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To whom it may concern

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Notice Regarding Commencement of Tender Offer for Common Stock in Sumitomo Precision Products Co., Ltd. (Securities Code: 6355)

Sumitomo Corporation (the “Tender Offeror”) hereby announces, as below, that it has resolved, at the meeting of its board of directors dated today, to acquire common stock in Sumitomo Precision Products Co., Ltd. (securities code: 6355, listed on the Standard Market of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”)) (the “Target Company”) (the “Target Company’s Stock”) through the tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”).

1. Purpose, Etc. of Purchase, Etc.

(1) Overview of the Tender Offer

As of today, the Tender Offeror directly holds 1,462,544 shares of the Target Company’s Stock listed on the Standard Market of the Tokyo Stock Exchange (Ownership Ratio (Note 1): 27.64%) and is the largest shareholder of the Target Company. The Target Company is an equity-method affiliate of the Tender Offeror.

(Note1) “Ownership Ratio” means the ratio to the number of shares (i.e., 5,291,088 shares) calculated by subtracting the number of treasury shares held by the Target Company as of September 30, 2022 (i.e., 25,691 shares), as stated in the “Summary of Consolidated Financial Results for the Six Months Ending September 30, 2022 (Under Japanese GAAP) filed today by the Target Company (the “Target Company’s Six Months Financial Results”) from the total number of issued shares of the Target Company as of September 30, 2022 (i.e., 5,316,779 shares), as stated in the “Second Quarterly Report for the 77th Fiscal Year” filed today by the Target Company (the “Target Company’s Second Quarterly Report”) (rounded off to the second decimal place). The same shall apply hereinafter to the statement of the Ownership Ratio.

On this occasion, the Tender Offeror resolved, at the meeting of its board of directors dated today, to implement the Tender Offer as part of a series of transactions (the “Transactions”) for the purpose of acquiring all of the Target Company’s Stock (excluding the Target Company’s Stock held by the Tender

Offeror and treasury shares held by the Target Company) and making the Target Company a wholly-owned subsidiary of the Tender Offeror.

Since the Tender Offeror intends to make the Target Company its wholly-owned subsidiary, the Tender Offeror has set 2,064,856 shares (Ownership Ratio: 39.03%) as the minimum number of the shares to be purchased in the Tender Offer, and, if the total number of the share certificates, etc., tendered in response to the Tender Offer (the “Tendered Share Certificates, Etc.”) is less than such minimum number, the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. However, the Tender Offeror aims to acquire all of the Target Company’s Stock (excluding the Target Company’s Stock held by the Tender Offeror and treasury shares held by the Target Company) in the Tender Offer, and, therefore, has not set the maximum number of the shares to be purchased, and, if the total number of the Tendered Share Certificates, Etc., is equal to or greater than the minimum number, the Tender Offeror will purchase all of the Tendered Share Certificates, Etc. The minimum number of shares to be purchased (i.e., 2,064,856 shares) corresponds to the number of shares obtained by subtracting (i) the Target Company’s Stock held by the Tender Offeror as of today (i.e., 1,462,544 shares) from (ii) the number of shares (i.e., 3,527,400 shares) obtained by multiplying (a) the number of voting rights (i.e., 35,274; rounded up to the nearest whole number) which is two-thirds or more of the number of voting rights (i.e., 52,910) pertaining to the number of shares (i.e., 5,291,088 shares) which is obtained by subtracting the number of treasury shares held by the Target Company as of September 30, 2022 (i.e., 25,691 shares) as stated in the Target Company’s Six Months Financial Results from the total number of the issued shares of the Target Company as of September 30, 2022 (i.e., 5,316,779 shares) as stated in the Target Company’s Second Quarterly Report by (b) the number of shares constituting one unit of shares (i.e., 100 shares). The Tender Offeror has set such minimum number of shares to be purchased in order for the Tender Offeror to hold two-thirds or more of the voting rights of all shareholders of the Target Company after the Tender Offer so that it may steadily implement the Transactions because the Tender Offeror aims to make the Target Company its wholly-owned subsidiary in the Tender Offer, and it is required to make a special resolution at a general meeting of shareholders under Article 309, Paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended; the same shall apply hereinafter) when implementing the procedures for the share consolidation set forth in “(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-called “Two-step Acquisition”)

In implementing the Tender Offer, the Tender Offeror has entered into a tender offer agreement (the “Tender Offer Agreement”) today with Nippon Steel Corporation (“Nippon Steel”), a principal shareholder and the second largest shareholder of the Target Company, and it is agreed that all of the Target Company’s Stock held by Nippon Steel (i.e., 764,935 shares; Ownership Ratio 14.46%) (the “Shares Subject to Tender Offer”) will be tendered in the Tender Offer and that such tender shall not be withdrawn. For details of the Tender Offer Agreement, please refer to “(6) Matters concerning Material Agreement related to the Tender Offer” below.

Since the Tender Offeror aims to make the Target Company its wholly-owned subsidiary, the Tender Offeror plans to acquire all of the Target Company’s Stock (excluding the Target Company’s Stock held by the Tender Offeror and treasury shares held by the Target Company) through implementing a series

of procedures to ensure that only the Tender Offeror is the shareholder of the Target Company set forth in “(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-called “Two-step Acquisition”)” below in the event that the Tender Offer is consummated but the Tender Offeror fails to acquire all of the Target Company’s Stock (excluding the Target Company’s Stock held by the Tender Offeror and treasury shares held by the Target Company) in the Tender Offer.

According to the “Notice Regarding Expression of Opinion to Support the Tender Offer by Sumitomo Corporation for Our Share Certificates, Etc. and Recommendation to Tender” (the “Target Company’s Press Release”), announced today by the Target Company, the Target Company resolved, at the meeting of its board of directors held today, to express an opinion to support the Tender Offer and to recommend that the shareholders of the Target Company tender their shares in the Tender Offer.

For details of the meeting of the Target Company’s board of directors stated above, please refer to the Target Company’s Press Release and “e. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Audit & Supervisory Board Members at the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.

(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer

a. Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer

The background, purpose, and decision-making process leading to the decision to implement the Tender Offer are as follows. The description of the Target Company in the following statement is based on the explanation received from the Target Company, the Target Company’s Press Release, or other information published by the Target Company.

The Tender Offeror is a general trading company established on December 24, 1919 and is currently listed on the Prime Market of the Tokyo Stock Exchange. The Tender Offeror Group (meaning, collectively, the Tender Offeror, and its subsidiaries and equity-method affiliates; The same shall apply hereinafter) consists of the Tender Offeror and 883 subsidiaries and affiliates (628 consolidated subsidiaries and 255 equity-method affiliates) (as of September 30, 2022) and is engaged in diverse business activities on a globally consolidated basis to meet customers’ diverse needs by integrating (a) business foundations, such as trusts fostered over many years, domestic and overseas global networks, global relationships with business partners in all fields, and intellectual assets, and (b) functions, such as capability to create business, establish a logistics framework, provide financial services, utilize IT, manage risks, and gather and analyze information. The Tender Offeror classifies these businesses into six business segments (business divisions) according to the products and details of businesses it handles. The aim of Transportation & Construction Systems, which is one of these businesses and to which the Target Company belongs, is that through its transportation and construction system businesses, as well as its lease and finance businesses, it implements structural transformation aimed at the realization of the sustainable society, and that it contributes towards the creation of new value and the building of new

social infrastructure. The medium-term management plan, “SHIFT 2023,” published by the Tender Offeror on May 7, 2021, has highlighted the shift in the business portfolio and the plan to realize a business portfolio that is highly profitable and resilient to environmental changes. In Transportation & Construction Systems, the Tender Offeror is promoting the upgrading of its business by actively accumulating prime assets; increasing profitability by expanding products and regions; expanding products and services and enhancing functions; increasing profitability by improving assets efficiency; and fostering new businesses that will become pillars of the next generation in anticipation of changes in the business environment and industrial structure. The Transactions will be implemented based on this strategy.

On the other hand, according to the Target Company’s Press Releases, the Target Company was established in January 1961 as the successor company to Sumitomo Metal Industries, Ltd. (currently known as Nippon Steel) for the purpose of spinning off the Aero Products Division from Sumitomo Metal Industries, Ltd., and, in the same month, succeeded the business of the Aero Products Division (the business mainly consisting of manufacturing and sales of brazed aluminum heat exchangers and industrial hydraulic equipment, as well as propellers, landing gears and hydraulic equipment for aircrafts) from Sumitomo Metal Industries, Ltd. These businesses succeeded from Sumitomo Metal Industries, Ltd. has been developed into the current business segments of the Target Company. Specifically, business concerning products related to aircrafts were developed into the Aerospace Business segment, which manufactures and sells aircraft equipment (equipment for propeller systems/landing gear control systems/heat management systems, equipment for pneumatic and air-conditioning systems, and equipment for space), and business concerning heat exchangers and industrial hydraulic equipment developed into the Industrial Equipment Business segment, which manufactures and sells LNG (Liquefied Natural Gas) vaporizer, aluminum plate-fin heat exchangers, stainless-steel compact heat exchanger, hydraulic pump and valves, etc.

In addition to the above two business segments, the Target Company is engaged in the MEMS/Semiconductor Manufacturing Equipment business (Note 1), MEMS Devices/Application Products business, and Ozone Generators business in the ICT Business (Information and Communication Technology Business) (Note 2) segment. In the MEMS/Semiconductor Manufacturing Equipment business, the Target Company began manufacturing equipment that enables silicon deep-etching (Note 3) in 2001 by utilizing the technology possessed by Surface Technology Systems Ltd. in the UK, which was acquired by the Target Company in March 1995, and the Target Company currently manufactures and sells deposition equipment and sacrificial layer etching equipment (Note 4) in addition to equipment for silicon deep-etching. In the MEMS Devices/Application Products business, the Target Company utilizes MEMS technology cultivated by the Target Company in its MEMS/Semiconductor Manufacturing Equipment business to undertake the contract manufacturing of MEMS devices consigned by other companies (foundry business) and design and development services of MEMS devices. In the Ozone Generators business, the Target Company began to manufacture ozone generators in January 1974 initially focusing on ozone as it had oxidation power to combat air and water pollution issues during the high economic growth period; however, recently, the effectiveness of high-concentration ozone was

confirmed in the manufacturing process of semiconductors, etc. and the Target Company manufactures and sells ozone production equipment to semiconductor manufacturers.

(Note 1) “MEMS” is an abbreviation for Micro Electro Mechanical Systems and it refers to a device that mechanically moves on a board by performing three-dimensional processing in micro units on a circular thin board (wafer) made of crystals of semiconductor material.

(Note 2) “ICT” refers to information and communication technology.

(Note 3) “Etching” refers to a technology for processing the surface of a subject matter using chemical reactions of liquids, gases, and ions, etc.

(Note 4) “Sacrificial layer etching” refers to a technology to create a three-dimensional structural layer by forming multiple layers consisting of structural layers and sacrificial layers on a board and removing only the sacrificial layers.

Shares issued by the Target Company were listed on the Second Section of the Tokyo Stock Exchange and the Second Section of the Osaka Securities Exchange in March 1970, and then changed to the First Section of the Tokyo Stock Exchange and the First Section of the Osaka Securities Exchange in February 1971. Subsequently, the shares were listed on the First Section on the Tokyo Stock Exchange due to the integration of the markets of the Osaka Securities Exchange and the Tokyo Stock Exchange in July 2013. Currently, following a market restructuring of the Tokyo Stock Exchange on April 4, 2022, it has changed its market from the First Section to the Standard Market of the Tokyo Stock Exchange.

The Target Company has 15 subsidiaries and 1 affiliate as of today (the Target Company and its subsidiaries and affiliates are hereinafter collectively referred to as the “Target Company Group”). The Target Company has established a number of subsidiaries in Japan with the aim of expanding the scale of business, etc. (established Sumisei Engineering Co., Ltd. in November 1975; Sumisei Hydraulic Systems Co., Ltd. in August 2005; SPP Technologies Co., Ltd. in October 2011; and SPP Nagasaki Engineering Co., Ltd. in April 2014), as well as actively acquiring overseas companies (acquiring Surface Technology Systems Ltd. in the UK in March 1995, CFN Precision Ltd. in Canada in May 2013, and Tecnickrome Aeronautique Inc. in Canada in June 2015) to strengthen global competitiveness, and establishing joint ventures with overseas companies (establishing Silicon Sensing Systems Ltd., a joint venture with BAE Systems in the UK in June 1999; and Ningbo SPP Hydraulics Co., Ltd. in China by joint contribution with the Ningbo Haitian Group Co., Ltd. in October 2004).

Based on the Sumitomo’s Business Philosophy (Business Principles (established in 1928, Sumitomo’s company rules)) stating that it “places prime importance on integrity and sound management”, the Target Company conducts its business activities in accordance with the following corporate philosophy.

<The Target Company Group’s Company Principles>

Toward a Promising Future

Our Company Principles

Sumitomo Precision Products Group will continue to increase its global presence with innovative technology, and will pave its way toward a prosperous tomorrow.

1. COMPLIANCE

Complying with laws and regulations, we will conduct all business activities based on the highest ethical standards.

2. CUSTOMER SATISFACTION

Focusing intensely on market demands and clients' needs, we will continue to offer quality products and services to achieve the highest customer satisfaction possible.

3. CHANGE & CHALLENGE

Responding sensitively to global trends, we will boldly try to fully meet these changes and keep our eyes open to new opportunities that accompany this changing atmosphere.

4. HUMAN RESOURCES

Respecting our human resources, we will provide a supportive environment that encourages each individual's fulfillment and harmony among all employees.

5. COEXISTENCE WITH SOCIETY

By playing an active role in society, we will promote good citizenship with our community and harmony with the surrounding environment.

The Target Company Group, as a corporation involved in manufacturing, considers it its basic management policy to meet the expectation of all stakeholders by providing products and services that satisfy customers while giving top priority to compliance, quality, and safety, and contributing to solving social issues through unique and precise technologies.

The Target Company announced its mid-term management plan for the period from FY 2021 to FY 2023 (the "Target Company Mid-term Management Plan") in May 2021 based on the business spirit and company principles described above. In the Target Company Mid-term Management Plan, the Target Company states that it will promote activities in the three current businesses of Aerospace Business, Industrial Equipment Business, and ICT Business under the slogan, "with precision technologies and precision manufacturing, we innovate the world's highest quality of 'precision' that supports a sustainable society ahead of anyone else," while solving various social issues by virtue of its differentiated technologies and manufacturing expertise. Specifically, in the above three businesses, the Target Company identified the aerospace field, the thermal management field, the precision hydraulic equipment field, and the ICT field as the four business fields that are the future profit base. In particular, the Target Company views the thermal management field and the ICT field as strategic fields that have the potential for business expansion, and intends to pursue and develop the precision technologies and manufacturing of the Target Company to create new growing businesses.

In addition, in the Target Company Mid-term Management Plan, the Target Company states that in the future, the Target Company Group intends to contribute to society by (1) realizing a safe and secure society, (2) realizing an environmentally friendly and energy saving society, (3) building the foundation of manufacturing around the world, and (4) realizing a 'Smart' society.

From FY2021 (from April 1, 2021 to March 31, 2022), which is the first fiscal year of the Target Company Mid-term Management Plan, the Target Company Group has begun shifting its business base to the thermal management and ICT fields, which are designated as strategic fields that have the potential for business expansion. In the thermal management field, in conjunction with the electrification of transportation and the development of high-speed communication infrastructure, the Target Company has developed a system to work on the new business areas, such as (a) cooling of electronic components that have higher performance and higher heat generation, and (b) vaporization of non-fossil energy, including hydrogen, by integrating the thermal control technologies that the Target Company has cultivated in industrial equipment and aircrafts, and the Target Company is working to develop technologies and promote business development for these areas. Furthermore, the Target Company manufactures and sells heat exchangers in both the Aerospace Business and Industrial Equipment Business segments, and in April 2022, it launched a heat management project team under the direct control of the Representative Director and President of the Target Company in order to integrate the design and manufacturing technologies cultivated in both businesses and capture new business opportunities.

In addition, the Target Company is working to expand the MEMS-related business, including the commencement of development and sales, in July 2021, of single crystal lead zirconate titanate thin films (Note 5), which combines both the functions of an actuator (Note 6) and a sensor (Note 7). The Target Company also established the Integrated Strategic Department relating to the MEMS-related business and the MEMS Solution Department as an external point of contact in August, 2021.

(Note 5) A “lead zirconate titanate thin film” is the raw material for sensors and actuators because it not only has good piezoelectric properties, but is also a material with very stable temperature characteristics.

(Note 6) An “actuator” refers to a component of a MEMS that performs a mechanical operation and operation control.

(Note 7) A “sensor” refers to a component of a MEMS that detects certain information, converts such information to information that can be handled by machines, and then makes an output.

