

Notice of Disposal of Treasury Shares by Allotment to a Third Party

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UNIPRES CORPORATION (hereinafter the “Company”) adopted a resolution at the board of directors’ meeting held on February 6, 2017 on disposal of the treasury shares of the Company by allotment to a third party (hereinafter “Disposal”) and we hereby notice as follows.

1. Summary of Disposal

Date of payment	February 20, 2017
Number of disposed shares	2,650,000 shares
Disposal price	¥2,348 per share
Amount of funds financed	¥6,222,200,000
Disposal method	Disposal by allotment to a third party
Disposal destination	Marubeni-Itochu Steel Inc.
Other	Each of the above items shall be on condition of the effect of filing under the Financial Instruments and Exchange Act.

2. Purpose and Reasons for Disposal

In order to respond to expansion of overseas bases of our customers in connection with globalization of the automotive industry, the Company has been actively promoting overseas business expansion. With Marubeni-Itochu Steel Inc. (hereinafter the “company”), to which the shares of the Company will be allotted, we have continued to strive to improve production efficiency by conducting joint improvement manufacturing activities globally and continuously, pursuing optimization in ordering, processing and supplying operations of steel materials.

Through this reinforcement of our capital relationship, by merging the global parts production system of the Company and the global steel material supply system of the company, we will realize a deepening of joint improvement manufacturing activities. Through the above measures, as we can expect further development and expansion of our business and strengthening of our competitiveness, we have decided to implement disposal of our treasury shares to the company.

3. Amount of Funds to be Financed, Purpose of Use and the Schedule of Expenditures

(1) Amount of Funds to be financed

[1] Total amount of payment	¥6,222,200,000
[2] Rough estimate of issuing expenses	¥286,200
[3] Rough estimate of receipt balance	¥6,221,913,800

(2) Specific Purpose of Use of the Funds to be Financed

The purpose of the Disposal is to construct a long-term partnership between the Company and the company, the disposal destination, by strengthening our capital relationship.

The full amount of the above rough estimate of the receipt balance will be appropriated for several years from April 2017 to investment in strengthening production capacity, such as press equipment including hot-stamping (*), and assembly equipment for new cars, and so on of the domestic and several overseas production bases.

Funds shall be managed at the deposit account of the Company until expenditures.

- (*) A processing method for steel plates that can obtain high-strength materials for our products by simultaneously carrying out pressing (forming by applying pressure) and quenching while processing.

4. Policy on the Rationality of Use of Funds

As the funds financed by the disposal of treasury shares contribute to improvement in the corporate value of the Company through investment in production equipment of automobiles stated above and also contribute to improvement in the financial structure, we believe the purpose of use of the funds are rational.

5. Rationality of Disposal Conditions, and so on

(1) Grounds for calculation of the amount of payment and the specific content

Disposal price was set at ¥2,348 (rounded down to the nearest yen, rate of deviation from the closing price as of February 3, 2017 (¥2,362) was -0.59%), the average price of the closing prices of the common shares of the Company on the Tokyo Stock Exchange for the period from January 4, 2017 to February 3, 2017 (the preceding business day of the date of resolution of the board of directors).

The reason for adopting the average price of the closing prices of the common shares of the Company for the immediately preceding one month is that we determined it would be more objective and rational as the calculation basis as it would exclude the impact of special factors such as temporary changes in share prices by adopting the equalized value of the average price for a certain period rather than setting at one specific time as a reference. The reason for adopting the immediately preceding one month for the period as the calculation basis is that we determined it would be more rational to adopt a certain period, the prices during which are the closest to the most recent market prices as compared with the immediately preceding three months and immediately preceding six months.

As the rates of deviation of the disposal price are: -0.59% from ¥2,362, the closing price of the common shares of the Company on the Tokyo Stock Exchange as of the preceding business day of the resolution of the board of directors (February 3, 2017); +5.24% from ¥2,231 (rounded down to the nearest yen), the average price of the closing prices for the three months preceding the resolution of the board of directors (from November 4, 2016 to February 3, 2017); and +15.55% from ¥2,032 (rounded down to the nearest yen), the average price of the closing prices for the six months preceding the resolution of the board of directors (from August 4, 2016 to February 3, 2017), it complies with the “Guidelines Concerning Treatment of Capital Increase by Allotment to a Third Party” of the Japan Securities Dealers Association (established on April 1, 2010). Therefore, we determined that it does not fall under a particularly favorable disposal price.

