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**Notice Regarding Commencement of Tender Offer
for Takisawa Machine Tool Co., Ltd. (Securities Code: 6121)**

Nidec Corporation (the "Tender Offeror") announces that the Tender Offeror has decided to acquire, through a tender offer under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended, the "Act") and related laws and regulations (the "Tender Offer"), the common share (the "Target Company Shares") of Takisawa Machine Tool Co., Ltd. (Securities Code: 6121. The "Target Company"), which is listed on the Standard Market of the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"). Details are as follows:

1. Purpose, etc. of the Purchase, etc.

(1) Overview of the Tender Offer

As announced in the "Notice Regarding Scheduled Commencement of Tender Offer for Takisawa Machine Tool Co., Ltd. (Securities Code: 6121)" dated July 13, 2023 (the "Tender Offeror's Press Release"), the Tender Offeror has resolved, at a meeting of its Board of Directors held on the same day, to conduct the Tender Offer, which is one of a series of transactions (the "Transaction") for the purpose of making the Target Company a wholly owned subsidiary of the Tender Offeror, for the shares of the Target Company listed on the Standard Market of the Tokyo Stock Exchange, subject to the condition that the all of the following conditions precedent (the "Tender Offer Conditions Precedent") have been satisfied (or the Tender Offeror waives the Tender Offer Conditions Precedent.).

- (a) The Tender Offeror has determined that all procedures required under domestic and foreign competition laws and investment control laws and regulations are completed or are reasonably expected to be completed by the last day of the Tender Offer Period (the "Tender Offer Period").
- (b) There is no event that will have a material adverse effect on the Target Company's financial conditions (*i.e.*, a reason for which the tender offer can be withdrawn as stipulated in the proviso of Article 27-11, Paragraph 1 of the Act, or a reason similar or equivalent thereto; the same shall apply hereinafter).

Based on the results of a careful examination using domestic and foreign law firms, the Tender Offeror has determined that (i) procedures under competition laws and regulations in Japan and Vietnam and (ii) procedures under the regulations of the Committee on Foreign Investment in the United States (CFIUS) (procedures under the Defense Production Act of 1950), which is an investment control law in the United States, have been required to execute the Transaction. With respect to the acquisition of the Target Company's shares through the Tender Offer, (i) the Tender Offeror filed a prior notification with the Japan Fair Trade Commission on June 2, 2023, which was accepted on the same date, and received a notice of no cease-and-desist order on June 27, 2023, and the period of suspension from the acquisition expired on July 2, 2023, (ii) with respect to the procedures under Vietnamese competition laws and regulations, etc., the Tender Offeror filed a prior notification with the Vietnam Competition Commission on August 21, 2023, which was accepted as of September 13, 2023, and the waiting period under such procedures (initial review period: 30 days) will expire by the end of the Tender Offer Period (in the Tender Offeror's Press Release, the status of the procedures under the Vietnamese Competition Law was stated as "notified", but the notification was accepted as of September 13, 2023), and (iii) with respect to procedures based on the regulations of the Committee on Foreign Investment in the United States (CFIUS) (procedures based on the Defense Production Act of 1950), which is the investment regulatory law in the U.S., prior notification was filed with CFIUS on July 18, 2023, and the waiting period under such procedures expired on August 17, 2023 (the Tender Offeror confirmed as of August 29, 2023 that the waiting period under such procedure would expire on September 28, 2023 at the latest.). From these facts, as of September 12, 2023, the Tender Offeror has confirmed that the above condition precedent (a) has

been satisfied and that the above condition precedent (b) has also been satisfied. Therefore, as of the date of this press release, the Tender Offeror decided to commence the Tender Offer from September 14, 2023, at the discretion of Shigenobu Nagamori, Chairman and Representative Director, who was delegated with the final decision regarding the Tender Offer based on the resolution of the Board of Directors of the Tender Offeror dated September 9, 2023. The purchase price for the Tender Offer (the "Tender Offer Price") is set at JPY 2,600 per share as announced in the Tender Offeror's Press Release.

As a result of ongoing discussions with the Target Company since July 13, 2023 regarding the enhancement of the corporate value of both companies through the Transaction, as described below, on September 13, 2023, it is agreed (i) that the Target Company determined that it would support the Transaction and, if the Tender Offer is commenced, it would support for the Tender Offer and would recommend its shareholders to tender their shares to the Tender Offer, and (ii) the Tender Offeror would discuss with the Target Company certain management matters sincerely and in good faith in order to enhance the corporate value of the Target Company Group (Defined in "(i) Background, Purpose and Decision-Making Process of the Tender Offer" in "(2) Background, Purpose and Decision-Making Process of the Tender Offer and Management Policy after the Tender Offer" below.) and maximize the profit of the Tender Offeror Group, and agreed to execute a legally non-binding memorandum of understanding (the "Memorandum of Understanding") with the Target Company (For details of the Memorandum of Understanding, please refer to "(6) Matters Concerning Material Agreements Regarding the Tender Offer" below.).

As of the date of this press release, the Tender Offeror holds 100 shares of the Target Company (Ownership Ratio (Note 1): 0.00%). The Tender Offeror has set the minimum number of shares to be purchased in the Tender Offer at 3,193,900 shares (Ownership Percentage: 50.00%) (Note 2) (Note 3), and (i) if the total number of shares tendered in the Tender Offer (the "Tendered Share Certificates, Etc.") is less than the minimum number of shares to be purchased, the Tender Offeror will quit to purchase any of the Tendered Share Certificates, Etc. (ii) If the total number of the Tendered Shares, Etc. reaches 3,193,900 shares by the end of the Tender Offer Period (Please refer to (Note 4) below for the method by which the Tender Offeror will confirm the total number of the Tendered Shares, Etc.), the Tender Offeror will promptly announce such fact and extend the Tender Offer Period so that 10 business days can be secured as the Tender Offer Period from such time. The Tender Offeror believes that this will provide the Target Company's shareholders with an opportunity to make a decision (for or against) on the merits of the Transaction, apart from the opportunity to express their intention whether or not to tender their shares to the Tender Offer, and that this will eliminate any coercion effect, while the Tender Offeror has an intention to eliminate any and all of coercion effect but the Tender Offeror adopted this extension mechanism to cope with a theoretical possibility of any kind of coercion effect, if any. On the other hand, in the Tender Offer, the Tender Offeror will take into consideration the "Guidelines for Corporate Takeovers" (Note 5; hereinafter referred to as the "Guidelines for Corporate Takeovers") established by the Ministry of Economy, Trade and Industry as of August 31, 2023 and in order to eliminate coercion effect in the Tender Offer as much as possible, the Tender Offeror has not set the maximum number of shares to be purchased in the Tender Offer, and if the total number of the Tendered Share Certificates, Etc. exceeds the minimum number of shares to be purchased (3,193,900 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

(Note 1) "Ownership Ratio" refers to the ratio (rounded off to three decimal points; herein after the same for the calculation of ratio) of shares out of the number of shares (6,388,086 shares) calculated by subtracting the number of treasury shares that the Target Company owned as of June 30, 2023 (190,036 shares) described in the "Consolidated Financial Results for the First Quarter of the Fiscal Year Ended March 31, 2024" (the "Tender Offeror's Financial Results for the First Quarter") that the Target Company announced on July 31, 2023, from the total number of issued and outstanding shares of the Target Company as of the same date (6,578,122 shares) described in the 94th term first quarter report as of August 10, 2023 (the "Tender Offeror's Quarterly Securities Report") that the Target Company announced on August 10, 2023.

(Note 2) The minimum number of the planned purchase of shares is the number of shares calculated by multiplying the unit of the Target Company's shares (100 shares) by the number of the voting rights (31,940 (rounded up to the nearest whole number)) that is half or more of the number of voting rights (63,880) for the number of shares (6,388,086 shares), calculated by subtracting the number of the treasury shares that the Target Company owned as of June 30, 2023 (190,036 shares) described in the Tender Offeror's Financial Results for the First Quarter, from the total number of issued and outstanding shares of the Target Company as of August 10, 2023 (6,578,122 shares) described in the Tender Offeror's Quarterly Securities Report.

(Note 3) As pointed out in the "Guidelines for Fair M&A" formulated by the Ministry of Economy, Trade and Industry in June 2019, "As Passive Index Management Funds (Note 6) are expanding in scale, some investors among them who, in principle, do not tender their shares to any tender offer, regardless of whether the terms of the transaction are appropriate or not." The Tender Offeror understands that some ETFs (exchange-traded funds) and other Passive Index Management Funds that own the Target Company's shares do not, in principle, tender their shares to the tender offer, but that, based on past cases, some of them have a policy of exercising their voting rights to vote for squeeze-out in an



Extraordinary General Meeting of Shareholders to be held after such a tender offer. In light of the status of shareholders described in the Annual Securities Report for the 93rd Fiscal Year submitted on June 29, 2023 (the "Target Company Annual Securities Report") and the status of the portfolio announced by the Government Pension Investment Fund (GPIF) on July 7, 2023, there is a certain number of shares of the Target Company owned by such passive index funds.

Therefore, prior to the publication of the Tender Offeror's Press Release, the Tender Offeror requested Mita Securities Co. Ltd. ("Mita Securities"), the Tender Offer Agent for the Tender Offer, to analyze the number of shares expected to be tendered to the Tender Offer based on the premium level of the Tender Offer Price, including the number of shares of the Target Company expected to be held by the Passive Index Management Funds, and the number of affirmative voting rights at the extraordinary general meeting of shareholders scheduled to be held after the completion of the Tender Offer, based on the Target Company's Annual Securities Report, annual securities reports and large shareholding reports (including amendment reports thereto) submitted by the Target Company's shareholders, and the Target Company's shareholders' disclosure such as investment trust explanatory statements disclosed by the Target Company's shareholders, and database information provided by information vendors that provide various data on financial markets, etc. (Mita Securities has informed the Tender Offeror that it has referred to database information called Q's Share provided by QUICK Corporation.). At the same time, the Tender Offeror also requested Mita Securities to examine estimates of voting behavior (voting behavior at the Extraordinary General Meeting of Shareholders (Defined in "(4) Policy on matters including organizational restructuring after the Tender Offer (matters concerning the so-called Two-Step Acquisition)" below. The same applies hereinafter), considering the assumed fact that the Tender Offer is successfully completed, i.e., more than 50.00% of the shares have been tendered to the Tender Offer) associated with the attributes of shareholders within the Target Company's shares. As a result, (i) with respect to the number of those shareholders who, regardless of the suitability of the terms of the Tender Offer, will not in principle accept the Tender Offer, but who if the Tender Offeror acquires a majority of the number of voting rights to be purchased in the Tender Offer and the Tender Offer is consummated, will vote in favor of the special resolution for the proposal at the Extraordinary Shareholders' Meeting for the Share Consolidation (Defined in "(4) Policy on matters including organizational restructuring after the Tender Offer (matters concerning the so-called Two-Step Acquisition)" below. The same shall apply hereinafter), the Tender Offeror received from Mita Securities that Mita Securities would not be able to accurately analyze such number, but Mita Securities estimated that the total number of such shares is the number of shares owned by the Passive Index Management Funds (approximately 7.96% in terms of Ownership Ratio). In addition, in the examination at the time before the Memorandum of Understanding is expected to be executed, (ii) assuming that the Target Company would express an opinion other than in favor of the Tender Offer, and although it is uncertain whether the Target Company would support the Tender Offer in such case, if the Tender Offer is completed and the Extraordinary Shareholders' Meeting is held, the number of shareholders who are expected to vote in favor of the Special Resolution for the Share Consolidation Proposal at such shareholders' meeting is expected to be totally approximately 18.47% in terms of Ownership Ratio (Note 7); the number of shares owned by the above-mentioned Passive Index Management Funds (approximately 7.96%), the number of shares owned by the Target's employee stock ownership plan (approximately 1.25%), the number of shares owned by the Target's directors (approximately 0.66%), and the number of shares held by the Target Company's business partners' stock ownership plan (approximately 8.60%) . Even if the number of Target Company shares held by the Tender Offeror after the Tender Offer is completed is near the minimum number of shares to be purchased, it is expected that the requirements for the resolution approving the Share Consolidation will be met.

