13,120,777 shares	6,929,000 shares	– Shares

(Note 1) If the aggregate of the Tendered Shares does not reach such minimum number of shares (6,929,000 shares, or 31.07%), no Tendered Shares will be acquired. If the aggregate of Tendered Shares is such minimum number of shares to be acquired or more, all Tendered Shares will be purchased.

(Note 2) The minimum number of shares to be acquired is calculated by adding (a) the majority of the Subject Company's Common Shares held by shareholders excluding the Company, the Affiliates, and the Officers of the Affiliates (6,192,389 shares), which is calculated by subtracting (i) the number of treasury shares (880,427 shares) held by the Subject Company as of December 31, 2012 as reported on the said quarterly securities report, (ii) the number of the Subject Company's Common Shares (8,295,000 shares) held by the Tender Offeror as of the filing date hereof, (iii) the number of the Subject Company's Common Shares (721,000 shares) held by the Company's Affiliates, and (iv) the number of the Subject Company's Common Shares (15,000 shares) held by a Director of an affiliate of the Company from the aggregate number of the Subject Company's issued shares (22,296,204 shares) as of December 31, 2012 as reported on the quarterly securities report for the first nine months of the 74^{th} fiscal year filed by the Subject Company on February 13, 2013 (12,384,777 shares), and (b) the number of the Subject Company's Common Shares (736,000 shares) held by the affiliates and officers of the affiliates, rounded up for shares less than a trading unit (1,000 shares).

(Note 3) The maximum number of shares to be acquired reflects the maximum number of the Subject Company's share certificates, etc. the Company will acquire through the Tender Offer. This maximum number is determined by the total number of shares issued (22,296,204 shares) by the Subject Company as of December 31, 2012 as reported on the quarterly securities report for the first nine months of the 74^{th} fiscal year filed by the Subject Company on February 13, 2013, less the number of treasury shares (880,427 shares) owned by the Subject Company as of December 31, 2012 as listed in the quarterly securities report and the number of the Subject Company's Common Shares (8,295,000 shares) owned by the Tender Offeror as of today (13,120,777 shares).

(Note 4) Shares less than one trading unit are also subject to the Tender Offer. In compliance with the Companies Act, if shareholders execute the right to demand for purchase from holders of shares less than one unit, the Subject Company can purchase its own shares during the purchase period, etc. according to the act.

(Note 5) The Company does not plan to acquire treasury shares owned by the Subject Company through the Tender Offer.

(6) Changes in Percentage of Ownership of Share Certificates, etc. after Tender Offer

Number of Voting Rights Represented by Share Certificates, etc. Held by the Tender Offeror before Tender Offer	8,295	(Percentage of Ownership of Share Certificates, etc. before Tender Offer: 38.73%)
Number of Voting Rights Represented by Share Certificates, etc. Held by Special Related Parties before Tender Offer	975	(Percentage of Ownership of Share Certificates, etc. before Tender Offer: 4.55%)
Number of Voting Rights Represented by Share Certificates, etc. to Be Acquired	13,120	(Percentage of Ownership of Share Certificates, etc. after Tender Offer: 100.00%)
Number of Voting Rights Held by All Shareholders of Subject Company	21,385	

(Note 1) The "Number of Voting Rights Represented by Share Certificates, etc. to Be Acquired" indicates the number of voting rights represented by the Number of Shares to be acquired in the Tender Offer (13,120,777 shares).

