

September 1, 2020

To Whom It May Concern:

Listed Company's Name:	Keihin Corporation
Representative:	Keiichi Aida President and CEO
(Code: Contact:	7251, TSE 1st Section) Mitsutoshi Sato, General Manager, Accounting Department
(Telephone:	03-3345-3411)

**Notice of Position Statement regarding the Scheduled Commencement of the Tender Offer by Honda Motor Co., Ltd., an Affiliate, for the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd. (Securities Code: 7230)**

Keihin Corporation (the "Company") hereby announces that as part of a series of transactions for management integration (the "Integration"; for details, please see the Note below) stated in "Notice of Position Statement regarding the Scheduled Commencement of the Tender Offer by Honda Motor Co., Ltd., an Affiliate, for the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd. (Securities Code: 7230)" dated October 30, 2019 (the "October 30 Press Release") announced by the Company, regarding a tender offer (the "Tender Offer") for the shares of the Company's common stock (the "Shares") commenced by Honda Motor Co., Ltd. (the "Tender Offeror") pursuant to the basic contract (the "Basic Contract") entered into among the Company, Hitachi Automotive Systems, Ltd. ("Hitachi Automotive Systems"), Showa Corporation (First Section of the Tokyo Stock Exchange (the "TSE 1st Section"), securities code: 7274, "Showa"), Nissin Kogyo Co., Ltd. (TSE 1st Section, securities code: 7230, "Nissin"; collectively with the Company and Showa, the "Three Target Companies"), Hitachi, Ltd. (TSE 1st Section, securities code: 6501, "Hitachi") and the Tender Offeror dated October 30, 2019 to make the Company a wholly-owned subsidiary of the Tender Offeror, the Company has resolved once again, at the meeting of the board of directors of the Company held on September 1, 2020, to support the Tender Offer and to recommend to the Company's shareholders to tender in the Tender Offer.

The resolution of the board of directors Company's referenced above was made on the precondition that (i) the purpose of the Tender Offeror is to make the Company a wholly-owned subsidiary of the Tender Offeror through the Tender Offer and subsequent procedures, (ii) the Shares will be delisted, and (iii) the Integration, including the Absorption-type Merger (defined below), will be conducted.

(Note) The Integration means the management integration, as announced in the October 30 Press Release by the Company and "Notice regarding the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation, and Nissin Kogyo Co., Ltd." (the "Press Release regarding the Integration") announced by the Company, Hitachi Automotive Systems, Ltd., Showa Corporation, Nissin Kogyo Co., Ltd., Hitachi, Ltd. and the Tender Offeror dated October 30, 2020, conducted through an absorption-type merger ("Absorption-type Merger") in which Hitachi Automotive Systems (a wholly-owned subsidiary of Hitachi) will be the surviving company, and the Three Target Companies will be the disappearing companies after the Three Target Companies are made wholly-owned subsidiaries of the Tender Offeror.

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## 1. Overview of the Tender Offeror

(1)	Name	Honda Motor Co., Ltd.	
(2)	Location	2-1-1, Minami-Aoyama, Minato-ku, Tokyo	
(3)	Name and position of representative	Takahiro Hachigo, President and Representative Director	
(4)	Business activities	Motorcycle business, automobile business, financial business, life creation business, and other business	
(5)	Capital	86,067 million Japanese yen (As of March 31, 2020)	
(6)	Date of establishment	September 24, 1948	
(7)	Major shareholders and percentages of shares held (As of March 31, 2020)(Note)	The Master Trust Bank of Japan, Ltd. (Trust Account)	7.75%
		Japan trustee Services Bank, Ltd. (Trust Account)	6.61%
		SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hong Kong and Shanghai Banking Corporation Limited)	3.36%
		Moxley & Co. LLC (Standing proxy: MUFG Bank, Ltd.)	3.12%
		Meiji Yasuda Life Insurance Company (Standing proxy: Trust & Custody Services Bank, Ltd.)	2.96%
		Japan Trustee Services Bank, Ltd. (Trust Account 9)	2.70%
		Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.05%
		Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.86%
		JP Morgan Chase Bank 385151 (Standing proxy: Mizuho Bank, Ltd.)	1.75%
		Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan Trustee Services Bank, Ltd.)	1.66%
(8)	Relationships between the Company and the Tender Offeror		
	Capital relationships	As of today, the Tender Offeror owns 30,581,115 shares (ownership ratio 41.33%) of the Shares	
	Personnel relationships	13 employees of the Tender Offeror, have been on loan to the Company.	
	Trading relationships	The Company sells automobile-parts to the Tender Offeror.	
	Related party information	The Company is a Tender Offeror equity-method affiliate, and the Tender Offeror is a related party of the Company.	

Note: The Securities Report for the 96<sup>th</sup> Fiscal Year submitted on June 19, 2020 by the Tender Offeror was referred.

## 2. Tender Offer Price

2,600 JPY per common share ("Tender Offer Price")

## 3. Position regarding the Tender Offer, and Basis and Reasons thereof

## (1) Details of Opinion

Based on basis and reasons set forth in “(2) Basis and Reasons of Opinion” below, the Company has resolved, at the meeting of the board of directors held on October 30, 2019, to support the Tender Offer when the Tender Offer commences, and to recommend to the Company’s shareholders to tender in the Tender Offer, as the Company’s current opinion as of the above date regarding the Tender Offer.

According to “Notice of the Commencement of the Tender Offer to Make Keihin Corporation (Securities Code: 7251) a Wholly-owned Company of Honda Motor Co., Ltd. in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” dated September 1, 2020 announced by the Tender Offeror, the Tender Offeror had resolved at the meeting of the board of its directors held on October 30, 2019, to conduct the Tender Offer after satisfaction of certain conditions precedent such as (I) obtaining permits and licenses, etc. from the respective countries’ relevant authorities including notifications or approvals for business combination to or by the respective countries’ competition authorities and (II) the Company having resolved to support the Tender Offer and to recommend to its shareholders to tender in the Tender Offer, having published the resolution, and not having changed the resolution or passed a contradictory resolution by its board of directors during the period from the Basic Contract Conclusion Date (defined in “(1) Agreement between the Tender Offeror and the Company or its Officers, and the Details Thereof” of “10. Others” below) to the date on which the Tender Offeror decides to commence the Tender Offer (the “Tender Offer Commencement Determination Date”) pursuant to the Basic Contract (for details, please see “(1) Agreement between the Tender Offeror and the Company or its Officers, and the Details Thereof” of “10. Others” below; the “Conditions Precedent”) to obtain all of the Shares (excluding the Shared owned by the Tender Offeror and the treasury shares owned by the Company; the same applies hereinafter) and make the Company a wholly-owned subsidiary of the Tender Offeror, as part of transactions for the Integration.

On the other hand, the Company, at the meeting of the board of directors held on October 30, 2019 had resolved to: (i) request the Special Committee (defined in “(III) Independent special committee established by the Company” in “(6) Measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest, and measures to ensure the fairness of the Tender Offer”; please see the same subsection for the details of the Special Committee) to examine whether there are any changes in the opinions expressed by the Special Committee upon the commencement of the Tender Offer to the board of directors as of October 30, 2020, and, if there are no changes, to notify the board of directors of such, and, if there are any changes, to state its opinion after the changes, and, (ii) to express an opinion regarding the Tender Offer again upon the commencement of the Tender Offer, in consideration of such opinion, pursuant to the Basic Contract, as stated in “(III) Process of and reasons for decision-making leading to the Company’s support of the Tender Offer” of “(2) Basis and Reasons of Opinion” below.

After that, all of the procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were expected to be completed as of July 30, 2020; therefore, the Tender Offeror told the Company that it wants the Company to prepare for determining the commencement of the Tender Offer expected on August 18, 2020, on the premise that such procedures and activities would be completed by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, on August 26, 2020, all procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed; therefore, on August 27, 2020, the Tender Offeror told the Company that it wants to commence the Tender Offer on September 2, 2020 (“Tender Offer Commencement Date”), on the premise that other Conditions Precedent would be satisfied.

On July 30, 2020, the Company, as a response to such notification, asked the Special Committee to

examine whether there are any changes in the opinions expressed in Written Report on October 30, 2019 (defined in “(III) Independent special committee established by the Company” in “(6) Measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest, and measures to ensure the fairness of the Tender Offer”), and, if there are no changes, to notify the board of directors of such, and, if there are any changes, to state its opinion after the changes. The Special Committee, after examination conducted as per the Company’s request, submitted the Company Written Report on September 1, 2020 (defined in “(III) Independent special committee established by the Company” in “(6) Measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest, and measures to ensure the fairness of the Tender Offer”) on September 1, 2020, upon unanimous resolution by all committee members.

Recently, the Company has been informed that upon the completion of the necessary procedures and activities based on the competition law of Thailand on August 26, 2020, the Tender Offeror confirmed that all of the Conditions Precedent, including obtaining the permits and licenses, etc., from the respective countries’ relevant authorities, have been satisfied, and that the conditions to commence the Tender Offer have been fulfilled. Therefore, the Tender Offeror determined to commence the Tender Offer on September 1, 2020.

The Company carefully reconsidered the various conditions regarding the Tender Offer based on Written Report on September 1, 2020 and the Company Share Valuation Report on August 31, 2020 (defined in “(3) Matters regarding valuation” below). As a result, regarding the Tender Offeror, at the meeting of the board of directors held on September 1, 2020, the Company resolved to express an opinion to support the Tender Offer and to recommend its shareholders tender the Shares for the Tender Offer based on the ground and reasons stated in “(2) Basis and Reasons of Opinion” below.

Furthermore, both resolutions by the board of directors held on October 30, 2019 and the board of directors held on September 1, 2020 were made through methods described in “(V) Approval of all directors of the Company with no interest in the Transactions, and no objection from all company auditors of the Company with no interest in the Transactions” of “(6) Measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest, and measures to ensure the fairness of the Tender Offer”.

## (2) Basis and Reasons of Opinion

### (I) Overview of the Tender Offer

The Tender Offer informed the Company of the following regarding the overview of the Tender Offer.

As of today, the Tender Offeror owns 30,581,115 shares (ownership ratio (Note 1) 41.35%) of the Shares listed on the TSE 1st section, and the Company is a Tender Offeror equity-method affiliate.

As announced in “Notice regarding the Scheduled Commencement of the Tender Offer to Make Keihin Corporation (Securities Code: 7251) a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” announced by the Tender Offeror dated October 30, 2020 (the “October 30, 2020 Press Release by Tender Offeror”) and the Press Release regarding the Integration, the Tender Offeror, the Company, Hitachi Automotive Systems, Showa, Nissin and Hitachi entered into the Basic Contract dated October 30, 2020, to conduct the Integration through implementation of the Absorption-type Merger in which Hitachi Automotive Systems (a wholly-owned subsidiary of Hitachi) will be the surviving company, and the Three Target Companies will be the disappearing companies after making the Three Target Companies wholly-owned subsidiaries of the Tender Offeror. For details of the Basic Contract, please see “(1) Agreement between the Tender Offeror and the Company or its Officers, and the Details Thereof” of “10. Others” below.

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As stated in the October 30, 2020 Press Release by Tender Offeror, at the board of directors meeting held on October 30, 2019, the Tender Offeror has determined to conduct the Tender Offer with the Shares being the target, where the Conditions Precedent are satisfied, to obtain all of the Shares, and to make the Company a wholly-owned subsidiary of the Tender Offeror, as part of the series of transactions for the Integration, pursuant to the Basic Contract. Recently, the Company has been informed that upon the completion of the necessary procedures and activities based on the competition law of Thailand on August 26, 2020, the Tender Offeror confirmed that all of the Conditions Precedent, including obtaining the permits and licenses, etc., from the respective countries' relevant authorities, have been satisfied, and that the conditions to commence the Tender Offer have been fulfilled. Therefore, the Tender Offeror determined to commence the Tender Offer on September 1, 2020.

As announced in "Notice regarding the Scheduled Commencement of the Tender Offer to Make Showa Corporation (Securities Code: 7274) a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation, and Nissin Kogyo Co., Ltd. (Securities Code: 7230)" and "Notice regarding the Scheduled Commencement of the Tender Offer to Make Nissin Kogyo Co., Ltd. (Securities Code: 7230) a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd." both announced by the Tender Offeror dated October 30, 2019 (collectively, the "October 30, 2019 Press Releases regarding Other Two Target Companies"), the Tender Offeror has also determined at the board of directors meeting held on October 30, 2020 that similar to the Tender Offer, and to make Showa and Nissin wholly-owned subsidiaries of the Tender Offeror pursuant to the Basic Contract, as part of a series of transactions for the Integration, respective common stocks of Showa and Nissin are to be obtained through the tender offer.

According to the Tender Offeror, there were conditions precedent, such as obtaining permits and licenses, etc. from the respective countries' relevant authorities including notifications or approvals for business combination to or by the respective countries' competition authorities, for the commencement of the tender offers for the shares of Showa and Nissin (collectively with the Tender Offer, the "Three Target Companies Tender Offer") as well. However, the Tender Offeror determined to commence the Tender Offer on September 1, 2020 to commence the Tender Offer, since the Tender Offeror confirmed that all such conditions precedent have been satisfied, and the conditions to commence the Tender Offer have been fulfilled. (For the details, please see "Notice of the Commencement of the Tender Offer to Make Showa Corporation (Securities Code: 7274) a Wholly-owned Company of Honda Motor Co., Ltd. in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation, and Nissin Kogyo Co., Ltd. (Securities Code: 7230)" and "Notice of the Commencement of the Tender Offer to Make Nissin Kogyo Co., Ltd. (Securities Code: 7230) a Wholly-owned Company of Honda Motor Co., Ltd. in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd." both announced by the Tender Offeror dated September 1, 2020; collectively, the "September 1, 2020 Press Releases regarding Other Two Target Companies".)

The Tender Offeror has set the minimum number of shares to be purchased as 18,723,485 shares (Note 2) (ownership ratio 25.32%) in the Tender Offer; and if the total of the Shares tendered for the Tender Offer (the "Tendered Shares") falls short of the minimum number of shares to be purchased, the Tender Offeror will purchase none of the Tendered Shares. On the other hand, as the Tender Offeror purports to make the Company its wholly-owned subsidiary through the Tender Offer, the maximum number of shares to be purchased has not been set; and if the total number of the Tendered Shares is the same as or more than the minimum number of shares to be purchased, purchase of all of the Tendered Shares will be conducted. The minimum number of shares to be purchased (18,723,485 shares) is set as the number obtained by the following formula: first, subtract from (a) the total number of issued shares as of June 30, 2020, stated in the 1st quarterly report for the 80th year (the "Company's 1st Quarterly Report for the 80th Fiscal Year") submitted by the Company on August 6, 2020 (73,985,246 shares), (b) the

treasury shares owned by the Company as of June 30, 2020, stated in the “1st Quarter Financial Summary IFRS (Consolidated) for year ending March 2021” (the “Company’s 1st Financial Summary for Year Ending March 2021”) announced by the Company on August 6, 2020 (28,417 shares). This amounts to 73,956,829 shares, and the number of voting rights pertaining to such number of shares above (739,568 voting rights), is then multiplied by  $\frac{2}{3}$  (493,046 voting rights) (rounded up to the nearest whole number). Based on the number obtained by multiplying by 100 shares the share unit number of the Company, deduct the number of the Shares owned by the Tender Offeror today (30,581,115 shares).