From around 2017, Nippon Steel (known as Nippon Steel & Sumitomo Metal Corporation at that time; Number of Shares Held: 21,394,798 shares; Ownership Ratio at That Time (Note 8): 40.42%) adopted the improvement of its financial position by asset compression, etc. as a group strategy and financial strategy in conjunction with promoting certain measures, including those for strengthening its business competitiveness and expanding overseas business. As a part of these strategies, Nippon Steel was considering the sale of the Target Company’s Stock. With the main aims of supporting the structural reform plan and medium-term management plan being examined and promoted by the Target Company and of expanding the market channels of the Tender Offeror and the Target Company for aerospace equipment, heat exchangers, etc., the Tender Offeror acquired from Nippon Steel 13,745,441 shares of the Target Company’s Stock (Ownership Ratio at That Time: 25.97%) on May 9, 2017, through an off-market transaction at the price of 377 yen per share. As a result, factoring in the 880,000 shares of the Target Company’s Stock held by the Tender Offeror (Ownership Ratio at That Time: 1.66%) (Note 9),

the Tender Offeror became the largest shareholder of the Target Company holding 14,625,441 shares (Ownership Ratio at That Time: 27.63%) and also made the Target Company an equity-method affiliate. At the same time, the Tender Offeror entered into a capital/business tie-up agreement (the “Capital/Business Tie-up Agreement”) with the Target Company as of May 9, 2017, with the aim of further expanding their respective businesses by pursuing further synergies, mainly in the aerospace-related business and the thermal energy/environment-related business in which the Tender Offeror had traditionally conducted transactions with the Target Company, and maximizing the corporate value of the Target Company.

Subsequently, on October 1, 2018, the Target Company conducted a 1-for-10 share consolidation, which brought the total number of shares held by the Tender Offeror to 1,462,544 shares. Such number of shares is the present number of shares held by the Tender Offeror.

(Note 8) “Ownership Ratio at That Time” refers to the ratio to the number of shares (i.e., 52,929,002 shares) obtained by subtracting the number of treasury shares held by the Target Company as of March 31, 2017 (i.e., 238,796 shares) from issued shares as of March 31, 2017 (i.e., 53,167,798 shares) as stated in the Target Company’s Annual Securities Report for the 71st fiscal period filed by the Target Company on June 29, 2017 (rounded off to the second decimal place).

(Note 9) Parts of the specific circumstances that led the Tender Offeror to hold 880,000 shares of the Target Company’s Stock have not been confirmed accurately at present, but the outline thereof is as follows:

In 1970, the Tender Offeror received a request from the Target Company to acquire 100,000 shares of the Target Company as a stable shareholder when the Target Company listed a part of its treasury shares held by itself on the Second Section of the Tokyo Stock Exchange and the Second Section of the Osaka Securities Exchange, and in response thereto, the Tender Offeror acquired 100,000 shares of the Target Company’s Stock. In 1971, the Tender Offeror acquired 1,000,000 shares of the Target Company’s Stock from Nippon Steel (known as Sumitomo Metal Industries, Ltd. at that time), and in consequence thereof, came to hold 1,100,000 shares of the Target Company’s Stock. Subsequently, by acquiring and disposing of the Target Company’s Stock through market transactions and other means, the Tender Offeror came to hold 880,000 shares of the Target Company’s Stock around 1990.

Since the Capital/Business Tie-up Agreement was entered into in May 2017, the Tender Offeror and the Target Company have promoted deeper cooperation with one another by way of strengthening their competitiveness through the exchange of management information and conduct of personnel exchanges; mutually utilizing the Target Company’s technological capabilities and the Tender Offeror’s customer network; and, with respect to products such as aerospace equipment and heat exchangers, the Tender Offeror providing sales expansion support, etc. as a sales agent for the Target Company. The Tender Offeror also supported the strengthening of the management base by contributing human resources to the Target Company; as a result, it renewed and deepened its understanding on the sources of value of the Target Company and its potential in the future, and now believes that the Target Company has further

room for growth. In order to realize such growth of the Target Company, it is necessary to flexibly exchange information with the Target Company and attempt to reach a consensus on the strategies between the Tender Offeror and the Target Company. However, as the Target Company is a listed company, it is necessary to conduct business operations that take into account the interests of minority shareholders. Therefore, under the current equity ratio, it cannot be denied that there are certain restrictions on the sharing of information, including trade secrets, and the Tender Offeror came to the understanding that it would be difficult to promptly and strongly support the Target Company's further "sustainable growth" and "enhancement of corporate value in the medium- to long-term," which were contemplated in the Capital/Business Tie-up Agreement.

Based on such understanding, on February 21, 2022, the Tender Offeror has come to believe that it will be necessary to pursue business growth through the unified efforts of the Tender Offeror Group by strengthening the capital relationship with the Target Company and conducting integrated management of the Tender Offeror and the Target Company to a level greater than that implemented before.

In addition, the Tender Offeror has come to believe that it would be necessary to shift to a portfolio with enhanced profitability and allocate resources because the Target Company has a wide variety of businesses. The Tender Offeror considered it essential to eliminate constraints on information sharing between the Target Company and the Tender Offeror described above, ensure flexible communication opportunities between the Target Company and the Tender Offeror, and establish a medium- to long-term management strategy based on the integrated management of both companies in order to promptly implement these measures. Accordingly, the Tender Offeror has come to believe that it will be necessary to make the Target Company a private and wholly-owned subsidiary of the Tender Offeror.

Based on the above, the Tender Offeror has come to believe that making the Target Company its wholly-owned subsidiary would contribute to the enhancement of the corporate value of not only the Tender Offeror but also the Target Company, and in mid-April 2022, the Tender Offeror appointed SMBC Nikko Securities Inc. ("SMBC Nikko Securities") as a financial advisor independent from the Tender Offeror and the Target Company based on the assumption that the consultation on making the Target Company its wholly-owned subsidiary would commence. With respect to the legal advisor, the Tender Offeror has previously appointed Nagashima Ohno & Tsunematsu.

On April 13, 2022, the Tender Offeror proposed to the Target Company to commence the consultation in order for the Tender Offeror to consider whether to establish a formal proposal to make the Target Company its wholly-owned subsidiary. On the same day, the Tender Offeror and the Target Company confirmed that they would conduct such consultation from then on.

Thereafter, with the cooperation of the Target Company, the Tender Offeror conducted initial due diligence on the Target Company in order to further deepen its understanding of the Target Company's business, as well as considering and discussing the equity ratio and post-investment business operations. In late July 2022, the Tender Offeror came to the decision that making the Target Company a private and wholly-owned subsidiary of the Tender Offeror would be the best measure to contribute to the

enhancement of the corporate value of not only the Tender Offeror but also the Target Company, mainly because (a) the Tender Offeror would be expected to have measures utilizing the Target Company's technological capabilities and business synergies (specifically, as described from (i) through (iii) below) and (b) by making the Target Company private, it would be possible to establish and execute a medium- to long-term management strategy by eliminating constraints on information sharing and ensuring more flexible communication opportunities, and as a result, it would be possible to promptly and steadily implement each of the measures (i) through (iii) described below to enhance the corporate value from a longer-term perspective.

<Anticipated specific measures and business synergies>

- (i) Consideration and implementation of the Target Company's portfolio shift based on a medium- to long-term perspective

The Tender Offeror believes that, in order to have a huge growth of each business in the future, it is necessary to conduct portfolio management, such as concentrated resource investments in businesses that are likely to grow, because the Target Company is engaged in a diverse range of businesses. The Tender Offeror also believes that it is crucial to establish a clear investment plan and roadmap in order to make, to some degree, a prompt portfolio shift, and that the Tender Offeror can provide support for examining funding, human resources and strategic planning functions, etc. that would lead to the establishment of such roadmap.

- (ii) Promotion of specific projects and new business collaboration in the Aerospace, Industrial Equipment, and ICT businesses

In the Aerospace business, as the use of hydrogen fuel for and electrification of commercial aircrafts are progressing, the Tender Offeror believes that the Target Company also needs to conduct research and development from a medium- to long-term perspective. The Tender Offeror will provide support by providing co-development opportunities to the Target Company and utilizing the Tender Offeror's network. In the ICT business, the Tender Offeror will share the Tender Offeror's industry-specific knowledge, and conduct review of the business strategies based thereon. In the Industrial Equipment business, although the Tender Offeror has already cooperated with the Target Company by supporting sales expansion of existing products through companies of the Tender Offeror Group and development of new businesses, it will consider further cooperation to support the full-scale entry into the hydrogen business, the data center business, and the electric motor business in the thermal management field, which is a focus of the Target Company Group's growth strategy.

- (iii) Sharing of know-how and development of human resources through further strengthening of the management base of the Target Company and personnel exchanges by way of the continuation and promotion of the provision of human resource support from the Tender Offeror

Since the Capital/Business Tie-up Agreement was entered into in May 2017, the Tender Offeror has dispatched personnel to the Target Company to contribute to the strengthening of its management base, including internal control and compliance. The Tender Offeror believes that continuing to provide personnel support after the Transactions and strengthening the legal, accounting, finance, internal control and IT divisions, as well as sharing know-how and developing human resources through personnel exchanges, will lead to the enhancement of corporate value. In addition, making the Target Company a wholly-owned subsidiary of the Tender Offeror will eliminate constraints on information sharing between the Tender Offeror and the Target Company, and further growth of the Target Company can be expected through flexible information exchanges and business operations between the Tender Offeror and the Target Company.

As described above, the Tender Offeror has concluded that making the Target Company its wholly-owned subsidiary and realizing each of the measures from (i) through (iii) above will contribute to the mutual utilization of management resources, including the customer base and business base; the strengthening of the Target Company's financial base; as well as the acceleration of decision-making in the management strategies of the Target Company Group and the Tender Offeror Group, and this will be extremely beneficial for the enhancement of the corporate value of the entire Target Company Group and Tender Offeror Group.

Accordingly, on August 4, 2022, the Tender Offeror submitted to the Target Company a declaration of intent stating the background and purpose of the Transactions, the anticipated synergies, the method of obtaining all of the Target Company's Stock through the tender offer and subsequent squeeze-out procedures, and timetable.

Thereafter, the Tender Offeror conducted due diligence on the Target Company from early August 2022 to early September 2022 in order to scrutinize the feasibility of the Tender Offer. Concurrently, the Tender Offeror has continued to have consultations with the Target Company on the reason for and purpose of the Transactions and on the terms and conditions of the Transactions, including the purchase price per share of the Target Company's Stock in the Tender Offer (the "Tender Offer Price"). Specifically, on October 17, 2022, the Tender Offeror proposed a Tender Offer Price of 3,000 yen per share (a premium of 20.63% (rounded off to the second decimal place; the same shall apply hereinafter to the calculation of premium ratios) added to 2,487 yen, which is the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on October 14, 2022); however, on October 18, 2022, as a result of careful consideration of the proposal by the Special Committee (as defined in "(i) Proposal from Tender Offeror and Background of Establishment of System for Examination" of "b. Decision-Making Process and Reasons, Leading to the Target Company's Decision to Support the Tender Offer" below), the Target Company responded, asking the Tender Offeror to propose another Tender Offer Price. On October 24, 2022, the Tender Offeror re-proposed a Tender Offer Price of 3,400 yen per share (a premium of 38.38% added to 2,457 yen, which is the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on October 21, 2022); however, on October 26, 2022, as a result of careful consideration by the Special Committee, the

Target Company responded that it would be desirable that the Tender Offer Price exceeds the lower 4,000 yen range per share. In light of the session on growth potential of the Target Company's ICT business held with the Target Company on October 31, 2022, the Tender Offeror re-proposed, on November 1, 2022, a Tender Offer Price of 3,600 yen per share (a premium of 45.57% added to 2,473 yen, which is the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on October 31, 2022); however, on November 4, 2022, as a result of careful consideration by the Special Committee, the Target Company responded that it would be desirable that the Tender Offer Price be 3,800 yen per share. On November 7, 2022, the Tender Offeror re-proposed a Tender Offer Price of 3,650 yen per share (a premium of 44.44% added to 2,527 yen, which is the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on November 4, 2022); and on November 8, 2022, the Tender Offeror received from the Target Company a response accepting the Tender Offeror's proposal as a result of careful consideration by the Special Committee, and they reached an agreement to set the Tender Offer Price at 3,650 yen.

On the other hand, on October 5, 2022, the Tender Offeror proposed a conclusion of the Tender Offer Agreement to Nippon Steel, a principal shareholder and the second largest shareholder of the Target Company and commenced a discussion toward a conclusion of the Tender Offer Agreement. On November 8, 2022, the Tender Offeror informed Nippon Steel that the Tender Offer Price would be 3,650 yen and the Tender Offer Agreement was concluded today.

In light of the consultations and negotiations with the Target Company stated above, the Tender Offeror comprehensively reviewed several factors, such as the valuation results indicated in the Share Valuation Report (as defined in "a. Obtaining of the Share Valuation Report from an Independent Third-party Valuation Institution by Tender Offeror" of "(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below) provided by SMBC Nikko Securities, the result of the due diligence on the Target Company conducted by the Tender Offeror, the likelihood that the Target Company's board of directors would support the Tender Offer, the trend of the market price of the Target Company's Stock, and the prospect of shares being tendered in the Tender Offer, and ultimately resolved, at the meeting of its board of directors as of today, to implement the Tender Offer by setting the Tender Offer Price at 3,650 yen.

As stated in the "Notice Concerning Revision of Full-Year Earnings Forecast" announced by the Target Company as of today, the Target Company revised upward its earnings forecast for the fiscal year ending March 31, 2023, which was announced on May 12, 2022. The reason for this revision is related to the yen depreciation in the relevant exchange rates. The Tender Offeror believes that (i) if the effect of yen depreciation had been eliminated, no material change would have occurred in the Target Company's earnings forecast, and (ii) the revision will not have a material impact on the Tender Offeror's calculation of the Target Company's corporate value.

- b. Decision-Making Process and Reasons, Leading to the Target Company's Decision to Support the Tender Offer
 - (i) Proposal from Tender Offeror and Background of Establishment of System for Examination

As stated in “a. Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer” above, as of April 13, 2022, the Target Company received the Tender Offeror’s proposal to commence the consultation so that the Tender Offeror could consider whether or not to make the formal proposal about making the Target Company a wholly-owned subsidiary of the Tender Offeror, and, as of the said date, the Tender Offeror and the Target Company confirmed that they would hold the relevant consultations from then on.

Thereafter, the Target Company accepted the Tender Offeror’s initial due diligence and has conducted examinations and consultations with the Tender Offeror as to the ratio of the Tender Offeror’s investment to the Target Company and the business operation of the Target Company after the investment. Through these examinations and consultations, the Target Company recognized, in late May 2022, the possibility that the Tender Offeror would send a formal letter of intent to make the Target Company a wholly-owned subsidiary. The Target Company has therefore decided to receive advice from outside experts on how to consider the pros and cons of the implementation of the Transactions, etc. Accordingly, in early June 2022, the Target Company appointed Anderson Mori & Tomotsune as a legal advisor having a business relationship with the Target Company and independent from the Target Company and the Tender Offeror. In addition, in mid-June 2022, the Target Company received several introductions from Anderson Mori & Tomotsune of the candidates for the third-party valuation institution for the Target Company concerning the Transactions. The Target Company received the proposals from those candidates and interviewed with each candidate, and then appointed Mizuho Securities Co., Ltd. (“Mizuho Securities”) in late July 2022 as a third-party valuation institution independent from the Target Company and the Tender Offeror.

In light of the fact that the Target Company is an equity-method affiliate of the Tender Offeror, and in order to ensure the fairness of the Transactions, pursuant to the advice of Anderson Mori & Tomotsune, from the standpoint independent from the Tender Offeror, the Target Company has begun to establish a system for reviewing, negotiating and making decisions on the Transactions, in terms of enhancing the corporate value of the Target Company and securing the interests of the general shareholders of the Target Company.

Specifically, during the period from early July to early August 2022, the Target Company commenced preparation for establishment of a special committee consisting of independent outside directors, independent outside auditors, and outside experts.

On August 4, 2022, upon receipt of a letter of intent from the Tender Offeror, by the resolution at the meeting of the board of directors held as of August 10, 2022, the Target Company established a special committee (the “Special Committee”) consisting of five (5) members: Mr. Guntaro Kawamura (independent outside director of the Target Company), Mr. Shigeo Misaka (independent outside director of the Target Company), Mr. Eiichi Mori (independent outside auditor of the Target Company), Mr. Akito Takahashi (attorney at law, Takahashi & Katayama Law Office) and Mr. Hisayuki Matsumoto (certified public accountant, Representative Director of Stand by C Co., Ltd.). (For details of the background of establishment of the Special Committee, the background of the examination, and the details of the decision, etc., please refer to “b. Establishment of an Independent Special Committee within the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the

Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.) Also, the Target Company consulted with the Special Committee on the following matters (collectively, the “Matters of Inquiry”):

- (A) Whether the purpose of the Transactions is legitimate (including whether the Transactions contribute to enhancement of the corporate value of the Target Company);
- (B) Whether the terms and conditions of the Transactions (including the Tender Offer Price) are fair and appropriate;
- (C) Whether sufficient consideration through fair procedures is given to the interests of the shareholders of the Target Company in the Transactions;
- (D) Whether the Transactions can be considered to not be disadvantageous to minority shareholders apart from matters discussed in (A) through (C) above;
- (E) Whether it is appropriate for the board of directors of the Target Company to support the Tender Offer and express an opinion to the shareholders of the Target Company recommending that they tender their own shares in the Tender Offer.