Thereafter, the Tender Offeror requested Mita Securities to re-examine estimates of voting behavior on September 6, 2023 assuming that the Target Company issues its opinion to support the Tender Offer and to recommend shareholders to tender their shares to the Tender Offer, because it is expected that the Memorandum of Understanding becomes to be executed as of September 13, 2023. As a result, (i) even if shareholders who chose not to tender their shares to the Tender Offer, if the Tender Offer is successfully completed and the Tender Offeror's Ownership Ratio remains between 50% and two-thirds, there are likely to be a certain number of shareholders who understand the Target Company's intentions and support the proposal for the Share Consolidation that is submitted after the Target Company expresses its opinion in favor of the Tender Offer and recommends that shareholders to tender their shares to the Tender Offer, although it is difficult to estimate the exact percentage of shareholders who support such a proposal. (ii) The number of shares required for the Share Consolidation Proposal to be approved is generally calculated by multiplying the overall Ownership Ratio (100.00%) by the average ratio of voting rights exercised at the Target Company's ordinary general meeting of shareholders for the last five fiscal years (approximately 67.94%) (Note 8) (the "Voting Ratio") and the Ownership Ratio is considered to be the ratio (approximately 45.30%) obtained by multiplying the number of shares held by the Tender Offeror (in which case, the minimum ratio assumed is approximately 50.00%) and the number of shares held by the Passive Index Management



Funds (in which case, the minimum ratio assumed is approximately 50.00%) after the completion of the Tender Offer. The number of shares (approximately 57.96%), which is the total of the number of shares held by the Tender Offeror (in which case the assumed minimum shareholding ratio would be approximately 50.00%) and the number of shares held by the Passive Index Fund (approximately 7.96%) (according to Mita Securities, the number of shares owned by the Passive Index Management Funds is estimated to be the total of those owned by the GPIF (approximately 3.99%) and those owned by private Passive Index Management Funds (approximately 3.98%) (approximately 7.96% in total), and in this regard, the Target Company has not confirmed that the GPIF is a Passive Index Management Fund. It seems that the Target Company does not classified GPIF as a Passive Index Management Fund. Mita Securities was informed by GPIF that the majority of its funds (according to information disclosed by GPIF on its website, 93.65% of the domestic stocks managed by GPIF are passively managed as of the end of fiscal year 2021). The Target Company's stocks listed on the Standard Market (TOPIX) are passively managed using TOPIX as the benchmark, and since active management generally requires securing a certain scale of stock trading opportunities in the market, stocks in the Prime Market, where market capitalization and volume are relatively large, are considered to be the main targets of active management. Therefore, the analysis shows that investment in the Target Company listed on the Standard Market is classified as passive management.), is estimated to be well in excess of the said level (approximately 45.30%).

In addition, the Tender Offeror requested Mita Securities to analyze the probability that the proposal for the Share Consolidation will be approved on a more conservative basis, taking into consideration that the shareholder composition of the Target Company will change from the time before the commencement of the Tender Offer, since the number of investors who purchase the Target Company's shares in the market is expected to increase after the announcement of the Tender Offer (which refers to a case in which a premium is attached to the Tender Offer Price). According to Mita Securities, such investors tend to think that the risk of not settling the tender offer for all or part of the shares acquired is low, given that there is no upper limit to the number of shares to be purchased under the terms of the tender offer, and the level of the lower limit is not necessarily important in relative terms. In general, the majority of investors tend to take investment actions to earn trading profits by tendering their shares acquired in the market through the tender offer, and it is believed that few investors intend to remain as shareholders after the completion of the tender offer. If the probability of such a proposal being approved were to be considered more conservative, (i) the maximum value of the Target Company's voting right exercise ratio over a certain period (instead of the average value) or (ii) the ratio of voting rights exercised in a case of the same type as the Tender Offer (hereinafter referred to as the "similar case") (Note 9), the Tender Offeror decided to also refer to such conservative analysis because the Tender Offeror was able to obtain a more conservative analysis result. As a result, (i) after the completion of the Tender Offer, the total number of shares (approximately 57.96%), which is the sum of the number of shares held by the Tender Offeror (in which case the assumed minimum shareholding ratio is approximately 50.00%) and the number of shares held by the Passive Index Management Fund (approximately 7.96%), will be the largest shareholder voting ratio at the Target Company's last five annual general meetings of shareholders (approximately 73.48%) (the "Maximum Voting Ratio") at its ordinary general meeting of shareholders for the last five fiscal years which is estimated to still exceed approximately 48.99%; and (ii) According to the analysis of similar cases (Note 9), the ratio of voting rights exercised by shareholders other than the tender offeror with respect to the Share Consolidation proposal after the completion of the tender offer will be significantly lower than the ratio of voting rights exercised at ordinary general meetings of shareholders, and the total of the number of shares held by the tender offeror (in which case the assumed minimum shareholding ratio is approximately 50.00%) and the number of shares held by the passive index management fund (approximately 7.96%) will be approximately 57.96% of the total number of shares held by the tender offeror. Even under the extreme hypothetical scenario that all of the shareholders other than the Passive Index Management Funds (approximately 42.04% of the total) voted against the Share Consolidation Proposal, the figure would be calculated by adding the maximum voting rights (approximately 73.48%) and the Average Voting Rights Variation Rate (approximately 58.84%) (defined in Note 9) to the shareholder's ownership (approximately 42.04%). In this case, the ratio of approval of the proposal for the Share Consolidation is estimated to be approximately 76.12%, which is more than two-thirds which is the threshold to be required to pass the resolution.

The Tender Offeror is not aware that these calculations by Mita Securities are based on publicly available information from the Target Company and its shareholders, that the averages and maximum values for a certain period of time were used in calculating the aforementioned ratio of voting rights exercised, that the results of the calculations were derived after analyzing the ratio of voting rights exercised for the Share Consolidation Proposal in a similar case as described in (ii) above, or that any other methods used in the calculations by Mita Securities (including the use of the most recent five years of data that is considered reliable for understanding trends in voting rights exercised in analyzing the ratio of voting rights exercised). Based on these points, the Tender Offeror determined the minimum number of shares to be purchased in the Tender Offer to be reasonable and determined

the minimum number of shares to be purchased in the Tender Offer based on the content of the said trial calculation.

- (Note 4) As a specific method of confirmation, the Tender Offeror will set 3:30 p.m. (meaning Japan Standard Time; the same shall apply hereinafter in this Note) on each business day during the Tender Offer Period (the same shall apply during the extended Tender Offer Period in the event that the Tender Offeror confirms that the number of Tendered Share Certificates, Etc. has reached the minimum number of shares to be purchased (3,193,900 shares) by the method described in this Note and extends the Tender Offer Period) as the reference time and will have the Tender Offer Agent and Monex, Inc. as the Sub-Agent for the Tender Offer. (i) count the number of shares actually tendered in the agent's securities account as of said reference time and (ii) report to the Tender Offeror by 4:45 p.m. on the same day. If, based on such report, the Tender Offeror confirms that the number of Tendered Shares, Etc. has reached the lower limit of shares to be purchased (3,193,900 shares) as of such date, the Tender Offeror will announce such fact on the same day or the following business day (However, only the last day of the Tender Offer Period shall be the same day.). The Tender Offeror believes that the possibility of the total number of Tendered Share Certificates, Etc. falling below the minimum number of shares to be purchased as a result of tenders being withdrawn by tendering shareholders after the Tender Offeror confirms and announces that 3,193,900 or more shares have been tendered, which is the minimum number of shares to be purchased, is reasonably low considering the premium level of the Tender Offer Price. However, if for some reason a large number of tendering share certificates and other securities are withdrawn and the number of shares tendered in the Tender Offer falls below the minimum number of shares to be purchased, the Tender Offeror will promptly make a public announcement to that effect and, if the number of tendered share certificates and other securities reaches the minimum number of shares to be purchased (3,193,900 shares) again, the Tender Offeror will make an announcement to that effect.
- (Note 5) According to the Tender Offeror's recognition, (i) the purpose of the Guidelines is to present principles and best practices that should be shared in the economic community toward the formation of fair rules for M&A, focusing on how parties should act in acquiring control of a listed company; and (ii) in light of the history of discussions at the Ministry of Economy, Trade and Industry, which has been published as part of the process leading to the formulation of the Guidelines for Corporate Takeover Behavior, the Guidelines have been evaluated by many securities market participants as being an appropriate guideline, and the Tender Offeror, as a securities market participant, is required to comply with the Guidelines in relation to this Transaction.
- (Note 6) The term "Passive Index Management Fund" means any fund intended to secure a profit ratio equivalent to the market average by operating funds to interlink the results of investments with the share price and other indexes, that serve as the benchmarks of shares and other assets for investment.
- (Note 7) Specifically, the Tender Offeror had received the following analysis from Mita Securities, the Tender Offer Agent: In particular, (i) taking into consideration the specific shareholder composition of the Target Company, the Target Company's shares by the Target Company's employee shareholding association (approximately 1.25%), the Target Company's directors (approximately 0.66%), and the Target Company's business partner shareholding association (approximately 8.60%) (which together account for approximately 18.47%), although the Tender Offer is completed but if a situation arises where the Tender Offeror's Ownership Ratio remains between 50% and two-thirds, one of the factors may be the existence of Passive Index Management Funds (approximately 7.96% in terms of shareholding ratio) that, as mentioned above, do not in principle apply for the Tender Offer regardless of the suitability of the Tender Offer's terms., (ii) The existence of a certain number of shareholders who hold the Target Company's shares as policy holdings or for similar purposes and who, assuming that the Board of Directors of the Target Company does not express an affirmative opinion at the time of the Tender Offer, understand the content of the Target Company's opinion and refrain from tendering their shares (although it is difficult to make an exact estimate), although it is difficult to make a precise estimate, Mita Securities believes that at least the employee shareholding association of the Target (approximately 1.25%), the directors of the Target (approximately 0.66%), and the business partner shareholding association of the Target (approximately 8.60%) (approximately 10.51% in total) would fall under such shareholders among the Target's shareholders) (in addition to these shareholders, there are likely to be other shareholders who will refrain from tendering their shares regardless of the content of the Target Company's Board of Directors' opinion, but it is difficult to predict whether such shareholders will vote in favor of the Share Consolidation Proposal at the subsequent Extraordinary Shareholders' Meeting), but (ii) on the other hand, after the Tender Offer is completed, the existence of Passive Index Management Funds that will vote in favor of the Squeeze-Out Proposal at the Extraordinary General Shareholders' Meeting (Passive Index Management Funds generally vote in favor of the proposal at the General Shareholders' Meeting after the Company expresses its support for the Squeeze-Out Proposal) and, in practice, the Board of Directors of the Target Company generally shows a certain understanding of the management policies, etc. of the Tender Offeror, which has become the new parent company, and often conducts its business operations under policies consistent with those of the parent company.

(Note 8) According to the Annual Securities Report of the Target Company, the number of voting rights as of the record date of the 93rd Ordinary General Meeting of Shareholders held on June 29, 2023 was 63,675, but according to the Extraordinary Report submitted by the Target Company on July 4, 2023, the number of voting rights actually exercised at the shareholders meeting was 38,538 on average for all proposals. This means that the voting rights corresponds to approximately 60.52% of the total number of voting rights actually attending to the shareholders meeting were exercised. Similarly, when calculating the ratio of voting rights exercised, the average voting rights attending to and exercised at the 92nd annual general meeting of shareholders was approximately 67.00%, that of the 91st annual general meeting of shareholders was approximately 73.48%, that of the 90th annual general meeting of shareholders was approximately 70.00%, and that of the 89th annual general meeting of shareholders was approximately 68.71%, and thus the average voting rights attending to and exercised at the Target Company's last five annual general meetings of shareholders was approximately 67.94% (the maximum ratio of voting rights exercised during the relevant period was approximately 73.48% at the 91st annual general meeting of shareholders).

(Note 9) The term "similar cases" refers to a total of 37 cases announced after January 2020 that are tender offers without a maximum number of shares to be purchased by a person other than the issuer for the purpose of making the Target Company a wholly-owned subsidiary, which are tender offers targeting domestic listed companies (excluding those listed on Tokyo PRO Market) in which the shareholding ratio of the Target Company by the tender offeror (including its special related parties) is less than 33.34% before the commencement of the relevant tender offer (provided, however, that the above analysis does not include REIT targets, unsuccessful tender offers, two-step tender offers, so-called discount tender offers, squeeze-outs in which a request for sale of shares was selected as the squeeze-out method, and tender offers in which the share price changed due to competing tender offers before the start of the tender offer.). As a result of analyzing such 37 cases, the average ratio of the ratio of voting rights exercised in relation to the Share Consolidation Proposal (squeeze-out proposal) (excluding, however, the number of units exercised by the tender offeror from such calculation) divided by the ratio of voting rights exercised at the most recent annual shareholders meeting of the target company in each case was approximately 58.84% ("Average Voting Rights Variation Ratio").

In addition, if the Tender Offer is successful and, if, as a result of the Tender Offer, and if (i) the Tender Offeror comes to hold two-thirds or more of the voting rights of all shareholders of the Target Company, the Tender Offeror plans to implement the Squeeze-Out Procedure as described in "(4) Post-Tender Offer Policy for Organizational Restructuring (Matters Concerning So-called Two-Step Acquisition)" below. And, (ii) even if the Tender Offeror does not hold two-thirds of the voting rights of all shareholders of the Target Company, the Tender Offeror plans to request the Target Company to hold the Extraordinary Meeting of Shareholders below. As described in (Note 3) and (Note 7) above, even if the Tender Offeror acquires only a majority, which is the lower limit of the number to be purchased, in the Tender Offer, the Tender Offeror believes that it will be able to obtain the votes necessary to pass the resolution to approve the Squeeze-Out Procedure by the Extraordinary Meeting of Shareholders.