(Note 1) “Ownership ratio” as of today is stated as the ratio against the number of shares (73,956,829 shares) obtained by deduction of treasury shares owned by the Company as of June 30, 2020, stated in the Company’s 1st Financial Summary for Year Ending March 2021 (28,417 shares) out of the total number of issued shares as of June 30, 2020, stated in the Company’s 1st Quarterly Report for the 80th Fiscal Year (73,985,246 shares) (any fraction is rounded off to two decimal places; hereinafter the same shall apply in the calculation of ownership ratio). Hereinafter the same shall apply.

(Note 2) In the press release announced by the Tender Offeror dated October 30, the minimum number of shares is stated as 18,724,185. However, by the time of the commencement of the Tender Offeror, the number of treasury shares owned by the Company has changed from 27,332 shares to 28,417 shares, and therefore the minimum number of shares to be purchased is changed to 18,723,485.

As the Tender Offeror purports to make the Company its wholly-owned subsidiary, if the Tender Offeror cannot obtain all of the Shares through the Tender Offer after the completion of the Tender Offer, the Tender Offeror schedules to implement a series of procedures to make the Tender Offeror the sole shareholder of the Company (the “Transaction to Make the Company a Wholly-Owned Subsidiary”; collectively with the Tender Offer, the “Transactions”). The Tender Offeror also schedules to implement similar procedures to make Showa and Nissin its wholly-owned subsidiaries (collectively with the Transactions, the “Transaction to Make the Three Target Companies Wholly-Owned Subsidiaries”). The Tender Offeror plans to conduct the Absorption-type Merger after implementing the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries. The effective date of the Absorption-type Merger is planned to be set at (i) from January to February 2021, in case all of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries are implemented by Demand for Cash-Out described in “(5) Policies regarding reorganization, among others, after the Tender Offer (matters regarding the so-called two-stage purchase)” or (ii) from February to March 2021, in case more than one of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries is/are implemented by Share Consolidation described in “(5) Policies regarding reorganization, among others, after the Tender Offer (matters regarding the so-called two-stage purchase)”. For details, please see “(ii) Structure of the Integration” in “(II) Background to, the purpose of, and decision-making process of, the resolution to conduct the Tender Offer, and the management policy after the Tender Offer” and “(5) Policies regarding reorganization, among others, after the Tender Offer (Matters regarding the so-called two-stage purchase)” below.

(II) Background to, the purpose of, and decision-making process of, the resolution to conduct the Tender Offer, and the management policy after the Tender Offer

The Company was informed by the Tender Offer as below regarding the background to, the purpose of, and decision-making process of, the resolution to conduct the Tender Offer, and the management policy after the Tender Offer.

(i) Background to, the purpose of, and decision-making process of, the resolution to conduct the Tender Offer

The Tender Offeror Group consists of the Tender Offeror, 357 consolidated subsidiaries and 73 equity-method affiliates including the Three Target Companies (collectively with the Tender Offeror, the

“Tender Offeror Group”), as of March 31, 2020, and by business category, the Tender Offeror’s businesses consist of motorcycle business, automobile business, financial service business, life creation (Note 1), and other businesses. The Tender Offeror began with the opening of Honda Technical Research Institute in Hamamatsu-city, Shizuoka Prefecture by Mr. Soichiro Honda in October 1946, and it was established as Honda Motor Co., Ltd. by succession of Honda Technical Research Institute in September 1948. Then, the Tender Offeror was listed on the Tokyo Stock Exchange in December 1957, and it is listed on the TSE 1st Section as of today.

(Note 1) Business to provide power products, including power generators, lawn mowers, and general-purpose engines, and to engage in energy business.

The Tender Offeror Group has fundamental beliefs of “Respect for the Individual” and “The Three Joys” (The Joy of Buying, The Joy of Selling, The Joy of Creating). Based on these fundamental beliefs, the company principle of “Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality, yet at a reasonable price for worldwide customer satisfaction.” is established and these are shared by each and every employees working at the Tender Offeror Group as “Honda Philosophy.” Moreover, the Tender Offeror Group practices daily corporate activities with Honda Philosophy being the standard for the conduct and decision-making, share joys with all people including shareholders, and strive for enhancement of corporate value.

Also, in the “2030 Vision” established in June 2017, vision statement of “serve people worldwide with the ‘joy of expanding their life’s potential’” and “lead the advancement of mobility and people’s daily lives,” was established. In order to realize this statement, direction of initiatives with three viewpoints of “creating value for ‘mobility’ and ‘daily lives’,” “accommodate the different characteristics of people and society,” and “toward a clean and safe/secure society” have been set.

On the other hand, the Company group, as of today, consists of the Company and its 29 consolidated subsidiaries (together with the Company, the “Company Group”), and its main businesses are the manufacture and sale of components for motorcycles and automobiles. Also, the Company sells products to the Tender Offeror, and the Company and the Tender Offeror are in a continuous and close business relationship. The Company was established in Kawasaki-city, Kanagawa Prefecture in December 1956, and was listed on the Second Section of the Tokyo Stock Exchange in December 1964. Furthermore, it was designated to the TSE 1st Section in September 1994. Then, in April 1997, the Company merged with Hadsys Co., Ltd. and e-Giken Co., Ltd., and changed its corporate name to Keihin Corporation and now exists as such.

The Company Group has the fundamental beliefs of “Respect for the Individuals” (the belief that the most important asset of the company is its “people” and each individual shining forth will be the source of its power) and “The Five Joys” ( The Joy of sharing with society by being a model corporate citizen, The Joy of sharing with customers by using advanced skills and close interaction, The Joy of sharing with suppliers by ensuring that each party prospers in an relationship of mutual creativity, The Joy of sharing with shareholders by always maintaining appeal as a company, and The Joy of sharing among ourselves by gaining the empathy and trust of all.) (the belief of how joy is shared with each individual involved in corporate activities of the Company Group, based on the “Respect for the Individuals”, is the outcome of activities). The Company Group had created numerous products for “driving” cars and motorcycles for over 60 years since its foundation, to make more convenient and enrich the lives of people globally and for a mobility(Note 2) society with less impact on the earth’s environment.

On the other hand, in the business environment surrounding the Company Group, global environmental regulations are expected to be strengthened further for both motorcycles and automobiles. Particularly, concerning motorcycles, as well as the expansion of changes to FI (electrically-controlled fuel injection system) (Note 3) since 2020 in India, progress of measures toward electrification mainly in Japan and Asia in the future; furthermore, concerning automobiles, further acceleration of measures for electrification mainly in advanced countries, and the rapid expansion of sales of electric vehicles

particularly in China are expected. Thus, in addition to furthering electrification in connection with various stricter world-wide environmental regulations, activation of measures for safety enhancement and computerization utilizing data collected from automobiles, such as vehicle body control, in accordance with the surrounding circumstances as recognized by in-vehicle sensors and cameras, etc., and road infrastructure and communications with surrounding moving vehicles and diversification of market needs, etc. are intertwined in complex ways; and the industry itself is undergoing significant change.

(Note 2) General term for moving functions including motorcycles and automobiles.

(Note 3) Device to measure the volume of air entering the engine by sensors, and to inject the necessary fuel based on computer calculation.

Under such circumstances, the Company Group formulated the 13th Medium-Term Management Plan, a three-year plan from 2017 to 2019; and particularly in 2019 (which is the final year), the Company Group was engaging in the following agenda toward “Realization of forging a strong, good and praiseworthy company,” which is the global policy under the above medium-term management plan as of October 30, 2019.

a. Motorcycles environmental response

In India, the world’s largest motorcycles market to start changes to fuel injection following Thailand, Indonesia and China, employees of five (5) plants in India including a newly completed plant, and business affiliates will start simultaneous production on a scale of approximately 10,000,000 units of each of the four (4) products of the FI system and will securely implement this in an integrated manner, and secure motorcycles and power products businesses.

b. Automobiles electrification response

The Company Group will commence a next-generation power control unit (Note 4), which is a core product that controls the driving as the heart of electric vehicles, in Japan to respond to rapid expansion of sales of electric vehicles such as electric cars and hybrid cars, and further proceed with preparation toward commencement of local production in China where electrification expects to expand quickly. Toward automobile electrification that will be expected to further expand globally in the future, the Company Group will concentrate management resources in both aspects of development and production and proceed with preparation.

c. Strengthening of business foundation

The Company Group will proceed with process rationalization and facility automation at production bases in and outside Japan, and will enhance the cost competitiveness of products. Also, in order to develop next-generation model electric vehicle products and competitive products for gasoline engines matching customers’ needs, as well as strengthening research and development, globally developed sales and development will engage in proposal and support activities in an integrated manner toward expansion of new customers, and aim for sustainable growth.

d. Measures toward reduction in environmental burden

As well as proceeding with product development to realize environmentally friendly mobility, by also strengthening measures toward a reduction in the environmental burden in business activities such as production, purchase and logistics, the Company Group shall take measures so that it evolves to become a company gaining empathy and trust from stakeholders.

(Note 4) A unit that controls an electricity-generating motor and driving motor when a hybrid car or electric car starts moving, accelerates, or slows down.

However, under such circumstances, while the Company Group proceeds with the responses toward electrification such as starting the production of power control units, there are issues such as the need for a large amount of capital investment, and securing engineers engaged in software development, and modularization (Note 5) of areas of products for electric vehicles, and catching up with trends for

systemization.

Also, in order to respond to enhanced needs for cost reduction at automobile manufacturers and shift to overseas local production, automobile component manufacturers are required to reduce costs through the effects of a merit of scale in connection with the increase in production volume, and construction of a timely supply system in global locations. In response, in recent years, mega suppliers (Note 6) have expanded their sales volumes, and further intensification of competition is expected, such as harsher competition with mega suppliers in the areas of products in which the Company Group was competitive. (Note 5) Standardized parts configurations that can be applied to other models when developing new cars.

(Note 6) Common name for large-scale companies that globally supply parts to major automobile manufacturers.

For the relationship between the Tender Offeror and the Company, both companies started transactions in carburetors for motorcycles in 1957, and in 1965, the Tender Offeror acquired 35,200 shares of the Shares (shareholding ratio at the time (ratio to the total number of issued shares, including treasury shares, rounded off to two decimal places; hereinafter the same shall apply in this paragraph): 11.73%). In 1969 and 1971, through shareholder allocation, the Tender Offeror acquired 35,200 shares and 35,200 shares, respectively, and the Shares owned by the Tender Offeror became 105,600 shares (shareholding ratio at the time: 11.73%). Thereafter, the Tender Offeror acquired, by third-party allotment, 314,900 shares of the Shares in 1972, 57,400 shares in 1973, and 26,500 shares in 1974, respectively, and the Shares owned by the Tender Offeror became 504,400 shares (shareholding ratio at the time: 45.85%). In 1978, 30,000 shares were disposed of, and the Shares owned by the Tender Offeror became 474,400 shares (shareholding ratio at the time: 43.13%). Further, in 1980, the Tender Offeror acquired 32,200 shares of the Shares through an offer for public subscription, etc. and acquired 132,420 shares in 1981 and 95,200 shares in 1982, respectively, by granting shares without consideration, and the number of the Shares owned by the Tender Offeror became 734,220 shares (shareholding ratio at the time: 40.79%). Due to a change in par value in 1983, the Shares owned by the Tender Offeror became 7,342,200 shares (shareholding ratio at the time: 40.79%). The Tender Offeror acquired 65,000 shares in 1985, 1,035,000 shares through an offer for public subscription in 1986, and 844,220 shares, 464,321 shares, and 292,522 shares by granting shares without consideration in 1987, 1988 and 1989, respectively. Further, in 1990, the Tender Offeror acquired 1,448,000 shares through an offer for public subscription, and the Shares owned by the Tender Offeror became 11,491,263 shares (shareholding ratio at the time: 34.82%). Due to the merger with Hadsys Co., Ltd. and e-Giken Co., Ltd., in April 1997, the Tender Offeror acquired 15,993,000 shares, the Tender Offeror disposed of 2,000,000 shares in 2000, and the Tender Offeror acquired 5,096,852 shares through a share split in 2001. Since 2001, the Tender Offeror has owned 30,581,115 Shares, which results in the current shareholding ratio (41.35%). The Company has become an equity-method affiliate of the Tender Offeror. In terms of businesses, as the engine management system engaged in by the Company is a primary component in motorcycles and automobiles, which are the primary products of the Tender Offeror, the Tender Offeror and the Company have built a close relationship as mutually important business partners, from times past. In addition, 10 employees of the Tender Offeror have assigned on secondment to the Company as of March 31, 2020. No officers of the Company are on secondment from the Tender Offeror.

In recent years, various stricter world-wide environmental regulations including CO<sub>2</sub> (carbon dioxide) emission regulations, activation of measures for safety enhancement and computerization to utilize data collected from automobiles, such as vehicle body control, in accordance with the surrounding environment as recognized by in-vehicle sensors and cameras, etc., and road infrastructure and communications with surrounding travelling vehicles, and diversification of market needs, etc. are intertwined in complex ways; and global mobility industry centered on automobiles itself is undergoing significant change. In order to respond to changes in the external environment, domestic and foreign automobile components manufacturers proceed with alliances through business alliance, capital alliance and business acquisition, etc., and it is expected that the competition environment among the companies in the mobility industry will intensify further in the future.

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In response to stricter environmental regulations, activation of measures for safety enhancement and computerization and diversification of market needs such as the above, the Tender Offeror focuses on responses to environment, safety, and computerization as duties of a mobility manufacturer, and aims to realize a carbon-free society and collision-free society, as well as actively engaging with the most important items, namely, the “introduction of electrification technology” and the “introduction of advanced safety technology”. However, next-generation technologies required for development of automobiles such as electrification technology to realize electric vehicles such as hybrid cars and electric vehicles, and advanced safety technology to realize a driving safety support system and automated driving system (Note 7) are undergoing sophistication, complexity, and diversification. The Tender Offeror believes that measures will be required which significantly exceed speed and management resources of technology development and product development previously dealt with by automobile manufacturers alone. Also, as new technologies not fully utilized in previous motorcycles and automobiles including information and system technology will be required in such next-generation technology areas, other competing companies are accelerating their efforts, such as entries into the market by various companies in different industries. Under such circumstances, in order to establish a superior position in advance of other companies, the Tender Offeror believes that the Tender Offeror Group is required to distribute management resources into relevant areas in a mobile, concentrated, and efficient manner.

(Note 7) Definition of Driving Safety Support System and Automated Driving System (source: December 7, 2016 “Trend Regarding Definition of Levels of Automated Driving and Future Responses (Draft)” National Strategy Office of Information and Communication Technology, Cabinet Secretariat)

Category		Outline	System to realize the item on the left
Information provision-type		Alert to drivers, etc.	“Driving Safety Support System”
Automatic control utilizing-type	Level 1: Single-type	Status where system operates either acceleration, steering or control	
	Level 2: System combination	Status where system simultaneously conducts multiple operations of acceleration, steering or control	“Automated Driving System”
	Level 3: System sophistication	Status where acceleration, steering and control are all conducted by the system, and drivers respond only when the system requests them to do so	
	Level 4: Fully automated driving	Status where acceleration, steering and control are all conducted by the system, and drivers are not involved	

In order to survive global competition, it is becoming increasingly important for automobile manufacturers to provide products at low cost; therefore, there is an urgent need to collaborate with automobile parts manufacturers and to strengthen measures toward modularization of the development system and standardization of chassis and parts among several car models. Under such circumstances, in order to respond to increased needs for cost reduction and shift to overseas local production, etc. by automobile manufacturers, automobile parts manufacturers are required to lower costs through an economy of scale in connection with the increase in production volume, and construction of a timely supply system at global locations. In recent years, mega suppliers are expanding their sales volume. The Tender Offeror Group aimed for an optimal product supply system in conformity with market needs upon developing automobiles, and close collaboration took place among the Tender Offeror and parts manufacturers including the Three Target Companies for each area of individual parts. However, under the above circumstances, the Tender Offeror believes that in order to further develop a joint development system among the Tender Offeror and the parts manufacturers within the Tender Offeror Group, and to respond to modularization and parts standardization, it is necessary, in addition to structuring a

comprehensive development system with the suppliers owning a vast array of technologies from conventional technology (Note 8) such as machinery and parts to electrification and information technology, to establish an optimal supply chain for the entire Tender Offeror Group. Also, in order to realize a reduction in procurement and production costs in connection with the increase in parts production volume, the Tender Offeror Group believes it is an issue for the Three Target Companies to further strengthen the sales to automobile manufacturers other than the Tender Offeror.