In addition, upon the establishment of the Special Committee, the board of directors of the Target Company positioned the Special Committee as a panel independent from the board of directors of the Target Company, and resolved, among other matters, that (a) decision-making by the board of directors of the Target Company regarding the Transactions shall be made with the utmost respect for the content of the Special Committee’s decision, and in particular, if the Special Committee determines that the terms and conditions of the Transactions are not appropriate, the board of directors of the Target Company shall not support the Transactions under such terms and conditions, (b) the Special Committee shall be authorized to negotiate with the Tender Offeror on the price for purchase, etc., and other terms and conditions of the Tender Offer pertaining to the Transactions; and (c) in considering the Matters of Inquiry, the Special Committee may entrust the valuation of shares of the Target Company, the provision of a fairness opinion related to the Transactions, and any other matters the Special Committee deems necessary, to a third party institution, etc., and in such case, the Target Company shall bear a reasonable amount of the costs for such entrustment (as for the method of resolution by the board of directors, please refer to “b. Establishment of an Independent Special Committee within the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.).

Furthermore, as described in “b. Establishment of an Independent Special Committee within the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below, the Special Committee has approved the appointment of Mizuho Securities as a third-party valuation institution of the Target Company and Anderson Mori & Tomotsune as a legal advisor of the Target Company after confirming that there were no problems with their independence and expertise.

In addition, the Target Company has established, within the Target Company, a system for examining, negotiating, and making decisions concerning the Transactions (including the scope of officers and employees of the Target Company who are involved in examining, negotiating, and making decisions concerning the Transactions, and their duties) independently of the Tender Offeror, and the Target

Company has obtained approval from the Special Committee that there were no problems with the relevant examination system from the viewpoint of independence and fairness.

For the avoidance of doubt, because the members of the Special Committee include a lawyer and a certified public accountant as the external experts and the Special Committee has determined that it is not necessary to appoint any advisors or other external experts for the Special Committee nor to be advised by them, the Special Committee has not appointed any advisors or other external experts.

(ii) Background of Examination and Negotiation

After establishing the system for examination as described in “(i) Proposal from Tender Offeror and Background of Establishment of System for Examination” above, the Target Company has received from Mizuho Securities a report on the valuation results of the Target Company’s Stock and advice on the policy for the negotiation with the Tender Offeror, and also received legal advice from Anderson Mori & Tomotsune on measures to ensure the fairness of the procedures for the Transactions. Based on such report and advices, the Target Company has carefully examined the propriety of the Transactions and the appropriateness of the terms and conditions of the Transactions.

Specifically, on October 17, 2022, the Tender Offeror proposed a Tender Offer Price of 3,000 yen per share (a premium of 20.63% added to 2,487 yen, which is the closing price of the Target Company’s Stock on the Standard Market of the Tokyo Stock Exchange on October 14, 2022); however, on October 18, 2022, as a result of careful consideration of the proposal by the Special Committee, the Target Company responded, asking the Tender Offeror to propose another Tender Offer Price. On October 24, 2022, the Tender Offeror re-proposed a Tender Offer Price of 3,400 yen per share (a premium of 38.38% added to 2,457 yen, which is the closing price of the Target Company’s Stock on the Standard Market of the Tokyo Stock Exchange on October 21, 2022); however, on October 26, 2022, as a result of careful consideration by the Special Committee, the Target Company responded that it would be desirable that the Tender Offer Price exceeds the lower 4000 yen range per share. In light of the session on potential growth of the Target Company’s ICT business held with the Target Company on October 31, 2022, the Tender Offeror re-proposed, on November 1, 2022, a Tender Offer Price of 3,600 yen per share (a premium of 45.57% added to 2,473 yen, which is the closing price of the Target Company’s Stock on the Standard Market of the Tokyo Stock Exchange on October 31, 2022); however, on November 4, 2022, as a result of careful consideration by the Special Committee, the Target Company responded that it would be desirable that the Tender Offer Price be 3,800 yen per share. On November 7, 2022, the Tender Offeror re-proposed a Tender Offer Price of 3,650 yen per share (a premium of 44.44% added to 2,527 yen, which is the closing price of the Target Company’s Stock on the Standard Market of the Tokyo Stock Exchange on November 4, 2022), and on November 8, 2022, the Target Company sent to the Tender Offeror a response accepting the Tender Offeror’s proposal as a result of careful consideration by the Special Committee, and they reached an agreement to set the Tender Offer Price at 3,650 yen. (for details of the reason why the Target Company agreed to set the Tender Offer Price 3,650 yen, please refer to “(iii) Details of Decision Making by the Target Company” below.).

In the course of the above-mentioned examination and negotiation, the Special Committee has received and confirmed reports from the Target Company and its advisors as appropriate, and expressed their own opinions etc.

Specifically, the Target Company has received from the Special Committee its confirmation and approval on the reasonableness of the content, material assumptions and preparation process of the business plan prepared by the Target Company for the period from the fiscal year ending March 2023 through the fiscal year ending March 2026 (the “Business Plan”). In addition, Mizuho Securities, as a third-party valuation institution of the Target Company, dealt with negotiations with the Tender Offeror in accordance with the negotiation policy discussed and determined by the Special Committee and, whenever it received a proposal from the Tender Offeror with respect to the Tender Offer Price, the Target Company immediately reported this to the Special Committee on a case-by-case basis and have taken actions in accordance with the Special Committee’s opinion.

As of today, the Target Company obtained a report from the Special Committee to the effect that it is reasonable for the board of directors of the Target Company to support the Tender Offer and recommend shareholders of the Target Company to tender their shares in the Tender Offer (the “Report”) (For information on the overview of the Report, please refer to “b. Establishment of an Independent Special Committee within the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below).

(iii) Details of Decision Making by the Target Company

Based on the background described above, at the meeting of the board of directors held today, the Target Company has carefully examined and discussed whether the Transactions, including the Tender Offer, contribute to the enhancement of the corporate value of the Target Company, and whether the terms and conditions of the Transactions, including the Tender Offer Price, are appropriate, based on legal advice received from Anderson Mori & Tomotsune, advice received from Mizuho Securities and the contents of the share valuation report obtained from Mizuho Securities (the “Target Company Share Valuation Report”), with the utmost respect for the decisions of the Special Committee described in the Report.

As a result, as stated below, the Target Company concluded that the Transactions will contribute to the enhancement of the corporate value of the Target Company.

That is to say, as of today, the Target Company has decided that the Transactions are the best for the enhancement of the corporate value of the Target Company, because, by making the Target Company private, it would be possible to establish and execute a medium- to long-term management strategy by eliminating constraints on information sharing and ensuring more flexible communication opportunities between the Tender Offeror and the Target Company, and the synergies in (A) through (E) below would be realizable.

The specific synergies that the Target Company considers realizable through the Transactions are as follows.

- (A) Consideration and Implementation of the Target Company’s Portfolio Structure based on a Medium- to Long-Term Perspective

The Target Company is engaged in a diverse range of businesses, and the Target Company Mid-term Management Plan clarifies the roles and positions of each business in the Target Company, and the Target Company is strengthening its profit base by restructuring the business portfolio. The Target Company believes that it will be able to utilize the funding and human resources and strategic planning functions, etc., of the Tender Offeror after the consummation of the Transactions, and the Target Company intends to discuss with the Tender Offeror the possibility to grow the businesses in the future, so that a stronger business portfolio can be established.

(B) Exploration of New Products and Technologies through Global Network of the Tender Offeror and Utilization of Sales Capabilities of the Tender Offeror

As a Japanese leading general trading company, the Tender Offeror has a global network that expands worldwide. Since the establishment of the Tender Offeror, the Tender Offeror has been acting as the Target Company's distributor for aerospace equipment and heat exchanger, etc. to assist the Target Company in expanding its sales and sales channels. When the Tender Offeror became the largest shareholder of the Target Company in 2017, the Tender Offeror entered into the Capital/Business Tie-up Agreement with the Target Company and strengthened its support for expanding the sales and sales channel of aerospace equipment and heat exchanger, etc.

The Target Company believes that becoming a wholly-owned subsidiary of the Tender Offeror through the Transactions will (i) make it possible to explore new products and technologies in all segments of the Target Company including ICT business through the global network of the Tender Offeror, and (ii) expand the sales and sales channels by utilizing the sales capabilities of the Tender Offeror in all segments of the Target Company, as well as contributing to the conventional area of support (i.e., "expanding sales and sales channels of aerospace equipment and heat exchanger, etc.").

(C) Strengthening Capacities of Management and Officers or Employees of the Target Company by Mutual Exchange of Human Resources with the Tender Offeror and Infusion of Knowledge on Corporate Governance from the Tender Offeror

As an equity-method affiliate of the Tender Offeror, since the conclusion of the Capital/Business Tie-up Agreement, the Target Company has received shared knowledge and know-how regarding various business operations, including support for the formulation of business plans and strengthening of corporate governance, through the directors and employees seconded from the Tender Offeror.

On the other hand, although the Tender Offeror is currently the largest shareholder of the Target Company, the Target Company, especially its business unit handling the technology information such as trade secret of the Target Company, believes that there are limitations to the extent of the sharing of knowledge and know-how regarding the business divisions which accept the officers or employees from the Tender Offeror and the various business operations, from the viewpoint of consideration for minority shareholders, because the Target Company and the Tender Offeror are both independent listed companies. In addition, the Target Company believes that, given the current capital

relationship with the Tender Offeror, there are limitations, amongst others, to the transfer of human resources from the Target Company to the Tender Offeror.

Target Company believes that becoming a wholly-owned subsidiary of the Tender Offeror through the Transactions will reduce the limitations of human resources exchanges and sharing of knowledge and know-how between the Target Company and the Tender Offeror. In addition, the Target Company believes that mutual exchanges of human resources will lead to the enhancement of the capacities of the officers and employees of the Target Company.

(D) Various Investments for Acceleration of Growth against Backdrop of the Tender Offeror's Funding

The Target Company pursues not only so-called "organic growth" through the expansion of existing business segments, but also the possibility of so-called "inorganic growth" through M&A and capital alliances. In addition, the Target Company considers that there will be the increasing demand for funds for various new investments in R&D and manufacturing in the thermal management field and ICT field among the strategic fields that the Target Company is going to expand.

Even after the Transactions, new investments for such various growth will basically be conducted by the financial resources of the Target Company, but there are limitations in terms of financial resources by the Target Company alone.

The Target Company believes that becoming a wholly-owned subsidiary of the Tender Offeror through the Transactions will reduce the above stated limitation, and it will be possible to flexibly consider utilizing the Tender Offeror's financial resources for the growth of the Target Company. The Target Company intends to discuss the possibility of funding with the Tender Offeror after the consummation of the Transactions.

(E) Reduction of Costs and Business Burden for Remaining Listed, and Transfer of Management Resources thereby

Regarding the system for maintaining the listing of the Target Company's Stock, the Target Company is required to reinforce the system year by year, in terms of responses to the ongoing listing requirements of the new market segments and revisions to the Corporate Governance Code etc. in recent years.

The Target Company believes that, in order to deal with these issues, the costs for remaining listed are increasing year by year, and that the business burden for remaining listed is also increasing.

The Target Company believes that becoming a wholly-owned subsidiary of the Tender Offeror will reduce the costs and business burden for remaining listed, and as a result, transferring the management resources that the Target Company has used to keep itself listed to business units of the Target Company will lead to acceleration of the growth of the Target Company's business.

The Target Company has also determined, for the following reasons, that the Tender Offer Price of 3,650 yen per share is an appropriate price that ensured the benefit to be received by the general shareholders of the Target Company and that the Tender Offer provides the general shareholders of the Target

Company with a reasonable opportunity to sell the Target Company's Stock at a price with an appropriate premium.

- (A) The Tender Offer Price is the price agreed upon as a result of sufficient negotiations with the Tender Offeror, with substantial involvement of the Special Committee, after adequate measures have been taken by the Target Company to ensure the fairness of the terms and conditions of the Transactions, including the Tender Offer Price described in “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.
- (B) Based on the results of the valuation of the Target Company's Stock by Mizuho Securities in the Target Company Share Valuation Report as described in “d. Obtaining of the Share Valuation Report from an Independent Third-party Valuation Institution by the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below, the Tender Offer Price is higher than the valuation result based on the market price analysis and within the range of amount of valuation result based on the discounted cash flow analysis and at the same time within the range of amount of valuation result based on comparable company analysis.
- (C) With the base date being November 10 2022, which is the business day immediately prior to the announcement on the implementation of the Tender Offer, the Tender Offer Price represents a premium of 45.42% to 2,510 yen, the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on the base date, a premium of 47.65% to 2,472 yen, which is the simple average of the closing prices for the past one (1) month up to the base date (rounded off to the nearest whole number; the same applies hereinafter to the calculation of simple average of the closing prices), a premium of 44.78% to 2,521 yen, which is the simple average of the closing prices for the past three (3) months, and a premium of 38.63% to 2,633 yen, which is the simple average of the closing prices for the past six (6) months. The Transactions are for the purpose of delisting an equity-method affiliate and the Tender Offer Price is considered to be reasonable premiums, in reference to the level of premiums calculated from the average of various premiums as to the closing price of the business day prior to the announcement date, the simple average of the closing prices for the past one (1) month, the simple average of the closing prices for the past three (3) months, and the simple average of the closing prices for the past six (6) months (i.e., 44.35% to the closing price of the business day immediately prior to the announcement date, 54.24% to the simple average of the closing prices for the past one (1) month, 62.81% to the simple average of the closing prices for the past three (3) months, and 64.73% to the simple average of the closing prices for the past six (6) months), in relation to 12 cases of tender offer for the purpose of delisting an equity-method affiliate, implemented on and after June 28, 2019, which is the announcement date of the “Fair M&A Guidelines - Enhancing Corporate Value and Securing Shareholders' Interests-”. Accordingly, a reasonable level of premium, comparable to other similar cases, is attached to the Tender Offer Price. Although the Tender Offer Price is below the net asset value per share calculated from the net book value of the Target Company as of September 30, 2022 (5,677 yen (rounded off to the nearest whole number)), it will be unreasonable to emphasize net asset value in calculating corporate value of the Target Company as a going concern because net asset

value represents the liquidation value of the relevant company and does not reflect the future profitability (since the Target Company plans to continue its business activities in the Tender Offeror Group after the Transactions, it is impossible to assume that the Target Company will be dissolved or liquidated after the Transactions. In addition, since the Target Company has also received a response from the Tender Offeror that the Tender Offeror does not plan to dissolve or liquidate the Target Company after the Transactions, it is not reasonable to evaluate the value on the assumption that the Target Company will be liquidated). In addition, while the Target Company has not conducted a specific calculation of the amount that the Target Company may distribute to the shareholders of the Target Company in case of liquidation of the Target Company, considering the difficulty of selling assets and the incurrence of substantial additional costs associated with liquidation, it is reasonable to consider that the net book value of assets will not be directly converted into cash, and it is difficult to adopt the idea that the amount of net asset value per share shall be the lowest amount of the fair value of the Target Company's Stock (In other words, as stated above, while the Target Company has not conducted a specific calculation of the amount that the Target Company may distribute to the shareholders of the Target Company in case of liquidation of the Target Company, the amount of the net book value of assets is just the amount calculated for the assets etc. held by the Target Company based on the accounting principles on the assumption that the Target Company will continue to exist, and thus the net book value of assets is not relevant to the exchange value of the assets held by the Target Company. In addition, the Target Company Group holds plant, equipment and other tangible fixed assets that are difficult to use for different purposes and therefore difficult to sell, and additional costs associated with liquidation, such as costs concerning closure of a plant, may be accrued. Considering these facts, even if the Target Company is dissolved or liquidated, the amount of the net book value of assets will not be directly converted into cash, and will be expected to be impaired).

- (D) As described in “b. Establishment of an Independent Special Committee within the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below the Tender Offer Price is deemed appropriate in the Report obtained from the Special Committee.

Based on the above, the Target Company determined that the Transactions will contribute to enhancement of corporate value of the Target Company and that the terms and conditions of the Transactions, including the Tender Offer Price, are appropriate, and at the meeting of the board of directors held today, the Target Company adopted a resolution to state its opinion to support the Tender Offer and recommend shareholders of the Target Company to tender their shares in the Tender Offer.

For the details of the resolution at the relevant meeting of the board of directors, please refer to “e. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Audit & Supervisory Board Members at the Target Company” of “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest.”

c. Management Policy after the Tender Offer

After the consolidation of the Target Company as the wholly-owned subsidiary of the Tender Offeror through the Transactions, the Tender Offeror will strive to enhance the corporate value of the Tender Offeror Group as a whole, including the Target Company Group, as described in “a. Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer” above, while respecting the autonomous and self-reliant management of the Target Company.