On the above disposal price, three members of an audit and supervisory committee (out of which two outside directors) who were present at the board of directors’ meeting expressed their opinions that the price did not fall under a particularly favorable price and it was legal.

(2) Grounds for determining that the disposal quantity and the size of dilution of shares are rational

As the disposed quantity of 2,650,000 shares this time is 5.55% of 47,773,873 total issued shares of the Company (the ratio to the total number of voting rights of 450,450 as of December 31, 2016 was 5.88%), we believe the impact on dilution of shares and the secondary market will be insignificant. We believe it will contribute to improvement in corporate value and share value of the Company as it will lead to strengthening of competitiveness and expansion of business, utilizing the strengths of both companies through

strengthening the relationship with the company to which our shares are to be allotted and determine the disposal quantity of the Disposal and size of dilution of shares are rational.

6. Reasons for Choosing the company to which our shares are to be disposed, and so on

(1) Summary of the company to which our shares are to be disposed

(1) Summary of the company to which our shares are to be disposed

[1] Name	Marubeni-Itochu Steel Inc.		
[2] Address	Nihonbashi 1-chome, 4-1, Chuo-ku, Tokyo		
[3] Title and Name of Representative	President & CEO: Yasuo Matsuura		
[4] Business Line	Export, import, sale, processing of steel products, etc., supply chain management, investment in steel-related industries		
[5] Capital	¥30,000 million		
[6] Date of Incorporation	October 1, 2001		
[7] Number of Issued Shares	600,000 shares		
[8] Closing Period	March 31		
[9] Number of Employees	9,997 (consolidation)		
[10] Main Customers	NIPPON STEEL & SUMITOMO METAL CORPORATION, JFE Steel Corporation, etc.		
[11] Main Banks	Mizuho Bank, Ltd. The Bank of Tokyo-Mitsubishi UFJ Ltd., Sumitomo Mitsui Banking Corporation		
[12] Large Shareholders and Shareholding Ratio	ITOCHU Corporation 50% Marubeni Corporation 50%		
[13] Relationships of the Parties			
	Capital Relationship	The partner company holds 570,500 shares of the common shares of the Company. On the other hand, there is no particular capital relationship between “the related persons and affiliated companies of the Company” and “the related persons and affiliated companies of the partner company.”	
	Personal Relationship	No pertinent matter	
	Transaction Relationship	The Company purchases raw materials, etc., from the company.	
	Condition of Pertinence to Related Persons	No pertinent matter	
[14] Consolidated Business Results and Consolidated Financial Conditions over the Past Three Years (International Accounting Standards)			
Closing Period	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Interest attributable to parent	241,757	293,614	269,083
Total assets	991,945	1,132,227	979,937
Per share interest attributable to parent (yen)	402,928	489,356	448,471
Net sales	1,940,946	2,160,222	1,968,881
Operating income	38,395	38,085	22,508
Net income attributable to owners of parent	26,605	25,593	13,145
Consolidated net income per share (yen)	44,342	42,655	21,908

(Unit: million yen, except for those subject to explanatory notes)

- (Note) 1. “Capital,” “total number of issued shares,” “large shareholders and shareholding ratio” are as of December 31, 2016.
2. “Number of employees” is as of April 1, 2016.
3. “Net sales” include all transactions in which the company and consolidated subsidiaries are involved regardless of the transaction forms. “Net sales” and “Operating income” are autonomous representations in accordance with the accounting practices in Japan, considering the convenience of the stakeholders and not represented in a manner required according to IFRS.
4. We believe the company, to which our shares are to be allotted, offers sufficient social credibility based on the information recognized by the Company obtained from the previous transaction relationships, and so on. The company published on the website of the company that it prohibits providing benefits to antisocial forces and groups under a policy of “The chance to make our world a better place.” In addition, the company is a company to which the equity method is applied by ITOCHU Corporation and Marubeni Corporation, and in the corporate governance reports submitted to the Tokyo Stock Exchange by both companies, ITOCHU Corporation puts up “Committed to the Global Good” as its corporate philosophy and Marubeni Corporation complies with the spirit of “Fairness, Innovation and Harmony,” the corporate mission and both companies publish as their basic policy that they would resolutely oppose antisocial forces and groups which would cause a threat to the order and safety of civil society. Based on the above, we have confirmed that the company and its officers or or the two shareholder companies are not specified organizations, and so on (individuals, corporations and any other organizations, which would gain financial benefit by use of violence or threat or commit fraud and any other criminal acts) and the company has no relationship with specified organizations, and so on, and submitted the written confirmation to that effect to the Tokyo Stock Exchange Inc.