(Note 8) Technology used for existing components

Further, in the growing markets in Asia and other emerging countries, which are future growth markets for the mobility industry, the mobility industry expects to continue to see a solid demand for motorcycles, and automobile ownership is becoming widespread mainly among entry-level car owners. As such, competition will inevitably be aggravated due to the market and trade liberalization, increased presence of overseas automobile manufacturers, and the rise of local emerging manufacturers. To survive global competition in those growing markets, automobile manufacturers are required to swiftly cater to diversified market needs and offer highly cost-competitive products in a timely manner. Also, the recent global economy is exposed to growing uncertainties due to trade frictions between China and the United States, Britain's exit from the EU, and other factors, which make it difficult to forecast market trends. In order to flexibly and swiftly respond to the diversified and complex market environment, the Tender Offeror Group recognizes the necessity to further reinforce its global supply chain by accelerating cooperation and coordination with regional bases and suppliers in each area of development, procurement, production, and sales.

Under these business conditions, the Tender Offeror has sought a cooperative business relationship with Hitachi Automotive Systems, a wholly-owned subsidiary of Hitachi that provides motors for electric vehicles to domestic and foreign automobile manufacturers, for which it promotes miniaturizing, weight saving, and higher output. More specifically, the Tender Offeror entered into a joint venture agreement with Hitachi Automotive Systems on March 24, 2017, and established Hitachi Automotive Electric Motor Systems, Ltd., whose business is development, manufacture, and sale of motors for electric vehicles, on July 3, 2017 as a joint venture. The Tender Offeror aims to establish systems that can respond to a globally expanding demand for motors for electric vehicles by each automobile manufacturer, by drawing together the technologies of Hitachi Automotive Systems and the Tender Offeror and proceeding with joint research and development of motors that are core parts for electric vehicles at the joint venture. In addition, while the Tender Offeror is currently engaged in joint research and development with the Three Target Companies and Hitachi Automotive Systems in next-generation technology areas, such as electrification technology and advanced safety systems, it sees the necessity to extend such joint development further in order for the Tender Offeror Group to acquire a dominant position before other companies in those areas where competitors are making large and speedy research and development investments. Particularly, the motorcycle business is also anticipated to require developing next-generation technologies such as electrification technology to realize electric vehicles such as hybrid cars and electric vehicles, and advanced safety technology to realize a driving safety support system and automated driving system. The Tender Offeror therefore expects to be able to acquire a dominant position before other companies and realize superior competitiveness as a motorcycle parts manufacturer if the Three Target Companies utilize, for motorcycle development, Hitachi Automotive Systems' next-generation technologies, such as electrification technology and advanced safety systems for automobiles.

As the business environment evolves drastically, the Tender Offeror has come to believe that it is necessary to realize supplying high value-added and cost-competitive products to ensure sustainable growth and enhance the profitability of the Tender Offeror Group, including the Three Target Companies. This will be attained by: promptly establishing competitive technologies (a winning edge) that may be difficult for the Tender Offeror Group (including the Three Target Companies) to obtain alone in next-generation technology areas (such as electrification and automatic driving) by drawing together the technologies of the Tender Offeror, the Company (which possesses superior powertrain technology), Showa (which possesses superior suspension and steering technology), Nissin (which

possesses superior brake system technology), and Hitachi Automotive Systems (which possesses superior technology in each of powertrain, chassis, and safety systems), and by building a robust joint research and development structure; and creating an efficient development and production structure in conventional technology areas.

On the other hand, next generation technology areas such as electrification technology and advanced safety systems, are new areas that have not been fully addressed to date by the mobility industry and entail risks that are higher than in the conventional mobility business, such as requiring large-scale and timely investments, and involving uncertainties in future market trends and in the technologies required. This may adversely affect the market stock prices of the Three Target Companies, depending on short-term performance fluctuations and evaluation by the stock market. Accordingly, in swiftly executing management initiatives that are likely required to boost the medium- to long-term competitiveness of the Tender Offeror Group, including the Company, the Tender Offeror decided that it would be in the interest of the minority shareholders of the Three Target Companies to provide their general shareholders with a reasonable opportunity to sell shares without exposing them to the risk of drastic change of share prices as a result of executing the management initiatives in the future in swiftly executing management initiatives required to boost the medium- to long-term competitiveness of the Tender Offer Group, including the Company.

Considering the above factors, the Tender Offeror appointed Nomura Securities Co., Ltd. (“Nomura Securities”) as a financial advisor and third-party valuation organization independent of the Tender Offeror, Three Target Companies, Hitachi Automotive Systems, and Hitachi, and Nishimura & Asahi as a legal advisor independent of the Tender Offeror, Three Target Companies, Hitachi Automotive Systems, and Hitachi, and started initial consideration and discussions regarding the Integration, including the Tender Offer, with Hitachi Automotive Systems and Hitachi. Thereafter, based on the results of the considerations and discussions, the Tender Offeror concluded in late May 2019 that it would be the best option for the Tender Offeror Group to implement the Absorption-type Merger in which Hitachi Automotive Systems will be the surviving company, with the purpose of building a structure where management initiatives that are likely required to boost the medium- to long-term competitiveness of the Tender Offeror Group, including the Company, can be swiftly executed, after making the Three Target Companies, including the Company, wholly-owned subsidiaries of the Tender Offeror by obtaining all shares of common stock of the Three Target Companies (the “Three Group Company Shares”) (excluding, however, the Three Group Company Shares owned by the Tender Offeror and treasury shares owned by the Three Target Companies; hereinafter the same shall apply). In early June 2019, the Tender Offeror, Hitachi Automotive Systems, and Hitachi made an initial proposal for the Integration (the “Proposal”) to the Company. The Proposal states that the Tender Offeror would acquire the shares of the Three Target Companies through procedures such as a tender offer and make the Three Target Companies its wholly-owned subsidiaries; thereafter, Hitachi Automotive Systems and the Three Target Companies would integrate through an absorption-type merger in which Hitachi Automotive Systems would be the surviving company, or through other methods, and as a result of the integration, the surviving company after Absorption-type Merger (the “Integrated Company”) would become a consolidated subsidiary of Hitachi that holds 66.6% of its voting rights and an equity-method affiliate of the Tender Offeror that holds 33.4% of its voting rights.

On the other hand, upon receipt of the Proposal from the Tender Offeror in early June 2019, the Company appointed Industrial Growth Platform, Inc. (“Industrial Growth Platform”) as a financial advisor and third-party valuation organization independent of the Tender Offeror, Three Target Companies, Hitachi Automotive Systems, and Hitachi, and TMI Associates as a legal advisor independent of the Tender Offeror, Three Target Companies, Hitachi Automotive Systems, and Hitachi, in order to ensure the fairness of the Tender Offer Price and other terms of the Transactions, including the Tender Offer. The Company also established the Special Committee on July 30, 2019, as an advisory body for its board of directors to consider the Proposal.

Then, the Tender Offeror, with the approval of the Company, conducted due diligence on the Company

from the middle of July 2019 to early September 2019. The Tender Offeror and the Company continued discussions regarding, among other matters, the purpose of the Integration, including the Tender Offer, management structures and policies after the Integration, and various conditions of the Integration, with the aim of further enhancing their respective enterprise value. Furthermore, from October 2019, the Tender Offeror held discussions and negotiations with the Company on several occasions regarding the tender offer price of the Tender Offer. Thereafter, in October 2019, the Tender Offeror made the final proposal regarding various conditions of the Tender Offer, including prices, to the Company and held discussions and negotiations with the Company.

Consequently, in October 2019, the Tender Offeror and the Company agreed that conducting the Integration by making the Three Target Companies including the Company wholly-owned subsidiaries and then implementing the Absorption-type Merger in which Hitachi Automotive Systems would be the surviving company would be the best measure to allow the Tender Offeror Group to respond to changes in the business environment surrounding the Tender Offeror Group and contribute to enhancing the enterprise value of the whole Tender Offeror Group including the Company. Accordingly, as of October 30, 2019, the Tender Offeror determined to conduct the Tender Offer for the Shares as part of a series of transactions for the Integration based on the Basic Contract, on condition that the Conditions Precedent are satisfied.

As announced in the October 30, 2019 Press Releases regarding Other Two Target Companies, the Tender Offeror also discussed and negotiated the implementation of the Integration with Showa and Nissin on several occasions; as a result, it has also determined at the board of directors meeting held on October 30, 2019 that as part of a series of transactions for the Integration, respective common stocks of Showa and Nissin are to be obtained through tender offer. As stated in “(I) Overview of the Tender Offer” above, such tender offer is also scheduled to be conducted after satisfaction of certain conditions precedent such as obtaining permits and licenses, etc. from the respective countries’ relevant authorities including notifications or approvals for business combination to or by the respective countries’ competition authorities.

Looking toward the change of management environment and the Integration, the Company Group, under the 14th Medium-Term Management Plan, a plan started from April 1, 2020, has engaged in the following measures with priority to “grow as a global mega supplier by maximizing synergy from the integration,” which is the global policy under the above medium-term management plan:

a. Providing solutions and services desirable for customers

The Company will continue to strengthen the development of new technologies and to establish business foundation in order to solidify the Company’s position as a top runner of suppliers of the goods for electric vehicles. The Company will also expand added value for the goods, including systems and modules, for gasoline engines.

b. Becoming a trustable one by utilizing the Company’s strengths: passion, sincerity, and speed

The Company will try to improve the business structure in all areas (i.e. business, production, purchase, quality, and management), enhance profitability and to establish a solid foundation so that the Company will grow utilizing its strengths. The Company will also try to achieve production in which all the stakeholders have trust in, returning to the starting point that quality is the most important element among the basic elements for the manufacturer: cost, delivery, and quality.

c. Leading the creation of new value for mobility desired by the society

The Company, in response to the change in business environment, will gather the advanced knowledge from all over the world by actively utilizing open innovations so that new value for

mobility that could change the society will be created.

Thereafter, since (i) there are many countries and region in which procedures and activities are required by domestic and foreign competition laws (ii) six companies are involved, and (iii) relevant authority in some countries needed more time due to the effect of COVID-19, it had taken time to complete necessary steps. However, all of the procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were expected to be completed as of July 30, 2020; therefore, the Tender Offeror told the Company that it wants the Company to prepare for determining the commencement of the Tender Offer expected on August 18, 2020, on the premise that such procedures and activities would be completed by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, on August 26, 2020, all procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed; therefore, on August 27, 2020, the Tender Offeror told the Company that it wants to commence the Tender Offer on September 2, 2020, Tender Offer Commencement Date.

On July 30, 2020, the Company, as a response to such notification, asked the Special Committee to examine whether there are any changes in the opinions expressed in Written Report on October 30, 2019, and, if there are no changes, to notify the board of directors of such, and, if there are any changes, to state its opinion after the changes. The Special Committee, after examination conducted as per the Company's request, submitted the Company Written Report on September 1, 2020 on September 1, 2020, upon unanimous resolution by all committee members.

Recently, the Company has been informed that the Tender Offeror confirmed that all of the Conditions Precedent have been satisfied, and that the conditions to commence the Tender Offer have been fulfilled. Therefore, the Tender Offeror determined to commence the Tender Offer on September 1, 2020.

The Company carefully reconsidered the various conditions regarding the Tender Offer based on Written Report on September 1, 2020 and the Company Share Valuation Report on August 31, 2020. As a result, regarding the Tender Offeror, at the meeting of the board of directors held on September 1, 2020, the Company resolved to express an opinion to support the Tender Offer and to recommend its shareholders tender the Shares for the Tender Offer based on the ground and reasons stated in “(2) Basis and Reasons of Opinion” below.

Furthermore, both of the resolutions by the board of directors held on October 30, 2019 and the board of directors held on September 1, 2020 were made through methods described in “(V) Approval of all directors of the Company with no interest in the Transactions, and no objection from all company auditors of the Company with no interest in the Transactions” of “(6) Measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest, and measures to ensure the fairness of the Tender Offer”.

The Tender Offeror, as announced in the September 1, 2020 Press Releases regarding Other Two Target Companies, resolved to commence the tender offers for respective common stocks of Showa and Nissin as part of a series of transactions for the Integration on September 1, 2020.

Specific synergy effects of the Integration that are expected to occur in the Tender Offeror Group including the Company are as stated below.

- a. Streamlining development and production structure and enhancing development of the next-generation technology

The alliance between the Three Target Companies and Hitachi Automotive Systems will enable

them to enhance their development structure in next-generation technology areas expected to see growing demands in the future, such as electrification technologies and advanced safety technologies. Simultaneously, it will also enable the Tender Offeror Group to obtain Hitachi Automotive System's technologies in the system and IT field, which the Tender Offeror Group had to develop alone previously, and thereby to achieve selected and concentrated development investment. The Tender Offeror expects that this will realize the optimal allocation of business resources for the Tender Offeror Group as a whole. In addition, by accelerating mutual complementation between technology areas and regional bases in development and production fields, of the Integrated Company, the Integrated Company will be able to supply more high value-added and cost-competitive products and to establish a supply structure to swiftly and flexibly respond to changes in demands of automobile manufacturers including the Tender Offeror.

- b. Reducing procurement and production costs through increased component sales to automobile manufacturers other than the Tender Offeror

Based on the industry's latest technologies in a wide range of areas from conventional technologies such as machine components to electrification and information technologies, the Integrated Company will be able to establish a comprehensive development structure with automobile manufacturers and, as one of the global mega suppliers, to expand its sales to automobile manufacturers other than the Tender Offeror. With the increase in component production resulting from the above, the Integrated Company will be able to reduce procurement and production costs through the scale effect and thus expects to realize excellent profitability and competitiveness based on the international competitive advantage.

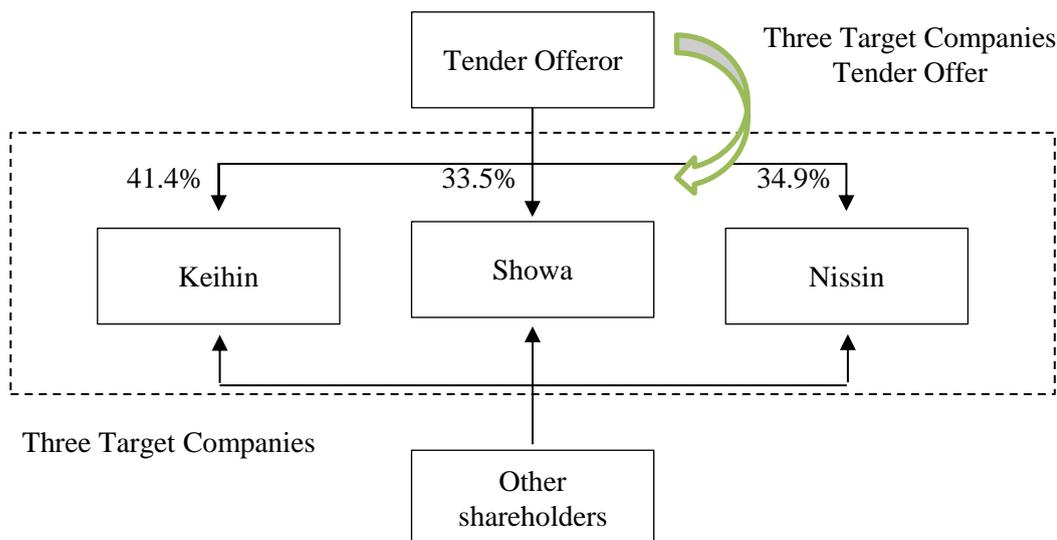
- (ii) Structure of the Integration

The structure of the Integration is as stated below.

