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Tokki to approve tender offer by Canon Inc., allocate new shares for Canon

TOKYO, November 13, 2007—Tokki Corporation (“Tokki”), at its Board of Directors meeting, decided to express its approval of the tender offer by Canon Inc. (“Canon”; Chairman and CEO: Fujio Mitarai; Headquarters: Ohta-ku, Tokyo) and to perform a third-party allocation of newly issued shares for Canon. Following a successful completion of the tender offer and the acquisition by Canon of shares through third-party allocation, Canon would own a majority of Tokki’s outstanding stock, making Tokki a consolidated subsidiary of Canon.

In recent years, Tokki has faced financial challenges, which were mainly caused by sluggish demand in the OLED display market and a decrease in orders. On the other hand, customer requirements for OLED production equipment have become increasingly advanced with regard to substrate size and tact time in the production of OLED displays. Now, several electronics manufacturers have announced the launch of new consumer products equipped with OLED displays. Through the introduction of these differentiated new products, consumers will be made aware of the advantages of OLED displays, which will lead to the expansion of the OLED market. As for the solar panel market, the tight demand-supply gap for silicon has been drawing increased attention on thin-film type photovoltaic cells, such as those produced using Tokki production equipment.

Through the strategic capital alliance with Canon, Tokki believes it can improve its competitiveness as a leading equipment manufacturer in the OLED market. In concrete terms, the tie-up with Canon will enable Tokki to raise funds for the redemption of borrowings and working capital, and to accelerate the development of production equipment for OLED displays and thin-film photovoltaic cells. Additionally, the tie-up is also expected to enable Tokki, as a subsidiary of Canon’s group, to reduce product costs by improving engineering and procurement levels and, by enjoying the scale merits of volume production, to deliver sustained value to customers by utilizing Canon’s global sales and service network.

Even after becoming a subsidiary of Canon, Tokki will continue to focus on its current business portfolio in manufacturing production equipment for OLED, thin-film photovoltaic cells, organic lighting and electronic devices, and to support Tokki customers on a global basis.

Basic overview of capital alliance agreement with Canon (summary)

1. Canon will purchase 14,200,000 shares of common stock (amount per share: 417 yen; total amount: 5,921,400,000 yen) newly issued through third-party allocation
2. Canon will acquire a majority of Tokki's outstanding shares through the tender offer and the shares purchased through the new share allocation
3. A majority of Tokki's board members and two corporate auditors will be dispatched from Canon
4. As for directors, Tokki will have two representative directors, with one to be appointed from among the board members dispatched by Canon, along with the current representative director Teruhisa Tsugami, who will continue holding his position.

Reference (Canon news release):

<http://www.canon.com/press/2007/p2007nov13e.html>