Provided, however, that the case is possible where the Tender Offer being successful, but the voting rights held by the Tender Offeror for the Target Company's shares falls below two-thirds of the total voting rights of the Target Company's shareholders, and then the number of shareholders expected to vote in favor of the Share Consolidation resolution at the Extraordinary Meeting of Shareholders differs from that anticipated and resulting in the total voting rights falling below two-thirds. In that case, it would become difficult to obtain approval for the Share Consolidation resolution at the Extraordinary Meeting of Shareholders, as stated in "3. Post-Tender Offer Policy for Organizational Restructuring (Matters Concerning So-called Two-Step Acquisition)" below. Nonetheless, even if such approval is not obtained, the Tender Offeror aims to ultimately acquire all the Target Company's shares (excluding the shares owned by the Tender Offeror and treasury shares held by the Target Company). To eliminate such a possibility, the Tender Offeror plans to acquire additional shares of the Target Company until reaching a number of shares equivalent to the voting rights calculated by multiplying two-thirds of the total voting rights at the Extraordinary Meeting of Shareholders, and in the event that approval for such resolution is not obtained at that Extraordinary Meeting of Shareholders, until reaching a number of shares equivalent to the voting rights calculated by multiplying two-thirds of the total voting rights at the subsequent general shareholders' meeting, which is planned to be held. This is to hold a shareholders' meeting for the approval of the Share Consolidation. In other words, the Tender Offeror intends to obtain, at a price to be determined based on the market share price as of the timing of the acquisition of additional shares; provided that the purchasing price must be a reasonable price that, compared with the Tender Offer Price, is not evaluated as economically unreasonable for the shareholders who sell their shares in response to the additional share acquisition (in this regard, please note that unless an event requiring adjustment occurs, such as the Share Consolidation Proposal by the Target Company, the Tender Offer Price per share will be the same as the Tender Offer Price), additional shares of the Target Company by way of on- and off-market transactions that are not the Tender Offer (to the extent legally permitted), and in the end, acquire the number of shares equivalent to two-thirds of the number of voting rights related to the number of



shares obtained by deducting the number of treasury shares owned by the Target Company from the total number of issued shares of the Target Company. At present, it is difficult to specify the period required for such additional acquisition and the subsequent approval of the Share Consolidation at the General Meeting of Shareholders, as it will depend on market conditions and other circumstances, but the Tender Offeror plans to complete the process and obtain approval for the Share Consolidation no later than the annual shareholders meeting of the Target Company scheduled for June 2024. The Tender Offeror will inform when the specific timing is finalized. If the Tender Offer is completed, the Tender Offeror does not intend to change its policy of making the Target Company a wholly-owned subsidiary of it, regardless of the expected timing of the additional share acquisition. Please refer to (Note 3) and (Note 7) above regarding the fact that the Tender Offeror believes that there is a high probability that the proposal for the Share Consolidation will be approved if the Tender Offer is successful.

Please note that the consideration to be paid by the Tender Offeror to the shareholders in the Squeeze-Out Procedures will be the same amount as the Tender Offer Price, and the consideration to be paid by the Tender Offeror to the shareholders in the Additional Acquisition above will be economically equivalent to the Tender Offer Price.

As announced in the Tender Offeror's Press Release, from January to March both in 2022, the Tender Offeror proposed to Mr. Kazuhiro Harada, Representative Director of the Target Company, a capital and business alliance (the "2022 Proposal") between the Target Company and Nidec Drive Technology Corporation (formerly, Nidec-Shimpo Corporation), a subsidiary of the Tender Offeror. However, the Target Company's Board of Directors refused to discuss with the Tender Offeror the 2022 Proposal, without an explanation of any particular reason. Subsequently, the Tender Offeror continued contemplating to expand its business through acquisitions, and to make the machine tool businesses a new pillar of business for the Tender Offeror Group (collectively refers to the Tender Offeror and its subsidiaries and affiliated companies; the same shall apply hereinafter). In February of 2023, the Tender Offeror newly acquired PAMA S.p.A., an Italian machine tool manufacturer ("PAMA") and its affiliated companies. Further, as a step toward strengthening its presence in the machine tool industry, the Tender Offeror once again considered a business alliance with the Target Company from which the Tender Offeror can expect very significant synergies with its group in late February of 2023, and considering that the 2022 Proposal was refused, the Tender Offeror submitted the Letter of Intent (please refer to the attached "Letter of Intent") to the Target Company.

Please note that (i) the Tender Offeror believes that there is a high probability that making the Target Company a wholly-owned subsidiary will realize various synergies such as sales synergies (e.g., sales channel expansion and cross-selling through unification and mutual utilization of customer bases due to the complementary relationship between the products of both companies) and cost synergies (e.g., cost reduction through shared parts procurement and larger purchasing lots, and promotion of overseas procurement and overseas production). Also, (ii) the Tender Offer Price has been set at 2,600 JPY per share, which represents a premium of approximately 104.89%, 104.40%, and 112.94% over the average closing market prices of the Target Company's shares for the past one month, three months, and six months, respectively, ending on July 12, 2023. The Tender Offeror believed that the price with this premium level will enable the Tender Offeror to provide the Target Company's shareholders with more than sufficient "benefits to be enjoyed by shareholders" as described in the "Proposed Guidelines for Actions in Corporate Takeovers" published by the Ministry of Economy, Trade and Industry on June 8, 2023, namely, "value that can be realized without a takeover", and to realize a fair distribution of "value that cannot be realized without a takeover" as well. The Tender Offeror believed that the Transaction as a whole was a "desirable acquisition" as recommended in the Proposed Guidelines for Corporate Takeover Bids. The Tender Offeror has retained TMI Associates and is receiving legal advice from TMI as its legal advisor for the Transaction.

(Note 10)The Proposed Guidelines for Corporate Takeovers, which will accept public comments from Thursday, June 8, 2023, through Sunday, August 6, 2023, has not been finalized at July 12, 2023. However, given the aforementioned period to accept above public comments, the Tender Offeror expects that official guidelines based on the Proposed Guidelines for Corporate Takeovers will have been determined as of the commencement of the Tender Offer. The Tender Offeror also expects that the question of whether, at the stage of launching the Tender Offer, the Tender Offeror acted and reacted in accordance with the Proposed Guidelines, which could have been foreseen to be in effect as of the date of the announcement of the Transaction, may be the subject of retrospective review.

In addition, based on the belief that the implementation of a transaction that enhances the Target Company's corporate value and appropriately secures the value of the Target Company's shareholders will be beneficial not only to the Target Company and its shareholders, but also to the Japanese economy and society as a whole, the process has been designed in detail throughout the Transaction to ensure compliance with the Proposed Guidelines for Corporate Takeover Behavior, and assuming that the Target Company will naturally take actions in accordance with the Proposed Guidelines, it is expected to make a sincere acquisition proposal that enables the Target Company to seriously consider the acquisition, as required by the Proposed Guidelines, and to disclose specific information that contributes to the market's judgment, such as the terms and conditions of the Tender Offer and the scheduled commencement date of the Tender Offer, after having a reasonable basis

for the Target Company's actual purchase. Specifically, as described above, on July 13, 2023, the Tender Offeror submitted to the Target Company the Letter of Intent containing the Tender Offeror's detailed proposal for the Transaction, and also published the Tender Offeror's July 13, 2023 Press Release. As stated above, the Tender Offeror expected that the Target Company would naturally take actions in accordance with the proposed guidelines, since it was anticipated that formal guidelines based on the said guidelines would have been determined by the time the Tender Offer commenced and the Target Company is also a member of the securities market participants as a listed company.

In response to the submission of the Letter of Intent, on July 28, 2023, the Target Company delivered to the Tender Offeror a list of necessary information as described in the attached "Summary of Questions and Answers", requesting the Target Company's Board of Directors and the special committee (the "Special Committee") established by the Target Company to consider the proposal set forth in the Letter of Intent. In response, the Tender Offeror submitted to the Target Company on August 1, 2023 a written response to the list of necessary information as shown in the attached "Summary of Questions and Answers". Subsequently, on August 17, 2023, the Target Company delivered to the Tender Offeror another list of necessary information (for the second time) requesting the Tender Offeror to provide additional information as described in the attached "Summary of Questions and Answers". In response, the Tender Offeror submitted to the Target Company a written response (for the second time) to the list of necessary information (for the second time) on August 22, 2023, as described in the attached "Summary of Questions and Answers".

Subsequently, on September 5, 2023, discussions were held between the Tender Offeror and the Target Company regarding the enhancement of the corporate value of the Target Company Group, including the inclusion of the Target Company under the umbrella of the Tender Offeror, based on the said response and the response (for the second time), and subject to consultation by the Special Committee and approval by a resolution of the Board of Directors based on such consultation. The Board of Directors of the Target Company decided to discuss the management policy of the Target Company Group after the Transaction by the business day preceding the commencement date of the Tender Offer on the assumption that the Transaction will proceed amicably as the direction as of the same date.

As a result of the above-mentioned discussions between the Tender Offeror and the Target Company, the Tender Offeror entered into a legally non-binding Memorandum of Understanding with the Target Company on September 13, 2023. In the Memorandum of Understanding, it is agreed that the Board of Directors of the Target Company agrees to support the Tender Offer and to recommend the shareholders of the Target Company to tender their shares to the Tender Offer. For details of the Memorandum of Understanding, please refer to "(6) Matters Concerning Material Agreements on the Tender Offer" below.

According to the "Notice of Opinion to support the Tender Offer for Shares of our Company by Nidec Corporation and to recommend for Tendering Shares" (the "Target Company's Opinion") released by the Target Company on September 13, 2023, the Target Company's Board of Directors approved the execution of the Memorandum of Understanding and decided to approve the Tender Offer and recommend that the shareholders of the Target Company tender their shares in the Tender Offer. For details of the decision of the Target Company's Board of Directors, please refer to the Target Company's Opinion and "(2) Background, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer," "(ii) Decision-Making Process and Reasons at the Target Company" and "(3) Measures to Ensure the Fairness of the Tender Offer Price and to Ensure the Profitability of the Tender Offer" "(vi) Approval of All Directors (Including Directors Who Are Audit Committee Members) Without Interests in the Target Company. ".

(2) Background, Purpose and Decision-making Process Which Led to the Decision to Implement the Tender Offer and Management Policy After the Tender Offer

(i) Background, purpose and decision-making process which led to the decision to implement the Tender Offer

Since its founding in July 1973, the Tender Offeror had a goal of becoming a global company that represents Japan, and has used the company name of "Nihon Densan Kabushiki-gaisha" until today. Now, celebrating its 50th anniversary, the company has changed its Japanese name to "Nidec Kabushiki-gaisha" in April 2023. The Tender Offeror Group (which collectively means the Tender Offeror and its subsidiaries and affiliates; the same shall apply hereinafter) had net sales of 2,242.8 billion yen on a consolidated basis in the fiscal year ended March 31, 2023. The group's operating profit during the same fiscal period stood at 100.1 billion yen, with a capital investment of 137.8 billion yen, and research and development expenses of 81.3 billion yen. The group has a total of 347 companies, consisting of 343 consolidated subsidiaries and four equity-method affiliates in 46 countries. The entire Tender Offeror Group has a workforce of 106,592 people, as it enjoys its constant and significant growth. In the stock market, the market capitalization is valued at ¥ 4,392.2 billion (based on the closing price as of September 12, 2023).

This growth would not have been possible without the participation of companies with high-precision and high-efficiency technology in the Tender Offeror Group. Since its founding, the Tender Offeror has actively conducted M&As globally, and 72 companies have joined the Tender Offeror Group as of today. Each company has achieved steady growth by adopting the management techniques of the Tender Offeror Group and by realizing synergies with other companies of the Tender Offeror Group. As an example, Nidec Advance Technology Corporation (formerly, Nidec-Read Corporation), which manufactures and sells testing



equipment, and which joined the Tender Offeror Group in 1997, has been part of the Tender Offeror's thorough PMI (Post Merger Integration) activities. As a result, compared with fiscal year ended March 1997 before joining the Tender Offeror Group, the company's sales increased approximately 36 times, and its operating profit, approximately 121 times in the most recent fiscal year ended March 2023, leading the company to achieve outstanding rapid growth in its financial performance including revenues and operating profits among the Tender Offeror Group companies. In another example, Nidec Instruments Corporation (formerly, Nidec Sankyo Corporation), which joined the Tender Offeror Group in 2003, is a company with a long history founded in 1946. After falling into a financial struggle at a point in time, the company joined the Tender Offeror Group to overcome it. After joining the Tender Offeror Group, by expanding the scope of its business to include motors, motor drive units, card readers, and industrial robots, which has a high affinity with its existing technology and for which it can utilize technical and management know-how accumulated in the Tender Offeror Group, the company continues to grow steadily and stably. While continuing to manufacture music box movements, the company's founding business and the symbol of its corporate culture, Nidec Instruments Corporation has transformed the profit structure of its existing business and has turned profitable through organic growth (growth utilizing only its own managerial resources without impacts from M&A) by utilizing the Tender Offeror Group's management methods cultivated through the business operations of other group companies. Furthermore, the company has transformed itself into a company capable of conducting M&A followed by PMI of other companies such as Nidec Material Co., Ltd., Tokyo Maruzen Industry Co., Ltd., and Nidec Genmark Automation, Inc. of the US. Going forward, the Tender Offeror will unite the technological capabilities of the companies in the entire group and grow sustainably for the next 100 years and beyond as the Tender Offeror Group, to become the world's leading solution-providing business enterprise that solve many challenges that all humanity faces.