- a. Implementation of the Three Target Companies Tender Offer

According to the Tender Offeror, subject to the Conditions Precedent to the commencement that certain matters such as obtaining permits and licenses, etc. from the respective countries' relevant authorities, such as notifications or approvals for business combination to or by the respective countries' competition authorities (for details, please see "(1) Agreement between the Tender Offeror and the Company or its Officers, and the Details Thereof" of "10. Others" below and the September 1, 2020 Press Releases regarding Other Two Target Companies), were satisfied, the Tender Offeror would implement the Three Target Companies Tender Offer, respectively. The Tender Offeror now will commence each of the Three Target Companies Tender Offer at September 2 2020, since such Conditions Precedent have been satisfied.

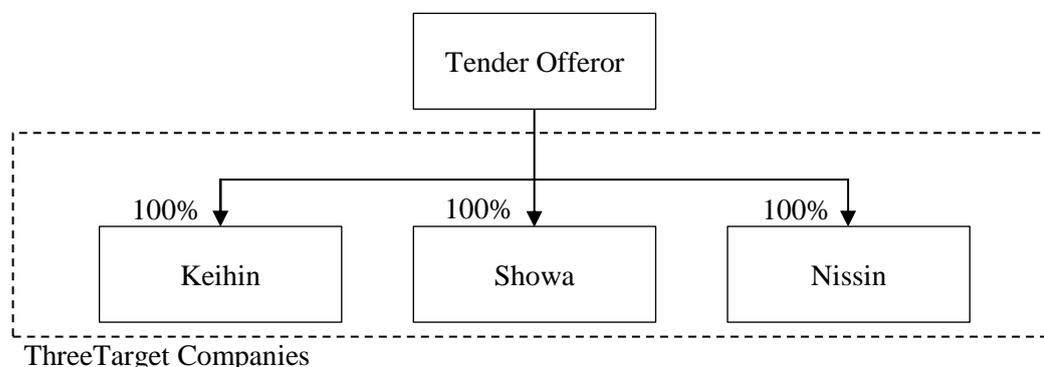
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(Note) Percentage (%) in the above chart indicates the ratio of voting rights held by the relevant shareholders to voting rights held by all shareholders; the same shall apply in this section.

b. Implementation of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries

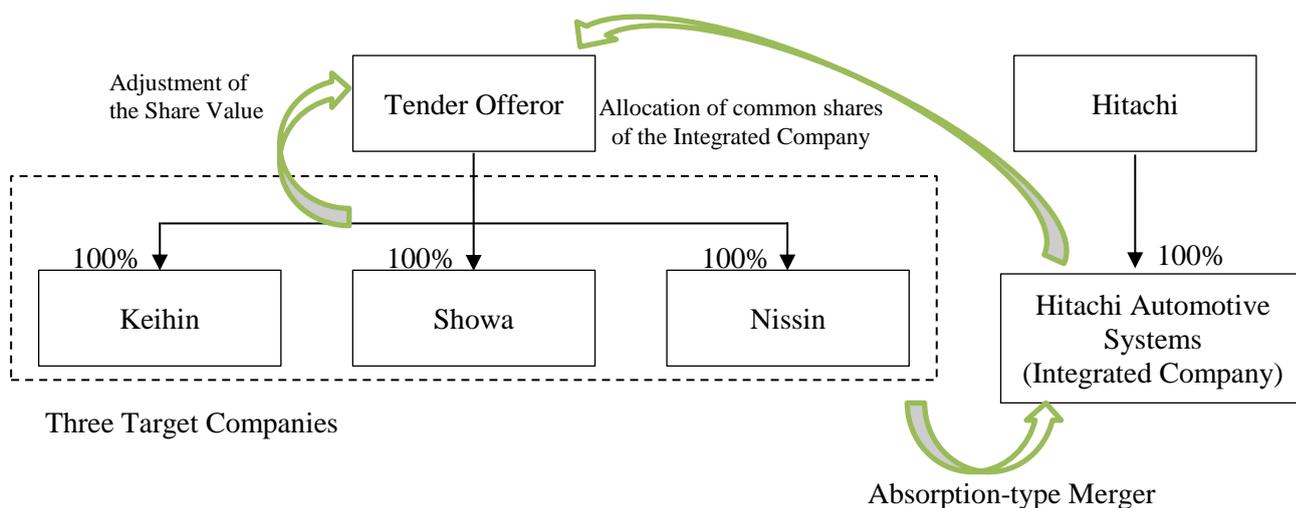
According to the Tender Offeror, if the respective Three Target Companies Tender Offer is successfully completed, and the Tender Offeror fails to acquire all of the common shares of the Three Target Companies for which the Three Target Companies Tender Offer is successfully completed, a series of procedures to make the Tender Offeror the only shareholder of the Three Target Companies will be implemented. For details of the Transaction to Make the Company a Wholly-Owned Subsidiary, please see “(5) Policies regarding reorganization, among others, after the Tender Offer (matters regarding the so-called two-stage purchase)” below. For Showa and Nissin, a series of procedures will be also implemented to make them wholly-owned subsidiaries of the Tender Offeror through the same method as in the Transaction to Make the Company a Wholly-Owned Subsidiary (the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries).



c. Implementation of the Absorption-type Merger

According to the Tender Offeror, after the completion of the Three Target Companies Tender Offer

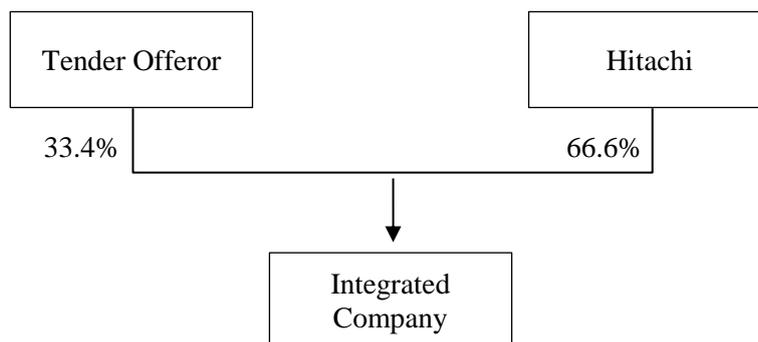
stated in a. above and the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries stated in b. above, the Absorption-type Merger between Hitachi Automotive Systems (a wholly-owned subsidiary of Hitachi) as the surviving company, and the Three Target Companies as the disappearing companies will be implemented. As stated in “(1) Agreement between the Tender Offeror and the Company or its Officers, and the Details Thereof” of “10. Others” below, the Tender Offeror and Hitachi have agreed in the Basic Contract that in the Absorption-type Merger, common shares of the Integrated Company will be allotted to the Tender Offeror as the consideration for merger, in a merger ratio where the number of voting rights of the Integrated Company held by the Tender Offeror will account for 33.4% of the number of the voting rights held by all shareholders of the Integrated Company. If any of the tender offers targeting the Three Target Companies is not successfully completed, or if a substantial delay is expected in making any one or two companies among the Three Target Companies wholly-owned subsidiaries, Hitachi and the Tender Offeror is planning to conduct the Absorption-type Merger between Hitachi Automotive Systems and the company(ies) among the Three Target Companies that has successfully become wholly-owned subsidiary(ies) of the Tender Offeror. Furthermore, the ratio of the total share value of the Three Target Companies as of the effective time of the Absorption-type Merger to Hitachi Automotive Systems’ share value does not necessarily correspond to the above merger ratio. Given the above, sometime between completion of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries and the effective time of the Absorption-type Merger, in order to have the ratio of the total share value of the Three Target Companies to Hitachi Automotive Systems’ share value correspond to the above merger ratio, adjustment of the Three Target Companies’ share by the Three Target Companies obtaining treasury shares will be implemented. The effective date of the Absorption-type Merger is planned to be set at (i) from January to February 2021, in case all of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries are implemented by Demand for Cash-Out described in “(5) Policies regarding reorganization, among others, after the Tender Offer (matters regarding the so-called two-stage purchase)” or (ii) from February to March 2021, in case more than one of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries is/are implemented by Share Consolidation described in “(5) Policies regarding reorganization, among others, after the Tender Offer (matters regarding the so-called two-stage purchase)”.



d. After Completion of the Integration

According to the Tender Offeror, after completion of the Integration, the ownership ratio of the voting rights in the Integrated Company held by the Tender Offeror will be 33.4% and the Integrated Company will become an equity-method affiliate of the Tender Offeror. The Tender Offeror considers the Integrated Company its important supplier even after the completion of the

### Integration and plans to continue the business transactional relationship.



#### (iii) Business Restructuring upon Integration

With respect to the Air Conditioning business which is a different business from that of the Merged Company, Keihin is planning to transfer it to the third party before the effective date of the Merger. As Keihin announced on March 24, 2020 as “Notice of Memorandum on Conclusion Concerning Cooperation in Air Conditioning Business”, Keihin executed memorandum of understanding regarding its air conditioning business in Japan, South East Asia, and U.S (the “Transferring Business”). Also, as Keihin announced on June 4, 2020 as “Transfer of equity interest of consolidated subsidiary (grandson company)”, Keihin agreed to transfer all of its equity interest which is approximately 55% of Keihin-Grand Ocean Thermal Technology (Dalian) Co., Ltd., consolidated subsidiary (grandson company) in China, held by Keihin Thermal Technology Corporation (“KTT”), 100% subsidiary of Keihin

With respect to the Transferring Business, Keihin received a non-binding offer on August 4, 2020, which evaluates enterprise value of the Transferring Business at a nominal value, under the following major assumptions; a) Honda shall make certain agreement to provide support to the Transferring Business as the customer, b) conduct restructuring and business-curve out of the Transferring Business under the cost burden of Keihin, c) Keihin to make capital injection of an amount estimated as of today's date at approximately JPY 6.2 billion to KTT for the purpose of its business operation, and d) Keihin to be responsible for various risks related to the Transferring Business, etc.. Based on such offer, Keihin shall, together with Honda, continue to discuss towards execution of the definitive agreement.

According to Showa, since its car dealer business operated through its wholly-owned subsidiary Honda Cars SAITAMAKITA Co. Ltd. (“Honda Cars SAITAMAKITA”) differs the type of business operated by the Integrated Company, Showa would transfer Honda Cars SAITAMAKITA’s shares to a third party before the effective date of the Absorption-type Merger; and on March 25, 2020, Showa executed a share purchase agreement with TS TECH Co., Ltd. regarding such share transfer, and completed the share transfer on May 15, 2020. For details, please see the “Notice Regarding Transfer of Consolidated Subsidiary (Share Transfer)” announced by Showa on March 25, 2020 and the “Notice regarding Expressing Opinion to Support the Tender Offer for the Company’s Shares by Honda Motor Co., Ltd. (Securities Code: 7267) and Recommendation of the Tender thereto” announced by Showa on September 1, 2020.

In addition, as announced by Nissin in the “Notice on Cancellation Regarding Dissolution and Share Acquisition of Joint Ventures (Equity Method Affiliates) (Making Them Companies Subsidiaries)” dated October 30, 2019, and the “Notice Regarding Date of Execution of Share Purchase of Joint Venture Companies” dated January 31, 2020, the Tender Offeror and Nissin have entered into a share purchase agreement with Veoneer AB (a wholly-owned subsidiary of Veoneer, Inc. (the joint venture partner of Nissin; “Veoneer”)) on October 30, 2019 where the Tender Offeror and Nissin would jointly acquire all shares of Veoneer Nissin Brake Systems Japan Co., Ltd. (trade name changed to “Nissin Brake Systems Co., Ltd.” on February 3, 2020; “NBSJ”) and Veoneer Nissin Brake Systems

(Zhongshan) Co., Ltd. (trade name changed to “Nissin Brake Systems Zhongshan Co., Ltd.” on February 3, 2020; “NBSZ”) held by Veoneer AB; and on February 3, 2020, the Tender Offeror and the Company jointly acquired all shares of NBSJ and NBSZ held by Veoneer AB. In response to strict environmental regulations on exhaust gas and fuel efficiency in recent years and increasing demands for electric vehicles and hybrid cars that can operate over long distances, the market size of regenerative brakes, which is the primary product of NBSJ and NBSZ, is expected to continue to expand in the future. After the Tender Offeror and Nissin performed repeated, careful examinations from the perspective of enhancing the enterprise value of the Tender Offeror Group as a whole, including Nissin, they determined that it is appropriate for them to jointly acquire all shares of NBSJ and NBSZ.

(iv) Management policies after the Tender Offer

According to the Tender Offeror, as stated in “(ii) Structure of the Integration” above, after the Company becomes a wholly-owned subsidiary of the Tender Offeror through the Transactions to Make the Company a Wholly-Owned Subsidiary, the Absorption-type Merger between Hitachi Automotive Systems as the surviving company and the Three Target Companies as the disappearing companies will be implemented. After completion of the Integration including the above series of transactions, while respecting the corporate cultures of the Three Target Companies, the Tender Offeror will proceed with the unification with Hitachi Automotive Systems and realize sustainable growth and maximization of the enterprise value of the Tender Offeror Group as a whole.

The Tender Offeror, the Three Target Companies, Hitachi Automotive Systems and Hitachi (collectively, “All Parties”) have discussed the details of the specific management policies of the Integrated Company after the Integration with the aim of establishing a structure maximizing the synergistic effects of the Tender Offeror Group through the Integration. Through the preparatory committee for the Integration and other discussions related to the Integration, all parties have been, from the perspective of maximizing the corporate value of the Integrated Company, examining specific matters related to the operation of the Integrated Company, including the company principle and [board of directors] of the Integrated Company and the organizational form of the Integrated Company, until today.

(III) Process of and reasons for decision-making leading to the Company’s support of the Tender Offer

The Company received the Proposal from the Tender Offeror in early June 2019 and established an internal system and preliminarily considered the Proposal, as set forth above in “(II) Background to, the purpose of, and decision-making process of, the resolution to conduct the Tender Offer, and the management policy after the Tender Offer”. The Company also appointed Industrial Growth Platform as a financial advisor and third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, and TMI Associates as a legal advisor, in order to ensure the fairness of the Tender Offer Price and the Transactions, including the Tender Offer, as stated in “(6) Measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest, and measures to ensure the fairness of the Tender Offer” below. The Company then established the Special Committee on July 30, 2019, as its advisory body to consider the Proposal, and continued discussions and consideration with the Tender Offeror regarding, among other matters, the purpose of the Transactions, management structures and policies after the Transactions, and the various conditions of the Transactions.