Pursuant to the Capital/Business Tie-up Agreement, the Tender Offeror has dispatched personnel to the Target Company, and currently, two of the six directors of the Target Company are from the Tender Offeror, and one of the four Audit & Supervisory Board Members of the Target Company concurrently serves as an employee of the Tender Offeror. With regard to the management structure after the Transactions, including the composition of the Target Company’s officers, the Tender Offeror intends to continue to dispatch persons nominated by the Tender Offeror as the Target Company’s directors and Audit & Supervisory Board Members, but no matters, including the number of persons to be nominated, have been specifically determined or agreed upon with the Target Company at the present time, and such matters will be determined upon consultation with the Target Company after the Transactions. The consultation committee has also been established as a forum for information-exchange and dialogue between the managements of the Tender Offeror and the Target Company. We intend to continue holding dialogues, but with regard to the details of the dialogues, no matters have been determined or agreed upon with the Target Company at the present time. In addition, while we plan to review the content of the Capital/Business Tie-up Agreement in accordance with the relationship between the Tender Offeror and the Target Company and the management structure of the Target Company after the consummation of the Transactions, no matters with regard to the details of such review have been determined or agreed upon with the Target Company at the present time.

The Tender Offeror assumes that the Target Company will continue its business activities after the Transactions, and does not intend to dissolve or liquidate the Target Company.

(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

As of today, the Target Company is not a subsidiary of the Tender Offeror, and the Tender Offer does not constitute a tender offer by a controlling shareholder; nevertheless, in light of the fact that: (i) the Target Company is an equity-method affiliate of the Tender Offeror; (ii) two of the six directors of the Target Company are from the Tender Offeror, and one of the four Audit & Supervisory Board Members of the Target Company concurrently serves as an employee of the Tender Offeror; and (iii) if the Tender Offeror becomes a controlling shareholder of the Target Company after the consummation of the Tender Offer, the transactions after the Tender Offer for the purpose of making the Target Company a wholly-owned subsidiary of the Tender Offeror (please refer to “(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-called “Two-step Acquisition”)” below) will fall under the category of “significant transactions, etc., with controlling shareholders” stipulated in the code of conduct of the Tokyo Stock Exchange, and such transactions will be conducted in a series of the Transactions, the

Tender Offeror and the Target Company have taken the following measures to ensure the fairness of the Tender Offer from the stage of the Tender Offer as well as to eliminate arbitrary decision-making regarding the Transactions, so as to ensure the fairness, transparency, and objectivity of the decision-making process in the Target Company, and to avoid suspicion of conflicts of interest.

As of today, the Tender Offeror owns 1,462,544 shares of the Target Company's Stock (Ownership Ratio: 27.64%), and has entered into the Tender Offer Agreement with Nippon Steel (number of shares owned: 764,935 shares, Ownership Ratio: 14.46%). Therefore, we have not set a minimum number of shares to be purchased for the so-called "Majority of Minority" in the Tender Offer, because we believe that setting a minimum number of shares to be purchased for the so-called "Majority of Minority" in the Tender Offer may cause precariousness as regards the consummation of the Tender Offer and this may not be beneficial to the interests of the general shareholders who wish to tender their shares in the Tender Offer. Nevertheless, the Tender Offeror and the Target Company believe that, since the following measures have been taken by the Tender Offeror and the Target Company, due consideration has been given to the interests of the Target Company's general shareholders.

a. Obtaining of the Share Valuation Report from an Independent Third-party Valuation Institution by Tender Offeror

In determining the Tender Offer Price, the Tender Offeror requested SMBC Nikko Securities, a financial advisor to the Tender Offeror, to evaluate the share value of the Target Company's Stock as a third-party valuation institution independent from the Tender Offeror and the Target Company. SMBC Nikko Securities does not fall under a related party of the Target Company or the Tender Offeror, and does not have any material interest in relation to the Tender Offer.

After considering the valuation methods to evaluate the share value of the Target Company's Stock from among a number of share valuation methods, SMBC Nikko Securities evaluated the value of the Target Company's Stock using each of the following methods: the average market price method, since the Target Company's Stock is listed on the Standard Market of the Tokyo Stock Exchange and has a market share price; the comparable listed company method, since it is possible to infer the share value by comparison with similar listed companies; and the discounted cash flow method (the "DCF method"), in order to reflect the future business activities in the valuation. The Tender Offeror has obtained the share valuation report for the share value of the Target Company's Stock (the "Share Valuation Report") from SMBC Nikko Securities as of November 10, 2022. The Tender Offeror has not obtained an opinion on the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko Securities.

For the outline of the Share Valuation Report provided to the Tender Offeror by SMBC Nikko Securities, please refer to "a. Basis of Calculation" and "b. Background of Calculation" of "(4) Bases, Etc. of Calculation of Price for Purchase, Etc." of "2. Outline of Purchase, Etc." below.

b. Establishment of an Independent Special Committee within the Target Company

(i) Background of establishment, etc.

As stated in “b. Decision-Making Process and Reasons, Leading to the Target Company’s Decision to Support the Tender Offer” of “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer” above, the Target Company has established the Special Committee by resolution at the meeting of the board of directors held on August 10, 2022. Prior to such resolution, after confirming that candidates of the Special Committee are independent from the Tender Offeror and that they have no significant interest in the success or failure of the Transactions, and in consultation with the above-mentioned independent outside directors and independent outside Audit & Supervisory Board Members of the Target Company, along with advice from Mizuho Securities and Anderson Mori & Tomotsune, in order to constitute the Special Committee to an optimal size while ensuring a balance of knowledge, experience, and abilities of the entire Special Committee, the Target Company selected five members, namely, Mr. Guntaro Kawamura (independent outside director of the Target Company), Mr. Shigeo Misaka (independent outside director of the Target Company), Mr. Eiichi Mori (independent outside Audit & Supervisory Board Member of the Target Company), Mr. Akito Takahashi (attorney at law, Takahashi & Katayama Law Office) and Mr. Hisayuki Matsumoto (certified public accountant, Representative Director of Stand by C Co., Ltd.) as candidates for the members of the Special Committees. Mr. Akito Takahashi and Mr. Hisayuki Matsumoto were included among the candidates introduced by Mizuho Securities and Anderson Mori & Tomotsune, and the Target Company selected them as members of the Special Committee after conducting interviews with pool of candidates, which included Mr. Akito Takahashi and Mr. Hisayuki Matsumoto. The members of the Special Committee have not changed since its establishment.

Among the members of the Special Committee, Mr. Akito Takahashi is not an officer of the Target Company, but the Target Company believes that Mr. Akito Takahashi is an appropriate person as an outside expert with extensive experience and knowledge accumulated through his many years of experience in legal affairs, including corporate legal affairs, in addition to his experience as a member of the special committee for projects similar to the Transactions. Similarly, Mr. Hisayuki Matsumoto is not an officer of the Target Company, but the Target Company believes that he is an appropriate person as an outside expert with extensive experience and knowledge accumulated through his many years of experience in work related to share valuation, in addition to his experience as a member of the special committee for projects similar to the Transactions.

Based on the above, as stated in “b. Decision-Making Process and Reasons, Leading to the Target Company’s Decision to Support the Tender Offer” of “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer” above, the Target Company established the Special Committee by resolution at the meeting of the board of directors held on August 10, 2022, and consulted the Special Committee on the Matters of Inquiry. In addition, upon the establishment of the Special Committee, the board of directors of the Target Company positioned the Special Committee as a panel independent from the board of directors of the Target Company, and resolved, among other matters, that (a) the decision-making regarding the Transactions shall be made with the utmost respect for the opinion of the Special Committee and in particular, if the Special Committee determines that the terms and conditions of the Transactions are not appropriate, the board of directors of the Target Company shall not support the Transactions under such

terms and conditions; that (b) the Special Committee shall be authorized to negotiate with the Tender Offeror on the price for purchase, etc., and other terms and conditions of the Tender Offer pertaining to the Transactions; and that (c) in considering the Matters of Inquiry, the Special Committee may entrust the valuation of shares of the Target Company and any other matters the Special Committee deems necessary, to a third party institution, etc., and in such case, the Target Company shall bear a reasonable amount of the costs for such entrustment.

Each member of the Special Committee is paid a fixed or hourly remuneration, regardless of the contents of the Report, in consideration of his duties.

(ii) Background of Examination

Between August 10, 2022 and November 11, 2022, the Special Committee held a total of 13 meetings for approximately 26 hours, and performed duties related to the Matters of Inquiry by, for example, sharing reports and information, discussing and making decisions. The Special Committee does not appoint its own advisors to the Special Committee as it has members who are qualified as an attorney at law or certified public accountant.

In addition, the Special Committee has confirmed that Mizuho Securities, a third-party valuation institution of the Target Company, and Anderson Mori & Tomotsune, the legal advisor to the Target Company, do not fall under related parties of the Tender Offeror or the Target Company, that they do not have any material interest in relation to the Transactions, including the Tender Offer, and that there are no other issues related to their independence and expertise in the Transactions; and the Special Committee has approved their appointment.

On that basis, the Special Committee has considered the measures to be taken to ensure the fairness of the procedures in the Transactions, based on the views of Anderson Mori & Tomotsune. In addition, the Special Committee received an explanation from the Target Company on the content, material assumptions, and preparation process of the Business Plan prepared by the Target Company, confirmed the reasonableness of these matters, and approved the Business Plan.

The Special Committee received an explanation from the Target Company with respect to the purposes and significance of the Transactions and the impact on the Target Company's business, etc., and conducted a question-and-answer session on these points; and presented questions to the Tender Offeror, and conducted with Tender Offeror a question-and-answer session in an interview format with respect to the purpose and background of the Transactions, management policy after the Transactions, and other matters.

In addition, as stated in "d. Obtaining of the Share Valuation Report from an Independent Third-party Valuation Institution by the Target Company" below, Mizuho Securities has evaluated the share value of the Target Company's Stock based on the Business Plan, and the Special Committee received from Mizuho Securities an explanation with respect to the methods used to evaluate the share value of the Target Company's Stock, the reasons for adopting such valuation methods, the details of the valuation based on the respective valuation methods, and the important premises of the share valuation, and the Special Committee held a question-and-answer session and discussed and considered such matters, and confirmed the reasonableness of such matters.

The Special Committee also received reports from the Target Company and Mizuho Securities from time to time on the Target Company's negotiations with the Tender Offeror and commented on the negotiation policy of the Target Company as appropriate. Specifically, upon receipt of a proposal from the Tender Offeror on the Tender Offer Price, the Special Committee received a report on each of these proposals, heard analyses and opinions from Mizuho Securities regarding the response policy and the negotiation policy with the Tender Offeror, and thereafter, considered the said proposal. On that basis, the Special Committee has been involved in the overall discussion and negotiation process between the Target Company and the Tender Offeror regarding the terms and conditions of the Transactions, including the Tender Offer Price, by stating its opinion to the Target Company that it has no objection to the Target Company's intention to request the Tender Offeror to reconsider the Tender Offer Price and by providing its opinion on matters to be discussed with the Tender Offeror in order for the Target Company to achieve the significance and purpose of the Transactions, etc. As a result, on November 7, 2022, the Target Company received a proposal from the Tender Offeror that included the Tender Offer Price of 3,650 yen per share, resulting in 4 proposals received in total and a price increase of 21.67% (rounded off to the second decimal place) from the initial price proposal.

Furthermore, the Special Committee received explanations several times from Anderson Mori & Tomotsune on the draft of the press release of the Tender Offer to be published or submitted by the Target Company, and confirmed that appropriate disclosures will be made.

(iii) Details of decision

Based on the background described above, and after careful examination and discussion of the Matters of Inquiry, the Special Committee submitted the Report to the board of directors of the Target Company as of today, based on the unanimous consent of all committee members, the contents of which are in outline as follows.

(A) Contents of the Report

- A. With respect to "whether the purpose of the Transactions is legitimate (including whether the Transactions contribute to enhancement of the corporate value of the Target Company)," the Special Committee believes that the purpose of the Transactions including the Tender Offer is legitimate (the Transactions will contribute to enhancement of the corporate value of the Target Company).
- B. With respect to "whether the terms and conditions of the Transactions (including the Tender Offer Price) are fair and appropriate," the Special Committee believes that the terms and conditions of the Transactions (including the Tender Offer Price) are fair and appropriate.
- C. With respect to "whether sufficient consideration through fair procedures is given to the interests of the shareholders of the Target Company in the Transactions," the Special Committee believes that sufficient consideration through fair procedures is given to the interests of the shareholders of the Target Company in the Transactions.
- D. With respect to "whether the Transactions can be considered to not be disadvantageous to minority shareholders apart from matters discussed in A. through C. above," the Special

Committee believes that, in light of A. through C. above, the Transactions will not be disadvantageous to minority shareholders of the Target Company.

- E. With respect to “whether it is appropriate for the board of directors of the Target Company to support the Tender Offer and express an opinion to the shareholders of the Target Company recommending that they tender their own shares in the Tender Offer,” in light of A through D above, at this stage, the Special Committee believes that it is appropriate for the board of directors of the Target Company to support the Tender Offer and express an opinion to the shareholders of the Target Company recommending that they tender their own shares in the Tender Offer (in other words, resolving to express such an opinion will not be disadvantageous to minority shareholders of the Target Company).

(B) Reasons of the Report

- A. With respect to “whether the purpose of the Transactions is legitimate (including whether the Transactions contribute to enhancement of the corporate value of the Target Company)”
- The “(a) purpose, necessity and circumstances of the Transactions” and “(b) advantages of the Transactions conducted through the Tender Offer,” which were explained by the Target Company and the Tender Offeror, can be considered concrete based on the current business and management conditions of the Target Company as well as the future outlook and assumed issues of the industry to which the Target Company belongs, etc.
 - (a) and (b) above can also be considered consistent with what is generally explained as being the environment of the industry and market to which the Target Company belongs.
 - Similarly, (a) and (b) above can be considered realistic for enhancing the future competitiveness of the Target Company. In particular, the following points can be considered to be a part of the primary reasons the Tender Offeror, which is a general trading company, intends to make the Target Company, which is engaged in the Aerospace business, Industrial Equipment business and ICT business, a wholly-owned subsidiary on this occasion, and be reasonable: (1) because the Target Company is engaged in a diverse range of businesses, it can be considered necessary to conduct portfolio management, such as concentrated resource investments in businesses that are likely to grow, in order to largely grow respective businesses in the future, and (2) in addition, it can be considered that it is crucial to establish a clear investment plan and roadmap in order to make a prompt portfolio shift, and that the Tender Offeror, which is a general trading company, can provide support for funding, human resources and strategic planning functions, etc. that would lead to the establishment of such roadmap.
 - The Target Company and the Tender Offeror can be said to have examined the necessity and advantages of the Transactions based on the market environment to which the Target Company belongs and expectations of future trends, etc. In other words, the following point can be said to be one of the grounds in respect of such necessity and advantages, and to be reasonable: the Target Company and the Tender Offeror believe that by making the Target Company private, it would be possible to establish and execute a medium- to long-

term management strategy by eliminating constraints on information sharing and ensuring more flexible communication opportunities between the Tender Offeror and the Target Company, and more specifically, they believe that making the Target Company a wholly-owned subsidiary of the Tender Offeror through the Transactions will contribute to the mutual utilization of management resources, including the customer base and business base ; and the strengthening of the Target Company's financial base, as well as the acceleration of decision-making in the management strategies of the Target Company Group and the Tender Offeror Group.

- The Target Company's future business prospects and growth prospects as well as the measures, etc. to be considered after the Transactions, which were explained by the Target Company, can be said to be based on the Target Company's business and management conditions and also in light of the Tender Offeror's management policy and the future issues in the industry and market to which the Target Company belongs, and such prospects and measures are not deemed unreasonable in terms of the contribution to the maintenance or even improvement of the Target Company's corporate value in anticipation of the changes in the future business environment. More specifically, based on each of the following points, which are expected by the Target Company after the completion of the Transactions, the Target Company can be expected to actively seek the resources, etc. of the Tender Offeror in various areas where it would not necessarily be easy for the Target Company to implement such measures on its own, and all of the points are considered reasonable: (1) "exploration of new products and technologies through global network of the Tender Offeror and utilization of sales capabilities of the Tender Offeror," (2) "strengthening capacities of management and officers or employees of the Target Company by mutual exchange of human resources with the Tender Offeror and infusion of knowledge on corporate governance from the Tender Offeror" and (3) "various investments for acceleration of growth against backdrop of the Tender Offeror's funding".

B. With respect to "whether the terms and conditions of the Transactions (including the Tender Offer Price) are fair and appropriate"

- In order to ensure the fairness and appropriateness of the terms and conditions of the Transactions, especially the Tender Offer Price of the Target Company's Stock in the Tender Offer, upon examination and judgment thereof, the Target Company has appointed Mizuho Securities as an independent third-party valuation institution for the purpose of valuation of the Target Company's Stock (the "Third-party Valuation Institution"), obtained the Target Company Share Valuation Report from the Third-party Valuation Institution, and referred to the Target Company Share Valuation Report.
- Regarding the calculation process leading to the conclusion of the Target Company Share Valuation Report prepared by the Third-party Valuation Institution, the adopted valuation method therefor can be considered to be a general and rational method in light of the current practices.