- (2) Reasons for choosing the company to which our shares are to be disposed
Refer to “2. Purpose and Reasons for Disposal” on page 1.

- (3) Policy of Holding of the Disposal Destination

We confirmed that the company to which our shares are to be allotted would hold the shares obtained by the Disposal for the medium- and long-term, considering the purpose of strengthening the relationships.

We will obtain a written confirmation from the company to which our shares are to be allotted that the name or appellation, address of the transferee, the number of transferred shares, date of transfer, transfer price, reasons for transfer, method of transfer, and so on shall be immediately reported in writing to the Company, the contents of the report shall be reported to the Tokyo Stock Exchange by the Company and the contents of the report shall be made accessible to the public, if the company to which our shares are to be disposed transfers to any third party or the Company within two years from the payment date all or part of the common shares of the Company which were acquired by the company to which our shares are to be disposed through the Disposal.

- (4) The content regarding the existence of assets required for payment for our shares to be disposed

We confirmed that the company to which the shares are to be allotted has cash and deposits necessary for payment of the disposed treasury shares by the status of cash and deposits on “Results of Operations in Fiscal 2015” (from April 1, 2015 to March 31, 2016) and “Results of Operations in First Half of FY 2016”(from April 1, 2016 to September 30, 2016) of the company, to which our shares are to be allotted.

7. Large Shareholders and Shareholding Ratio after the Disposal

Before the Disposal (As of March 31, 2016)		After the Disposal	
NIPPON STEEL & SUMITOMO METAL CORPORATION	16.39%	NIPPON STEEL & SUMITOMO METAL CORPORATION	16.39%
Japan Trusty Services Bank, Ltd. (trust account)	6.92%	Japan Trusty Services Bank, Ltd. (trust account)	6.92%
UNIPRES CORPORATION	5.56%	Marubeni-Itochu Steel Inc.	6.74%
The Master Trust Bank of Japan, Ltd. (trust account)	4.52%	The Master Trust Bank of Japan, Ltd. (trust account)	4.52%
JPMorgan Chase Bank, N.A. 380684 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	3.39%	JPMorgan Chase Bank, N.A. 380684 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	3.39%
CBNY-ORBIS SICAV (Standing proxy: Citibank Japan Ltd.)	2.19%	CBNY-ORBIS SICAV (Standing proxy: Citibank Japan Ltd.)	2.19%
Japan Trusty Services Bank, Ltd. (trust account 9)	1.87%	Japan Trusty Services Bank, Ltd. (trust account 9)	1.87%
State Street Bank and Trust Company (Standing proxy: HSBC Tokyo Branch, Custody Services Division)	1.59%	State Street Bank and Trust Company (Standing proxy: HSBC Tokyo Branch, Custody Services Division)	1.59%
Yoshinori Eguchi	1.56%	Masanori Eguchi	1.56%
CBNY-GOVERNMENT OF NORWAY (Standing proxy: Citibank Japan Ltd.)	1.40%	CBNY-GOVERNMENT OF NORWAY (Standing proxy: Citibank Japan Ltd.)	1.40%

(Note) 1. They are described based on the shareholders' registry as of December 31, 2016.

2. Shareholding ratio is described by rounding off to two decimal places.

3. Treasury shares held by the Company are 2,655,096 shares as of December 31, 2016 and after the allotment, they shall be 5,096 shares; provided, however, that they do not include exercise of new share subscription rights, purchase of shares less than a unit and adding to holdings on and after January 1, 2017.