As a result, the Company concluded that the Integration would be an extremely effective means to enhance the enterprise value of the Company Group, as follows: (i)(a) the alliance between the Three Target Companies and Hitachi Automotive Systems will enable them to enhance their development structure in next-generation technology areas, which are expected to see growing demand in the future, such as electrification technologies and advanced safety technologies; (b) simultaneously, it will also enable the Tender Offeror Group to obtain Hitachi Automotive Systems’ technologies in the systems and IT fields, which the Company Group has until now had no choice but to develop by itself, and thereby to achieve selected and concentrated development investment; and (c) the Company expects that

this will realize the optimal allocation of business resources for the Tender Offeror Group, as a whole;(ii) by accelerating mutual complementation between technology areas and regional bases in the Integrated Company's development and production fields, the Integrated Company will be able to supply higher value-added and cost-competitive products and to establish a supply structure which can swiftly and flexibly respond to changes in the demands of automobile manufacturers, including the Tender Offeror; and (iii) based on the industry's latest technologies in a wide range of areas, from conventional technologies such as machine components to electrification and information technologies, the Integrated Company will be able to establish a comprehensive development structure with automobile manufacturers and, as one of the global mega suppliers, will be able to expand its sales to automobile manufacturers other than the Tender Offeror. With the increase in component production resulting from the above, the Integrated Company expects to reduce procurement and production costs through the scale effect and thereby realize excellent profitability and competitiveness based on the international competitive advantage.

Therefore, the Company has concluded that given the Company Group's business environment and management issues, it is necessary to realize the supply of high value-added and cost-competitive products in order to maximize the Company Group's enterprise value and secure the medium- to long-term interests of its stakeholders (such as employees, business partners and minority shareholders) by acquiring a dominant position before other companies and seeking to realize superior competitiveness as an automobile parts manufacturer. This will be attained by: promptly establishing competitive technologies (a winning edge) that may be difficult for the Company to obtain alone in next-generation technology areas (such as electrification and automatic driving) by drawing together the technologies of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems and Hitachi, and by building a robust joint research and development structure; and creating an efficient development and production structure in conventional technology areas. On the other hand, executing proactive measures under such a structure (e.g., research and development in next-generation technology areas (such as electrification and automatic driving)) will require large-scale and timely investments, and will entail risks that are higher than in the Company Group's conventional business, such as greater uncertainties in future market trends and in the technologies required. This may adversely affect the Company's market stock prices, depending on short-term performance fluctuations and evaluation by the stock market. Accordingly, the Company considered that it should not expose its minority shareholders to such short-term risks, and has instead decided that it would be in the interest of its minority shareholders to provide them with a reasonable opportunity to sell their shares without exposing them to the risk of share prices falling as a result of executing the management initiatives in the future.

In terms of the Tender Offer Price, the Company's board of directors meeting held on October 30, 2019 has decided that the Tender Offer will provide its shareholders with a reasonable opportunity to sell their Shares at a price including an appropriate premium, due to factors including the following: (a) among the calculation results of the value of the Shares by Industrial Growth Platform as set forth in "(3) Matters regarding valuation", the Tender Offer Price is above the scope of results of calculation by the market share price analysis and the comparable company analysis, and is within the scope of results of calculation by discounted cash flow analysis (the "DCF Analysis"); (b) the Tender Offer Price is considered to include an appropriate premium in comparison with the level of premiums in other tender offer cases that are aimed to make an entity a wholly-owned subsidiary, as the Tender Offer Price is the amount obtained by respectively adding a premium of 36.99% to 1,898 Japanese yen, which is the closing price of the Shares on the TSE 1st Section on October 29, 2019 (the business day before the announcement of the scheduled Tender Offer) (any fraction is rounded off to the nearest Japanese yen; hereinafter in this paragraph the same shall apply in the calculation of premiums), 53.30% to 1,696 Japanese yen, which is the simple average of the closing prices in the one (1) month before that date (from September 30, 2019 to October 29, 2019) (any fraction is rounded off to the nearest Japanese yen; hereinafter in this paragraph the same shall apply in the calculation of a simple average of the closing prices), 67.74% to 1,550 Japanese yen, which is the simple average of the closing prices in the three (3) months before that date (from July 30, 2019 to October 29, 2019), and 69.16% to 1,537 Japanese yen, which is the simple average of the closing prices in the six (6) months before that date (from May 7,

2019 to October 29, 2019); (c) the Company considers that the interests of its minority shareholders have been sufficiently considered, as it has taken measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest as set forth in “(6) Measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest, and measures to ensure the fairness of the Tender Offer” below in deciding the Tender Offer Price; and (iv) the Tender Offer Price has been proposed after the measures to be taken to avoid conflicts of interest were taken, and as a result of the Tender Offeror and the Company having discussions and negotiations comparable to those that are conducted in an arm’s-length transaction (more specifically, good faith, continuous discussions and negotiations taking into account the results of the calculation of the value of the Shares by Industrial Growth Platform, and discussions with the Special Committee).

Accordingly, the Company passed a resolution at the meeting of its board of directors held on October 30, 2019 to express its opinion as of October 30, 2019 that it would support the Tender Offer, and to recommend that its shareholders tender in the Tender Offer when the Tender Offer commences.

After that, all of the procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were expected to be completed as of July 30, 2020; therefore, on August 12, 2020, the Tender Offeror told the Company that it wants the Company to prepare for determining the commencement of the Tender Offer expected on August 18, 2020, on the premise that such procedures and activities would be completed by August 14, 2020. However, as of August 14, 2020, since procedures and activities based on the competition laws of Thailand had not been completed, the Tender Offeror, on the same day, notified the Company of its decision not to commence the Tender Offer on August 18, 2020. After that, on August 27, 2020, the Tender Offeror, in response to the completion of all of the procedures and activities above at August 26 2020, informed the Company of the Tender Offeror’s intention to commence the Tender Offer on September 2, 2020, the Tender Offer Commencement Date, on the premise that other Conditions Precedent would be satisfied.

On July 30, 2020, the Company, as a response to such notification, asked the Special Committee to examine whether there are any changes in the opinion of the Written Report on October 30, 2019, and to state to the Company’s board of directors that there are no changes if there is no change, or to state the opinions after the change if there are any changes as stated in “(III) Independent Special Committee Established by the Company” of “(6) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest, and Measures to Ensure the Fairness of the Tender Offer.” As a result of consideration of such matters, on September 1, 2020, the Special Committee submitted to the board of directors of the Company the Written Report on September 1, 2020, upon unanimous resolution by all committee members.

Under such circumstances, the Company has been informed that the Tender Offeror determined to commence the Tender Offer on September 1, since the Tender Offeror confirmed that all of the Conditions Precedent have been satisfied, and the conditions to commence the Tender Offer have been fulfilled.

The Company carefully reconsidered the Tender Offer, and as a result, it concluded that the Tender Offer Price and the various conditions of the Tender Offer were still appropriate as of September 1, 2020 and that the Tender Offer would provide its shareholders with a reasonable opportunity to sell their Company Shares at a price including an appropriate premium for the following reasons: (i) as stated above, the Special Committee submitted the Written Report on September 1, 2020 and the conditions precedent to support the Tender Offer were satisfied; (ii) as stated in “(3) Matters regarding valuation” below, the Tender Offer Price is above the scope of results of calculation by the market share price analysis and the comparable company analysis and is within the scope of results of calculation by the “DCF Analysis, among the calculation results based on the Company Share Valuation Report on August 31, 2020 obtained from Industrial Growth Platform again; and (iii) on and after the Company’s board of directors meeting held on October 30, 2019, the spread of COVID-19 infections had a serious impact

on the environment surrounding the entire mobility industry, and the Company considered that there was an increased need to stabilize its management foundation and to strengthen its competitiveness through the Integration; therefore, there were no factors that would change its decision on the Tender Offer. Accordingly, at the Company's board of directors meeting held on today, the Company resolved to express an opinion to support the Tender Offer and to recommend that the Company's shareholders tender in the Tender Offer.

(3) Matters regarding valuation

(I) Name of the valuation organization, and its relationship with the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi

The Company asked a financial advisor, Industrial Growth Platform, to calculate the value of the Shares as a third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi, and Hitachi Automotive Systems, in expressing its opinion to support the Tender Offer, in order to ensure the fairness in the decision-making process regarding the Tender Offer Price, and the Company received a valuation report for the Shares on October 29, 2019 (the "Company Share Valuation Report on October 29, 2019"). In addition, in expressing its opinion on the Tender Offer, the Company considered whether there were any fluctuations in the value of the Shares during the period from October 30, 2019 to August 31, 2020 and the substance of such fluctuations, and again asked a financial advisor, Industrial Growth Platform, to calculate the value of the Shares as a third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi in order to ensure the fairness of the decision-making process for the Tender Offer Price. The Company obtained the valuation report on August 31, 2020 (the "Company Share Valuation Report on August 31, 2020").

Industrial Growth Platform is neither a related party of the Tender Offeror, the Three Target Companies, Hitachi, or Hitachi Automotive Systems, nor does it have any material interest with respect to the Integration, including the Tender Offer. The Company has not obtained any opinion regarding the fairness of the Tender Offer Price (i.e., a fairness opinion) from Industrial Growth Platform.

(II) Overview of calculation

(i) Company Share Valuation Report on October 29, 2019

Industrial Growth Platform calculated the value of the Shares using the following methods: market share price analysis (because there are market share prices as the Shares are listed on the TSE 1st Section); comparable company analysis (because it is possible to infer the value of the Shares through comparisons with listed companies that engage in businesses relatively similar to those of the Company); and DCF Analysis (in order to reflect the status of future business activities in the evaluation). The per-share value of the Shares calculated by Industrial Growth Platform using those methods are as follows:

Market share price analysis:	1,537 Japanese yen to 1,898 Japanese yen
Comparable company analysis:	1,974 Japanese yen to 2,515 Japanese yen
DCF Analysis:	2,157 Japanese yen to 2,787 Japanese yen

Under the market share price analysis, where October 29, 2019 which is the business day immediately preceding the date of the announcement of the scheduled commencement of the Tender Offer, was the reference date, the per-share value of the Shares was calculated to range from 1,537 Japanese yen to 1,898 Japanese yen, based on the following prices of the Shares on the TSE 1st Section: the closing price on the reference date (1,898 Japanese yen); the simple average of the closing price for the one (1) month immediately preceding the reference date (1,696 Japanese yen) (any fraction is rounded off to the nearest Japanese yen; hereinafter in this paragraph the same shall apply in the calculation of a simple average of the closing prices); the simple average of the closing price for the three (3) months immediately preceding the reference date (1,550 Japanese yen); and the simple average of the closing price for the six (6) months immediately preceding the reference date (1,537 Japanese yen).

Under the comparable listed company analysis, the value of the Shares was calculated through comparison with the market share price and financial statements showing profitability of listed companies that engage in businesses relatively similar to those of the Company, and the per-share value of the Shares was then calculated to range from 1,974 Japanese yen to 2,515 Japanese yen.

Under the DCF Analysis, the Company's enterprise value and share value were calculated by discounting the free cash flow that is expected to be generated by the Company in and after the second quarter of the fiscal year ending in March 2020 at a certain discount rate to the present value, based on the Company's business plan for the fiscal year ending in March 2020 through the fiscal year ending in March 2025, publicly available information and a variety of other factors. Using this methodology, the per-share value of the Shares was calculated to range from 2,157 Japanese yen to 2,787 Japanese yen. In the Company's business plan used by Industrial Growth Platform for the calculation by the DCF Analysis, it is assumed that the Company's profits will considerably increase, with profit before tax for the fiscal year Ending in March 2022 increasing 20,413 million Japanese yen (35.9% increase compared to the fiscal year Ending in March 2021), net profit for the fiscal year Ending in March 2022 increasing 13,819 million Japanese yen (47.9% increase compared to the fiscal year Ending in March 2021) and net profit for the fiscal year Ending in March 2024 increasing 17,931 million Japanese yen (32.8% increase compared to the fiscal year Ending in March 2022). This is due to business growth and production optimization by expanding production of F1s for motorcycles corresponding to stricter environmental regulations and power control units for automobiles corresponding to electrification. Furthermore, the synergistic effects expected to be achieved by implementing the Integration, including the Tender Offer, were not counted, since it is difficult to specifically estimate the impact on earnings at present. The synergistic effects expected to be achieved by implementing the Integration, including the Tender Offer, have not been counted. This is because on October 29, 2019, it was difficult to specifically estimate the impact on earnings.

(ii) Company Share Valuation Report on August 31, 2020

Industrial Growth Platform calculated the value of the Shares using the following methods: the market share price analysis (because there are market share prices as the Shares are listed on the TSE 1st Section); the comparable company analysis (because it is possible to infer the value of the Shares through comparisons with listed companies that engage in businesses relatively similar to those of the Company); and the DCF Analysis (in order to reflect the status of future business activities in the evaluation).

The per-share value of the Shares calculated by Industrial Growth Platform using those methods are as follows:

Market share price analysis:	1,537 Japanese yen to 1,898 Japanese yen
Comparable company analysis:	1,807 Japanese yen to 2,424 Japanese yen
DCF Analysis:	1,967 Japanese yen to 2,634 Japanese yen

Under the market share price analysis, where October 29, 2019, which is the business day immediately preceding the date of the announcement of the scheduled commencement of the Tender Offer, was the reference date, the per-share value of the Shares was calculated to range from 1,537 Japanese yen to 1,898 Japanese yen, based on the following prices of Company Shares on the TSE 1st Section: the closing price on the reference date (1,898 Japanese yen); the simple average of the closing price for the one month immediately preceding the reference date (1,696 Japanese yen) (any fraction is rounded off to the nearest Japanese yen; hereinafter in this paragraph the same shall apply in the calculation of a simple average of the closing prices); the simple average of the closing price for the three months immediately preceding the reference date (1,550 Japanese yen); and the simple average of the closing price for the six months immediately preceding the reference date (1,537 Japanese yen).

Under the comparable company analysis, the value of the Shares was calculated through comparison with the market share price and financial statements showing profitability of listed companies that

engage in businesses relatively similar to those of the Company, and then the per-share value of the Shares was calculated to range from 1,807 Japanese yen to 2,424 Japanese yen.

Under the DCF Analysis, the Company's enterprise value and share value were calculated by discounting the free cash flow that is expected to be generated by the Company in and after the second quarter of the fiscal year ending in March 2021 at a certain discount rate to the present value, based on the Company's business plan for the fiscal year ending in March 2021 through the fiscal year ending in March 2025, publicly available information and a variety of other factors. Using this methodology, the per-share value of the Shares was calculated to range from 1,967 Japanese yen to 2,634 Japanese yen. In the Company's business plan used by Industrial Growth Platform for the calculation by the DCF Analysis, income before taxes is 20,413 million Japanese yen (35.9% increase compared to the fiscal year ending in March 2021), and current net income is 13,819 million Japanese yen (47.9% increase compared to the fiscal year ending in March 2021) for the fiscal year ending in March 2022, and both increase significantly; furthermore, it is expected that the current net income for the fiscal year ending in March 2024 will be 17,931 million Japanese yen (32.8% increase compared to the fiscal year ending in March 2023) and increase significantly. The reasons for the foregoing are due to business growth and production optimization due to expansion of production of fuel injectors for motorcycles responding to the enhanced environmental regulations and production of PCUs for automobiles responding to electrification. In addition, (i) with regard to the transfer of the air conditioning business, the transfer price for the portion which has already been agreed upon with the third party is reflected in the share value, and (ii) with regard to the portion that is still being discussed with the third party, the share value is evaluated individually based on the business plan prepared by the Company for each portion, and reflects the amount of effect caused by the Company ceasing its air conditioning business due to the transfer to a third party. The synergistic effects expected to be achieved by implementing the Integration, including the Tender Offer, have not been counted. This is because at present it is difficult to specifically estimate the impact on earnings.