- The content of the above valuation can be considered to be reasonable in light of the current practices, and, based on the explanation provided from the Target Company to the Special Committee about the content of the Business Plan, which is a premise for the relevant valuation, the Special Committee also confirms the reasonableness of the Business Plan from the viewpoint of whether there is any unreasonableness, upon consideration of the background of the Target Company's preparation of the Business Plan and the current status of the Target Company, and concludes that the Project Plan, three business pillars of which are the aerospace, industrial equipment, and ICT businesses, is reasonable.
- Based on the above, the Special Committee believes that there are no particularly unreasonable or significant problems in the Target Company Share Valuation Report prepared by the Third-party Valuation Institution.
- In addition, based on the Target Company Share Valuation Report, the Target Company has examined the Tender Offer Price, upon generally taking into consideration of the necessity and merits of the Transactions, as well as the impact of the Transactions on the Target Company's future businesses.
- The Target Company has retained the Third-party Valuation Institution as an experienced financial advisor, and has conducted the negotiations with the Tender Offeror on multiple occasions, about the terms and conditions of the Transactions in general, including the Tender Offer Price.
- With respect to the Tender Offer Price scheduled to be ultimately resolved by the board of directors of the Target Company, when considering the market share price of the Target Company for the last five (5) years or so, the Special Committee believes that the uncertainty in the situation of the COVID-19 Pandemic over the past few years seems to have been settled down and already reflected into the share price of the Target Company, and the most recent share price of the Target Company has been properly priced in the stock market, and, when taking into consideration of the premium of the Tender Offer Price in relation to the market share price of the Target Company, it can be said that the Tender Offer Price is a price with a reasonable premium.
- While the Tender Offer Price is below the amount of net asset value per share calculated on the basis of the amount of the net book value of assets of the Target Company as of March 31, 2022, considering the difficulty in selling assets held by the Target Company (especially the difficulty arising from the immediate and bulk sales of plant facilities and equipment) and the incurrence of substantial additional costs associated with the liquidation of corporation, the amount of the net book value of assets will not be directly converted into cash and a considerable amount of loss is assumed to be realistic, even if the Target Company is liquidated. Accordingly, these arrangements can be considered reasonable, and thus the Tender Offer Price is still considered reasonable.
- These responses by the Target Company are considered to be reasonable and appropriate as a method for ensuring the fairness and appropriateness of the terms and conditions of the Transactions, including the Tender Offer, especially the Tender Offer Price, and for

eliminating arbitrariness from the process of the Target Company's decision and decision-making on these matters.

- In addition, according to explanations provided from the Target Company and the Tender Offeror, unless any special circumstances occur in the future, the terms and conditions of the "Transaction to Make the Target Company a Wholly-Owned Subsidiary" (meaning a series of procedures to ultimately make the Tender Offeror the only shareholder of the Target Company and make the Target Company a wholly-owned subsidiary of the Tender Offeror through the specified procedures planned to be implemented in light of the situation after the Tender Offer; hereinafter the same) will also be calculated and determined based on the same price as the Tender Offer Price.
- In this regard, the Transaction to Make the Target Company a Wholly-Owned Subsidiary is scheduled to be implemented, after the Tender Offer, as a procedure following the Tender Offer (the procedure as a so-called "Two-step Acquisition"), and it is considered reasonable to ensure that the terms and conditions of both procedures in close temporal proximity are the same.

C. With respect to "Whether sufficient consideration through fair procedures is given to the interests of the shareholders of the Target Company in the Transactions"

- The Target Company has established the Special Committee independent of both the Target Company and the Tender Offeror to eliminate the impact engendered by the Tender Offeror on the Target Company's examination and decision-making process when considering how to respond to the Transactions.
- Three (3) members who constitute a majority of all five (5) members of the Special Committee are outside directors and an outside Audit & Supervisory Board Member of the Target Company, and the remaining two (2) members are an attorney and a certified public accountant, respectively, who are outside experts.
- In addition, one of the outside directors was selected as a chairperson of the committee through mutual election by members of the Special Committee.
- In considering how to respond to the Transactions, in order to ensure the fairness of the terms and conditions of the Tender Offer, particularly the Tender Offer Price, the Target Company has requested Mizuho Securities, which is the Third-party Valuation Institution independent from both the Target Company and the Tender Offeror, to evaluate the share value of the Target Company's Stock, and has obtained the prescribed share valuation report. In addition, the independence of Mizuho Securities has been confirmed by the Special Committee after receiving the necessary explanation regarding its independence.
- In order to obtain legal advice on the Transactions, the Target Company has appointed Anderson Mori & Tomotsune as a legal advisor independent from both the Target Company and the Tender Offeror. In addition, the independence of Anderson Mori & Tomotsune has been confirmed by the Special Committee after receiving the necessary explanation regarding its independence.

- It can be said that, as the Transactions, including the Transaction to Make the Target Company a Wholly-Owned Subsidiary, are implemented with the Tender Offeror, which is the Target Company's largest shareholder, and have the potential for structural and typical conflicts of interest, the Target Company, recognizing the need to ensure the appropriateness and fairness of the terms and conditions of the Transactions under the above-mentioned system, has requested the Tender Offeror to provide the terms and conditions of the Transactions with due consideration to the interests of the minority shareholders from the early stage of the consultation process.
- Regarding the policy for consultations and negotiations between the Target Company and the Tender Offeror, negotiations with the Tender Offeror were conducted based on the negotiation policy confirmed by the Special Committee after the Target Company and Mizuho Securities, who is also the financial advisor to the Target Company, explained to the Special Committee such negotiation policy, etc.
- There is a system in place to ensure that the Special Committee can be substantially involved in the negotiation process in respect of the terms and conditions of the Tender Offer, particularly the Tender Offer Price, where, for example, the specific status of consultations and negotiations between the Target Company and the Tender Offeror has been reported to the Special Committee in a timely manner; and in particular, during the consultation and negotiation phase as to the Tender Offer Price, the Special Committee states its opinions to the Target Company and the financial advisor of the Target Company based on such report, and makes recommendations and requests, and the like, as deemed necessary.
- In addition to the above, the Target Company conducted comprehensive verifications in terms of the appropriateness, fairness, and feasibility of the terms and conditions, examined the appropriateness of the Tender Offer Price through several consultations with the Tender Offeror, and proceeded to make the final adjustment to the price in relation to which the resolution of the board of directors is scheduled.
- Subsequently, the Target Company and the Tender Offeror finally agreed on the terms and conditions of the Transactions, including the Tender Offer Price, and such agreed price became the Tender Offer Price scheduled to be resolved by the board of directors of the Target Company.
- In addition, according to the Target Company and the Tender Offeror, they plan to provide early and detailed disclosures and explanations regarding the so-called Two-step Acquisition, etc., by which it can be said that the Target Company is making an effort to secure an opportunity for the shareholders of the Target Company to make an appropriate decision. They also plan to disclose information that is deemed necessary and appropriate in order for the shareholders (particularly minority shareholders) of the Target Company to determine the appropriateness of the terms and conditions of the Transactions, including the Tender Offer, in the disclosure documents to be prepared and disclosed by the Tender Offeror and the Target Company.
- It can be said that, in order to enhance fairness, transparency, and objectivity in the decision-

making process, the Target Company is making an effort to eliminate arbitrariness in the decision-making process, by not involving two directors of the Target Company, who are from the Tender Offeror, and one Audit & Supervisory Board Member, who concurrently serves as an employee of the Tender Offeror, in the Target Company's discussions on the Transactions or in the upcoming deliberation and resolution by the board of directors regarding the Transactions.

- In the Tender Offer, although no terms and conditions in respect of "Majority of Minority" have been set, the Tender Offeror is the Target Company's largest shareholder and already holds a considerable amount of the Target Company's Stock, and the "Majority of Minority" may cause precariousness as regards the consummation of the Tender Offer (i.e., even if the Tender Offer is not consummated on this occasion, the fact that the Tender Offeror, the largest shareholder, has indicated its intention to make the Target Company its wholly-owned subsidiary suggests the possibility of a similar transaction being carried out again at some point in the future, possibly placing minority shareholders in a precarious position). In addition, the "Majority of Minority" may not be beneficial to the interests of minority shareholders who wish to tender their shares in the Tender Offer (i.e., shareholders wishing to sell their Target Company's Stock). Consequently, given that appreciable extent of consideration has been given to other so-called fairness-ensuring measures, it is unlikely that there will be any circumstances in which particular attention must be paid to the absence of terms and conditions in respect of "Majority of Minority."
- The Tender Offer is not considered to be particularly unreasonable in terms of so-called market checks because the period for purchase is expected to be thirty (30) business days which is a longer period than the statutory minimum period of twenty (20) business days, and the Target Company has not entered into any agreement with the Tender Offeror that includes so-called deal protection provisions to prohibit the Target Company from having contact with the Counter Offeror or that would otherwise restrict contact with the Counter Offeror. It should be noted that the so-called aggressive market checks to investigate and examine the existence of potential offerors in the market are not necessarily easy to conduct in practice from the viewpoint of information management, etc., and therefore, it is not considered that unreasonable circumstances arise in terms of market checks solely because such checks are not conducted in the Transactions.
- While it is expected that the so-called Two-step Acquisition procedure will be implemented in the Transactions for the purposes of the delisting of the Target Company's Stock and the Transaction to Make the Target Company a Wholly-Owned Subsidiary (currently planned to be implemented through either a demand for shares cash-out or a share consolidation depending on the result of the Tender Offer), the Companies Act provides, in connection with the demand for shares cash-out, that a petition for determination of the sale price may be filed with a court in order to protect the rights of minority shareholders (general shareholders). In addition, the Companies Act provides, in connection with the share consolidation, that the shareholders of the Target Company, subject to the prescribed

conditions, may request the Target Company to purchase, at a fair price, all of its fractional common shares of the Target Company of less than one share and file a petition with a court for determination of the price of the Target Company's Stock. The ultimate determination of the price with respect to any such petition will be determined by the court, and the minority shareholders (general shareholders) of the Target Company are entitled to secure economic benefits through such procedure.

- As stated above, it is believed that specific measures have been taken to ensure the objectivity in securing the fairness of the terms and conditions of the Transaction to Make the Target Company a Wholly-Owned Subsidiary, and that sufficient consideration through fair procedures has been given to the interests of the shareholders of the Target Company.

D. With respect to "whether the Transactions can be considered to not be disadvantageous to minority shareholders apart from matters discussed in A. through C. above"

- With respect to matters other than those mentioned in A. through C. above, the Special Committee currently does not find any particular circumstance in which the Transactions, including the Tender Offer, would be disadvantageous to minority shareholders of the Target Company, and therefore, it believes that the Transactions are not disadvantageous to minority shareholders of the Target Company.

E. With respect to "whether it is appropriate for the board of directors of the Target Company to support the Tender Offer and express an opinion to the shareholders of the Target Company recommending that they tender their own shares in the Tender Offer"

- As mentioned above, the purpose of the Transactions, including the Tender Offer, is considered to be legitimate (i.e., the Transactions are intended to contribute to the enhancement of the Target Company's corporate value) (A. above); the fairness and appropriateness of the terms and conditions of the Transactions (including the Tender Offer Price) are considered to be assured (B. above); sufficient consideration through fair procedures is given to the interests of the shareholders of the Target Company (C. above); and, based on A. through C. above, the Transactions are not considered to be disadvantageous to minority shareholders of the Target Company (D. above). In light of the above, it is considered appropriate at the present time for the board of directors of the Target Company to support the Tender Offer and to express an opinion to the shareholders of the Target Company recommending that they tender their own shares in the Tender Offer (i.e., the decision to express such opinion, etc., is not disadvantageous to minority shareholders of the Target Company), and no particular circumstance to the contrary has been found at the present time.

c. Advice from an Independent Law Firm Received by the Target Company

As described in “(i) Proposal from Tender Offeror and Background of Establishment of System for Examination” of “b. Decision-Making Process and Reasons, Leading to the Target Company’s Decision to Support the Tender Offer” of “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer” above, the Target Company appointed Anderson Mori & Tomotsune as its legal advisor independent from the Tender Offeror and the Target Company, and received their legal advice, including advice on measures to be taken in the Transactions to ensure the fairness of the procedures, the detailed procedures of the Transactions, and the method and process of the Target Company’s decision making in relation to the Transactions.

Anderson Mori & Tomotsune does not fall under a related party of the Tender Offeror or the Target Company, and does not have any material interest in relation to the Transactions, including the Tender Offer.

d. Obtaining of the Share Valuation Report from an Independent Third-party Valuation Institution by the Target Company

As described in “b. Establishment of an Independent Special Committee within the Target Company” above, the Target Company appointed Mizuho Securities, a third-party valuation institution independent from the Tender Offeror and the Target Company, received advice and assistance from Mizuho Securities from a financial perspective, including advice on the evaluation of the share value of the Target Company’s Stock and the negotiation policy with the Tender Offeror, and obtained the Target Company Share Valuation Report as of November 10, 2022.

Mizuho Securities does not fall under a related party of the Target Company or the Tender Offeror, and does not have any material interest in relation to the Transactions, including the Tender Offer. In addition, Mizuho Bank, Ltd. (“Mizuho Bank”), a group company of Mizuho Securities conducts loan transactions, etc. with the Target Company and the Tender Offeror, and Mizuho Trust & Banking Co., Ltd. (“Mizuho Trust & Banking”) conducts loan transactions, etc. with the Tender Offeror, respectively, as a part of their ordinary banking transactions; however, neither have any material interest pertaining to conflicts of interest in relation to the Tender Offer. Mizuho Securities has established and implemented an appropriate system to control conflict of interests, such as information barrier measures between (a) Mizuho Securities and (b) Mizuho Bank and Mizuho Trust & Banking in accordance with the applicable provisions of the Act (Article 36, Paragraph 2) and the Cabinet Office Ordinance on Financial Instruments Business, etc. (Article 70, Paragraph 4), and evaluates the share value of the Target Company independent from the status of the lender of Mizuho Bank and Mizuho Trust & Banking. The Target Company has determined that, in addition to Mizuho Securities’ performance as a valuation institution and in light of the fact that appropriate measures for preventing harmful effects have been taken between (a) Mizuho Securities and (b) Mizuho Bank and Mizuho Trust & Banking, and other factors, there are no particular issues with respect to the Target Company’s request to Mizuho Securities to evaluate the share value of the Target Company’s Stock, since Mizuho Securities is sufficiently independent in carrying out its duties as the financial advisor and the Third-party Valuation Institution for the Transactions. The fees to

Mizuho Securities related to the Transactions includes a contingency fee payable on the conditions of, among other things, the consummation of the Transactions. The Target Company has appointed Mizuho Securities as the financial advisor and the Third-party Valuation Institution of the Target Company under the remuneration structure described above, based on the judgment that, taking into account, among others, the prevailing practices in similar transactions and the propriety of the remuneration structure that would cause the Target Company to incur a reasonable monetary burden even in the event of a failure of consummation of the Tender Offer, the independence is not denied by the fact that a contingent fee payable on the conditions of, among other things, the completion of the Tender Offer is included in such fees.

The Target Company has not obtained a fairness opinion from Mizuho Securities because it considered that other measures adopted by the Target Company to ensure the fairness of the terms and conditions of the Transactions, including the Tender Offer Price, were sufficient to ensure the fairness of the terms and conditions of the Transactions.

Based on the belief that it is appropriate to evaluate the share value of the Target Company from a multifaceted perspective after considering which valuation methods should be applied to evaluate the share value of the Target Company among various valuation methods, Mizuho Securities evaluated the share value of the Target Company's Stock using each method of (i) the market price method since the Target Company's Stock is listed on the Standard Market of the Tokyo Stock Exchange and a market price exists, (ii) the comparable company method since there are several listed companies engaged in businesses relatively similar to those of the Target Company and it is possible to infer the share value of the Target Company by comparison with similar companies and (iii) the DCF method in order to reflect the prospect for the future business activities in the valuation. The ranges of share value per share of the Target Company's Stock evaluated using each of the above methods are as follows:

Market price method:	2,472 yen to 2,633 yen
Comparable company method:	2,487 yen to 4,029 yen
DCF method:	2,867 yen to 5,538 yen

Under the market price method, the range of share value per share was evaluated to be from 2,472 yen to 2,633 yen as of November 10, 2022, the business day immediately preceding the announcement date of the Tender Offer, as the record date. This range was based on the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on the record date which was 2,510 yen, the simple average closing price for the past one (1) month up to the record date which was 2,472 yen, the past three (3) months up to such date which was 2,521 yen and the past six (6) months up to such date which was 2,633 yen.

Under the comparable company method, the range of share value per share of the Target Company's Stock was evaluated to be from 2,487 yen to 4,029 yen as a result of the evaluation of the share value of the Target Company's Stock by comparing the market prices of shares and financial statements showing

profitability, etc. of some listed companies engaged in businesses relatively similar to those conducted by the Target Company.