Among such efforts, by positioning "the machine tool business" as a pillar of its new businesses, the Tender Offeror Group welcomed Mitsubishi Heavy Industries Machine Tool Co., Ltd. (currently, Nidec Machine Tool Corporation) in 2021, OKK Corporation (currently, Nidec OKK Corporation) in 2022, and PAMA, an Italian machine tool manufacturer, and its affiliates, in 2023. Among these newly joined companies, Nidec Machine Tool Corporation, which had been in the red for 16 consecutive months before joining the Tender Offeror Group, became profitable on a monthly basis only two months after joining the Tender Offeror Group, and achieved further profit growth in the fiscal year ended March 2023. Nidec OKK Corporation, which had posted an operating loss in the fiscal year ended March 2022, when the company joined the Tender Offeror Group, turned profitable in the first quarter of the following fiscal year. Thus, all the companies successfully turned themselves around after joining the Tender Offeror Group and are growing steadily as pillars of the Tender Offeror Group's new businesses. When welcoming the aforementioned three companies into its Tender Offeror Group, the Tender Offeror, while, as it did in its past M&As, making a good use of positive elements of their long-nurtured corporate cultures, it is constantly enhancing its profitability, power of growth and competitiveness by conducting PMI that combines the Tender Offeror's corporate philosophies and business policies from its foundation.

According to public information such as the Target Company Annual Securities Report, in August 1922, Mr. Shusaku Takisawa and Mr. Hichisaburo Takisawa established Takisawa Machine Tool Co., Ltd. in the city of Osaka for the purpose of manufacturing and selling various machine tools such as drilling machines and lathes. In April 1935, Takisawa Machine Tool Co., Ltd. was reorganized into a general partnership company, and a joint-stock company in October 1944. After having listed on the Second Section of the Osaka Stock Exchange in September 1962, in May 1963, the company was listed on the Second Section of the Tokyo Stock Exchange, a securities membership corporation. After the designation to be the First Section of the Tokyo Stock Exchange in March 2013, due to the review of the Tokyo Stock Exchange's market divisions in April 2022, it has been transferred to the Tokyo Stock Exchange's Standard Market.

According to public information such as the Target Company Annual Securities Report, a corporate group consisting of the Target Company, its 11 subsidiaries and an affiliate (all as of March 31, 2023) (the "Target Company Group") aims to contribute to the realization of sustainability in society and the environment through the manufacture and sale of machine tools, and to enrich the lives of people around the world. With the goal of improving shareholder value and fulfilling corporate social responsibility by realizing sustainable growth and stable profits, the Target Company Group has a main business of manufacturing and selling machine tools such as numerically controlled lathes, machining centers and ordinary lathes, while engaging in business activities such as related service operations and technical support operations, in Asia (Japan, China, Taiwan, India, Thailand, Indonesia, and Vietnam), North America (the US), and Europe (Germany).

However, with respect to the achievement status of the Target Company's medium-term management plan for the past 10 years since fiscal 2013, except for the two fiscal years of 2017 and 2018, the Target Company failed to achieve its planned operating profit target in each fiscal year. This fact shows that the Target Company, unfortunately, fails to manage their businesses as originally planned in the highly volatile machine tool industry.

Considering the challenging business environment characterized by past performance shortfalls and intense competition from highly competitive foreign manufacturers, the Tender Offeror believes that it is extremely difficult for the Target Company, despite being a prominent machine tool manufacturer, to achieve

such targets of sales of 31 billion yen and an operating profit margin of 8% for the fiscal year 2024, set forth in its publicly disclosed medium-term management plan “Value-Up 2024” dated May 13, 2022.

Specifically, the Target Company has identified in its “Value-Up 2024,” “expanding sales into new markets such as semiconductor manufacturing equipment, aerospace, and offshore wind power,” “strengthening the development of new products ranging from high-end (high performance/ high price) to mid-range (middle-class performance/ middle-class price) machines,” and “enhancing added value through an integrated ‘development-to-manufacturing’ process via a modularization strategy,” as its business challenges to achieve the above business performance. However, the Tender Offeror observes the following crucial points: (i) the actual sales, operating profit, and operating profit margin of the fiscal year ended in March 2023, which is the first year of the “Value-Up 2024” plan, fell short of the plan’s targets; (ii) the “Value-Up 2024” projects significant growth in sales, operating profit, and operating profit margin over the three-year period from the fiscal year ended in March 2023 to the fiscal year ending in March 2025, with growth rates of approximately 11%, 79%, and 60% respectively, but the Target Company’s performance forecast for sales and operating profits for the fiscal year ending in March 2024, announced in May 2023, even falls below the actual figures achieved for the fiscal year ended in March 2023, which also did not achieve the target indicated in “Value-Up 2024” (iii) there is a lack of proactive growth investment to achieve the aforementioned challenges outlined in the medium-term management plan; and (iv) even in second fiscal year following the disclosure of the medium-term management plan, no announcement has been made regarding the promising figures in operating profit margin and other results for the leap in the fiscal year ending in March 2025. Given these circumstances, the Tender Offeror perceives that successfully executing these new initiatives and overcoming the product and price competitiveness of domestic and international machine tool manufacturers would be extremely challenging for the Target Company to achieve on its own in terms of business operations.

Therefore, in late February of 2023, the Tender Offeror concluded that, in order for the Target Company to have a high degree of competitiveness and achieve sustainable and significant growth in the future, the Target Company was in a phase to launch a reasonably meaningful alliance with other company, such as the Tender Offeror, which has a strong business infrastructure, instead of operating businesses on its own.

Initially, the main purpose of acquiring Nidec Machine Tool Corporation was in 2021 to generate synergies with other businesses of the Tender Offeror Group including EVs and reduction gears. However, while conducting PMI of the company and deepening knowledge on the machine tool industry, in the early November of 2021, the Tender Offeror came to conclude that the Tender Offeror Group should focus on the machine tool business as a new pillar of its businesses going forward for the following reasons.

The machine tool business had long been one of the critical industries for Japan’s manufacturing industry. As stated in the “Action Policy for Securing a Stable Supply of Machine Tools and Industrial Robots” (the “METI Policy”) issued by Japan’s Ministry of Economy, Trade and Industry (“METI”) on January 19, 2023, the needs for the digital transformation after the global pandemic of the COVID-19 and the production of a wide range of industrial products that contribute to the realization of carbon neutrality, including electric vehicles, have been increasing. Thus, the roles required of the machine tools in the manufacturing bases in and outside Japan are expected to grow both qualitatively and quantitatively on a mid- and long-term basis and in an irreversible way. In particular, as Japan faces a declining population, aging skilled workers, and labor shortages, and as such trends become more pronounced even at manufacturing sites, machine tools, which contribute to improving precision and automation of manufacturing process, are growing in importance in Japan’s manufacturing industries.

However, according to the Tender Offeror’s knowledge, the Japanese machine tool industry, a market worth more than 1 trillion yen, is filled with more than 100 manufacturers, leading to severe price competition during recessions. In anticipation of such circumstances, companies in the industry tend to internally accumulate profits instead of investing it for future growth, and to use up the accumulated profit during recessions by lowering the prices. Therefore, with the exception of some major manufacturers, companies in the industry are unable to make constant, long-term-strategy-based investment for future growth, while many Japanese domestic machine tool manufacturers fail to become competitive, and stuck in a cycle of slow growth.

Given the current situation of the Japanese machine tool industry, if European manufacturers with high international competitiveness in the expanding international market aggressively enter into the Japanese market, or if Chinese and other emerging countries’ machine tool manufacturers, all of which work faster than their Japanese counterparts, become even more competitive than they are at present, these Japanese companies, which used to own the top-level competitiveness in the world, may see their market shares taken away by their counterparts in Europe, China, and emerging countries without taking any action. In addition, as pointed out in the METI Policy, if the international competitiveness of the Japanese machine tool industry continues to decline and domestic companies in the industry causes disruption in their product supply, it may seriously affect the business infrastructure of Japan’s manufacturing industry itself. It is thus clear that such an event will directly cause the entire manufacturing business of Japan to lose competitiveness. The Tender Offeror, which aims to be the world’s leading manufacturer that represents Japan, cannot simply overlook such a crisis in the Japanese manufacturing industry.

It is based on this sense of crisis that the Tender Offeror Group, which has a global perspective, an



aggressive investment strategy, and extensive experience in corporate acquisitions, aims to become the world's leading machine tool manufacturer and lead the machine tool industry, to contribute to the maintenance and improvement of the global competitiveness of the Japanese machine tool industry and, by extension, the Japanese manufacturing industry itself. Thus, in mid-November 2021, the Tender Offeror decided to make the machine tool business a new pillar of its businesses.

Based on the current situation as described above, the Tender Offeror spent some time contemplating what is necessary for the Tender Offeror Group to demonstrate a strong presence in the machine tool market and acquire international competitiveness. As one of the conclusions it has reached, and as a step to gain a strong position in the machine tool industry, the Tender Offeror, in January 2022, considered forming an alliance with the Target Company, with which the Tender Offeror thought it could expect significant synergies.

After joining the Tender Offeror Group, the Target Company, under the goal of "becoming the world's leading machine tool manufacturing group," will be able to utilize all resources such as global business management knowhow, financial strength, human resources, and technological capabilities, etc. that the Tender Offeror Group has cultivated so far, and sales synergies (e.g., sales channel expansion and cross-selling, etc. through unification and mutual utilization of the customer base due to the complementary relationship between the two companies' products) and cost synergies (e.g., cost reduction through shared parts procurement and larger purchasing lots, promotion of overseas procurement and overseas production, etc.) can be expected. The Tender Offeror believe that this will enable the Target Company to achieve growth, which the Target Company will not be able to achieve by independently continuing its measures.

Specifically, we believe the following:

(i) Complementary products and markets

Regarding products

The Target Company's core product, lathes, is a field that the Tender Offeror Group has not yet entered despite the fact that lathes account for approximately 30% of the machine tool market, and there is a very large degree of complementarity between the two companies.

Regarding the market

While the Target Company's main markets are China and Taiwan, the Tender Offeror Group has important sales offices in Europe (PAMA) and the U.S. (U.S. subsidiary of Nidec Machine Tools Corporation), and the overseas markets can be complemented by utilizing the overseas sales offices of the Tender Offeror Group.

(ii) Diversification of production bases and promotion of local production for local consumption

The Tender Offeror Group has production bases in Europe, the U.S., and India, where the Target Company does not have production bases. By joining the Tender Offeror Group, the Target Company will be able to establish and expand production bases in these regions and promote local production for local consumption worldwide.

(iii) Expansion of business scale

By joining the Tender Offeror Group, the combined sales scale of the machine tool business of the Tender Offeror Group and the Target Company will exceed 100 billion yen, and the Target Company will be able to enjoy the benefits of scale, including cost reductions in purchasing and production, and qualitative improvements in sales and services.

(iv) Others

The following are other factors that make the Tender Offeror consider the Target Company to be the best partner.

The Target Company and Nidec OKK Corporation share the same target users, and thus synergies such as cross-selling and integrated proposals can be expected to be realized more quickly.

The Target Company and the Tender Offeror Group companies' bases in Japan and China are geographically close to each other, and close cooperation can be expected.

The Target Company is similar to Nidec OKK Corporation, which joined the Tender Offeror Group in 2022, in terms of size, business model, history, and shareholder composition, and the Tender Offeror will be able to promote smooth collaboration by utilizing its PMI experience.



The Tender Offeror is convinced that, through above measures, the Target Company, along with the three machine tool companies (Nidec Machine Tool Corporation, Nidec OKK Corporation, and PAMA and their affiliates as mentioned above) that already joined the Tender Offeror Group, will grow as a world-leading machine tool manufacturer, and be able to prosper sustainably with strong competitiveness. Based on this recognition, the Tender Offeror has proposed to the Target Company a capital and business alliance (Note 11) with Nidec Drive Technology Corporation, a subsidiary of the Tender Offeror, from January to March in 2022. However, the Target Company declined to continue the discussion without any explanation of the specific reason. Then the Tender Offeror considered alternative measures such as self-development of products, but the Tender Offeror again believed, considering the speed of changes in the market environment, such as the rapid growth of overseas manufacturers, and the probability of implementing measures, that it is necessary to absorb the Target Company into the Tender Offeror Group, and the Tender Offeror eventually decided to appeal a different proposal to the Target Company and its stakeholders.