(4) Likelihood of delisting and reasons therefor

As of today, the Shares are listed on the TSE 1st Section; however, the Company was informed that, since the Tender Offeror has not set a maximum limit on the number of shares to be purchased in the Tender Offer, the Shares may be delisted through prescribed procedures in accordance with the delisting criteria of the Tokyo Stock Exchange, depending on the results of the Tender Offer. Additionally, even if the delisting criteria are not met upon the completion of the Tender Offer, the Tender Offeror intends to conduct transactions pursuant to the applicable laws and regulations in order to acquire all the Shares as stated in "(5) Policies regarding reorganization, among others, after the Tender Offer (matters regarding the so-called two-stage purchase)" above after the successful completion of the Tender Offer. In such a case, the Shares will be delisted through the prescribed procedures in accordance with the delisting criteria of the Tokyo Stock Exchange. After delisting, the Shares will no longer be traded on the Tokyo Stock Exchange.

(5) Policies regarding reorganization, among others, after the Tender Offer (matters regarding the so-called two-stage purchase)

The Company was informed of the policies regarding reorganization, etc., after the Tender Offer (matters regarding the so-called two-stage purchase) as follows:

As stated in "(I) Overview of the Tender Offer" in "(2) Basis and Reasons of Opinion" above, the Tender Offeror plans to make the Company its wholly-owned subsidiary. According to the Tender Offeror, if the Tender Offer is successfully completed, and the Tender Offeror has not succeeded in acquiring all of the Shares, then the Tender Offeror intends to take procedures to make the Tender Offeror the sole shareholder of the Company by the methods described below.

More specifically, according to the Tender Offeror, after the successful completion of the Tender Offer,

if the total number of voting rights owned by the Tender Offeror in the Company is equal to or exceeds 90% of the number of voting rights of all shareholders of the Company, and the Tender Offeror is thus a Special Controlling Shareholder as defined in Article 179, Paragraph (1) of the Companies Act (Act No 90 of 2014 including amendment, same shall apply hereinafter.), then promptly after the completion of settlement for the Tender Offer, the Tender Offeror intends to demand that all the shareholders of the Company (excluding the Tender Offeror and the Company) who did not tender Shares in the Tender Offer (“Shareholders Subject to Cash-Out”) sell all of their Shares pursuant to the provisions in Section 4-2, Chapter II, Part II of the Companies Act (“Demand for Cash-Out”).

According to the Tender Offeror, in the Demand for Cash-Out, the Tender Offeror intends to decide on delivering, as the per-share value of the Shares, the same amount of money as the Tender Offer Price to the Shareholders Subject to Cash-Out. In this case, the Tender Offeror will provide the Company with notice to that effect and seek the Company’s approval for the Demand for Cash-Out. If the Company approves the Demand for Cash-Out by a resolution of its board of directors, the Tender Offeror will, in accordance with the procedures prescribed in the relevant laws and regulations, acquire all the Shares owned by the Shareholders Subject to Cash-Out on the acquisition date determined for the Demand for Cash-Out, without the need to obtain individual approval from the Shareholders Subject to Cash-Out. The Tender Offeror intends to deliver to the Shareholders Subject to Cash-Out, as the per-share value of the Shares that they owned, the same amount of money as the Tender Offer Price for each Share. If it is notified by the Tender Offeror of the matters under each item of Article 179-2, Paragraph (1) of the Companies Act in connection with the Tender Offeror’s intention to make a Demand for Cash-Out, the Company’s board of directors intends to approve the Demand for Cash-Out by the Tender Offeror.

According to the provisions of the Companies Act that aim to protect the rights of minority shareholders to which the Demand for Cash-Out relates, the Shareholders Subject to Cash-Out may file a petition with a court to determine the sales price of their Shares in accordance with Article 179-8 of the Companies Act and other relevant laws and regulations. If the petition mentioned above is filed, the sales price of the Shares will be finally determined by the courts.

On the other hand, according to the Tender Offeror, after the successful completion of the Tender Offer, if the total number of voting rights owned by the Tender Offeror in the Company is less than 90% of the number of voting rights of all shareholders of the Company, the Tender Offeror intends to request, promptly after the settlement for the Tender Offer is completed, that the Company hold an extraordinary shareholders meeting (the “Extraordinary Shareholders Meeting”) that includes the following proposals in its agenda: (i) a proposal to consolidate the Shares pursuant to Article 180 of the Companies Act (the “Share Consolidation”); and (ii) a proposal to partially amend the Articles of Incorporation, including abolishing the unit share clause, on the condition that the Share Consolidation becomes effective. The Tender Offeror intends to agree to each of those proposals at the Extraordinary Shareholders Meeting. If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders Meeting, the Company’s shareholders will own the number of the Shares reflecting the share consolidation ratio that was approved at the Extraordinary Shareholders Meeting, on the day when the Share Consolidation takes effect. If any fractions less than one (1) share are included in the number of shares as a result of the Share Consolidation, then, pursuant to the procedures provided in Article 235 of the Companies Act and other relevant laws and regulations, the amount of money obtained by the sale of the Shares corresponding to the total of such fractions (any fraction of less than one (1) share in the total number shall be rounded off; hereinafter the same shall apply) to the Company or the Tender Offeror will be delivered to each shareholder of the Company (excluding the Tender Offeror) having such fractional Shares. The Tender Offeror intends to request that the Company (a) calculate the sales price of the Shares corresponding to the total of such fractions so that the amount of money to be delivered, as a result of the sale, to each shareholder of the Company (excluding the Tender Offeror and the Company) who did not tender Shares in the Tender Offer equals the Tender Offer Price multiplied by the number of Shares owned by each such shareholder; and (b) file a petition with a court to permit such voluntary sale. The Share Consolidation ratio has not been determined as of today; however, it will be determined in such a way that the number of Shares owned by the Company’s shareholders (excluding the Tender Offeror

and the Company) who did not tender their Shares in the Tender Offer will be a fraction of less than one (1) share and the Tender Offeror will solely own all the Shares.

According to the provisions of the Companies Act that aim to protect the rights of minority shareholders to which the Share Consolidation relates, if fractions less than one (1) share are included in the number of shares as a result of the Share Consolidation, the Company's shareholders (excluding the Tender Offeror and the Company) will be entitled, in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations, to: (a) demand that the Company purchase, at a fair price, all of the fractions of less than one (1) share from among the shares of common stock that they hold; and (b) file a petition with a court to determine the sales price for their Shares. As stated above, in the Share Consolidation, the number of Shares owned by the Company's shareholders (excluding the Tender Offeror and the Company) who did not tender Shares in the Tender Offer will be a fraction of less than one (1) share. Thus, the Company's shareholders (excluding the Tender Offeror and the Company) who dissent from the Share Consolidation will be able to file a petition to determine the sales price. If the petition mentioned above is filed, the purchase price will be finally determined by the courts.

According to the Tender Offeror, with respect to the procedures of the Demand for Cash-Out and the Share Consolidation mentioned above, it may take time to implement those procedures; and those procedures may be replaced by other methods having almost the same effect as those procedures, depending on various factors such as the state of amendments, enforcement, the authorities' interpretations, etc. of the relevant laws and regulations. However, in that case, a method is scheduled to be adopted where monies will be ultimately delivered to each shareholder of the Company (excluding the Tender Offeror and the Company) who did not tender the Shares in the Tender Offer. It is also planned that the amount of money to be delivered to each shareholder under such method will be calculated so that it is equal to the Tender Offer Price multiplied by the number of the Shares owned by each such shareholder. The Tender Offeror will discuss the specific procedures, time of implementation of those procedures, and other matters concerning the above, with the Company and will promptly announce those matters as soon as they are determined.

The Tender Offeror notes that the Tender Offer does not solicit the Company's shareholders to agree to proposals at the Extraordinary Shareholders Meeting. Each shareholder of the Company should confirm with a tax accountant or other specialist, at its own responsibility, how tendering into the Tender Offer or participating in the procedures described above are treated under relevant tax laws.

- (6) Measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest, and measures to ensure the fairness of the Tender Offer

Given that the Company is not a subsidiary of the Tender Offeror as of today, the Tender Offer does not constitute a tender offer by a controlling shareholder; however, the Tender Offeror is the Company's largest shareholder among its major shareholders, and is its other associated company as defined in the Regulations on Terminology, Forms, and Preparation Methods of Financial Statements, and owns 30,581,115 shares (ownership ratio: 41.35%) of the Shares as of today. The Tender Offeror aims to make the Company its wholly-owned subsidiary. By considering the above and other relevant factors, the Tender Offeror and the Company have taken the measures described below to ensure the fairness of the Tender Offer Price, eliminate any arbitrariness in the decision-making process to decide to implement the Tender Offer, and avoid any conflicts of interest.

According to the Tender Offeror, even though the Tender Offeror has not had the successful completion of the Tender Offer conditioned on the tender by the so-called "majority of the minority" in the Tender Offer, the Tender Offeror believes that the interests of the Company's minority shareholders have been sufficiently considered by taking measures (I) to (VI) below. Further, the following descriptions of the measures taken by the Tender Offeror are based on explanations provided by the Tender Offeror.

(I) Valuation report obtained by the Tender Offeror from an independent third-party valuation organization

According to the Tender Offeror, with the aim of ensuring the fairness of the Tender Offer Price, the Tender Offeror asked a financial advisor, Nomura Securities, to calculate the value of the Shares as a third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi, and Hitachi Automotive Systems, in determining the Tender Offer Price. Nomura Securities is neither a related party of the Tender Offeror, the Three Target Companies, Hitachi or Hitachi Automotive Systems, nor is it materially interested with respect to the Integration, including the Tender Offer.

Based on the determination that it is appropriate to evaluate the Shares multilaterally after reviewing the calculation method to be adopted in calculating the value of the Shares amongst multiple share valuation methods, and on the assumption that the Company will continue its operations, Nomura Securities calculated the value of the Shares using the following methods: market share price analysis (because the Shares are listed on the TSE 1st Section); comparable company analysis (because it is possible to infer the value of the Shares through comparisons with listed companies that engage in businesses relatively similar to the Company); and the DCF Analysis (in order to reflect the status of future business activities in the calculation). On October 29, 2019, the Tender Offeror obtained a report on valuation of the Shares (the “Tender Offeror Valuation Report”) from Nomura Securities. The Tender Offeror has not obtained any evaluation regarding the fairness of the Tender Offer Price (i.e., a fairness opinion).

According to the Tender Offeror, the results of Nomura Securities’ calculation of the per-share value of the Shares were as follows:

Market share price analysis:	1,537 Japanese yen to 1,898 Japanese yen
Comparable company analysis:	1,326 Japanese yen to 1,893 Japanese yen
DCF Analysis:	1,803 Japanese yen to 3,235 Japanese yen

Under the market share price analysis, where the reference date was October 29, 2019, which is the business day immediately preceding the date of the announcement of the scheduled commencement of the Tender Offer, the per-share value of the Shares was calculated to range from 1,537 Japanese yen to 1,898 Japanese yen, based on the following prices of the Shares on the TSE 1st Section: the closing price on the reference date (1,878 Japanese yen); the simple average of the closing price for the five (5) business days immediately preceding the reference date (1,834 Japanese yen) (rounded to the nearest Japanese yen; the same method was applied to the calculation of the simple average of the closing price in Section (I)); the simple average of the closing price for the one (1) month immediately preceding the reference date (1,696 Japanese yen); the simple average of the closing price for the three (3) months immediately preceding the reference date (1,550 Japanese yen); and the simple average of the closing price for the six (6) months immediately preceding the reference date (1,537 Japanese yen).

Under the comparable company analysis, the value of the Shares was calculated through comparison with the market share price and financial indicators (such as profitability, etc.) of listed companies that engage in businesses relatively similar to those of the Company. Using this methodology, the per-share value of the Shares was calculated to range from 1,326 Japanese yen to 1,893 Japanese yen.

Under the DCF Analysis, the Company’s enterprise value and share value were calculated by discounting the free cash flow that is expected to be generated in the future by the Company in and after the second quarter of the fiscal year ending in March 2020 at a certain discount rate to the present value, based on relevant factors including the profitability and investment plans in the Company’s business plan for seven (7) fiscal years from the fiscal year ending in March 2020 to the fiscal year ending in March 2026 as well as other publicly available information. Using this methodology, the per-share value of the Shares was calculated to range from 1,803 Japanese yen to 3,235 Japanese yen. In the

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business plan which served as a basis for the DCF Analysis, no significant increases or decreases in profits were expected, and the synergistic effects expected to be achieved by implementing the Integration, including the Tender Offer, were not counted. This is because at present it is difficult to specifically estimate the impact on earnings.

According to the Tender Offeror, by way of a resolution at the board of directors' meeting held on October 30, 2019, the Tender Offeror ultimately determined that the Tender Offer Price would be 2,600 Japanese yen per share, comprehensively taking into account: (i) the valuation results in the Tender Offeror Valuation Report obtained from Nomura Securities; (ii) the results of the due diligence on the Company conducted by the Tender Offeror; (iii) real-world examples of premiums granted when the purchase price was determined in the case of previous tender offers for shares (cases involving tender offers to make target companies wholly-owned subsidiaries) by persons other than issuers similar to the Tender Offer; (iv) whether the Company's board of directors would support the Tender Offer; (v) fluctuations in the market price of the Shares; and (vi) anticipated levels of tendering in the Tender Offer, and based on the results of discussions and negotiations with the Company.

The Tender Offer Price of 2,600 Japanese yen per share represents the following premiums: 36.99% (rounded off to two (2) decimal places; the same method was applied to the calculation of premiums (%) in Section (I)) on the closing price of the Shares of 1,898 Japanese yen on the TSE 1st Section as of October 29, 2019, which is the business day immediately preceding the date of announcement of the scheduled commencement of the Tender Offer; 53.30% on the simple average of the closing price of 1,696 Japanese yen for the one (1) month immediately preceding October 29, 2019; 67.74% on the simple average of the closing price of 1,550 Japanese yen for the three (3) months immediately preceding October 29, 2019; and 69.16% on the simple average of the closing price of 1,537 Japanese yen for the six (6) months immediately preceding October 29, 2019.

The Tender Offer Price of 2,600 yen per share represents a premium of 1.05% over the closing price of the Shares in the First Section of the Tokyo Stock Exchange on the business day immediately preceding the date of announcement of the commencement of the Tender Offer, 2,573 yen on August 31, 2020, a premium of 1.44% over the simple average closing price of the Shares in the one month prior to August 31, 2020, 2,563 yen, a premium of 2.04% over the simple average closing price of the Shares in the three months prior to August 31, 2020, 2,548 yen, and a premium of 2.32% over the simple average closing price of the Shares in the six months prior to August 31, 2020, 2,541 yen.

(Note) The Company was informed that, in calculating the Company's share value, Nomura Securities has assumed that all public information and information provided to it are accurate and complete, and it has not independently verified the accuracy or completeness thereof. Also, Nomura Securities neither has independently evaluated, appraised or assessed, nor has requested that any third-party organization appraise or assess, any assets or liabilities (including financial derivatives, off-balance sheet assets and liabilities, and other contingent liabilities) of the Company or its associate companies (including analyzing and evaluating their individual assets and liabilities). The Company's financial forecast (including profit plans and other information) is assumed to have been reasonably examined or prepared based on the best, bona-fide forecast and decision-making that are presently available to the Company's management. Calculations by Nomura Securities reflect the information obtained and economic conditions learned by Nomura Securities up to and including October 29, 2019. Calculations by Nomura Securities are solely for reference purposes for the Tender Offeror's board of directors to consider the Company's share value.