Under the DCF method, the range of share value per share was evaluated to be from 2,867 yen to 5,538 yen as a result of the evaluation of the corporate value and share value of the Target Company by discounting the free cash flow that is expected to be generated by the Target Company in and after the second quarter ending March 2023 to the present value at a specific discount rate, based on the Business Plan. The synergy effects that can be expected to be realized through the implementation of the Transactions are not reflected in the Business Plan because it is difficult to estimate such synergy effects specifically at this time. In addition, the Business Plan, which is the basis of above evaluation by the DCF method, included the fiscal year in which a significant increase or decrease in earnings is expected compared to the previous fiscal year. Specifically, the Target Company expects a substantial increase (increase of 75.41% from the previous fiscal year) in operating income in the fiscal year ending March 2023, because increase in revenues or revenue improvement is expected in the Aerospace Business as demand for equipment of commercial aircraft bottomed out and recovered after having declined due to the spread of COVID-19 and as the yen weakened, and because increase in demand for ozone generators and heat treatment equipment for semiconductors in the ICT Business is expected. In addition, the significant increase or decrease in free cash flow during the business plan period from the fiscal year ending March 2023 to the fiscal year ending March 2026 is expected because the amount of increase or decrease in working capital and the amount of capital investment expected by the Target Company is supposed to fluctuate each fiscal year. Furthermore, the Business Plan included the effects of the revisions to the earnings forecasts for the fiscal year ending March 2023 as stated in “Notice Concerning Revision of Full-Year Earnings Forecasts” that was announced by the Target Company as of today.

In evaluating the share value of the Target Company’s Stock, in principle, Mizuho Securities adopted, without any change, the information provided from the Target Company and publicly available information, etc., and, assuming that all of such materials and information, etc. were accurate and complete, did not independently verify the accuracy and completeness of such information and materials. In addition, Mizuho Securities assumed that the information related to the financial forecasts of the Target Company was reasonably prepared by the management of the Target Company, based on best forecasts and judgments currently available. With respect to the assets and liabilities (including off-balance-sheet assets and liabilities, and other contingent liabilities) of the Target Company and its affiliates, Mizuho Securities did not independently conduct an evaluation or assessment of such assets or liabilities, nor did it make any request to a third-party institution for appraisal or assessment of such assets and liabilities. Such financial forecasts were confirmed by the Special Committee as to the rationality of their details and assumptions, etc., as well as the Special Committee holding several question and answer session with the Target Company.

- e. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Audit & Supervisory Board Members at the Target Company

As described in “b. Decision-Making Process and Reasons, Leading to the Target Company’s Decision to Support the Tender Offer” of “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer” above, the board of directors of the Target Company carefully examined and discussed whether the Transactions, including the Tender Offer, contribute to the enhancement of the corporate value of the Target Company, and whether the terms and conditions of the Transactions, including the Tender Offer Price, are appropriate, based on the legal advice received from Anderson Mori & Tomotsune, the advice received from Mizuho Securities, and the contents of the Target Company Share Valuation Report, with the utmost respect for the decisions of the Special Committee described in the Report.

As a result, as described in “b. Decision-Making Process and Reasons, Leading to the Target Company’s Decision to Support the Tender Offer” of “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer” above, the Target Company has decided that it is best to make the Target Company private, because, by making the Target Company private, it would be possible to establish and execute a medium- to long-term management strategy by eliminating constraints on information sharing and ensuring more flexible communication opportunities between the Tender Offeror and the Target Company, and the synergies in (A) through (E) described in “(iii) Details of Decision Making by the Target Company” of “b. Decision-Making Process and Reasons, Leading to the Target Company’s Decision to Support the Tender Offer” of “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer” above would be realizable; and, at the meeting of the board of directors of the Target Company held today, of the six directors of the Target Company, the four directors of the Target Company who participated in the deliberation and resolution unanimously adopted a resolution to state an opinion to support the Tender Offer and to recommend that the shareholders of the Target Company tender their shares in the Tender Offer.

In addition, at the above-mentioned meeting of the board of directors, of the four Audit & Supervisory Board Members of the Target Company, all three of the Audit & Supervisory Board Members who participated in the deliberation (two of whom are independent outside Audit & Supervisory Board Members) stated that they had no dissenting opinion on any of the above resolutions.

Of the six directors of the Target Company, Mr. Kenro Itakura and Mr. Masahiro Yamane, who had previously held positions as employees of the Tender Offeror, and, of the four Audit & Supervisory Board Members of the Target Company, Mr. Koji Nishikawa, who concurrently serves as an employee of the Tender Offeror, have not participated in the deliberations and resolutions of the board of directors of the Target Company regarding the Transactions (including the above-mentioned meeting of the board of directors of the Target Company held today) since the resolution of the board of directors on August 10, 2022, by which the Special Committee was established, in order to eliminate the risk of being affected by the issue of structural conflicts of interest and the issue of asymmetric information in the Transactions.

- f. Nonexistence of deal protection provisions

The Tender Offeror and the Target Company have not entered into any agreement that includes deal protection provisions to prohibit the Target Company from having contact with any party proposing a tender offer other than the Tender Offeror (the “Counter Offeror”) or that would otherwise restrict the Counter Offeror from having contact with the Target Company, thereby the Tender Offeror and the Target Company have given consideration to ensuring the fairness of the Tender Offer by not impeding the opportunity for a counter offer.

g. **Measures to Secure Opportunities for Shareholders of the Target Company to Make Appropriate Decisions Regarding Whether to Tender Their Shares in the Tender Offer**

As described in “(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-called “Two-step Acquisition”)” below, the Tender Offeror (i) promptly after the completion of the settlement of the Tender Offer and depending on the number of shares to be acquired by the Tender Offeror as a result of the consummation of the Tender Offer, plans to demand all shareholders of the Target Company to sell all of the Target Company’s Stock, or, to request the Target Company to hold an extraordinary shareholders’ meeting that will resolve proposals regarding consolidation of the Target Company’s Stock and regarding an amendment to the Articles of Incorporation for the purpose of abolishing the provision regarding the number of shares constituting one unit of stock subject to the effectuation of the share consolidation, and, thus, will not adopt any method that does not secure the right of shareholders of the Target Company to request the purchase of their shares or the determination of the price, and (ii) made it clear that the amount of money to be delivered to the Target Company’s shareholders (excluding the Tender Offeror and the Target Company) as consideration for a demand for shares cash-out or a share consolidation will be equal to the amount obtained by multiplying the Tender Offer Price by the number of the Target Company’s Stock held by such shareholder of the Target Company; thereby the Tender Offeror has secured an opportunity for the shareholders of the Target Company to make an appropriate decision as to whether to tender their shares in the Tender Offer, and has given consideration to ensure that this will not create coercion.

In addition, the Tender Offeror has set the period for purchase, etc., in the Tender Offer (the “Tender Offer Period”) at thirty (30) business days, while the statutory minimum period is twenty (20) business days. By setting the Tender Offer Period for a relatively long period of time, the Tender Offeror has secured an opportunity for the shareholders of the Target Company to deliberate on the propriety of the Transactions and the fairness of the Tender Offer Price, and make an appropriate decision as to whether to tender their shares in the Tender Offer.

(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-called “Two-step Acquisition”)

As described in “(1) Overview of the Tender Offer” above, because the Tender Offeror intends to make the Target Company its wholly-owned subsidiary, therefore, in the event that the Tender Offer is consummated but the Tender Offeror fails to acquire all of the Target Company’s Stock (excluding the Target Company’s Stock held by the Tender Offeror and the treasury shares held by the Target Company)

in the Tender Offer, the Tender Offeror intends to implement the procedures by the following methods after the consummation of the Tender Offer for the purpose of obtaining all of the Target Company's Stock (excluding the Target Company's Stock held by the Tender Offeror and the treasury shares held by the Target Company).

a. Demand for Shares Cash-Out

As a result of the consummation of the Tender Offer, in the event that the number of voting rights of the Target Company held by the Tender Offeror becomes 90% or more of the total number of voting rights of all shareholders of the Target Company and the Tender Offeror becomes a special controlling shareholder as provided in Article 179, Paragraph 1 of the Companies Act, the Tender Offeror plans to demand all shareholders of the Target Company (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer (the "Shareholders Subject to Cash-Out") to sell all of the Target Company's Stock held by the Shareholders Subject to Cash-Out (the "Demand for Shares Cash-Out") promptly after the completion of the settlement of the Tender Offer, pursuant to the provisions of Part 2, Chapter 2, Section 4-2 of the Companies Act. In the Demand for Shares Cash-Out, the Tender Offeror plans to provide the Shareholders Subject to Cash-Out with an amount equal to the Tender Offer Price as consideration per share of the Target Company's Stock. In such case, the Tender Offeror shall notify the Target Company to that effect and request the Target Company to approve the Demand for Shares Cash-Out. In the event the Target Company approves the Demand for Shares Cash-Out by a resolution of a meeting of its board of directors, the Tender Offeror will acquire all of the Target Company's Stock from the Shareholders Subject to Cash-Out as of the acquisition date stipulated in the Demand for Shares Cash-Out without requiring individual approvals of the Shareholders Subject to Cash-Out in accordance with the procedures stipulated in the relevant laws and regulations. The Tender Offeror will then deliver to the Shareholders Subject to Cash-Out an amount equal to the Tender Offer Price as consideration for per share of the Target Company's Stock held by the Shareholders Subject to Cash-Out. According to the Target Company's Press Release, in the event that the Target Company receives from the Tender Offeror a notice to the effect that the Tender Offeror intends to make the Demand for Shares Cash-Out, which contains the matters prescribed in set forth in the items of Article 179-2, Paragraph 1 of the Companies Act, the Target Company plans to approve the Demand for Shares Cash-Out at a meeting of its board of directors.

In order to protect the rights of minority shareholders in connection with the Demand for Shares Cash-Out, the Companies Act provides that the Shareholders Subject to Cash-Out may file a petition with a court for determination of the sale price of the Target Company's Stock held by such Shareholders Subject to Cash-Out pursuant to the provisions of Article 179-8 of the Companies Act and other relevant laws and regulations.

b. Share Consolidation

After the consummation of the Tender Offer, if the total number of voting rights of the Target Company held by the Tender Offeror is less than 90% of the total number of voting rights of all shareholders of the

Target Company, the Tender Offeror plans immediately after the completion of the settlement of the Tender Offer, to request the Target Company to hold an extraordinary shareholders' meeting around mid-March 2023 (the "Extraordinary Shareholders' Meeting") that will resolve proposals including: (a) a proposal regarding consolidation of the Target Company's Stock (the "Share Consolidation") pursuant to Article 180 of the Companies Act and (b) a proposal regarding an amendment to the Articles of Incorporation for the purpose of abolishing the provision regarding the number of shares constituting one unit of stock subject to the Share Consolidation becoming effective. The Tender Offeror plans to vote in favor of each of the above-mentioned proposals at the Extraordinary Shareholders' Meeting.

If the proposal regarding the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, as of the effective date of the Share Consolidation, the number of the Target Company's Stock held by the shareholders of the Target Company will be changed in proportion to the ratio for the Share Consolidation approved at the Extraordinary Shareholders' Meeting. In the case where any fractional share less than one share arises as a result of the Share Consolidation, the amount of cash to be obtained by selling the Target Company's Stock to the Target Company or the Tender Offeror in the amount equivalent to the aggregate of such fractional shares (any fractional shares less than one share in the aggregate will be rounded off; hereinafter the same) will be delivered to the shareholders of the Target Company pursuant to the procedures provided in Article 235 of the Companies Act and other relevant laws and regulations. With respect to the sale price of the Target Company's Stock in the amount equivalent to the aggregate of such fractional shares, the Tender Offeror plans to request the Target Company to determine such price so that the amount of money to be delivered to the Target Company's shareholders (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer as a result of such sale will be equal to the amount obtained by multiplying (a) the Tender Offer Price by (b) the number of the Target Company's Stock held by each such shareholder, and file a petition with a court for permission for such voluntary sale. Although the ratio for the Share Consolidation has not yet been determined as of today, the Tender Offeror plans to request the Target Company that the ratio will be determined so that only the Tender Offeror will hold all of the Target Company's Stock (excluding the treasury shares held by the Target Company) and the number of the Target Company's Stock held by the Target Company's shareholders (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer will be a fractional share less than one share.

In order to protect the rights of minority shareholders in connection with the Share Consolidation, the Companies Act provides that, in the case where the Share Consolidation is conducted and any fractional share less than one share arises, the shareholders of the Target Company, pursuant to the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws or regulations and subject to the satisfaction of the prescribed conditions, may request the Target Company to purchase, at a fair price, all of its fractional shares of the Target Company less than one share and file a petition with a court for determination of the price of the Target Company's Stock. It is not intended in the Tender Offer to solicit the affirmative vote by the Target Company's shareholders at the Extraordinary Shareholders' Meeting.

In the event the procedures mentioned in a. and b. above are expected to be completed by June 30, 2023, the Tender Offeror plans to request the Target Company to partially amend the Articles of Incorporation to repeal the provisions of the record date for voting rights of the ordinary general meeting of shareholders in order that the shareholders who are entitled to exercise their rights at the ordinary general meeting of shareholders scheduled to be held in late June 2023 for the fiscal year ending March 2023 (the “Ordinary General Meeting of Shareholders”) shall be the shareholder (meaning the Tender Offeror) after the completion of the procedures mentioned in a. and b. above, subject to the completion of the procedures mentioned in a. and b. above. As a result, even shareholders of record on March 31, 2023 may not be able to exercise their rights at the Ordinary General Meeting of Shareholders.

The procedures described in a. and b. above may take longer than anticipated or may be changed in the method due to the amendment or enforcement of the relevant laws and regulations, the interpretation by the authorities on the relevant laws and regulations. However, even in such cases, if the Tender Offer is consummated, the Tender Offeror intends to adopt any measures to eventually pay cash to the shareholders of the Target Company (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer and cause the amount of cash to be paid to such shareholders of the Target Company to be equal to the amount obtained by multiplying the Tender Offer Price by the number of the Target Company’s Stock held by such shareholder of the Target Company. However, in the event where a petition for determination of the sale price with respect to the Demand for Shares Cash-Out or a petition for determination of the price with respect to the share purchase demand in connection with the Share Consolidation is filed, the court shall finally determine the sale price or the price with respect to the share purchase demand of the Target Company’s Shares held by the shareholders of the Target Company who filed such petition.

The specific procedures and the schedule thereof in each case above will be announced by the Target Company once they are determined through mutual discussions between the Tender Offeror and the Target Company.

Each shareholder of the Target Company should consult with licensed tax accountant, etc., at its own responsibility regarding tax treatment in relation to the tender in the Tender Offer or each of the procedures above.

(5) Possibility of Delisting and Reasons Therefor

As of today, the Target Company’s Stock is listed on the Standard Market of the Tokyo Stock Exchange. However, since the Tender Offeror has not set the maximum number of shares to be purchased in the Tender Offer, depending on the result of the Tender Offer, the Target Company’s Stock may be delisted pursuant to the prescribed procedures in accordance with the Tokyo Stock Exchange’s criteria for delisting.

In addition, even in the case where the Target Company’s Stock does not fall under such criteria at the time of the consummation of the Tender Offer, the Tender Offeror is scheduled to perform the procedures for the purpose of acquiring all of the Target Company’s Stock (excluding the Target Company’s Stock held by the Tender Offeror and the treasury shares held by the Target Company) as described in “(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-called “Two-

step Acquisition”)” above, after the Tender Offer is consummated; therefore, in the event where each of such procedures are to be performed, the Target Company’s Stock will be delisted pursuant to the prescribed procedures in accordance with the Tokyo Stock Exchange’s criteria for delisting. The Target Company’s Stock will no longer be traded on the Standard Market of the Tokyo Stock Exchange after delisting.

(6) Matters concerning Material Agreement related to the Tender Offer

As described in “(1) Overview of the Tender Offer” above, in connection with the Tender Offer, the Tender Offeror has entered into the Tender Offer Agreement with Nippon Steel as of today, under which Nippon Steel has agreed to tender the Shares Subject to Tender Offer held by it (764,935 shares, Ownership Ratio: 14.46%) in the Tender Offer. Other than the Tender Offer Agreement, there is no agreement with Nippon Steel regarding the Tender Offer, and there is no benefit to be provided by the Tender Offeror to Nippon Steel other than the money to be obtained by tendering its shares in the Tender Offer.

The Tender Offer Agreement provides the following as the conditions precedent to Nippon Steel tendering its shares in the Tender Offer: (i) the Tender Offeror’s representations and warranties (Note 1) are true and correct in all material respects; (ii) the Tender Offeror has fulfilled or complied in all material respects with its obligations set forth in the Tender Offer Agreement (Note 2); (iii) the Tender Offer has been commenced, and not been withdrawn in accordance with laws and regulations; (iv) the Target Company has resolved, at a meeting of its board of directors, to support the Tender Offer and to recommend that the shareholders of the Target Company tender their shares in the Tender Offer, such resolution has been announced, and, as of the commencement date of the Tender Offer, such opinion has not been changed or withdrawn; (v) there are no laws and regulations, or judgments, etc. of judicial or administrative authorities, that would restrict or prohibit the Tender Offer or the tendering of shares in the Tender Offer; and (vi) except for the facts stated in the documents provided by the Tender Offeror to Nippon Steel prior to the execution of the Tender Offer Agreement as the final drafts of the press releases to be disclosed by the Tender Offeror and the Target Company, respectively, Nippon Steel is unaware of any unannounced material facts (Article 166, Paragraph 2 of the Act) concerning the Target Company and any unannounced facts relating to a suspension of the tender offer, etc. of the share certificates, etc. of the Target Company (Article 167, Paragraph 2 of the Act). The fulfillment (or waiver by Nippon Steel) of all of the above-mentioned is the condition precedent to the Tender Offer.