(Note 11) The purpose was to request to join the Tender Offeror Group through the issuance of shares through a third-party allotment and form a business alliance, but the Tender Offeror Group has been declined prior to the presentation and negotiation of specific terms and conditions.

Furthermore, the Tender Offeror has looked at the Target Company's management plan "Value-Up 2024" and analyzed how the management resources of the Tender Offeror Group can be utilized in light of the Target Company's business challenges and how business synergies can be realized, and the Tender Offeror believes as follows:

① Sales and production

(a) Support for entering growth markets

The Tender Offeror believes it is possible to accelerate the development of growth markets such as EV-related, semiconductor, aerospace, and offshore wind power by utilizing the Tender Offeror Group's network.

(b) Optimization of overseas distributors

The Tender Offeror believes it is possible to promote mutual introductions and optimization of existing overseas distributors while increasing the influence of the two companies on them through the combined sales scale of the two companies.

(c) Strengthening of European and U.S. markets

By securing a production base in Europe or North America using the Tender Offeror's funds and existing plants, the Target Company can reduce costs, shorten delivery time, and improve customer service in overseas markets.

② Development

(a) Product lineup

By partnering with the Tender Offeror, whose product lineup does not overlap, it will be possible to have a product lineup without cannibalization (competition among brands and products of the same business group within the same market resulting in reduction of sales), make comprehensive proposals to customers, and expand sales through cross-selling.

(b) Development of high-end machines

By combining the Tender Offeror's technologies related to various machining centers, milling and 5-axis machining with the Target Company's lathe technologies, competitive 5-axis machines and multi-tasking machines can be quickly developed.

(c) Commencement of modularization

PAMA is ahead of the Tender Offeror Group in modularization, and it is possible to share the examples and know-how cultivated in the course of its business operations as a clue to a change in development philosophy.

In general, modularization is expected to reduce procurement costs through the commonization and consolidation of parts, but the Target Company Group will be able to enjoy the benefits of cost reductions through information exchange with the Tender Offeror Group and introduction of low-cost suppliers immediately after joining the Tender Offeror Group, without having to wait for modularization.

③ Organizational structure and financing

(a) Reduction of listing maintenance costs and workload

If the Target Company is delisted by becoming a member of Tender Offeror Group, it will be able to enjoy the benefits of improved external credibility and name recognition as a company within a listed company group, while reducing the cost and workload of the Target Company on a stand-alone basis and speeding up management decision-making.

(b) Strengthening of cooperation with Taiwan Takisawa Technology Co.

Taiwan Takisawa is an important subsidiary that supports the Target Company's sales and profits on a consolidated basis. The Tender Offeror believes that the Tender Offeror Group's management resources and alliance know-how can be utilized to propose strengthening the alliance with Taiwan Takisawa from a new perspective.

(c) Enhancement of fund-raising capacity

Through the Tender Offeror's group financing, it will be possible to quickly and inexpensively procure funds for capital investment in the establishment and expansion, etc. of domestic production, sales, and service bases, as well as working capital necessary for operations.

For the above reasons, on July 13, 2023, the Tender Offeror formally proposed a tender offer for the shares of the Target Company as part of a series of transactions to make the Target Company a wholly owned subsidiary of the Tender Offeror.

In response to the Letter of Intent, on July 28, 2023, the Target Company delivered to the Tender Offeror a list of necessary information as described in the attached "Summary of Questions and Answers", requesting the Target Company's Board of Directors and the "Special Committee" established by the Target Company.

In response, the Tender Offeror submitted to the Target Company on August 1, 2023 a written response to the list of necessary information as shown in the attached "Summary of Questions and Answers". Subsequently, on August 17, 2023, the Target Company delivered to the Tender Offeror a list of necessary information (for the second time) requesting the Tender Offeror to provide additional information as described in the attached "Summary of Questions and Answers". In response, the Tender Offeror submitted to the Target Company a written response (for the second time) to the list of necessary information (for the second time) on August 22, 2023, as described in the attached "Summary of Questions and Answers".

Subsequently, on August 28, 2023, the Tender Offeror was approached by the Target Company to discuss and negotiate the terms and conditions of that certain management integration agreement, having received from the Target Company a letter of principal terms and conditions of the management integration agreement (such principal terms and conditions are hereinafter referred to as "Management Integration Agreement"), the principal purpose of which is to agree on matters concerning the terms and conditions of the Transaction and the management structure of the Target Company Group after the completion of the Tender Offer.

After that, on September 5, 2023, discussions were held between the Tender Offeror and the Target Company regarding the enhancement of the corporate value of the Target Company Group, including the inclusion of the Target Company under the umbrella of the Tender Offeror, based on the response and the response (for the second time), and subject to consultation by the Special Committee and approval by a resolution of the Board of Directors of the Target Company based on such consultation. The Tender Offeror will discuss the management policy of the Target Company Group after the Transaction by the business day preceding the commencement date of the Tender Offer on the assumption that the Transaction will proceed amicably as of the same date, although the direction as of the same date is to proceed amicably. The Tender Offeror has not conducted any due diligence on the Target Company.

In the list of necessary information dated July 28, 2023, the Tender Offeror was questioned in the list of necessary information whether the so-called coercion problem would arise as a result of the Tender Offeror setting the minimum number of shares to be purchased at 3,193,900 shares (the Ownership Ratio: 50.00%), which is equivalent to 50% of the total number of shares to be purchased. In response to the question, the Tender Offeror furnished its answer thereto on August 1, 2023 in writing in its response. Then, the Tender Offeror received a request from the Target Company on August 28, 2023 to reconsider such lower limit, and also received a request from the Target Company on September 8, 2023 that the average ratio of voting rights exercised by the Target Company over the past five years was 67.94% (provided, however, that ratio of the voting rights at the recent annual general meeting of shareholders was about 60%) and also that as long as the Tender Offeror comes to hold shares equivalent to 50% of the total voting rights of the Target Company after the Tender Offer, the number of voting rights secured by the Tender Offeror would be sufficient for the shareholders to approve the Share Consolidation which requires a special resolution at the

general shareholders' meeting, and further that, given that there is a considerable possibility that a special resolution of the general shareholders' meeting will be passed, it can be said that there is a little possibility that the proposal for the consolidation of shares will be rejected at the general shareholders' meeting despite the completion of the Tender Offer, and therefore, that the Target Company considers that the possibility of a shareholder who would apply for the Tender Offer against his/her own wishes is considered to be low, despite the completion of the Tender Offer, because he/she is concerned about the situation where the company will not go private.

As a result of the above discussions between the Tender Offeror and the Target Company, the Tender Offeror delivered a draft of the Memorandum of Understanding to the Target Company on September 6, 2023, and on September 13, 2023, the Tender Offeror and the Target Company entered into the Memorandum of Understanding. In the Memorandum of Understanding, it is agreed that the Board of Directors of the Target Company agrees to support the Tender Offer and to recommend the shareholders of the Target Company to tender their shares to the Tender Offer. For details of the Memorandum of Understanding, please refer to "(6) Matters Concerning Material Agreements on the Tender Offer" below.

(i) Decision-making process and reasons at the Target Company

According to the Target Company Opinion, the Target Company's Board of Directors approved the execution of the Memorandum of Understanding at its meeting held on September 13, 2023, and also decided to support the Tender Offer and to recommend that the shareholders of the Target Company should tender their shares to the Tender Offer. The process and reasons for this decision are as follows.

(i) Background of the proposal from the Tender Offeror, confirmation of the sincerity of the proposal, and establishment of a system for consideration of the proposal

The Target Company received the 2022 Proposal from the Tender Offeror in January 2022, prior to the receipt of the Letter of Intent. In order to consider the 2022 Proposal, the Target Company appointed a third-party institution, Daiwa Institute of Research Ltd. ("Daiwa Institute of Research"), and with the participation of Daiwa Institute of Research, a total of nine meetings were held among the project members of the Target Company, including executive directors and outside directors, to discuss and review the proposal over a period of two months. Of these nine meetings, meetings and discussions were held twice between the project members of the Target Company, including the executive directors and outside directors as one-side and the Tender Offeror as the other side. After these discussions, etc., based on the content of the advice from Daiwa Institute of Research, the Target Company understood that because (a) the 2022 Proposal was to make the Target Company a consolidated subsidiary through a third-party allotment of new shares to the Tender Offeror Group, which did not necessarily involve the payment of a premium to the shareholders of the Target Company in connection with the transfer of control, and also because (b) the 2022 Proposal was a proposal to make the Target Company a consolidated subsidiary through a large-scale capital increase through a third-party allotment that was not subject to a resolution of a general meeting of shareholders of the Target Company, but the Target Company did not have a need or urgency to raise funds to justify a large-scale capital increase, the Target Company had decided that it was not appropriate to implement the 2022 Proposal without a shareholders' resolution, and had therefore apologized for the 2022 Proposal.

Subsequently, the Target Company received the Letter of Intent from the Tender Offeror on July 13, 2023. The Target Company decided to consider the Transaction because, unlike the 2022 Proposal, the Transaction had been changed to a transaction to acquire the Target Company's shares, etc. for cash consideration to the Target Company's shareholders for the purpose of making the Target Company a wholly owned subsidiary, and the proposal for the Transaction involved the payment of a premium. The Target Company has decided to consider this proposal.

As described in "(3) Measures to Ensure the Fairness of the Tender Offer including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below, the Target Company has determined that the proposal in the Letter of Intent is a proposal for a tender offer by the Tender Offeror to make the Target Company its wholly owned subsidiary (namely, those that include a proposal to force the Target Company's shareholders to terminate their status as shareholders of the Target Company through the Squeeze-Out Procedure.). Therefore, in order to ensure the fairness of the Transaction, including the Tender Offer, from the perspective of ensuring the fairness of the Tender Offer Price and other terms and conditions of the Tender Offer and eliminating arbitrariness in the decision-making process leading to the decision to conduct the Tender Offer, the Tender Offeror has requested Daiwa Securities Co. Ltd. ("Daiwa Securities") as an independent financial advisor and third-party appraiser, and Anderson Mori & Tomotsune ("Anderson Mori & Tomotsune") as its independent legal advisor in mid-July 2023.

In addition, the Target Company, after receiving advice from Daiwa Securities and Anderson Mori & Tomotsune, determined that the proposal for the Transaction by the Tender Offeror is a "sincere takeover proposal with specificity, legitimacy of purpose and feasibility" in light of the contents of the Letter of Intent and the Tender Offeror's Press Release. On July 27, 2023, the Tender Offeror and the



Target Company established the Special Committee, consisting of all of the Target Company's independent outside directors (five (5) in total), to consider and negotiate the Transaction from a standpoint independent of the Tender Offeror and from the Target Company and from the success or failure of the Transaction.

Specifically, the Target Company had obtained approval from its shareholders at the 91st Annual General Meeting of Shareholders held on June 25, 2021 for the renewal of the "Policy Concerning Large-Scale Purchases of the Target Company's Shares (Takeover Defense Measures)" (the "Target Company Takeover Defense Policy"). However, if the Target Company's Board of Directors were to trigger a countermeasure under the Target Company Takeover Defense Policy in response to the proposal for the Transaction. Therefore, the Board of Directors decided that it would consult the "Special Committee" under the Target Company Takeover Defense Policy. Thus, in order to be able to promptly consider the proposal even if the Target Company consults the "Special Committee," the Target Company requested five independent outside directors who are members of the "Independent Committee" to become members of the Special Committee and asked them to become members of the Special Committee in late July 2023.

Based on the results of the interviews with the five independent outside directors of the Target Company and the checking with them for their acceptance to be members, the Target Company resolved at its Board of Directors meeting on July 27, 2023 to appoint Mr. Masahiro Kobayashi (Chairman of this Special Committee. Independent Outside Director who is an Audit & Supervisory Committee Member. Attorney at law and Representative of Hanamizuki Law Firm), Mr. Morio Miyake (Independent Outside Director who is an Full-time Audit & Supervisory Committee Member), Mr. Tomoki Sogawa (Independent Outside Director who is an Audit & Supervisory Committee Member. Certified Public Accountant and Tax Accountant), Ms. Kazumi Yonezawa (Independent Outside Director who is an Audit & Supervisory Committee Member. Certified Public Accountant and Tax Accountant) and Mr. Syuichi Sakaue (Independent Outside Director who is an Audit & Supervisory Committee Member. Director of CIO Lounge, a non-profit organization) (these members of the Special Committee have not been changed since its establishment). Reportedly, the Special Committee was asked (a) what opinion should be expressed by the Board of Directors of the Target Company with respect to the Tender Offer, (b) whether the Transaction is considered not disadvantageous to minority shareholders, and (c) in the event that a sincere competing proposal to the Transaction is made by a third party, what opinion should be expressed by the Board of Directors of the Target Company with respect to such competing proposal and whether such competing proposal is considered not disadvantageous to minority shareholders (collectively, the "Advisory Matters"). With respect to item (c) of the Advisory Matters, since the proposal for the Transaction was also made to the Target Company in the form of a public announcement by the Tender Offeror's Press Release dated July 13, it is included in this Advisory Matters in case a third party who confirmed the contents of the Tender Offeror's Press Release appears as a competing proposal.