(Note 2) The "Number of Voting Rights Represented by Share Certificates, etc. Held by Special Related Parties before Tender Offer" indicates the aggregate number of voting rights represented by shares certificates, etc. owned by each of the Specially Related Parties (excluding shares owned by parties that are excluded from the Special Related Parties pursuant to Article 3, paragraph (2), item 1 of the Cabinet Office Order (The Finance Ministry Ordinance No. 38 of 1990, as amended; hereafter referred to as "the Ordinance") related to the disclosure of tender offers of share certificates, etc. by those other than the issuer in the calculation of the Ownership Ratio prescribed in each Sub clause of Article 27-2, paragraph (1) of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereafter referred to as "the Act")). As share certificates, etc. held by each special related party (excluding treasury shares held by the Subject Company) are included in the Tender Offer, "The Number of Voting Rights Represented by Share Certificates, etc. to Be Purchased" includes the number of voting rights represented by share certificates, etc. owned by Special Related Parties (excluding the treasury shares owned by the Subject Company). As such, the calculation of the "Ownership Ratio after the Tender Offer" does not include "The Number of Voting Rights Represented by Share Certificates, etc. Owned by Special Related Parties before the Tender Offer" in the numerator.

(Note 3) The "Number of Voting Rights Held by All Shareholders of Subject Company" indicates the number of voting rights as of September 30, 2012 as stated in the quarterly securities report for the first nine months of the 74th fiscal year filed by the Subject Company on February 13, 2013. In the Tender Offer, shares less than one trading unit are also included in the Tender Offer. As such, in calculating the "Percentage of Ownership of Share Certificates, etc. before Tender Offer" and the "Percentage of Ownership of Share Certificates, etc. after Tender Offer" the denominator is the number of voting rights (21,415 rights) represented by the number of Shares (21,455,777 shares), which is calculated by subtracting the number of treasury shares (880,427 shares) held by the Subject Company as of December 31, 2012 that will not be acquired through the Tender Offer as stated in the quarterly securities report for the first nine months of the

74th fiscal year, from the total number of the Subject Company's Common Shares issued (22,296,204 shares) as of December 31, 2013 as stated in the quarterly securities report.

(Note 4) The "Percentage of Ownership of Share Certificates, etc. before Tender Offer" and the "Percentage of Ownership of Share Certificates, etc. after Tender Offer" are rounded to the second decimal place.

(7) Purchase Price: 7,111 million yen

(Note) "Purchase Price" describes the amount calculated by multiplying the number of shares to be purchased in the Tender Offer (13,120,777 shares) with the Tender Offer Price (542 yen).

(8) Method of Settlement

(i) Name and Address of the Head Office of the Financial Instruments Business Operators and Banks, Etc. in Charge of Settlement

Nomura Securities Co., Ltd. 1-9-1 Nihombashi, Chuo-ku, Tokyo, Japan

(ii) Commencement Date of Settlement

July 19, 2013 (Friday)

(iii) Method of Settlement

Promptly after the Tender Offer Period, a notice of purchase by the Tender Offer will be mailed to the address of Tendering Shareholders (in the case of Foreign Shareholders, to their standing proxy in Japan). For those who have given consent through Nomura Net & Call to receipt of documents electronically delivered, the notice will be provided electronically through the website for Nomura Net & Call (https://nc.nomura.co.jp/).

The payment for the purchase will be made by cash. The tendering shareholders may receive the proceeds of the Tender Offer through a method, such as by wire transfer, as directed by the tendering shareholders (there may be extra fees incurred in connection with fund transfers).

(iv) Method of Return of Securities

If pursuant to a condition set forth in "(i) Existence and Contents of Each Item in Article 27-13, Paragraph (4) of the Act" and "(ii) Existence of Conditions to Withdraw Tender Offer, Its Contents and Method of Disclosing, Etc." in "(9) Other Conditions and Methods for Purchase, etc.," the purchase of the tendered share certificates, etc. are not undertaken in whole or in part, securities will be promptly returned after the settlement commencement date (in the event the Tender Offer is withdrawn, the day of the withdrawal) by restoring the record of such securities to the original record as of immediately before the securities have been tendered (if transferring the securities to a tendering shareholders' account established at other financial instruments service providers, please indicate so).