(Note 1) In the Tender Offer Agreement, the Tender Offeror makes representations and warranties as to (a) the lawful and valid incorporation and effective existence of the Tender Offeror, (b) the lawful and effective execution and performance of the Tender Offer Agreement by the Tender Offeror, (c) the enforceability of the Tender Offer Agreement against the Tender Offeror, (d) obtaining the licenses and permits, etc. required in relation to the execution and performance of the Tender Offer Agreement and sufficient implementation of the procedures regarding such licenses and permits, etc., (e) non-existence of bankruptcy proceedings in relation to the Tender Offeror, (f) non-existence of any conflict with laws or regulations regarding the

execution and performance of the Tender Offer Agreement by the Tender Offeror, (g) securing funds required for the purchase, etc. by the Tender Offeror, and (h) non-existence of any relationship between the Tender Offeror and anti-social forces, etc.

(Note 2) In the Tender Offer Agreement, the Tender Offeror has the following obligations: (a) confidentiality obligation, (b) obligation not to assign its status nor its rights and obligations under the Tender Offer Agreement, and (c) obligation to bear the expenses incurred by each party in connection with the preparation, execution and performance of the Tender Offer Agreement.

It is also provided that, if, during the period from the execution date of the Tender Offer Agreement to the last day of the Tender Offer Period, a tender offer by a third party other than the Tender Offeror (the “Competitive Purchase”) is commenced and the tender offer price for the Competitive Purchase exceeds the Tender Offer Price, Nippon Steel shall discuss in good faith with the Tender Offeror on how to respond to such situation (provided, however, that, if Nippon Steel has not tendered its shares in the Tender Offer when the Competitive Purchase commences, Nippon Steel shall be exempted from the obligation to tender its shares in the Tender Offer until the completion of such discussion) and if such discussion is not completed within five business days after Nippon Steel gives the Tender Offeror notice of the commencement of such discussion (no later than two business days prior to the last day of the Tender Offer Period), Nippon Steel shall be entitled not to tender all or part of the Shares Subject to Tender Offer, or shall be entitled to cancel the agreement regarding the purchase, etc. of the Shares Subject to Tender Offer that has been concluded by Nippon Steel’s tendering its shares in the Tender Offer, and shall be entitled to tender its shares in the Competitive Purchase.

In addition, it is provided that Nippon Steel shall not, from the execution date of the Tender Offer Agreement until the commencement date of the settlement for the Tender Offer (the “Settlement Commencement Date”), transfer, create a security interest over, or otherwise dispose of, the Shares Subject to Tender Offer, nor engage in any other transaction that substantially conflicts with the Tender Offer or makes it difficult to implement the Tender Offer, nor reach any agreement in connection therewith, nor, directly or indirectly, make any proposal, solicitation, offer for negotiation, negotiation or provision of information to any third party with respect to such transaction, and that, if Nippon Steel receives any provision of information, proposal, solicitation, negotiation or other offer from a third party in connection with such transaction, Nippon Steel shall promptly notify the Tender Offeror of such fact and the details thereof; provided, however, that, if Nippon Steel is solicited by a third party to tender its shares in the Competitive Purchase without breaching such obligation, Nippon Steel may provide such third party with such information and have discussions as it deems reasonably necessary to fulfill its directors’ duty of care of a prudent manager. Further, as mentioned above, Nippon Steel shall be entitled not to tender its shares in the Tender Offer, after discussion with the Tender Offeror, or to cancel the agreement regarding the purchase, etc. of the Shares Subject to Tender Offer that has been concluded by Nippon Steel’s tendering its shares in the Tender Offer, and shall be entitled to tender its shares in the Competitive Purchase. It is further provided that, during the period from the execution date of the Tender Offer Agreement until the Settlement Commencement Date, Nippon Steel shall not exercise its right to request

to convene the Target Company's general meeting of shareholders (Article 297 of the Companies Act), the right to propose agenda items (Article 303, Paragraphs 1 and 2 of the Companies Act) and the right to propose bills (Article 304 and Article 305, Paragraph 1 of the Companies Act) without the prior written consent of the Tender Offeror, and that, if Nippon Steel intends to exercise the rights of shareholders other than the above, it shall discuss the matter in good faith with the Tender Offeror in advance.

Furthermore, upon consummation of the Tender Offer, Nippon Steel is obliged to (i) grant comprehensive proxy rights to the Tender Offeror or any person designated by the Tender Offeror, or (ii) exercise voting rights in accordance with the instructions of the Tender Offeror, at the option of the Tender Offeror, with respect to the exercise of voting rights or any and all other rights in the Shares Subject to Tender Offer at the Target Company's general meeting of shareholders, if held, for which the record date for the exercise of such rights at the meeting is set to any date on or before the Settlement Commencement Date.

2. Outline of Purchase, Etc.

(1) Outline of the Target Company

a. Name	Sumitomo Precision Products Co., Ltd.	
b. Location	1-10 Fuso-cho, Amagasaki, Hyogo	
c. Name and Title of Representative	Hideaki Takahashi, Representative Director and President	
d. Contents of Business	Aerospace business, Industrial equipment business and ICT business	
e. Capital	10,311 million yen	
f. Date of Incorporation	January 5, 1961	
g. Major Shareholders and Shareholding Ratios (As of September 30, 2022)	Sumitomo Corporation	27.64%
	Nippon Steel Corporation	14.46%
	The Master Trust Bank of Japan, Ltd. (trust account)	8.15%
	Sumitomo Precision Products Co., Ltd. Kyo-eikai	2.42%
	Masayoshi Yamauchi	2.09%
	Custody Bank of Japan, Ltd. (trust account)	1.86%
	INTERACTIVE BROKERS LLC (Standing proxy: Interactive Brokers Securities Japan, Inc)	1.34%
	Kazuhiro Yamamoto	1.17%
	Sumitomo Mitsui Banking Corporation	1.03%
	Sumitomo Precision Products Employee Stock Ownership Plan	0.81%
h. Relationship between the Tender Offeror and the Target Company		
Capital Relationship	As of today, the Tender Offeror holds 1,462,544 shares of the Target Company's Stock (Ownership Ratio: 27.64%) and makes the Target Company an equity-method affiliate.	
Personnel Relationship	As of today, one of four Audits & Supervisory Board Members of the Target Company concurrently serves as an employee of the Tender Offeror. In addition, as of September 30, 2022, two of 13 Executive Officers of the Target Company were also employees of the Tender Offeror, and four employees of the Tender Offeror and one employee of a subsidiary of the Tender Offeror were seconded to the Target Company.	
Business Relationship	The Tender Offeror purchases and sells products of the Target	

	Company (aerospace equipment and industrial heat exchangers). The Tender Offeror and the Target Company have a partnership based on the Capital/Business Tie-up Agreement.
Status as Related Party	The Target Company is an equity-method affiliate of the Tender Offeror and falls under a related party of the Tender Offeror.

(Note) “Major Shareholders and Shareholding Ratios (As of September 30, 2022)” is based on the “Status of Major Shareholders” stated in the Target Company’s Second Quarterly Report.

(2) Schedule, Etc.

a. Schedule

Resolution of the Meeting of the Board of Directors	November 11, 2022 (Friday)
Date of Notice of Commencement of the Tender Offer	November 14, 2022 (Monday) Public disclosure will be made electronically, and a notice of such disclosure will be published in the Nihon Keizai Shimbun. (URL of electronic public notice: https://disclosure.edinet-fsa.go.jp/)
Filing Date of the Tender Offer Registration Statement	November 14, 2022 (Monday)

b. Period for Purchase, Etc. at the Time of Filing of the Tender Offer Registration Statement

From November 14, 2022 (Monday) to December 26, 2022 (Monday) (30 business days)

c. Possible Extension of the Tender Offer Period based on the Target Company’s Request

Not applicable.

(3) Price for Purchase, Etc.

3,650 yen per share of common stock

(4) Bases, Etc. of Calculation of Price for Purchase, Etc.

a. Basis of Calculation

The Tender Offeror requested SMBC Nikko Securities, a financial advisor of the Tender Offeror, as a third-party valuation institution that is independent from the Tender Offeror and the Target Company, to evaluate the share value of the Target Company’s Stock for determining the Tender Offer Price. It should be noted that SMBC Nikko Securities does not fall under a related party of the Tender Offeror or the Target Company and has no material interest in the Tender Offer.

After considering which valuation methods should be applied to evaluate the share value of the Target Company’s Stock among various stock valuation methods, SMBC Nikko Securities evaluated the share value of the Target Company’s Stock using each method of (i) the market price method since the Target Company is listed on the Standard Market of the Tokyo Stock Exchange and a market price exists, (ii) the comparable listed company method since it is possible to infer the share value of the Target Company’s

Stock by comparison with similar listed companies and (iii) the DCF method in order to reflect the future business activities in the valuation. The Tender Offeror obtained the Share Valuation Report from SMBC Nikko Securities on November 10, 2022. The Tender Offeror has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko Securities.

According to SMBC Nikko Securities, the results of evaluation of the share value per share of the Target Company's Stock are as follows:

Market price method:	2,472 yen to 2,633 yen
Comparable listed company method:	2,152 yen to 3,849 yen
DCF method:	1,864 yen to 4,856 yen

Under the market price method, the range of share value per share was evaluated to be from 2,472 yen to 2,633 yen as of November 10, 2022 as the record date for evaluation. This range was based on the simple average closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange for the past one (1) month up to the record date for evaluation which was 2,472 yen, the past three (3) months up to such date which was 2,521 yen, and the past six (6) months up to such date which was 2,633 yen.

Under the comparable listed company method, the range of share value per share of the Target Company's Stock was evaluated to be from 2,152 yen to 3,849 yen as a result of the evaluation of the share value of the Target Company's Stock by comparing the market prices of shares and financial indicators showing profitability of listed companies engaged in businesses similar to those conducted by the Target Company. Under the DCF method, the range of share value per share was evaluated to be from 1,864 yen to 4,856 yen as a result of the evaluation of the corporate value and share value of the Target Company by discounting the free cash flow that is expected to be generated by the Target Company in and after the second quarter ending March 2023 to the present value at a specific discount rate, based on the business plan for the period from the fiscal year ending March 2023 through the fiscal year ending March 2026 provided by the Target Company and the Target Company's future earnings forecasts adjusted by the Tender Offeror in consideration of various factors, including the recent business performance trends, the results of due diligence conducted by the Tender Offeror on the Target Company from early August 2022 to early September 2022 and publicly disclosed information. The future financial projections of the Target Company on which the DCF method was based included the fiscal year in which a significant increase or decrease in earnings is expected. Specifically, the Target Company expects a substantial increase in operating income in the fiscal year ending March 2023, because increase in revenues or revenue improvement is expected in the Aerospace Business as demand for equipment of commercial aircraft bottomed out and recovered after having declined due to the spread of COVID-19 and as the yen weakened, and because increase in demand for ozone generators and heat treatment equipment for semiconductors in the ICT Business is expected. In addition, the Target Company also expects a substantial increase in sales in the fiscal year ending March 2025 mainly due to the expected increase in earnings in the ICT business as sales are expected to increase especially in the semiconductor market.

The synergy effects that can be expected to be realized through the implementation of the Transactions are not reflected because it is difficult to estimate such synergy effects on earnings specifically at this time. In addition to the valuation results indicated in the Share Valuation Report provided by SMBC Nikko Securities, the Tender Offeror comprehensively reviewed several factors, such as the result of the due diligence on the Target Company conducted by the Tender Offeror, the likelihood that the Target Company's board of directors would support the Tender Offer, the trend of the market price of the Target Company's Stock, and the prospect of shares being tendered in the Tender Offer; and took into consideration the results of the discussions and negotiations with the Target Company. As a result, the Tender Offeror ultimately set the Tender Offer Price at 3,650 yen at the meeting of its board of directors dated today.

The Tender Offer Price of 3,650 yen is the price including (a) a premium of 45.42% added to 2,510 yen, which is the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on November 10, 2022, the business day immediately preceding the date of announcement of the implementation of the Tender Offer; (b) a premium of 47.65% added to 2,472 yen, which is the simple average closing price of the Target Company's Stock for the past one (1) month up to such date; (c) a premium of 44.78% added to 2,521 yen, which is the simple average closing price for the past three (3) months up to such date; and (d) a premium of 38.63% added to 2,633 yen, which is the simple average closing price for the past six (6) months up to such date.

b. Background of Calculation

(Background to the Determination of the Tender Offer Price)

On April 13, 2022, the Tender Offeror proposed to the Target Company to commence the consultation to consider whether to establish a formal proposal to make the Target Company its wholly-owned subsidiary. On the same day, the Tender Offeror and the Target Company confirmed that they would conduct such consultation from then on.

Thereafter, with the cooperation of the Target Company, the Tender Offeror conducted initial due diligence on the Target Company in order to further deepen its understanding of the Target Company's business, as well as considering and discussing the equity ratio and post-investment business operations. In late July 2022, the Tender Offeror came to the decision that making the Target Company a private and wholly-owned subsidiary of the Tender Offeror would be the best measure to contribute to the enhancement of the corporate value of not only the Tender Offeror but also the Target Company.

Accordingly, on August 4, 2022, the Tender Offeror submitted to the Target Company a declaration of intent stating the background and purpose of the Transactions, the anticipated synergies, the method of obtaining all of the Target Company's Stock through the tender offer and subsequent squeeze-out procedures, and timetable.

Thereafter, the Tender Offeror conducted due diligence on the Target Company from early August 2022 to early September 2022 in order to scrutinize the feasibility of the Tender Offer. Concurrently, the Tender Offeror has continued to have consultations with the Target Company on the reason for and purpose of the Transactions and on the terms and conditions of the Transactions, including the Tender Offer Price.

Specifically, on October 17, 2022, the Tender Offeror proposed a Tender Offer Price of 3,000 yen per share (a premium of 20.63% added to 2,487 yen, which is the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on October 14, 2022); however, on October 18, 2022, as a result of careful consideration of the proposal by the Special Committee, the Target Company responded asking the Tender Offeror to propose another Tender Offer Price. On October 24, 2022, the Tender Offeror re-proposed a Tender Offer Price of 3,400 yen per share (a premium of 38.38% added to 2,457 yen, which is the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on October 21, 2022); however, on October 26, 2022, as a result of careful consideration by the Special Committee, the Target Company responded that it would be desirable that the Tender Offer Price exceeds the lower 4,000 yen range per share. In light of the session on potential growth of the Target Company's ICT business held with the Target Company on October 31, 2022, the Tender Offeror re-proposed, on November 1, 2022, a Tender Offer Price of 3,600 yen per share (a premium of 45.57% added to 2,473 yen, which is the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on October 31, 2022); however, on November 4, 2022, as a result of careful consideration by the Special Committee, the Target Company responded that it would be desirable that the Tender Offer Price be 3,800 yen per share. On November 7, 2022, the Tender Offeror re-proposed a Tender Offer Price of 3,650 yen per share (a premium of 44.44% added to 2,527 yen, which is the closing price of the Target Company's Stock on the Standard Market of the Tokyo Stock Exchange on November 4, 2022); and on November 8, 2022, the Tender Offeror received from the Target Company a response accepting the Tender Offeror's proposal as a result of careful consideration by the Special Committee, and they reached an agreement to set the Tender Offer Price at 3,650 yen.

(a) Name of the Third Party that Provided an Opinion in the Calculation

When determining the Tender Offer Price, the Tender Offeror referred to the Share Valuation Report submitted by SMBC Nikko Securities, as a third-party valuation institution that is independent from the Tender Offeror and the Target Company, to evaluate the Tender Offer Price. SMBC Nikko Securities does not fall under a related party of the Tender Offeror or the Target Company and has no material interest in the Tender Offer. The Tender Offeror has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko Securities.

(b) Summary of the Opinion

SMBC Nikko Securities has evaluated the share value of the Target Company's Stock by using the market price method, the comparable listed company method, and the DCF method. The ranges of share value per share of the Target Company's Stock evaluated by each method are as follows:

Market price method:	2,472 yen to 2,633 yen
Comparable listed company method:	2,152 yen to 3,849 yen
DCF method:	1,864 yen to 4,856 yen

(c) **Background of the Determination of the Tender Offer Price based on the Opinion**

In addition to the valuation results indicated in the Share Valuation Report provided by SMBC Nikko Securities, the Tender Offeror comprehensively reviewed several factors, such as the result of the due diligence on the Target Company conducted by the Tender Offeror, the likelihood that the Target Company's board of directors would support the Tender Offer, the trend of the market price of the Target Company's Stock and the prospect of shares being tendered in the Tender Offer; and took into consideration the results of the discussions and negotiations with the Target Company. As a result, the Tender Offeror ultimately set the Tender Offer Price at 3,650 yen at the meeting of its board of directors dated today.