In establishing the Special Committee, the Target Company's Board of Directors has determined that (a) in the course where for the purpose to consider the Advisory Matters the Special Committee shall be authorized to use advisers of the Target Company retained for this matter to review the Transaction (including the competing proposal described above and the same shall apply in this section), and to request, and contract-out with, third-party organizations, etc. to provide a stock valuation report regarding the shares of the Target Company, a fairness opinion regarding the Transaction and such other matters as the Special Committee considers necessary, provided that the Target Company shall bear the reasonable costs incurred for such contract with the third-party organizations, (b) the decision of the Board of Directors of the Target Company shall be made based on respecting the decisions of the Special Committee, (c) the Special Committee shall be authorized to request the attendance of the Target Company's directors, employees, and other persons deemed necessary by the Special Committee and to request explanations regarding necessary information in order to ensure that the Special Committee makes appropriate decisions; and (d) to substantially involve the Special Committee in the negotiation process regarding the terms and conditions, etc. of the Transaction by, for example, confirming in advance the policy of the negotiations by the Target Company regarding the terms and conditions, etc. of the Transaction, receiving reports on the status thereof in a timely manner, expressing opinions, giving instructions and making requests, and directly negotiating with the Special Committee on its own as necessary. (Please refer to "(ii) Establishment of an Independent Special Committee in the Target Company" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below).

At its first meeting held on July 31, 2023, the Special Committee confirmed that Daiwa Securities and Anderson Mori & Tomotsune were independent from the Tender Offeror, from the Target Company, and from the success or failure of the Transaction, and that they had the respective expertise. The Target Company has approved the appointment of Daiwa Securities as its financial advisor and third-party appraiser and the appointment of Anderson Mori & Tomotsune as its legal advisor. Since the Special



Committee confirmed that Daiwa Securities and Anderson Mori & Tomotsune had no problems in terms of their independence from the Tender Offeror, from the Target Company and from the success or failure of the Transaction as well as their expertise, the Special Committee decided to seek professional advice, etc. from both organizations and has not appointed any advisors for its own.

Furthermore, as described in "(v) Establishment of an Independent Review System in the Target Company" in "(3) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest and Other Measures to Ensure the Fairness of the Tender Offer" below, the Target Company has established a system (including the scope of the officers and employees of the Target Company who will be involved in the consideration, negotiation and decision-making regarding the Transaction and their duties) to ensure the fairness of the Tender Offer Price and the Transaction from a standpoint independent from the Tender Offeror and from the success or failure of the Transaction, and obtained the confirmation by the Special Committee thereon.

(ii) Background of Consideration and Negotiations

As described in "(i) Background of the proposal from the Tender Offeror, confirmation of the sincerity of the proposal, and establishment of a system for consideration of the proposal", the Target Company received the Letter of Intent from the Tender Offeror on July 13, 2023, and determined that the proposal in the Letter of Intent was a "sincere takeover offer with recognized specificity, legitimacy of purpose, and feasibility," and began discussions with the Tender Offeror and serious consideration of whether to implement the Transaction. In considering this matter, since the Tender Offeror has submitted this letter of Intent to the Target Company in accordance with the procedures of the Target Company Takeover Defense Policy, the Target Company has decided to take action in accordance with the procedures of the Target Company Takeover Defense Policy.

In other words, the Target Company sent a list of information required under the Target Company Takeover Defense Policy to the Tender Offeror on July 28, 2023, in order to ask questions regarding the contents of the Letter of Intent and other matters related to the Transaction, received a written response from the Tender Offeror on August 1, 2023, and met with the Tender Offeror on August 2, 2023, where the Tender Offeror visited the Target Company's headquarters and explained directly the Tender Offeror's thinking and other matters. After receiving written and oral explanations from the Tender Offeror, the Target Company, in order to further deepen its understanding of the Tender Offeror's ideas, etc., sent a list of additional information under the Target Company Takeover Defense Policy to the Tender Offeror on August 17, 2023, and received a written response from the Tender Offeror on August 22, 2023, and considered the contents thereof.

In parallel with the above, the Target Company has conducted interviews with executives and employees of the Target Company Group since early August 2023 in order to consider synergies and dis-synergies related to the Transaction as much as possible, and has compiled the results of such interviews.

While analyzing and reviewing the proposal for the Transaction from the Tender Offeror as described above, on July 28, 2023, the Target Company received a letter of intent from one company (the "Competing Proposer") as a competing proposal for the proposal for the Transaction. The Target Company has received an initial letter of intent from the Competing Proposer as a competing proposal on July 28, 2023. The Target Company has determined that the letter of intent submitted by the Competing Proposer is a "sincere takeover proposal whose specificity, legitimacy of purpose, and feasibility are recognized" and, in the same manner as it has conducted with the Tender Offeror in accordance with the Target Company Takeover Defense Policy, the Target Company has requested the Target Company's Board of Directors and the Special Committee to deliver to the Competing Proposer a "list of necessary information" requesting the provision of information that the Board of Directors and the Special Committee consider necessary to consider the Competing Proposer's proposal. In addition, based on a request from the Competing Proposer to conduct due diligence, the Board of Directors of the Target Company provided certain materials and responded to questions from the Competing Proposer (please note that, at the same time that the Target Company started responding to the due diligence by the Competing Proposer, the Target Company also confirmed with the Tender Offeror as to whether or not due diligence should be conducted by the Tender Offeror. The Target Company has not responded to the due diligence in relation to the Tender Offeror because the Target Company was informed by the Tender Offeror that the Tender Offeror would not conduct due diligence at this time.). However, the Target Company has terminated discussions with the Competing Proposer, as the Target Company was informed by the Competing Proposer in late August 2023 that it would not be making a final proposal. Note that the Target Company has not received any competing offer to the proposal for the Transaction other than the proposal by the Competing Proposer.

Based on (a) the Tender Offeror's written responses to the list of required information and the list of additional information, as well as the Tender Offeror's explanation at the meeting on August 2, 2023,

and (b) the results of the analysis of synergies and dis-synergies related to the Transaction conducted by the Target Company, the Target Company determined that the proposal for the Transaction from the Tender Offeror could contribute to the improvement of its corporate value, and delivered to the Tender Offeror the principal terms of the Management Integration Agreement, the main purpose of which is to agree on matters concerning the terms of the Transaction and the management structure of the Target Company Group after the completion of the Tender Offer, on August 28, 2023. The Target Company has approached the Tender Offeror to discuss and negotiate the terms of the agreement with the Tender Offeror. Subsequently, on September 6, 2023, the Target Company received a letter from the Tender Offeror stating that, in lieu of a Management Integration Agreement, the Target Company and the Tender Offeror would like to discuss matters concerning the management structure of the Target Company Group after the consummation of the Tender Offer over time after the Transaction is executed, and that, with respect to the Transaction, both the Target Company and the Tender Offeror aim to become "the world's number one machine tool group", and the Tender Offeror would like to enter into a legally non-binding Memorandum of Understanding (the "Memorandum of Understanding") with respect to the Transaction, and received a draft of the Memorandum of Understanding on September 6, 2023.

By entering into the Management Integration Agreement with the Tender Offeror, the Target Company hoped to reach an understanding with the Tender Offeror regarding the above matters with respect to matters concerning the conditions for implementation of the Transaction and the management structure of the Target Company Group after the consummation of the Tender Offer. On the other hand, even in the form of the Memorandum of Understanding, the Tender Offeror can confirm its recognition of matters concerning the management structure of the Target Company Group in written form, and based on the Tender Offeror's request, the Tender Offeror has decided to withdraw its request for the conclusion of a management integration agreement.

The Memorandum of Understanding outlines the following matters.

(i) Reconfirmation of Intentions, etc.

The Tender Offeror reaffirms to the Target Company, and the Target Company accepts, that the items stated in the Letter of Intent and the Target Company's respective responses to the list of necessary information and the list of necessary information (for the second time) to the Tender Offeror will be maintained after the Transaction is executed.

(ii) Support and Recommendation from the Target Company

Subject to (i) and (iii) above, the Target Company will support the Transaction and recommend that its shareholders tender their shares in the Tender Offer, if the Tender Offer is commenced.

(iii) Good Faith Consultation

In response to the Target Company's request, the Tender Offeror and the Target Company will consult on certain management matters of the Target Company and the Tender Offeror in earnest and good faith in order to achieve the Purpose, to enhance the corporate value of the Target Company Group and to maximize the profit of the Tender Offeror Group. However, this (iii) shall not override the fact that the matters confirmed by the Tender Offeror and accepted by the Target Company pursuant to (i) above shall be maintained after the execution of the Transaction.

The Target Company has decided not to negotiate with the Tender Offeror regarding the Tender Offer Price, based on an approval by the Special Committee, because of the following backgrounds: (a) the Target Company received an explanation from Daiwa Securities that setting the reference date on the date of the announcement of the Tender Offer (the "Announcement Date") which is July 13, 2023, the Tender Offeror will pay a premium of 63.83% (rounded to two decimal places; the same applies hereinafter in the calculation of the premium percentage) on the closing price of the Target Company's shares on the Tokyo Stock Exchange Standard Market on the reference date; a premium of 102.23% on the simple average closing price of the Target Company's shares on the Standard Market of the Tokyo Stock Exchange for the most recent one-month period ending on the reference date; 103.63% on the simple average closing price of the Target Company's shares on the Standard Market for the most recent three-month period ending on the reference date; and 112.16% on the simple average closing price of the Target Company's shares on the Standard Market for the most recent six-month period ending on the reference date, and as stated in "(iii) Details of the Target Company's Decision" below, this premium exceeds the premium level for tender offers for going-private transactions (excluding management buyout (MBO) transactions and tender offers by controlling shareholders); (b) according to the results of the valuation of the Target Company's shares by Daiwa Securities, the Tender Offer Price is in excess of the upper limit of the range of the per share value of the Target Company's shares calculated by the market price method, the comparable company method and the discounted cash flow method (the "DCF method"), respectively; and (c) the Tender Offeror announced its intention to implement the Tender Offer to the public on July 13, 2023 through the Tender Offeror's Press Release, and thus the opportunity for consideration by potential competing offerors has already arisen.

On the other hand, the Target Company has communicated its request to the Tender Offeror as to the minimum number of shares to be purchased as follows: Namely, since the Tender Offeror has set the minimum number of shares to be purchased at 3,193,900 shares (Ownership Ratio: 50.00%), which is the number of shares equivalent to 50% of the shares held by the Tender Offeror, even if the Tender Offer is successful, it may not be possible to obtain approval for the proposal regarding the share consolidation at the Extraordinary Shareholders' Meeting. Therefore, the Target Company considered that the so-called coercion problem, in which shareholders of the Target Company who are concerned about the state of not going private despite the completion of the Tender Offer are pressured to tender their shares in the Tender Offer, could theoretically arise, and therefore, the Target Company considered it necessary to examine this issue.

The Target Company has stated that while it is impossible to analyze those shareholders who, and quite difficult to accurately determine the number thereof, in principle, will not tender their shares to the Tender Offer but who, in the event that the Extraordinary Shareholders' Meeting is held, regardless of the suitability of the terms of the Tender Offer, are expected to vote in favor of the special resolution on the Share Consolidation Proposal at such Meeting, the Tender Offeror considered, in conclusion, the total number of such shares is expected to be approximately 18% in terms of Ownership Ratio, including the number of shares owned by the Passive Index Management Funds and the number of shares owned by the Target Company's Business Partners Shareholding Association.

On the other hand, the Target Company asked the Tender Offeror about the above-mentioned points in the list of necessary information under the Target Company Takeover Defense Policy (dated July 28, 2023), and received a response from the Tender Offeror, which indicated that the Target Company's shareholders who are expected to vote in favor of the special resolution on the Share Consolidation Proposal at the Extraordinary Shareholders Meeting are wider than the Target Company had recognized (Note 12), and that the above recognition by the Tender Offeror was based on the assumption that the Target Company's Board of Directors would not express an affirmative opinion, and that such assumption would not apply in the event that the Target Company's Board of Directors did express an affirmative opinion, and therefore the Target Company on August 28, 2023 requested to re-consider the recognition of the scope of such shareholders.