(9) Other Conditions and Methods of Tender Offer

(i) Existence and Contents of Each Item in Article 27-13, Paragraph (4) of the Act

If the aggregate of the Tendered Shares does not reach the minimum number of shares (6,929,000 shares, or 31.07%) to be acquired, no Tendered Shares will be acquired. Where the aggregate of the Tendered Shares equals or exceeds the lower limit of shares (6,929,000 shares, or 31.07%) to be acquired, all Tendered Shares will be acquired.

(ii) Existence of Conditions to Withdraw Tender Offer, Its Contents and Method of Disclosing, Etc.

In the event any of the conditions set forth in Article 14, paragraph (1), item 1 (a)-(i) and (l)-(r), item 3 (a)-(h), and (j), and paragraph (2), item (3)-(6) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; hereafter referred to as the "Order") occurs, the Tender Offer may be withdrawn. In the Tender Offer, "the facts for which sub items (a) through (i) apply" as stipulated in Article 14, paragraph (1), item 3 (j) of the Order refer to when false statements on important matters are found or when important matters are not stated in a document submitted by the Subject Company for statutory disclosure.

When withdrawing the Tender Offer, an electronic notice will be posted and notice of such posting will be listed in the Nihon Keizai Shinbun. However, if it is difficult to make a posting by the last day of the Tender Offer Period, an announcement pursuant to Article 20 of the Cabinet Office Order and a public announcement will be made promptly thereafter.

(iii) Conditions of Reduction of Tender Offer Price and Method of Disclosure of Reduction

Pursuant to the provision of Article 27-6, paragraph (1), item 1 of the Act, in the event the Subject Company took any of the actions set forth in Article 13, paragraph (1) of the Order, during the Tender Offer Period, the Tender Offer Price may be lowered pursuant to Article 19, paragraph (1) of the Cabinet Office Order. When lowering the Tender Offer Price, an electronic notice will be posted and notice of such posting will be in the Nihon Keizai Shinbun. However, if it is difficult to make a posting by the last day of the Tender Offer Period, an announcement pursuant to Article 20 of the Cabinet Office Order and a public announcement will be made promptly thereafter. If the Tender Offer Price is lowered, the tendering shares before the public announcement will also be purchased for the lowered Tender Offer Price.

(iv) Matters Concerning Right of Tendering Shareholders to Cancel Tender

Tendering Shareholders, etc. may terminate the agreement related to the Tender Offer, at any time during the Tender Offer Period. In the event of terminating the contract, please provide or send a written notice stating the termination of the agreement related to the Tender Offer ("Termination Notice") to the main office or branch office who accepted the tendering application of the subject individual by 15:30 on the last day of the Tender Offer Period, attaching the receipt for the tender offer application; provided, if sending by mail, the Termination Notice must be received by 15:30 on the last day of Tender Offer Period. Note, any termination of a contract executed by tendering through Nomura Net & Call must be effected either through the website for Nomura Net & Call (https://nc.nomura.co.jp/) or by sending the Termination Notice. In the event of terminating the contract through the website for Nomura Net & Call, please complete the termination procedures by following the procedures set forth on such website by 15:30 on the last day of the Tender Offer Period. In the event of terminating the contract by sending the Termination Notice, please request a form of the Termination Notice from Nomura Net & Call Customer Support in advance and send the Termination Notice to Nomura Net & Call (if a receipt has been provided by the tender offer agent upon tendering shares, please attach such receipt to the Termination Notice). With respect to Nomura Net & Call, the Termination Notice must be also received by 15:30 on the last day of Tender Offer Period. Even in the event of the tendering shareholders terminating the agreement, the Tender Offeror will not demand the tendering shareholders to pay compensation for the damages or make penalty payments. In addition, fees in connection with the return of tendering shares will be borne by the Tender Offeror.

(v) Method of Disclosure of Change in Conditions of Tender Offer (if any)

The Tender Offeror may revise the terms and conditions of the Tender Offer unless it is prohibited under Article 27-6, paragraph (1) of the Act and Article 13 of the Order. When revising the terms of the Tender Offer, an electronic notice will be posted regarding the content of such change and a notice of such posting will be listed in the Nihon Keizai Shinbun. However, if it is difficult to make a posting by the last day of the Tender Offer Period, an announcement pursuant to Article 20 of the Cabinet Office Order and a public announcement will be made promptly thereafter. If the terms of the Tender Offer are revised, the Tendered Shares tendered before the public announcement will also be purchased under the revised terms of the Tender Offer.