8. Prospects

There is no impact on disposal of the treasury shares on the business results for the current year and thereafter.

9. Matters Concerning the Procedures under the Corporate Code of Conduct

An allotment to a third party does not require obtaining the opinions of an independent third party and taking procedures for confirmation of the intention of the shareholders specified in Article 432 of the Listing Regulations provided by the Tokyo Stock Exchange, Inc. as [1] the dilution rate is less than 25% and [2] it does not accompany changes in the controlling shareholders.

10. Matters Concerning Transactions with Controlling Shareholders, and so on

This transaction does not fall under transactions with controlling shareholders.

11. Business Results and Status of Equity Finance Over the Last Three Years

(1) Business Results Over the Last Three Years (consolidation)

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Consolidated net sales	¥289,491 million	¥308,739 million	¥325,423 million
Consolidated operating income	¥15,435 million	¥17,796 million	¥22,033 million
Consolidated ordinary income	¥17,518 million	¥18,363 million	¥18,186 million
Consolidated net income attributable to shareholders of parent	¥8,208 million	¥7,207 million	¥9,750 million
Consolidated net income per share	¥175.19	¥170.89	¥217.81
Dividend per share	¥25.00	¥25.00	¥35.00
Consolidated net assets per share	¥2,431.88	¥2,681.93	¥2,674.58

(2) Current Status of Number of Issued Shares and Dilutive Shares (as of December 31, 2016)

	Number of shares	Ratio to the number of issued shares
Number of issued shares	47,773,873 shares	100.00%
Number of dilutive shares at the current conversion price (exercise price)	250,200 shares	0.52%

(Note) All new share subscription rights issued by the Company have the fixed exercise price and there are no modification clauses of the exercise price.

(3) Status of Recent Share Prices

[1] Status over the last three years

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Opening price	¥2,156	¥1,860	¥2,428
Highest price	¥2,499	¥2,595	¥3,075
Lowest price	¥1,585	¥1,794	¥1,610
Closing price	¥1,855	¥2,450	¥1,961

[2] Status over the last six months

	August	September	October	November	December	January
Opening price	¥1,691	¥1,861	¥1,800	¥2,019	¥2,200	¥2,342
Highest price	¥1,885	¥1,946	¥2,025	¥2,224	¥2,391	¥2,503
Lowest price	¥1,553	¥1,750	¥1,770	¥1,794	¥2,110	¥2,206
Closing price	¥1,846	¥1,772	¥2,021	¥2,191	¥2,327	¥2,380

[3] Share price as of the business day preceding the date of resolution on issue

	February 3, 2017
Opening price	¥2,356
Highest price	¥2,384
Lowest price	¥2,333
Closing price	¥2,362

(4) Status of Equity Finance Over the Last Three Years

Disposal of Treasury Shares by Allotment to a Third Party

Date of payment	May 29, 2015
Number of disposed shares	¥6,563,661,200 (rough estimate of the receipt balance)
Disposal price	¥2,477 per share
Total number of issued shares at the time of disposal	47,574,273 shares
Class and number of disposed shares	Common shares of the Company: 2,650,000 shares
Disposal destination	NIPPON STEEL & SUMITOMO METAL CORPORATION
Initial purpose of use of funds and schedule of expenditures	Out of the above rough estimate of the receipt balance, about ¥3 billion will be appropriated to capital investment in production equipment in connection with model changes of automobiles in Japan during the year ending March 31, 2016 and the residual amount will be appropriated to investment in strengthening production capacity, including press equipment and assembly equipment, and so on of overseas affiliated companies.
Current status of appropriation of funds	Funds were appropriated in accordance with the initial purpose of use.

12. Disposal Summary

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| (1) Date of application: | February 14, 2017 |
| (2) Date of payment: | February 20, 2017 |
| (3) Number of disposed shares: | 2,650,000 shares |
| (4) Disposal price: | ¥2,348 per share |
| (5) Total disposal price: | ¥6,222,200,000 |
| (6) Disposal method: | By allotment to the company |
| (7) Number of treasury shares after the Disposal: | 5,096 shares |