Taking into account the influence of novel coronavirus (COVID-19) and other business conditions of the Company, and the environment surrounding the Tender Offer between October 30, 2019, which is the date of the announcement of the scheduled commencement of the Tender Offer, and September 1, 2020, the Tender Offeror believes that there is no circumstance resulting in a change of the tender Offer Price.

(II) Valuation report obtained by the Company from an independent third-party valuation organization

As stated in “(3) Matters regarding valuation”, the Company asked a financial advisor, Industrial Growth Platform, to calculate the value of the Shares as a third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi and Hitachi Automotive Systems, in expressing its opinion to support the Tender Offer, in order to ensure the fairness in the decision-making process regarding the Tender Offer Price, and the Company obtained the Company Share Valuation Report on October 29, 2019. In addition, as stated in “(3) Matters regarding valuation” above, in expressing its opinion on the Tender Offer, the Company considered whether there were any fluctuations in the value of the Shares during the period from October 30, 2019 to August 31, 2020 and the substance of such fluctuations, and again asked a financial advisor, Industrial Growth Platform, to calculate the value of the Shares as a third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi in order to ensure the fairness of the decision-making process for the Tender Offer Price. On August 31, 2020, the Company obtained the Company Share Valuation Report on August 31, 2020.

Industrial Growth Platform is neither a related party of the Tender Offeror, the Three Target Companies, Hitachi or Hitachi Automotive Systems, nor is it materially interested with respect to the Integration, including the Tender Offer.

The Company has not obtained any opinion regarding the fairness of the Tender Offer Price (i.e., a fairness opinion) from Industrial Growth Platform. For an overview of the Company Share valuation reports obtained by the Company from Industrial Growth Platform, the Company Share Valuation Report on October 29, 2019 and the Company Share Valuation Report on August 31, 2020, please see “(3) Matters regarding valuation” above.

(III) Independent special committee established by the Company

On July 30, 2019, the Company established a special committee (the “Special Committee”) comprised of the following four (4) members in order to exercise caution in the Company’s decision-making regarding the Transactions, eliminate any potential arbitrariness or conflict of interest in, and secure the fairness of, the decision-making process of its board of directors, and to verify that the decision-making by its board of directors is not disadvantageous to its minority shareholders: Mr. Kotaro Yamamoto (outside director and independent officer of the Company, and attorney-at-law), Ms. Chiaki Tsuji (outside director and independent officer of the Company, and attorney-at-law), Mr. Taro Mizuno (former outside director of the Company, and President of FCOM Services Co., Ltd.), and Mr. Masato Kasahara (certified public accountant, Kasahara Certified Public Accountants Office), who are all independent of the Tender Offeror, the Three Target Companies (including the Company), Hitachi Automotive Systems, and Hitachi.

The Company consulted the Special Committee on the following matters (collectively, the “Matters of Inquiry”): (a) whether the purpose of the Transactions is reasonable; (b) whether the fairness of the terms of purchase under the Transactions (including the Tender Offer Price) has been secured; (c) whether the interests of the Company’s shareholders have been sufficiently considered through fair procedures in the Transactions; and (d) whether the Transactions are disadvantageous to the Company’s minority shareholders in light of (a) through (c) above or any other matters.

The Special Committee met eleven (11) times in total between August 22, 2019 and October 30, 2019 to carefully discuss and consider the Matters of Inquiry. Specifically, the Special Committee confirmed the absence of issues in the independence or expertise of the third-party valuation organization or legal advisor appointed by the Company and approved them as the Company’s third-party valuation organization and legal advisor, respectively. While the Company and its advisors engaged in direct discussions and negotiations with the Tender Offeror, the Special Committee confirmed that it may be substantially involved in the terms of the Transactions, such as by receiving timely status reports from the Company, offering opinions as necessary, and issuing instructions and requests. The Special

Committee also received information on matters including the following from the Company based on the materials provided by the Company, and conducted a question-and-answer session regarding these matters: the terms of the Tender Offeror's proposal; the purpose of the Transactions; the circumstances that led to the Transactions; the specific details of the Company's enterprise value expected to be increased by the Transactions; the Company's business plan; and the terms of the Transactions and the decision-making process therefor. The Special Committee then received information on the following matters from the Tender Offeror and conducted a question-and-answer session regarding these matters: an overview of the Transactions; the circumstances that led to the Transactions; the purpose of the Transactions; the management policy after the Transactions; and the terms of the Transactions. Further, the Special Committee received information on the results of evaluation of the value of the Shares by Industrial Growth Platform, and conducted a question-and-answer session regarding the results. In addition, the Special Committee received information from TMI Associates on the measures to ensure the fairness of the procedures for the Transactions and to avoid conflicts of interest, and conducted a question-and-answer session also regarding this matter.

After repeating careful discussions and consideration on the Matters of Inquiry through the above procedure, the Special Committee provided the Company's board of directors with a written report largely as outlined below on October 30, 2019 (the "Written Report on October 30, 2019"), upon the unanimous resolution by all committee members.

(i) Purpose of the Transactions

With the business environment surrounding the mobility industry having changed and companies in the industry having tried to realize electrification and automatic driving, competition in the industry has become intense and companies are faced with the need for technological and organizational reforms. The Company too, with its degree of dependence to the Tender Offeror being high, has limits to its technologies and characteristic problems, such as how the Company secures the resource necessary for research and development, especially for strategic investment in Asia. Under such business environment, the following effects are expected for the Company from the Transactions:

(a) Effects with respect to technologies – Streamlining development and production structure and enhancing development of next-generation technology

While it has become necessary to strengthen advanced technology for automobile electrification, it will become possible to enhance the development structure in next-generation technology areas expected to see growing demands in the future, such as electrification technologies and advanced safety technologies. Simultaneously, it will also become possible to achieve selected and concentrated development investment as the Tender Offeror Group including the Company by obtaining technologies of the Integrated Company, which is an affiliate of Hitachi, as well as technologies in the system and IT field in general, which the Tender Offeror Group has until now had to develop alone without choice, and it will thereby be possible to achieve the optimal allocation of business resources for the Tender Offeror Group, including the Company, as a whole.

In addition, by accelerating the mutual complementation between technology areas and regional bases in development and production fields of the Integrated Company, it will become possible to supply higher value-added and cost-competitive products and to establish a supply structure to swiftly and flexibly respond to changes in demands of automobile manufacturers including the Tender Offeror. That is to say, it will become possible to establish a mega supplier, including the Company's motorcycle business, which will lead the industry with competitive technologies (a winning edges) in electrification, chassis control and automatic driving, and to generate comprehensive synergy among parties including the Three Target Companies, the Tender Offeror, the Integrated Company and Hitachi, and to thereby stabilize competitiveness.

(b) Effects with respect to sales

It is expected that the Integrated Company will allow for the reduction of procurement and production costs due to increasing sales of automobile parts to automobile manufacturers other than the Tender Offeror. The Integrated Company will be able to establish a comprehensive development structure with automobile manufacturers based on the latest technologies in the industry across a wide range of areas, from conventional technologies such as machine components to electrification and information technologies and to expand sales, as a mega supplier, to automobile manufacturers other than the Tender Offeror. With the increase in production volume through these means, the Integrated Company will be able to reduce procurement and production costs due to the benefits of increasing scale and thereby expects to realize excellent profitability and competitiveness based on its international competitive advantage.

(c) Merits of integration by the Integrated Company

The Company, by being integrated into the Integrated Company, will be able to stabilize its management, with the aim of achieving medium- to long-term growth without being subject to short-term profitability based on business plans of the Integrated Company, whose shareholders are the Tender Offeror and Hitachi. Moreover, the Company will be able to simplify its organizational structure and thereby make decisions swiftly without being subject to an external environment. This will allow the Company's decision-makers to carry out bold capital investment plans at the most optimal timing, making it more likely that the enhancement of business fundamentals can be achieved. Establishing such a structure will contribute to an increase in the Company's enterprise value. Furthermore, while the Company will be able to reduce costs coming from being a listed company, there is a concern that the Company's minority shareholders may lose their opportunities to receive a positive return on their investment if the Company carries out aggressive business plans while continuing to be listed in spite of the risk of share prices falling.

While there are other modes of conducting business alliances which do not entail delisting of the Company, integration by the proposed Transactions is more effective than other business alliances for the Company in order to remove the brand image as an automobile parts manufacturer in the Tender Offeror Group and instead become a mega supplier. Although there are concerns, such as effects on employees, the decline in the Tender Offeror's influence over the Company, financing, and effects on the minority shareholders, the Transactions are believed to be able to contribute to increasing the Company's enterprise value as stated above. Therefore, the purpose of the Transactions is reasonable.

(ii) Fairness of terms and conditions of purchase in the Transactions, including the Tender Offer

The Tender Offer Price is deemed to be reasonable and fair, considering facts that (i) the Company has retained Industrial Growth Platform as financial advisor and third-party valuation organization which has no relationship of vital interest with the Tender Offeror, and the Company is able to negotiate on terms and conditions, including the Tender Offer Price, considering the objective valuation by Industrial Growth Platform, (ii) the valued price per Shares is calculated to range from 1,537 Japanese yen to 1,898 Japanese yen under the market share price analysis, 1,974 Japanese yen to 2,515 Japanese yen under the comparable company analysis and 2,157 Japanese yen to 2,787 Japanese yen under the DCF Analysis according to Industrial Growth Platform as the Company's financial advisor, and the Tender Offer Price is within the results of the calculation, and (iii) Industrial Growth Platform made inquiries on the contents of the proposal of the Tender Offer Price by the Tender Offeror and confirmed it, and the Company negotiated on the Tender Offer Price with the Tender Offeror, and (iv) that the Tender Offeror announced that the consideration in squeeze-out at the second stage will be the same price as the Tender Offer Price, etc.

(iii) Consideration for shareholders through the fair procedures of the Transactions, including the Tender Offer

Considering the facts that (i) the Company has established a special committee made up of four (4)

independent members in order to exercise diligence, and in order to eliminate the arbitrariness in the decision-making process of the board of directors meeting, as well as to ensure fairness, with the purpose of examining whether or not the decision of board of directors meeting is disadvantageous to minority shareholders, (ii) the valuation of the Shares was conducted by Industrial Growth Platform as a third-party valuation organization which has no relationship of vital interest with the Tender Offeror, (iii) the Company has obtained advice from TMI Associates, its independent outside legal advisor, (iv) the Company has ensured proper opportunities to determine on whether to tender for the Shares by making the Tender Offer period relatively long, and (v) the Company has negotiated based on advice from TMI Associates as its legal advisor, etc., as long as those procedures above are conducted, the procedures of the Transactions shall be deemed to be fair and appropriate.

(iv) Disadvantageousness to minority shareholders

As set forth above, the Special Committee has concluded that the Transactions should not be deemed to be disadvantageous to minority shareholders, considering that each of the purposes of the Transactions, the Tender Offer Price, and other terms and conditions are appropriate, that fairness of procedures of the Transactions was ensured and that the scheme of the Transactions is deemed to be appropriate.

The Company also resolved at the board of directors meeting held on October 30 2019, that: before the Tender Offer is commenced, it would request that the Special Committee consider whether there are any changes to the opinion in the Written Report on October 30, 2019, and if there are no changes, notify the Company's board of directors accordingly, or if there are changes, express its opinion reflecting the changes; and when the Tender Offer is commenced, it would express its opinion again concerning the Tender Offer.

After that, all of the procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were expected to be completed as of July 30, 2020; therefore, on August 12, 2020, the Tender Offeror told the Company that it wants the Company to prepare for determining the commencement of the Tender Offer expected on August 18, 2020, on the premise that such procedures and activities would be completed by August 14, 2020. However, as of August 14, 2020, since procedures and activities based on the competition laws of Thailand had not been completed, the Tender Offeror, on the same day, notified the Company of its decision not to commence the Tender Offer on August 18, 2020. After that, on August 27, 2020, the Tender Offeror, in response to the completion of all of the procedures and activities above at August 26 2020, informed the Company of the Tender Offeror's intention to commence the Tender Offer on September 2, 2020, the Tender Offer Commencement Date, on the premise that other Conditions Precedent would be satisfied.

On July 30, 2020, the Company asked the Special Committee to examine whether there are any changes in the opinion in the Written Report on October 30, 2019, and to state to the Company's board of directors that there are no changes if there is no change, or to submit the opinions after the change if there are any changes. The Special Committee met two times in total between July 31, 2020 and August 13, 2020, and it received information on the situation surrounding the Company on and after October 30, 2019, the progress of the transfer of the air conditioning business, and the valuation of the Shares made by Industrial Growth Platform based on these and conducted a question-and-answer session regarding these matters. After repeating careful discussions and consideration through the above procedure, the Special Committee provided the board of directors of the Company with a written report on September 1, 2020 (the "Written Report on September 1, 2020"), stating that (i) as of the time of preparation of the Written Report on September 1, 2020, it is unnecessary to change the decision in the Written Report on October 30, 2019 regarding the reasonability of the purpose of the Transactions; (ii) the financial condition of both the Tender Offeror and the Company is worsening, due to the increase in the number of persons infected with the novel coronavirus (COVID-19), however with regard to the Written Report on October 30, 2019, there is no particular change in the circumstances for deciding that the Tender Offer Price and other terms and conditions of the purchase in the Transactions are fair, and

also in accordance with the calculation results in the Company Share Valuation Report on August 31, 2020, the terms and conditions of the purchase in the Transactions, including the Tender Offer Price, are considered to be fair at the time of the preparation of the Written Report on September 1, 2020, if the amount of the Tender Offer Price is maintained at an amount as of the submission of the Written Report on October 30, 2019; (iii) as of the time of preparation of the Written Report on September 1, 2020, it is unnecessary to change the decision that the shareholders' interests through the fair procedures of the Transactions have been considered thoroughly; and that (iv) based on these matters (i) to (iii), it could be determined that as of the time of the preparation of the Written Report on September 1, 2020, the Transactions are not disadvantageous to the minor shareholders of the Company, and there is no change in the contents of the Written Report on October 30, 2019, upon unanimous resolution by all committee members.

(IV) Advice from independent law firm to the Company

The Company has appointed TMI Associates as its outside legal advisor, in order to ensure the transparency and fairness of the decision-making process by the Company's board of directors for the Tender Offer and has received legal advice therefrom on the decision-making process and methods utilized by the Company's board of directors, and other matters to note concerning the Tender Offer. TMI Associates is not a related party to the Tender Offeror, the Three Target Companies (including the Company), Hitachi, or Hitachi Automotive Systems, and does not have any significant interest in the Transactions including the Tender Offer.

(V) Approval of all directors of the Company with no interest in the Transactions, and no objection from all company auditors of the Company with no interest in the Transactions

The Company's board of directors unanimously passed a resolution that as the Company's opinion as of October 30, 2019, the board of directors would express its opinion to support the Tender Offer, and that it would recommend that the Company's shareholders tender the Shares for the Tender Offer if it were commenced, under the grounds and reasons described in "(III) Process of and reasons for decision-making leading to the Company's support of the Tender Offer" in "(2) Basis and Reasons of Opinion" above, at the board of directors meeting held on October 30, 2019, where all eleven (11) directors (excluding Mr. Keiichi Aida, President and Representative Director ("Mr. Aida")) attended and participated in the deliberation and resolution. The board of directors meeting was attended by all three (3) of the company auditors of the Company, who all expressed their opinion that they would not object to the Company's board of directors passing the resolution.