(vi) Method of Disclosure of Amendment Statement

In the event an amendment statement is submitted to the head of the Kanto Local Finance Bureau (except such events as provided in Article 27-8, paragraph (8), item 11 of the Act), those sections of the amendment statement that are related to the tender offer commencement announcement shall be publicly announced, except in exclusion of laws and regulations, by a method set forth in Article 20 of the Cabinet Office Order. In addition, the tender offer description shall be immediately revised and a revised tender offer description shall be distributed to tendering shareholders who have received a tender offer description. Provided, if the revision is limited in scope, the revision may be made by creating a document describing the revised matters and the new contents and sending such document to the tendering shareholders.

(vii) Method of Disclosure of Results of Tender Offer

The results of the Tender Offer shall be publicly announced by the method set forth in Article 9-4 of the Order and Article 30-2 of the Cabinet Office Order on the day immediately following the last day of the Tender Offer Period.

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

May 31, 2013 (Friday)

(11) Tender Offer Agent

Nomura Securities Co., Ltd. 1-9-1 Nihombashi, Chuo-ku, Tokyo, Japan

3. Policies after Tender Offer and Future Prospects

Regarding the policy after the Tender Offer, please see "(2) Background Leading up to Decision to Conduct Tender Offer, Purpose and Decision-Making Process", "(5) Plan for Reorganization after Tender Offer (Matters relating to Two-Step Takeover)", and "(6) Prospect of, and Reasons for, Delisting" in "1. Purpose of Tender Offer, etc."

4. Others

(1) Transactions Between Tender Offeror and Subject Company or Its Officers; Details Thereof

According to the Subject Company's Press Release, the Subject Company has determined that, because becoming a wholly-owned subsidiary of the Tender Offeror will make it possible to take advantage of the overseas expansion forces and technical capabilities that the Tender Offeror has, and further strengthen the Company's overseas expansion force, strengthen technical capabilities in order to promote the differentiation from the competitors, and further expand the scale of the services business with offices across the country which is the strength of the Subject Company by organizing the business overlap with the Tender Offeror, and the Company's proposal will contribute to the improvement in Subject Company's corporate value in the medium and long term. The Subject Company therefore entered into a series of consultations over the Tender Offer Price and other terms and conditions concerning the Tender Offer. The Subject Company also carefully reviewed the "Valuation Report submitted on May 30, 2013 by Deloitte Tohmatsu, a financial advisor and third-party valuation institution independent from the Company and the Subject Company, the legal advice obtained from TMI as a legal advisor independent from the Company and the Subject Company, the report submitted from the third-party committee stated in (d) Establishment of the Third-Party Committee at Subject Company under (4) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest herein and other relevant materials. In addition, the Subject Company comprehensively considered other factors, including whether the premiums offered above the market share price of the Subject Company were sufficient in view of the level of premiums offered in similar precedent transactions, and the Subject Company concluded that the Tender Offer Price and other terms and conditions of the Tender Offer are reasonable for the Subject Company's shareholders, and that the Tender Offer will provide the Subject Company's shareholders a reasonable opportunity to sell shares. At the Subject Company's Board of Directors' meeting held on May 30, 2013, all directors, except for Mr. Masahiko Arihara and Mr. Kunio Otani, unanimously approved to state an opinion supporting the Tender Offer and to recommend that the Subject Company's shareholders tender their shares in the Tender Offer.

All of the corporate auditors except for Mr. Toshiro Yagami and Mr. Masayuki Senoo participated in the aforementioned Board of Directors' meeting and stated that they agreed to the Tender Offer and had no objection to recommending that Subject Company's shareholders tender their shares in the Tender Offer.