(Note 12) According to the Tender Offeror, the total Ownership Ratio of the Target Company shares held by the Target Company shareholders who are expected to vote in favor of the special resolution on the Share Consolidation Proposal at the Extraordinary Shareholders' Meeting is approximately 18%, and the Target Company is considering that there are some Passive Index Management Funds that would apply for the Tender Offer. In light of this, the Target Company believes that the Ownership Ratio of shareholders who are expected to vote in favor of the Share Consolidation Proposal will be limited to 3.98%, although it is not possible to accept the Tender Offer due to its investment policy, and has informed the Tender Offeror to that effect.

In addition, on September 8, 2023, the Target Company informed the Tender Offeror that if the minimum number of shares to be purchased is maintained at the minimum number of shares equivalent to 50% of the shares held, the Target Company may accept such minimum number in the interests of its shareholders by adopting an explanation different from the Tender Offeror's previous explanation. In other words, the average ratio of voting rights exercised at the Target Company's general shareholders' meeting for the past five years is 67.94%, and assuming such ratio, if the Tender Offeror comes to hold shares equivalent to 50% of the total voting rights of the Target Company after the Tender Offer, there is a reasonable possibility that the number of voting rights secured by the Tender Offeror will be sufficient to pass a special resolution of the general shareholders' meeting for the Share Consolidation Plan. In light of the fact that there is a considerable possibility that the special resolution of the general shareholders' meeting required for the Share Consolidation Plan will be passed, it can be said that the possibility that the Share Consolidation Proposal will be rejected at the general shareholders' meeting, even though the Tender Offer is completed, is low. Therefore, the Target Company believes that the possibility of a shareholder (a shareholder affected by coercion effect), who is concerned about the fact that the company will not go private and decides to tender his shares in the tender offer against his wishes, is actually low, and the Target Company informed the Tender Offeror of this fact on September 8, 2023. Therefore, from the perspective of considering the probability of the approval of the proposal more conservatively by taking into account the fact that the composition of shareholders of the Target Company will change from the time before the commencement of the Tender Offer, (i) the maximum value of the ratio of voting rights exercised by the Target Company during a certain period will be used, because the number of investors who will purchase the Target Company shares is likely to increase after the announcement of the Tender Offer (which refers to a case where a premium is attached to the Tender Offer Price) and (ii) the ratio of voting rights exercised in relation to the Share Consolidation Plan in a similar case, have been also used as a reference. As a result, (i) even assuming that the ratio of voting rights for the proposal for the Share Consolidation Plan will be the

largest (approximately 73.48%) among the ratios of voting rights exercised at the Target Company's most recent five annual general meetings of shareholders after the completion of the Tender Offer, there is a reasonable possibility that the Tender Offeror will hold shares equivalent to 50% of the total voting rights in the Target Company after the Tender Offer, and (ii) the ratio of voting rights exercised by shareholders other than the Tender Offeror for the Share Consolidation Plan after the completion of the Tender Offer will be significantly lower than that for the ordinary general meetings of shareholders, and even under the extreme assumption that all shareholders other than the Tender Offeror and the Passive Index Management Funds vote against the Share Consolidation Proposal, there is a considerable possibility that the special resolution at the shareholders' meeting necessary for the Share Consolidation Plan will be passed. Therefore, the Target Company believes that there is a high probability that the proposal for the Share Consolidation Plan will be approved.

The Target Company recognized the follows: if the Tender Offeror confirms by the end of the Tender Offer Period that the total number of shares tendered in the Tender Offer is 3,193,900 shares or more, which is the minimum number of shares to be purchased, the Tender Offeror will promptly announce such confirmation and extend the Tender Offer Period for 10 business days from such time. The Tender Offeror intends to eliminate the coercion effect of the Tender Offer by providing the Target Company's shareholders with separate opportunities to express their approval or disapproval of the Transaction and to express their intention whether or not to tender their shares in the Tender Offer. This is intended to eliminate the coercive nature of the Tender Offer.

In addition, the Target Company recognized the follows: the Tender Offeror clearly stated that the Tender Offeror plans to request the Target Company to hold the Extraordinary Shareholders' Meeting to implement the Squeeze-Out Procedures even if the Tender Offer is successful and the Tender Offeror does not come to hold more than two-thirds of the total voting rights of the Target Company as a result of the Tender Offer. On the other hand, even if the approval there is not obtained at such Extraordinary Shareholders' Meeting, the Tender Offeror may purchase shares through in-market transactions, off-market purchases other than tender offers (provided, however, that such purchases are permitted by law) until it acquires the number of shares equivalent to the number of voting rights obtained by multiplying the number of voting rights exercised in the proposal for going private by 2/3 of the number of voting rights exercised in the proposal for going private by the number of shares held by the Tender Offeror.

The Target Company also recognized that the consideration for the additional acquisition will be a reasonable price (the same amount as the Tender Offer Price per share unless an event requiring adjustment occurs, such as a share consolidation or stock split by the Target Company) that will not be evaluated as economically disadvantageous to the Target Company's shareholders in comparison with the Tender Offer Price. In light of the Tender Offeror's intention to acquire additional shares, the Tender Offeror believes that it is not highly likely that the Target Company will not ultimately go private despite the completion of the Tender Offer.

Based on the measures adopted by the Tender Offeror above regarding the extension of the Tender Offer Period and its intention to make additional acquisitions, although the minimum number of shares to be purchased in the Tender Offer is set lower than the two-thirds of the total number of voting rights required to pass a special resolution at the shareholders' meeting necessary for the Share Consolidation Proposal, it is believed that reasonable countermeasures have been made against the coercive effect of the Tender Offer that could theoretically be caused by such lower minimum number.

Taking into consideration that the Tender Offeror has expressed in the Letter of Intent submitted by the Tender Offeror that the Tender Offeror sincerely and concretely proposes to enhance the corporate value of the Target Company, the Transaction does not fall under a typical situation where a problem of coercion may mainly arise (a situation where a decrease in the corporate value of the Target Company is expected after acquiring control through the Tender Offer). Given that reasonable measures have been taken to a certain extent to reduce the coercion effect, the Target Company has come to believe that the minimum number of shares to be purchased is not disadvantageous for the Target Company's ordinary shareholders.

In the course of the above-mentioned examination and negotiation, the Special Committee received reports from the Target Company and the Target Company's advisors in a timely manner, and made confirmations and statements of opinion, etc. In addition, in requesting Daiwa Securities to calculate the value of the Target Company's shares, the Target Company has prepared a business plan covering the period from the fiscal year ending March 2024 to the fiscal year ending March 2028 (the "Business Plan"). The Special Committee has confirmed the reasonableness of the contents, material assumptions, and the process of preparation of the Business Plan.

Then, on September 12, 2023, the Target Company received a written report (the "Written Report") from the Special Committee to the effect that the Board of Directors of the Target Company should support the Tender Offer and recommend the shareholders of the Target Company to tender their shares to the Tender Offer (for a summary of the Written Report, please refer to "(ii) Establishment of an Independent Special Committee at the Target Company" in "(3) Measures to Ensure the Fairness of

the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below).

(iii) Details of the Target Company's decision-making

Following the above process, the Target Company's Board of Directors, at its meeting held on September 13, 2023, resolved, based on the advice received from Daiwa Securities and the stock valuation report received by the Daiwa Securities on September 12, 2023 (the "Target Company Share Valuation Report") and the legal advice received from Anderson Mori & Tomotsune on September 12, 2023, as well as the content of the decision of the Special Committee as set forth in the Written Report, the Target Company has sincerely and carefully examined whether or not the Transactions including the Tender Offer would contribute to the enhancement of the corporate value of the Target Company and whether or not the terms and conditions of the Transactions including the Tender Offer Price are appropriate. As a result, the Target Company has concluded that the Transaction will contribute to the enhancement of the Target Company's corporate value for the following reasons.

(a) Promotion of the business alliance proposed by the Tender Offeror will contribute to the enhancement of the Target Company's corporate value

The Tender Offeror's proposal includes a proposal for a business alliance between the Tender Offeror's group and the Target Company's group as a possible synergy from the Transaction. These items are considered to have a sufficient possibility of realization, and if they are realized, they are expected to be positive for the Target Company's earnings in the aggregate, even taking into consideration the dis-synergies described in (a) below, and thus contribute to improving the Target Company's corporate value. As for the Target Company, the synergies and expected dis-synergies that the Target Company particularly expects are as follows.

i. Synergy Matters

(i) Synergies of Sales

- ① Expansion of the customer base that can be approached by joining the Tender Offeror Group

Further stabilization of the Target Company's customer base as a result of its entry into the Tender Offeror's Group will enable the Target Company to enter into medium to large sized client companies that were difficult to approach with the Target Company's existing corporate size.

- ② Expansion of transactions with the Tender Offeror Group

The Tender Offeror Group companies use various machine tools, including lathes, and joining the Tender Offeror Group will increase opportunities for business negotiations between the Target Company and the Tender Offeror Group companies.

(ii) Cost synergies

- ① Lowering of purchase costs through joint purchasing

Lowering of purchase costs by sharing purchasing information with the Tender Offeror's group and increasing purchase volume through joint purchasing

- ② Improved efficiency of logistics network

Improving the efficiency of the logistics network through collaboration with the Tender Offeror Group's logistics bases

- ③ Improving the efficiency of production functions

Installation of the Tender Offeror Group's excellent practices into the Target Company's factories through collaboration with the Tender Offeror Group's manufacturing bases, flexibility in production capacity, establishment of a global, local production for local consumption system with a small investment, and reduction of the Target Company's capital investment

ii. Dis-synergies Matters

Possibility that the Target Company's entry into the Tender Offeror Group may reduce transactions with certain customers that directly compete with the Tender Offeror Group

(b) The business alliance proposed by the Target Company to the Tender Offeror is expected to be realized, and the Target Company's corporate value is expected to increase as a result of the business alliance

In addition to the business alliance matters proposed by the Tender Offeror, the Target Company has requested the Tender Offeror to form an alliance with the Target Company with respect to each of the following matters (the "Target Company Business Alliance Proposal Matters"). The Target Company and the Tender Offeror agreed in the Memorandum of Understanding to discuss the Target Company Business Alliance Proposal Items in good faith, and there are no particular events that would hinder the realization of the Target Company Business Alliance Proposal Items

if the Target Company were to join the Tender Offeror Group.

- i. Technical exchange with the Tender Offeror Group in basic research and product development
- ii. Sharing of technology, infrastructure, etc. owned by the Tender Offeror Group

(c) Reduce burdens associated with maintaining listing

The Target Company recognizes that the human and economic costs required to maintain the listing of the Target Company's shares have been increasing in recent years, and that it is undeniable that such costs may become an additional burden on the Target Company's management. The Target Company believes that it will be able to avoid these costs associated with maintaining the listing of its shares by taking the shares of the Target Company private through the Transaction.

As disadvantages associated with delisting, the Target Company may face difficulty in recruiting human resources due to the fact that it will no longer be a listed company, and difficulty in raising funds from the capital market through its shares. However, since the Target Company has established name recognition and brand power through its listing on the stock exchange since 1962, and the Target Company will be able to utilize the name recognition and brand power of the Tender Offeror by joining the Tender Offeror's group, no specific negative impact on the recruitment of human resources is expected, and the Target Company does not plan to raise funds from the capital market through stock for the time being, so it is believed that there will be no problem.

In addition, the Target Company has determined that the Tender Offer Price of JPY 2,600 per share provides the Target Company's ordinary shareholders with a reasonable opportunity to sell their shares at a price with an appropriate premium, based on the following points.