At the above board of directors meeting, the Company also resolved that: before the Tender Offer is commenced, it would request the Special Committee consider whether there are any changes to the opinion in the Written Report on October 30, 2019, and if there are no changes, notify the Company's board of directors accordingly, or if there are changes, express its opinion reflecting such changes; and when the Tender Offer is commenced, it would express its opinion again concerning the Tender Offer.

After that, all of the procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were expected to be completed as of July 30, 2020; therefore, on August 12, 2020, the Tender Offeror told the Company that it wants the Company to prepare for determining the commencement of the Tender Offer expected on August 18, 2020, on the premise that such procedures and activities would be completed by August 11, 2020. However, as of August 14, 2020, since procedures and activities based on the competition laws of Thailand had not been completed, the Tender Offeror, on the [same day], notified the Company of its decision not to commence the Tender Offer on August 18, 2020. After that, on August 27, 2020, the Tender Offeror, in response to the completion of all of the procedures and activities above at August 26 2020, informed the Company of the Tender Offeror's intention to commence the Tender Offer on September 2, 2020, the Tender Offer Commencement Date, on the premise that other Conditions

Precedent would be satisfied. At the board of directors meeting held on September 1, 2020 where out of the 11 directors of the Company, all of the directors, excluding Mr. Aida, President and Representative Director, attended, the Company, upon unanimous resolution by all directors who were present and participated in the deliberation and resolution, resolved to express an opinion to support the Tender Offer, and to recommend that the Company's shareholders tender in the Tender Offer, under the grounds and reasons described in "(III) Process of and reasons for decision-making leading to the Company's support of the Tender Offer" in "(2) Basis and Reasons of Opinion" above.

The board of directors meeting mentioned above was attended by all three company auditors of the Company, who all expressed an opinion that they would not object to the board of directors of the Company passing the resolution.

Among the Company's directors, Mr. Aida, who was involved in considering the Integration when he belonged to the Tender Offeror, neither participated in deliberating on any of the agenda items regarding the consideration of the Transactions, including the Tender Offer, at any of the board of directors meetings of the Company, nor was he involved in considering the Integration or discussing or negotiating the Integration with the Tender Offeror, as an officer of the Company, in order to avoid conflicts of interest and ensure the fairness of the Transactions, including the Tender Offer.

On the other hand, other than Mr. Aida, among the Company's directors, Mr. Tomoya Abe, Mr. Yasutoshi Ito, Mr. Yusuke Takayama and Masashi Suzuki, and among the Company's auditors Mr. Naoyoshi Uchida are all the Tender Offeror. However, a considerable time has passed since they transferred to the Company, and there is nothing to indicate that any of them were involved in the examination of the Integration when they were working for the Tender Offeror, nor is any of them in a position to be involved in it. Therefore, they participated as a director or auditor in the Company's deliberation at the board of directors meeting on the subjects regarding the examination of the Transactions including the Tender Offer.

(VI) Measures to ensure opportunities for other purchasers to purchase

The Tender Offeror believes that there is a reasonable period between the announcement of the scheduled commencement of the Tender Offer and the commencement; therefore, it was ensured that a potential purchaser other than the Tender Offeror would have an opportunity to make a purchase under a tender offer for the Shares.

Furthermore, according to the Tender Offeror, it contemplates setting a 30 business-day tender offer period, which is longer than the shortest period of 20 business days provided by the laws and regulations, in order to: provide the shareholders of the Company with an appropriate opportunity to consider whether to tender their shares in the Tender Offer; ensure that a potential purchaser other than the Tender Offeror would have an opportunity to make a competing purchase under a tender offer for the Shares; and secure the appropriateness of the Tender Offer Price.

In addition, the Company has not concluded any agreement with the Tender Offeror that includes deal protection provisions prohibiting the Company from having contact with a competing offeror or that otherwise limits the opportunity for the Company to have contact with competing offerors.

4. Important agreements between the Tender Offeror and shareholders of the Company pertaining to tendering in the Tender Offer

Not applicable

5. Benefit sharing by the Tender Offeror or its special related parties

Not applicable

6. Measures to take for basic policy regarding control of the Company

Not applicable

7. Questions directed at the Tender Offeror

Not Applicable

8. Request for extension of the tender offer period

Not Applicable

9. Future Prospects

Please see “(II) Background to, the purpose of, and decision-making process of, the resolution to conduct the Tender Offer, and the management policy after the Tender Offers of Opinion” in “(2) Basis and Reasons of Opinion,” “(4) Likelihood of delisting and reasons therefor” and “(5) Policies regarding reorganization, among others, after the Tender Offer (matters regarding the so-called two-stage purchase),” under “3. Position regarding the Tender Offer, and Basis and Reasons thereof”.

10. Others

(1) Agreement between the Tender Offeror and the Company or its Officers, and the Details Thereof

The Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi have concluded the Basic Contract as October 30, 2019(in this paragraph, the “Basic Contract Conclusion Date”), as outlined below (please note that the Basic Contract was amended by the Agreement on the Amendment of the Basic Contract Regarding Business Integration, dated June 1 2020, and the Agreement (2) on the Amendment of the Basic Contract Regarding Business Integration, dated August 13, 2020, however, the matters stated in (I) to (IV) below are not changed). The details of the Basic Contract are as follows:

(I) The Tender Offer conducted by the Tender Offeror

The Tender Offeror shall conduct the Tender Offer, on condition that all conditions set forth in the following items have been satisfied:

(a) The Company has resolved to support the Tender Offer and to recommend to its shareholders to tender in the Tender Offer, has published the resolution, and has not changed the resolution or passed a contradictory resolution by its board of directors during the period from the Basic Contract Conclusion Date to the Tender Offer Commencement Determination Date;

(b) The Company has obtained a third party’s opinion (Note 1) that a tender offer for its shares is not disadvantageous to its minority shareholders, and the opinion has been upheld;

(Note 1) A third party’s opinion means an opinion of the Special Committee established by the Company; hereinafter the same shall apply.

(c) The Company’s representations and warranties pursuant to the Basic Contract are true and correct in material respects;

(d) All obligations due to be performed or complied with by Hitachi, Hitachi Automotive Systems and the Company under the Basic Contract have been performed or complied with in

material respects;

- (e) The Japan Fair Trade Commission has issued a notice regarding the Transactions that it will not issue a notice under Article 50, paragraph (1) of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended; the “Anti-monopoly Act”);
- (f) Notification to any foreign competition law authority has been completed, or the waiting period after the notification has matured or terminated early; or an approval has been obtained from, and other procedures have been completed with, any foreign competition law authority, as required for the Transactions under any competition law of a non-Japanese jurisdiction agreed to between All Parties;
- (g) There are no laws or regulations, or decisions by any competent authority, that limit or prohibit any of the Transactions;
- (h) No cause or event has occurred that has a material adverse effect on the Company’s or Hitachi Automotive Systems’ business, assets, liabilities, financial status, business performance, cash flow or future profit plan on a consolidated basis; and no other event has occurred to any company in the Company Group or any of Hitachi Automotive Systems and its subsidiaries and affiliates (collectively with Hitachi Automotive Systems, the “Hitachi Automotive Systems Group”) that materially affects the decision to conduct the Tender Offer;
- (i) There has been no impact of any natural disaster or other cause not attributable to the Tender Offeror where it is impossible to commence the Tender Offer in light of socially accepted norms;
- (j) There is no material non-public information related to the Company or any of its subsidiaries;
- (k) The Company has submitted to the Tender Offeror a letter of confirmation of material information (a letter that represents and warrants that there are no material non-public information related to the Company or any of its subsidiaries as of the Tender Offer Commencement Determination Date);
- (l) The conditions to the Tender Offeror commencing tender offers against Showa and Nissin are reasonably anticipated to be satisfied or waived;
- (m) The “Basic Agreement for Subsidiaries’ Management Integration” dated October 30, 2019, concluded between Hitachi and the Tender Offeror is continuing in effect; and
- (n) Hitachi has not issued a notice to the Tender Offeror requesting not to commence the Tender Offer, or the conditions contained in such notice, if made, by Hitachi to the Tender Offeror have been satisfied or waived.

(II) The Company’s support for the Tender Offer

The Company shall resolve that it will support the Tender Offer and will recommend to its shareholders to tender in the Tender Offer, on condition that all conditions set forth in the following items have been satisfied, except where it is reasonably determined that passing these resolutions violates the Company’s directors’ duty of due care of a prudent manager:

- (a) The Company has obtained a third party’s opinion that the Tender Offer is not disadvantageous to its minority shareholders, and the opinion has been upheld;

- (b) The key terms of the Tender Offer are in line with the terms and conditions agreed pursuant to the Basic Contract;
- (c) Tender offers by the Tender Offeror against Showa and Nissin are reasonably anticipated to be commenced;
- (d) Hitachi's, Hitachi Automotive Systems' and the Tender Offeror's representations and warranties pursuant to the Basic Contract are true and correct in material respects;
- (e) All obligations due to be performed or complied with by Hitachi, Hitachi Automotive Systems and the Tender Offeror under the Basic Contract have been performed or complied with in material respects;
- (f) The Japan Fair Trade Commission has issued a notice regarding the Transactions that it will not issue a notice under Article 50, paragraph (1) of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade;
- (g) By the Tender Offer Commencement Determination Date, notification to any foreign competition law authority has been completed, or the waiting period after the notification has matured or terminated early; or an approval has been obtained from, and other procedures have been completed with, any foreign competition law authority, as required for the Transactions under any competition law of a non-Japanese jurisdiction agreed to between All Parties;
- (h) There are no laws or regulations, or decisions by any competent authority, that limit or prohibit the Tender Offer; and
- (i) No cause or event has occurred that has a material adverse effect on Hitachi Automotive Systems' business, assets, liabilities, financial status, business performance, cash flow or future profit plan on a consolidated basis; and no other event has occurred to any of Hitachi Automotive Systems Group that materially affects the Company's decision to pass a resolution to support the Tender Offer and to recommend to its shareholders to tender in the Tender Offer.

### (III) Making the Company a wholly-owned subsidiary

When the Tender Offer is completed, if the Tender Offeror has not succeeded in acquiring all the shares of the Company through the Tender Offer, then the Tender Offeror will take measures necessary to make the Company its wholly-owned subsidiary by means of demand for cash-out or share consolidation.

### (IV) Absorption-type merger

Promptly after the Tender Offeror makes the Company, Showa, and Nissin its wholly-owned subsidiaries, Hitachi shall cause Hitachi Automotive Systems, and the Tender Offeror shall cause the Company, Showa, and Nissin, to implement a series of absorption-type merger in which Hitachi Automotive Systems will be the ultimate surviving company, and the Company, Showa, and Nissin will be the ultimate disappearing companies.

If any of the tender offers targeting the Company, Showa, or Nissin is not successfully completed, or if a substantial delay is expected in making any one or two companies among the Company, Showa, and Nissin the Tender Offeror's wholly-owned subsidiaries, then Hitachi and the Tender Offeror shall implement the Absorption-type Merger between Hitachi Automotive Systems and the company(ies) from among the Company, Showa, and Nissin that has successfully become wholly-owned subsidiary(ies) of the Tender Offeror. Conditions of the absorption-type merger between Hitachi

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Automotive Systems and such wholly-owned subsidiary(ies) shall be determined upon good-faith consultation based on the enterprise values of Hitachi Automotive Systems, the Company, Showa, and Nissin agreed upon with Hitachi and the Tender Offeror.

(2) Other Information that is Considered to be Necessary When Investors Determine Whether to Tender Shares in an Offer to Purchase

(I) Amendment to Dividend forecast

The Company, at the meeting of the board of the directors held on September 1, 2020, resolved not to pay year-end dividends for the FY ending in March 2021, subject to the completion of the Tender Offer. For details, please see the “Announcement Regarding Revision to the Dividend Forecast for the FY Ending in March 2021” dated on September 1, 2020 announced by the Company.

End

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(Reference) Overview of the Tender Offer etc. (Attachment)

Please see the attached documents (“Notice regarding the Scheduled Commencement of the Tender Offer to Make Keihin Corporation (Securities Code: 7251) a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd. (Securities Code: 7230)”) published by the Tender Offeror today.

[Restriction on Solicitation]

This press release is a news statement intended for announcement for the Company’s opinion regarding the Tender Offer to the general public, and was not prepared for the purpose of soliciting an offer to sell the shares in connection with the Tender Offer. If you intend to make an offer to sell shares in the Tender Offer, please refer to the tender offer explanatory document regarding the Tender Offer in advance, and make your own independent decision. This press release is not an offer to purchase securities or a solicitation of an offer to sell securities, and does not constitute part of the foregoing. In addition, this press release (or any part of it) or any distribution hereof will not be the basis for any agreement concerning the Tender Offer, nor will it be relied upon when executing any such agreement.

[Prediction of the Future]

This press release may include expressions concerning future prospects such as “expect,” “forecast,” “intend,” “plan,” “be convinced,” and “estimate,” including those concerning the future business of the Tender Offeror and other companies and entities. These expressions are based on the current business prospects of the Tender Offeror and may change depending on future situations. The Tender Offeror shall not be obligated to update the expressions concerning future prospects to reflect the actual business results, various situations, changes to conditions, or other related factors.

This press release includes “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934 (as amended; the “U.S. Securities Exchange Act of 1934”). The actual results may be significantly different from the predictions expressly or impliedly indicated in the forward-looking statements, due to known or unknown risks, uncertainty, or other factors. The Tender Offeror or its affiliates do not guarantee that the predictions expressly or impliedly indicated as the forward-looking statements will turn out to be correct. The forward-looking statements included in this press release were prepared based on the information held by the Tender Offeror as of the date hereof, and unless obligated by laws or regulations or the rules of a financial instruments exchange, the Tender Offeror or its affiliates shall not be obligated to update or revise the statements to reflect future incidents or situations.

[U.S. Regulations]

The Tender Offer will be conducted in compliance with the procedures and information disclosure standards provided under the Financial Instruments and Exchange Act of Japan, and those procedures and standards are not always the same as those applicable in the United States. In particular, neither Section 13(e) nor Section 14(d) of the U.S. Securities Exchange Act of 1934 or the rules under these sections apply to the Tender Offer; therefore, the Tender Offer is not conducted in accordance with those procedures or standards. The financial information included in this press release is based on International Financial Reporting Standards (IFRS), not on the U.S. accounting standards; therefore, the financial information included in this press release may not necessarily be comparable to the financial information prepares based on the U.S. accounting standards. Also, because the Tender Offeror and the Company are corporations incorporated outside the U.S. and their directors are non-U.S. residents, it may be difficult to exercise rights or demands against them that can be claimed based on U.S. securities laws. In addition, you may not be permitted to commence any legal procedures in courts outside the U.S. against non-U.S. corporations or their directions based on a breach of U.S. securities laws. Furthermore, U.S. courts are not necessarily granted jurisdiction over non-U.S. corporations or their directors.

All procedures regarding the Tender Offer will be conducted in Japanese unless specifically set forth otherwise. All or part of the documents regarding the Tender Offer will be prepared in English; however, if there is any discrepancy between the documents in English and those in Japanese, the documents in Japanese shall prevail.

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[Other Countries]

Depending on the country or region, there may be legal restrictions on the release, issuance, or distribution of this press release. In such cases, you are required to be aware of such restrictions and comply with them. This press release does not constitute a solicitation of an offer to sell or an offer to purchase shares related to the Tender Offer and is simply deemed a distribution of materials for informative purposes only.