

April 2, 2007

## **Taiyo Chemical to Become Wholly Owned by Asahi Pretec**

At the meeting of the board of directors held on April 2, 2007, Asahi Pretec Corporation (“the Company”) resolved to conclude a share exchange agreement with Taiyo Chemical Ltd. Co., (“Taiyo”) that engages in industrial-waste disposal business, in which Taiyo becomes a wholly owned subsidiary of the Company effective May 14, 2007 through simplified-form share exchange.

### **1. Purposes of Share Exchange**

(1) To strengthen the system to provide customers with one-stop services in the environmental protection business field

Taiyo, since founded in 1959, has been in the business of recovering silver from photo-sensitive materials and disposing the waste fluids. In 1986, Taiyo introduced a rotary kiln type incinerator to treat effluent (waste acid and waste alkali) discharged from factories and medical infectious wastes discharged from hospitals, and built another incinerator in 1993. In parallel with these, Taiyo has met with the approval for collection and transportation of industrial wastes including specially controlled ones from Kagoshima-city and other local governments in Kyushu-area, also became certified according to ISO 14001 in 2003, and obtained “certification of conformance to requirements for qualified industrial waste vendor” for the first time in Kagoshima prefecture in 2006.

As the Company distributes the offices to Fukuoka and Kagoshima and is developing the environmental protection business widely in Kyushu area, the Company, by being integrated with the above-mentioned disposal equipment and the collection and transportation network that Taiyo owns, shall be enabled to further enhance the one-stop service framework for the customers in Kyushu area

(2) To bring about a greater business synergy of wide scope

Taiyo has worked with large-scale corporations in the fields of IT, electronics, petroleum chemistry and so forth. As these corporations are assumed to discharge not only industrial wastes but also various scraps containing precious metals or rare metals which the precious metals recycling operation of the Company is dealing in, it shall be actively promoted to propose adding precious metal recycling services for the customers commoditized between the Company and Taiyo as well as improving the industrial waste disposal services for those customer so as to exercise group-wide strengths and expand the consolidated performance.

## 2. Terms and conditions for the share exchange

### (1) Schedule

April 2, 2007: A meeting of the Board of Directors to approve the conclusion of the share exchange agreement

April 2, 2007: Conclusion of the share exchange agreement

May 14, 2007 (tentative): Execution of the share exchange

**Note: The share exchange is based on the terms of Article 796 Paragraph 3 of the Corporate Law, and is in a form of a simplified-form share exchange for the Company that doesn't need to obtain the approval of the shareholders' meeting according to the provision in Article 795 clause 1 of the Corporate Law.**

### (2) Ratio of the share exchange

	Asahi Pretec Corporation (100% parent company)	Taiyo Chemical Ltd. Co. (Wholly owned subsidiary)
Ratio of share exchange	1	500

#### Notes:

- (i) Ratio of share allocation: For each share of Taiyo, 500 shares of the Company will be allocated.
- (ii) Basis for calculating the ratio of share exchange: Yamazaki Certified Public Accountant Office, which is a neutral third party, was asked to calculate the appropriate ratio of share exchange between the two companies, and based on the calculation presented by that office, the Company and Taiyo agreed on the above-mentioned ratio through mutual consultations.
- (iii) The results, methods and basis of calculation by the third party: In calculating the share exchange ratio, Yamazaki Certified Public Accountant Office applied to the Company the market value standard method (the average closing price at the Tokyo Stock Exchange from January 4, 2007 through March 30, 2007), and evaluated the share price of Taiyo through the discounted cash-flow approach method.
- (iv) Number of shares to be issued in the share exchange: 400,000 ordinary shares of the Company, all of which will come from the shares owned by the Company and without issuing new shares.

(3) Monetary payment for share exchange: No money will be paid for the share exchange.

### 3. Outline of the parties to the share exchange

1. Company name	Asahi Pretec Corporation (100% parent company)	Taiyo Chemical Ltd. Co. (wholly owned subsidiary)
2. Lines of business	Recycling of precious metals, Environmental protection	Environmental protection
3. Date of founding	April 20, 1964	June 8, 1981
4. Principal place of business	21 Uozaki Hama-cho, Higashi Nada-ku, Kobe-city	106-2 Ishidani-cho, Kagoshima-city
5. Name and title of the representative	Mitsuharu Terayama, CEO and COO	Yuichi Kawano, Representative Director and President
6. Capital stock	¥4,480 million (at the time of executing the share exchange agreement)	¥8 million (at the time of executing the share exchange agreement)
7. Total number of shares issued	36,254,344 (at the time of executing the share exchange agreement)	800 (at the time of executing the share exchange agreement)
8. Total assets	¥37,826 million (as of September 30, 2006)	¥747 million (as of November 30, 2006)
9. Shareholders' equity	¥28,520 million (as of September 30, 2006)	¥401 million (as of November 30, 2006)
10. Fiscal year ends on	March 31	November 30
11. Number of employees	716 (as of September 30, 2006)	52 (as of November 30, 2006)
12. Principal clients	Fuji Photo Film Co., Ltd., Mitsui & Co., Ltd., Sumisho Materials Ltd.	Fujitsu-Hitachi Plasma Display Ltd., Mitsubishi Electric Corporation
13. Major shareholders and percentages of shares held by them (as of September 30, 2006)	Mitsuharu Terayama 10.21% Masamichi Terayama 8.97% Japan Trustee Services Bank, Ltd. 4.44%	Yuichi Kawano 40.62% Mitsuru Kawano 25.00% Reiko Kawano 21.87% Masako Kawano 6.25% Eisaku Ogawa 6.25%

Note: Between these companies, there are neither capital ties nor human relations.

14. Corporate performance figures for the three most recent fiscal years: (in ¥1,000,000)

Asahi Pretec Corporation (100% parent company)

Fiscal year ending	March 2004	March 2005	March 2006 (projections)
Gross sales	34,125	43,292	57,064
Recurring profit	2,118	3,014	5,012
Net profit	961	1,629	2,843

Taiyo Chemical Ltd. Co., (wholly owned subsidiary)

Fiscal year ending	November 2004	November 2005	November 2006
Gross sales	312	803	815
Recurring profit	42	12	84
Net profit	22	4	47

Note: As Taiyo's fiscal year ended on November 2004 had started July 2007, the settlement of accounts was for 5-month period.

#### **4. Situations following the share exchange**

- (1) There will be no change in the company names, lines of business and principal places of business of the two companies or in the representative of the Company from what were described in "3. Outline of the parties to share exchange" above.
- (2) The capital stock of neither company will increase as a result of this share exchange.
- (3) This share exchange will result in no change in the tenures of office of the directors and auditors of the company who took office prior to the date of share exchange.
- (4) The share exchange is expected to have little or no impact on the consolidated performance of the company for the fiscal year ending in March 2008.