Among the Subject Company's directors, Mr. Masahiko Arihara concurrently serves as a director of the Company, and Mr. Kunio Otani concurrently serves as a director of Nichirei, which has concluded the Acceptance Agreement with the Company. From the perspective of avoiding the possibility of any conflict of interest, both directors refrained from participating in any discussions and resolutions regarding the Transaction, including the above resolution by the Subject Company's Board of Directors to approve the Tender Offer. Mr. Masahiko Arihara and Mr. Kunio Otani refrained from participating in any consultations, reviews or negotiations with the Tender Offeror as directors of the Subject Company. Meanwhile, among the Subject Company's directors, Mr. Eiki Kurokawa is a former Deputy Head of Air-Conditioning & Refrigeration Systems at the Company, and Mr. Masaaki Futami is a former Deputy Head of Yokohama Works at the Company. However, there have been more than three years since they either resigned or transferred from the Company, and they are not in any position to receive directions from the Company. As such, as of today, they have no conflict of interest or any possible conflict of interest with respect to the Subject Company. Among the Subject Company's corporate auditors, Mr. Toshiro Yagami concurrently serves as a statutory auditor of the Company, and Mr. Masayuki Senoo concurrently serves as an employee of the Company. From the same perspective, both corporate auditors refrained from participating in any discussions on the Transaction, including the above resolution by the Subject Company's Board of Directors to approve the Tender Offer.

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

(i) The Subject Company released the Consolidated Financial Statements for the Fiscal Year Ended March 31, 2013 (under Japanese GAAP) on May 10, 2013. The status of income as the Subject Company for the Fiscal Year Ended March 2013 based on the released Statements is as follows below.
The outline of the released Statements below is an excerpt from the information released by the Subject Company. The Tender Offeror is not in a position to independently verify the accuracy and truthfulness thereof; nor has it carried out such verification. For the details, please see the contents of the announcement.

(a) Profit and losses

Fiscal year	March 31, 2013 (74th fiscal year) (Consolidated)
Net sales	20,111 million yen
Cost of sales	16,593 million yen
Selling, general and administrative expenses	3,067 million yen
Non-operating income	44 million yen
Non-operating expenses	36 million yen
Net income	5,139 million yen

(b) Data per share

Fiscal year	March 31, 2013 (74^{th} fiscal year) (Consolidated)
Net income per share	244.67 yen
Dividend per share	5.00 yen
Net assets per share	542.47 yen

(ii) The Subject Company released the Notice Regarding Changes on the Board of Directors released on May 10, 2013. The Subject Company resolved at the Board of Director's meeting held on the day a plan of changes on the Board of Directors as follows below, on the assumption that the election of Board of Directors would be resolved at the 74th Ordinary General Meeting of Shareholders to be held in June 2013. Specifically, three Directors of the Subject Company, Mr. Hiroshi Yamamoto, Mr. Masanobu Akama, and Mr. Kunio Otani, will retire while the other four Directors, Mr. Eiki Kurokawa, Mr. Ken Kurachi, Mr. Masaaki Futami, and Mr. Masahiko Arihara, will be reappointed. For the details, please see the contents of the announcement.

(a) Directors to be newly appointed (as of June 27, 2013)

Name	New title	Current title (as of April 1, 2013)
Isao Hirano	Director and Executive Officer Deputy Chief Director of, Engineering Business Unit	Executive Officer Deputy Chief Director of Engineering Business Unit
Seiichi Yamashita	Director and Executive Officer Director of Service Business in Main Air Conditioning Business Unit	Executive Officer General Manager, Director of Service Business in Air-Conditioning Business Unit
Takumi Taguchi	Director (part-time)	Nichirei Corporation Executive Officer General Manager, Accounting & Tax

(b) Directors to retire (as of June 27, 2013)