(5) Number of Share Certificates, Etc., to be Purchased

Kind of shares, etc.	Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
Common stock	3,828,544 (shares)	2,064,856 (shares)	— (shares)
Total	3,828,544 (shares)	2,064,856 (shares)	— (shares)

(Note 1) If the total number of the Tendered Share Certificates, Etc. is less than the minimum number of shares to be purchased (2,064,856 shares), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. If the total number of the Tendered Share Certificates, Etc. is equal to or greater than the minimum number of shares to be purchased (2,064,856 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

(Note 2) Since a maximum number of shares to be purchased has not been set in the Tender Offer, the maximum number of the Target Company's Stock to be purchased by the Tender Offeror in the Tender Offer (3,828,544 shares) is stated as the number of shares to be purchased. The number of shares to be purchased is calculated by subtracting the sum of (a) the number of treasury shares held by the Target Company as of September 30, 2022 (25,691 shares) stated in the Target Company's Six Months Financial Results and (b) the number of the Target Company's Stock held by the Tender Offeror as of today (1,462,544 shares) from the total number of issued shares as of as of the same date (5,316,779 shares) stated in the Target Company's Second Quarterly Report.

(Note 3) Shares constituting less than a unit will also be subject to the Tender Offer. The Target Company may purchase its treasury shares in accordance with procedures stipulated in the laws and regulations during the Tender Offer Period from any shareholder who exercises the right to require the Target Company to purchase shares constituting less than a unit under the Companies Act.

(Note 4) The Tender Offeror does not intend to acquire, through the Tender Offer, any treasury shares held by the Target Company.

(6) **Ownership Ratio of Share Certificates, Etc., after Purchase, Etc.**

Number of Voting Rights Represented by Share Certificates, Etc. Held by Tender Offeror, before Purchase, Etc.	14,625	(Ownership Ratio of Share Certificates, Etc. before Purchase, Etc. 27.64%)
Number of Voting Rights Represented by Share Certificates, Etc. Held by Special Related Parties, before Purchase, Etc.	0	(Ownership Ratio of Share Certificates, Etc. before Purchase, Etc. 0.00%)
Number of Voting Rights Represented by Share Certificates, Etc. Held by Tender Offeror, after Purchase, Etc.	52,910	(Ownership Ratio of Share Certificates, Etc. after Purchase, Etc. 100.00%)
Number of Voting Rights Represented by Share Certificates, Etc. Held by Special Related Parties, after Purchase, Etc.	—	(Ownership Ratio of Share Certificates, Etc. after Purchase, Etc. —%)
Number of Voting Rights of All Shareholders of Target Company	52,724	

(Note 1) “Number of Voting Rights Represented by Share Certificates, Etc. Held by Special Related Parties, before Purchase, Etc.” is the total number of voting rights pertaining to the number of share certificates, etc. held by each special related parties (provided, excluding such special related parties pursuant to Article 3, Paragraph 2, Item 1 of the Cabinet Office Ordinance on Disclosure of Tender Offer of Share Certificates, etc. by Person Other than Issuer (Ministry of Finance Ordinance No. 38 of 1990, as amended; the “TOB Ordinance”) in calculating the Ownership Ratio of Share Certificates, Etc. pursuant to each of the Items of Article 27-2, Paragraph 1 of the Act). The Tender Offeror will verify the share certificates of the Target Company held by the special related parties on or after today, and if amendment is required, disclose such amendment.

(Note 2) “Number of Voting Rights of All Shareholders of Target Company” is the number of voting rights of all shareholders of the Target Company as of September 30, 2022, as stated in the Target Company’s Second Quarterly Report. However, in the Tender Offer, as shares constituting less than a unit are also subject to Purchase, Etc., in calculating the “Ownership Ratio of Share Certificates, Etc. before Purchase, Etc.” and “Ownership Ratio of Share Certificates, Etc. after Purchase, Etc.,” the denominator is the number of voting rights (52,910) pertaining to the number of shares (5,291,088 shares) which is obtained by subtracting (a) the number of treasury shares held by the Target Company (25,691 shares) stated in the Target Company’s Six Months Financial Results from (b) the total number of outstanding shares of the Target Company as of September 30, 2022 (5,316,779 shares) stated in the Target Company’s Second Quarterly Report.

(Note 3) “Ownership Ratio of Share Certificates, Etc. before Purchase, Etc.” and the “Ownership Ratio of Share Certificates, Etc. after Purchase, Etc.” are rounded off to the second decimal place.

(7) Purchase Price 13,974,185,600 yen

(Note) “Purchase Price” is calculated by multiplying the number of shares to be purchased in the Tender Offer 3,828,544 shares) by the Tender Offer Price (3,650 yen) per share.

(8) Method of Settlement

- a. Name and Address of the Head Office of the Financial Instruments Business Operators / Banks in Charge of Settlement for Purchase, Etc.

SMBC Nikko Securities Inc.

3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

- b. Commencement Date of Settlement

January 4, 2023 (Wednesday)

- c. Method of Settlement

A notice of purchase, etc. by way of the Tender Offer will be mailed to the address or the location of Tendering Shareholders, etc. (or the standing proxy in the case of foreign shareholders, etc.), promptly after the end of the Tender Offer Period. The notice will be delivered by electromagnetic methods in the case of tender via the Nikko Easy Trade.

The purchase price will be settled in cash. The purchase price for the share certificates, etc. purchased will be remitted to the place designated by the Tendering Shareholders, Etc. (or the standing proxy in the case of foreign shareholders, etc.) from the Tender Offer Agent promptly after the commencement date of settlement in accordance with the instruction of the Tendering Shareholders, Etc. (or the standing proxy in the case of foreign shareholders, etc.).

- d. Method of Returning Share Certificates, Etc.

If all of the Tendered Share Certificates, Etc. are not purchased in accordance with the terms described in “a. Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and Details thereof” or “b. Conditions of Withdrawal, Etc. of Tender Offer, Details thereof and Method of Disclosure of Withdrawal, Etc.,” of “(9) Other Conditions and Methods of Purchase, Etc.” below, the Tender Offer Agent will return the share certificates, etc. that must be returned to their original condition at the time of the tender (the “original condition at the time of the tender” means the condition where the execution of the tender order for the Tender Offer has been cancelled) on the date two (2) business days after the last day of the Tender Offer Period (or the day of the withdrawal, etc. of the Tender Offer if the Tender Offer has been withdrawn, etc.) in the Tendering Shareholders’ Accounts with the Tender Offer Agent.

(9) Other Conditions and Methods of Purchase, Etc.

- a. Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and Details thereof

If the total number of the Tendered Share Certificates, Etc. is less than the minimum number of the shares to be purchased (2,064,856 shares), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. If the total number of the Tendered Share Certificates, Etc. is equal to or more than the minimum number of the shares to be purchased (2,064,85 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

- b. Conditions of Withdrawal, Etc. of Tender Offer, Details thereof and Method of Disclosure of Withdrawal, Etc.

The Tender Offer may be withdrawn upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.10 and Items 1.13 through 1.19, Items 3.1 through 3.8 and Item 3.10, and Item 4 of the same Paragraph, as well as Article 14, Paragraph 2, Items 3 through 6 of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended) (the “Enforcement Order”). The “matters equivalent to the matters listed in Items 1.1 through 1.9” in Article 14, Paragraph 1, Item 3.10 of the Enforcement Order means the cases (i) where it is found that there is a false statement regarding, or an omission of, a material matter to be stated, in the statutory disclosure documents that the Target Company previously submitted, or (ii) where the matters listed in Items 3.1 through 3.7 of the same paragraph occur with respect to material subsidiaries of the Target Company.

In addition, the Tender Offeror may withdraw the Tender Offer as if it could not obtain the “Approvals, etc.” set forth in Article 14, Paragraph 1, Item 4 of the Enforcement Order, in the case where (i) the waiting period or the prohibition period for acquisition under the prior notice filed by the Tender Offeror to the Fair Trade Commission pursuant to the provisions of Article 10, Paragraph 2 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended; the “Antimonopoly Act”) has not expired by the day preceding the expiration date of the Tender Offer Period (including the case where the Tender Offer Period is extended), (ii) a prior notice of a cease and desist order is given, or (iii) a petition for urgent suspension order of the court has been filed as a person who is suspected of violating the provisions of Article 10, Paragraph 1 of the Antimonopoly Act.

In the event that the Tender Offeror intends to withdraw the Tender Offer, it will give public notice to such effect through electronic disclosure as well as in the Nihon Keizai Shimbun. However, if it is difficult to give such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice promptly thereafter.

- c. Conditions of Reduction of Purchase Price, Details thereof and Method of Disclosure of Reduction

Pursuant to the provisions of Article 27-6, Paragraph 1, Item 1 of the Act, if the Target Company conducts the act specified in Article 13, Paragraph 1 of the Enforcement Order during the Tender Offer Period, the Target Company may reduce the prices of purchases, etc. in accordance with the standards specified in Article 19, Paragraph 1 of the TOB Ordinance.

If the Tender Offeror intends to reduce the prices of purchases, etc., it will give public notice to such effect through electronic disclosure as well as in the Nihon Keizai Shimbun. However, if it is difficult to give such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice promptly thereafter.

If the prices of purchases, etc. is reduced, the Tender Offeror will purchase the Tendered Share Certificates, Etc., including those which are tendered on or prior to the date of such public notice, at the reduced prices of purchases, etc.

d. Matters concerning Tendering Shareholders, Etc.’ Right of Cancellation of Contract

The Tendering Shareholders, Etc. may cancel a contract related to the Tender Offer at any time during the Tender Offer Period. In order to cancel the contract, the Tendering Shareholders, Etc. are required to personally deliver or mail (by post) a written request for the cancellation of the contract related to the Tender Offer (the “Cancellation Documents”) to the entity designated below by 3:30pm on the last day of the Tender Offer Period (provided, however, the business hours differ depending on each branch. Please confirm the business hours, etc. of the branch to be used before taking procedures.). If cancellation is made by postal mail, the cancellation will not be effective unless the Cancellation Documents are delivered to the entity designated below by 3:30pm on the last day of the Tender Offer Period (provided, however, the business hours differ depending on each branch. Please confirm the business hours, etc. of the branch to be used before taking procedures.).

In order to cancel a contract via Nikko Easy Trade, the Tendering Shareholders, Etc. is required to log in Nikko Easy Trade and complete the cancellation procedures in the manner prescribed on that website by 3:30pm on the last day of the Tender Offer Period.

Entity authorized to receive the Cancellation Documents:

SMBC Nikko Securities Inc.

3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

(and branch offices of SMBC Nikko Securities Inc. located in Japan)

No compensation for damages or penalty payment upon the cancellation of a contract by the tendering shareholder, etc. will be demanded of any tendering shareholders, etc. by the Tender Offeror. The cost of returning the Tendered Share Certificates, Etc. shall be borne by the Tender Offeror. Upon request for cancellation, the Tendered Share Certificates, Etc. will be promptly returned as stated in “d. Method of Returning Share Certificates, Etc.” of “(8) Method of Settlement” above promptly after the completion of the procedures pertaining to the request for cancellation.

e. Method of Disclosure if the Conditions or other Terms of the Tender Offer are Changed

The Tender Offeror may change terms or conditions of the Tender Offer during the Tender Offer Period, except where it is prohibited pursuant to Article 27-6, Paragraph 1 of the Act and Article 13 of the Enforcement Order.

In the event that any terms or conditions of the Tender Offer are changed, the Tender Offeror will give public notice to such effect through electronic disclosure as well as in the Nihon Keizai Shimbun.

However, if it is difficult to give notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give such public notice promptly thereafter.

If the terms or conditions of the Tender Offer are changed, the Tender Offeror will purchase the Tendered Share Certificates, Etc., including those which are tendered on or prior to the date of such public notice, in accordance with the terms and conditions as changed.

f. Method of Disclosure if Amended Statement is Submitted

If the Tender Offeror submits an amendment to the Tender Offer Registration Statement to the Director-General of the Kanto Local Finance Bureau (except in the case prescribed in the proviso of Article 27-8, Paragraph 11 of the Act), the Tender Offeror will promptly make an official announcement of the details of such amended statement to the extent relevant to the contents of the public notice of the Tender Offer, pursuant to the method set forth in Article 20 of the TOB Ordinance. The Tender Offeror will also promptly amend the explanatory statement and provide the amended explanatory statement to the Tendering Shareholders, Etc., who have received the original explanatory statement. If the extent of the amendments is limited, however, the Tender Offeror will convey the changes to the Tendering Shareholders, Etc., by preparing and delivering to the Tendering Shareholders, Etc. a document stating the reason for the amendments, the matters amended and the details thereof.

g. Method of Disclosure of Results of Tender Offer

The Tender Offeror will announce the results of the Tender Offer in accordance with methods stipulated in Article 9-4 of the Enforcement Order and Article 30-2 of the TOB Ordinance on the day following the last day of the Tender Offer Period.

h. Other matters

The Tender Offer is not and will not be made, directly or indirectly, in or to the U.S., or by using the U.S. postal service or any other means or instruments of interstate or foreign commerce (including, but not limited to, telephone, telex, facsimile, e-mail, and internet communication), or through any facilities of a securities exchange in the U.S. No one can tender investment units in the Tender Offer by any means or instruments above, or through any facility above, or from the U.S.

In addition, the tender offer registration statement relating to the Tender Offer and other related documents are not and may not be sent or delivered by the postal service or any other means in, to, or from the U.S. Any tender of investment units in the Tender Offer that directly or indirectly breaches any of the restrictions above will not be accepted.

Each of shareholders who tenders their shares in the Tender Offer (or the standing proxy in the case of the foreign shareholders, etc.) may be required to represent and warrant the following to the Tender Offer Agent or its subagent when tendering their shares in the Tender Offer:

(i) The tendering shareholder is not located in the U.S. at the time of tendering his/her share or sending the tender offer acceptance form; (ii) the tendering shareholder did not receive or send any information regarding the Tender Offer or any document related to the purchase, etc., directly or indirectly, in, to or

from the U.S.; (iii) the tendering shareholder did not use, directly or indirectly, the U.S. postal service or any other means or instruments of interstate or foreign commerce (including, but not limited to, telephone, telex, facsimile, e-mail, and internet communication) or any facilities of a securities exchange in the U.S. with respect to the purchase, etc. or for signing or delivering the tender offer acceptance form; and (iv) the tendering shareholder is not acting as an attorney, a trustee or a mandatary without discretion for any other person (except for the case where the latter provides all instructions for the purchase, etc. from outside the U.S.).

(10) Date of Notice of Commencement of Tender Offer

November 14, 2022 (Monday)

(11) Tender Offer Agent

SMBC Nikko Securities Inc.

3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo

3. Policies and Future Outlook after Tender Offer

(1) Policies, Etc. after the Tender Offer

Please refer to “c. Management Policy after the Tender Offer” of “(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy after the Tender Offer”, “(4) Policies for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to So-called “Two-step Acquisition”)", and “(5) Possibility of Delisting and Reasons Therefor” under “1. Purpose, Etc. of Purchase, Etc.” above.

(2) Future Outlook

The impact of the Tender Offer on the Tender Offeror’s performance will be announced promptly if any facts arise that should be made public in the future.

4. Others

(1) Existence and Content of Agreement between the Tender Offeror and the Target Company or its Directors

The Target Company resolved, at the meeting of its board of directors held today, to express an opinion to support the Tender Offer and to recommend that the shareholders of the Target Company tender their shares in the Tender Offer.

For details of the decision-making of the Target Company, please refer to the Target Company’s Press Release, and “e. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Audit & Supervisory Board Member at the Target Company” in “(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” under “1. Purpose, Etc. of Purchase, Etc.” above.

(2) Other Information Deemed Necessary for Investors to Decide Whether to Tender Their Shares to the Offer, Etc.

a. Announcement of “Notice Concerning Revision of Year-End Dividend Forecast (No Dividend)”

At the board of directors meeting of the Target Company held today, the Target Company resolved to revise the dividend forecast for the fiscal year ending March 2023 and not to pay year-end dividends for the fiscal year ending March 2023, subject to the consummation of the Tender Offer. For details, please refer to “Notice Concerning Revision of Year-End Dividend Forecast (No Dividend)” that was announced by the Target Company as of today.

b. Announcement of “Notice Concerning Revision of Full-Year Earnings Forecasts”

The Target Company announced “Notice Concerning Revision of Full-Year Earnings Forecasts” as of today and revised its earnings forecasts figures for the fiscal year ending March 2023, which was announced by the Target Company on May 12, 2022. The revisions to the earnings forecasts are as follows. For details, please refer to “Notice Concerning Revision of Full-Year Earnings Forecasts”

	Net sales	Operating income	Ordinary income	Net income attributable to owners of the parent	Net income per share
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Yen
Previous forecasts (A)	52,180	3,210	3,110	2,100	396.88
Revised forecasts (B)	54,000	3,310	3,900	2,820	532.96
Difference (B-A)	1,820	100	790	720	
Increase/decrease (%)	3.5%	3.1%	25.4%	34.3%	
Results for the fiscal year ended March 2022 (for reference)	43,801	1,887	2,571	2,312	437.02