Name	New title	Current title (as of April 1, 2013)
Hiroshi Yamamoto	Advisor	Director and Managing Executive Officer, Service Supervisor
Masanobu Akama	Advisor	Director and Executive Officer, Technical Supervisor
Kunio Otani	—	Director (part-time)

End

[Insider Regulations]

In accordance with the provisions of Article 167, paragraph (3) of the Financial Instruments and Exchange Act and Article 30 of the Order, anyone having read this press release is considered to be a primary recipient of information from the viewpoint of insider trading regulations. The Company accordingly urges you to exercise due care as you may be restricted from purchasing share certificates, etc. of Toyo Engineering Works, Ltd. for 12 hours after the announcement of this press release (the time announced by the Company Announcements Distribution Service by the Tokyo Share Exchange in the afternoon of May 30, 2013). Please be aware in advance that, should you be held liable under criminal, civil, or administrative laws for making such a prohibited purchase, the Company will assume no responsibility whatsoever.

[Soliciting Regulations]

This press release is intended for the announcement of the Tender Offer to the general public and is not intended for soliciting an offer to sell the shares in connection with the Tender Offer. If anyone desires to sell his or her shares, a shareholder should, at his or her own responsibility, review the tender offer explanatory statement for the Tender Offer and accept the Tender Offer in his or her own discretion. This press release is not considered as an offer or solicitation of sales of securities or solicitation of this Tender Offer and does not constitute any such part. This press release (or any part of it) or the fact of its distribution does not provide a basis for any kind of agreement pertaining to the Tender Offer, and it may not be relied upon when executing any such agreement.

[Forward-Looking Statements]

This press release contains "forward-looking statements" as defined in Section 27A of the U.S. Securities Act of 1933, and Section 21E of the U.S. Securities Exchange Act of 1934. Due to any known or unknown risks, uncertainty, or other factors, it is possible that actual results may differ greatly from the projections as expressly or implicitly indicated as "forward-looking statements". The Tender Offeror or its respective affiliates cannot promise that the projections expressly or implicitly indicated as "forward-looking statements" will result in being correct. The "forward-looking statements" in this press release were prepared based on the information held by the Company as of the date of this press release, and unless required by laws to do so, the Tender Offeror or its affiliates are not obliged to update or modify such statements in order to reflect any event or condition in the future.

[About the U.S. Laws]

The Tender Offer is to be conducted in accordance with the procedures and information disclosure standards prescribed in Japan's Financial Instruments and Exchange Act. However, these procedures and standards are not necessarily the same as the corresponding procedures and standards in the U.S. In particular, Section 13(e) or Section 14(d) of the U.S. Securities Exchange Act of 1934, as amended, and the rules prescribed thereunder do not apply to the Tender Offer, and the Tender Offer does not conform to those procedures and standards. Moreover, as the Tender Offeror is a company incorporated outside of the U.S., it may not be possible to execute rights and make requests under the securities-related laws of the U.S. In addition, it may be difficult to file a lawsuit against a company based outside of the U.S. at a court outside of the U.S. on the grounds of a violation of the laws related to securities in the U.S. Also, there is no guarantee that companies and their subsidiaries and affiliates based outside of the U.S. could be forced to comply with the jurisdiction of U.S. courts.

[Other Countries]

In certain countries or regions, the announcement, issue or distribution of this press release may be restricted by laws or regulations. In such cases, you are required to be aware of such restrictions and comply with the laws and regulations of such countries or regions. This press release does not constitute any solicitation of an offer to sell or offer to purchase shares in relation to the Tender Offer, and shall be considered as a mere distribution of informative materials.

Unless otherwise provided, all procedures for the Tender Offer shall be conducted in the Japanese language. All or some portion of the documents relating to the Tender Offer may be prepared in the English language. However, should there be an inconsistency between a document in English and that in Japanese, the Japanese document shall prevail. All financial statements included in this press release are created based on the Japanese accounting standards and are not based on those in the U.S. Therefore, the contents of the statements are not necessarily equivalent to those created based on the U.S. accounting standards.