- i. Since July 13, 2023, when the Tender Offeror announced its intention to conduct the Tender Offer to the public by the Tender Offeror's Press Release, the Target Company has not received any proposal exceeding the Tender Offer Price, which indirectly confirms that the Tender Offer Price is appropriate.
- ii. Of the results of the valuation of the Target Company's shares by Daiwa Securities in the Valuation Report for the Target Company's shares as described in "(iv) Obtaining a Share Valuation Report from the Target Company's Independent Financial Advisor and Third-Party Calculation Agent" in "(3) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest and Other Measures to Ensure the Fairness of the Tender Offer" below, the Tender Offer Price (a) exceeds the upper limit of the range of the per share value of the Target Company's shares calculated by the market price method, (b) exceeds the upper limit of the range of the per share value of the Target Company's shares calculated by the comparable company analysis method, and (c) exceeds the upper limit of the range of the per share value of the Target Company's shares calculated by the DCF method.
- iii. Since the Tender Offer Price has 63.83% of premium comparing the JPY 1,587, which was the closing price of the Target Company's shares on the Tokyo Stock Exchange Standard Market on the reference date, July 13, 2023, which was the date of this announcement, 102.23% premium comparing the JPY 1,286 (rounded to the nearest yen; the same shall apply hereinafter in the calculation of the simple average closing price) of the simple average closing price on the trade days during the last one month until the reference date, 103.63% premium comparing the simple average closing price of JPY 1,277 for the three-month period before the reference date, and 112.16% premium comparing the simple average closing price of JPY 1,225 for the six-month period before the reference date (note that 79.68% premium comparing the closing price on the one business day preceding the date of this announcement, 104.89% premium comparing the simple average closing price for the most recent one month, 104.40% premium comparing the simple average closing price for the most recent three months and 112.94% premium comparing the simple average closing price for the most recent six months) and exceeds the median premiums (44.55%, 46.21%, 42.72%, and 46.68%, respectively) of the premiums (premiums from the closing price on the one business day preceding the announcement date and the simple average closing prices for the most recent 1 month, 3 months, and 6 months, respectively) in the 33 cases of tender offers (excluding management buyout transactions and takeover bids by controlling shareholders) for going-private transactions announced during the 2-year period from August 2021 to July 2023, the Tender Offer Price shall be at a reasonable level of premium.
- iv. As described in "(ii) Establishment of an Independent Special Committee in the Target Company" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest", the Tender Offer Price is determined by the Special Committee to be a reasonable price that ensures the benefits to be enjoyed by the general shareholders of the Target Company, and that the Tender



Offer provides the general shareholders of the Target Company with an opportunity to sell your shares at a price with an appropriate premium.

According to the Target Company, the Tender Offer Price is 7.4% below the Target Company's net asset value per share (JPY 2,777.24) as of March 31, 2023, but under generally accepted accounting principles, the consolidated balance sheet is prepared on the going concern assumption, and the net assets are the company believes that it does not represent the liquidation value. In addition, the Target Company's assets include many illiquid business assets such as inventories and factory land and buildings, and considering the difficulties involved in selling the assets and the various additional costs incurred in liquidation (on the consolidated balance sheet of the Target Company (as of June 30, 2023), the assets corresponding to those assets ("Merchandise and finished goods" (4,417,958 thousand yen), "Work in process" (3,435,974 thousand yen), "Raw materials and supplies" (5,517,533 thousand yen), "Property, plant and equipment" (10,083,565 thousand yen) and "Intangible assets" (378,903 thousand yen)) accounted for 58.36% of total assets (40,839,474 thousand yen).), even if the Target Company were to liquidate, a considerable amount of loss from the book value is expected; provided, however, that since the Target Company does not plan to liquidate, the Target Company has not obtained any estimates or made any specific calculations based on the premise of liquidation. Therefore, it is not considered reasonable to focus on the amount of net assets in the calculation of the corporate value of the Target Company, which is a going concern.

Based on the above, the Target Company has determined that the Transaction will contribute to the improvement of the Target Company's corporate value and that the terms and conditions of the Transaction, including the Tender Offer Price, are reasonable. The Target Company's Board of Directors, at a meeting held on September 13, 2023, expressed its opinion in favor of the Tender Offer and resolved to recommend that the shareholders of the Target Company accept the Tender Offer.

For the method of resolution at such Board of Directors meeting, please refer to "(vi) Approval of All Directors (Including Directors Who Are Audit Committee Members) Without Interests in the Target Company" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below. Approval of all directors (including directors who are members of the Audit Committee) who do not have an interest in the Target Company.

(iii) Management policy after the Tender Offer

(i) The Tender Offeror will discuss the post-Transaction management system after discussing it with the Target Company.

If the Tender Offer is successful, the Tender Offeror will, after today, discuss sincerely with the Target Company's management the management system after the completion of the Tender Offer in details to understand how to enhance the two companies' corporate values further considering the understanding of the Tender Offeror's corporate culture and management policies.

(ii) The Tender Offeror will support management reform based on the management knowhow that the Tender Offeror Group has cultivated so far.

- After the Transaction, to quickly realize synergies with the Tender Offeror Group and realize the potential corporate value of the Target Company, the Target Offeror will support the realization of management reform by utilizing its management knowhow from its past M&A and PMI. Specifically, based on the experience of each company that has joined the Tender Offeror Group so far, the Tender Offeror will spread, in the entire Target Company, (i) the speed- and perfection-oriented attitude based on the corporate philosophy and one of the three major principles of the Tender Offeror Group, "Do your job immediately, do it without hesitation, and never give up until you get the job done;" (ii) thorough the "customer first"-ism; and (iii) the "result-oriented policy and the policy of rewarding those who made wonderful contributions, and punishing those who acted against the company" to spread, throughout the business operations, the management policies, including the fair, performance-linked executive and employee evaluation system that eliminates personal and subjective emotions. Thus, the Tender Offeror believes that it will be able to utilize the Target Company's potential to the fullest extent, and create synergies with the Tender Offeror Group (in sale, R&D, and production; in the enhanced ties with the Target Company's Taiwanese subsidiary; and improving financial and procurement capabilities, etc.). The Tender Offeror Group will support necessary management reforms for this purpose.

- The Tender Offeror believes that the Target Company's joining the Tender Offeror Group is merely a start for the Target Company to become a company capable of sustainable growth, and that it is most important for the Target Company to continue its growth with the Tender Offeror Group for a long time after the Transaction. To this end, the Tender Offeror believes that it is necessary for the Target Company to maintain the excellent corporate culture it has cultivated to date, and for the Target Company's employees, who are the bearers of such a corporate culture, to play an active role with high motivation and great hope.

For specific personnel assignments, the Tender Offeror wishes to make a decision via discussion with the Target Company. As has been the case with other companies that joined the Tender Offeror Group so far, the Tender Offeror will keep the number of executives to be dispatched to the Target Company to a minimum.

- On the other hand, to quickly realize synergies with the Tender Offeror Group by utilizing the management knowhow accumulated through the Tender Offeror's M&A and PMI experiences, Tender Offeror Group personnel, including top executives such as Shigenobu Nagamori, who is Chairman and Representative Director of the Tender Offeror, Hiroshi Kobe, who is Representative Director and President of the Tender Offeror, and Tatsuya Nishimoto, who is Executive Vice President and Executive Officer, as well as work-level managers will constantly visit the Target Company to, for example, discuss in person with the Target Company's executives and other employees, and actively exchange opinions on the Target Company's issues and areas of improvement. Thus, the Tender Offeror Group will be responsible for, committed to, and providing support for, realizing the Target Company's management reform.

(iii) Carefully considering how to maintain the Target Company's brand.

In addition, with regard to the Target Company's trade name, a company that has joined the Tender Offeror Group must, in principle, have a "Nidec" at the beginning of its name. Nonetheless, given that the Target Company's brand is already well known in the machine tool industry, and also that the Target Company's trade name was changed only in recent years, the Tender Offeror will carefully consider ways to keep the name unchanged.

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

As of the date of this announcement, the Tender Offeror has only owned 100 shares of the Target Company, and the Tender Offer is not a tender offer by a controlling shareholder. In addition, the Transaction including the Tender Offer does not fall under a so-called management buy-out (MBO) transaction as equity contribution by all or some of the senior management members of the Target Company directly or indirectly in the Tender Offer is not contemplated.

Nonetheless, the Tender Offeror and the Target Company have taken the following measures to ensure the fairness of the Transaction:

(i) Acquisition of a Stock Valuation Report by the Tender Offeror from an Independent Third-Party Valuation Firm

In determining the Tender Offer Price, the Tender Offeror requested XIB Corporation ("XIB"), a financial advisor as a third-party valuation institution independent from the Tender Offeror and from the Target Company, to calculate the value of the Target Company's shares and the Tender Offeror received the Stock Valuation Report (the "Stock Valuation Report") from XIB on September 8, 2023.

XIB is not a related party of either the Tender Offeror nor the Target Company and does not have any material interest in the Tender Offer. The Tender Offeror has not obtained a written opinion (fairness opinion) from XIB regarding the fairness of the Tender Offer Price.

(ii) Establishment of an Independent Special Committee at the Target Company

(i) Background of establishment, etc.

As described above in "(2) Background, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer" in "(ii) Decision-Making Process and Reasons at the Target Company", the Target Company established the Special Committee by resolution at its Board of Directors meeting held on July 27, 2023. After confirming that the candidates for the members of the Special Committee are independent from the Tender Offeror and from the Target Company, and that they do not have any material interests that differ from those of the general shareholders with respect to the success or failure of the Transaction, the Company interviewed independent outside directors who are members of the Audit Committee of the Target Company for their opinions and asked them to assume their positions. After that 5 people, Mr. Masahiro Kobayashi (Chairman of this Special Committee. Independent Outside Director who is an Audit & Supervisory Committee Member. Attorney at law, Representative of Hanamizuki Law Firm), Mr. Morio Miyake (Independent Outside Director who is an Full-time Audit & Supervisory Committee Member), Mr. Tomoki Sogawa (Independent Outside Director who is an Audit & Supervisory Committee Member. Certified Public Accountant and Tax Accountant), Ms. Kazumi Yonezawa (Independent Outside Director who is an Audit & Supervisory Committee Member. Certified Public Accountant and Tax Accountant) and Mr. Syuichi Sakaue (Independent Outside Director who is an Audit & Supervisory Committee Member. Director of CIO Lounge, a non-profit organization), have elected to the member of the Special Committee (note that the members of the Special Committee have not been changed since its establishment).

In establishing the Special Committee, the Target Company's Board of Directors has positioned the Special Committee as a collegial body independent from the Target Company's Board of Directors, and (a) in considering the Advisory Matters, the Special Committee may use the Target Company's advisors in connection with the Transaction (including a sincere competing proposal to the Transaction. The same

applies hereinafter in this paragraph). In addition, the Special Committee may consign to a third party institution, etc. the evaluation of the value of the Target Company's shares, the provision of a fairness opinion on the Transaction, and any other matters that the Special Committee deems necessary, and in such case, the Target Company shall bear the reasonable costs associated with such consignment. (b) The decisions of the Board of Directors of the Target Company regarding the Transaction shall be made by respecting the decisions of the Special Committee. (c) The Special Committee shall be authorized to request the attendance of directors, employees, and other persons deemed necessary by the Special Committee at the meetings of the Special Committee and to request explanations regarding necessary information in order to ensure appropriate decisions. And (d) to substantially involve the Special Committee in the negotiation process regarding the terms and conditions, etc. of the Transaction by, for example, confirming in advance the policy of the negotiations by the Target regarding the terms and conditions, etc. of the Transaction, receiving reports on the status thereof in a timely manner, stating opinions, giving instructions or making requests, and directly negotiating with the Special Committee on its own as necessary. The resolution also authorizes the Special Committee to negotiate directly with the Target Company itself, if necessary.

Please note that in consideration of the duties of the members of the Special Committee, each member thereof is to be paid a fixed amount of remuneration or no remuneration, regardless of the content of the Written Report.

(ii) Background of the Consideration

The Special Committee met a total of eight times between July 31, 2023 and September 12, 2023, for approximately 13.5 hours, and performed its duties in relation to the Advisory Matters by reporting and sharing information, deliberating and making decisions, etc. at the meetings and in person or by e-mail between meeting dates as needed.

Specifically, the Special Committee approved the appointment of Daiwa Securities as the Target Company's financial advisor and third-party valuation institution, and Anderson Mori & Tomotsune as the Target Company's legal advisor, after confirming their independence from the Tender Offeror and from the Target Company and from the success or failure of the Transaction, and their respective expertise.

In addition, the Special Committee has received from the Target Company an explanation of the Business Plan prepared by the Target Company, including its contents, material assumptions and the background of its preparation, and has confirmed the reasonableness of these matters and approved it.

Furthermore, as described in "(v) Establishment of an Independent Review System at the Target Company" below, the Special Committee has confirmed that there are no problems from the perspective of independence and fairness in the system established internally by the Target Company to examine the Transaction (including the scope of officers and employees of the Target Company involved in the examination, negotiation, and decision-making concerning the Transaction and their duties). The Special Committee then considered the measures to be taken to ensure the fairness of the procedures in the Transaction, based on the opinions heard from Anderson Mori & Tomotsune.

The Special Committee, through the Target Company, confirmed the Target Company's questions to the Tender Offeror and the responses by the Tender Offeror, and all members of the Special Committee participated in a meeting with the Tender Offeror on August 2, 2023, and were directly briefed on the Tender Offeror's thinking and other matters.

In addition, as described in "(iv) Acquisition of Share Valuation Reports from Independent Financial Advisors and Third-Party Calculation Agents of the Target Company" below, Daiwa Securities conducted its valuation of the Target Company's shares based on the Business Plan. The Special Committee received from Daiwa Securities an explanation of the calculation methods used to value the Target Company's shares, the reasons for adopting such calculation methods, the details of the calculation based on each calculation method and important assumptions, and confirmed the reasonableness of these matters after question and answer, discussion and examination.

The Special Committee also received reports from the Target Company and Daiwa Securities from time to time regarding the Target Company's discussions and negotiations with the Tender Offeror, deliberated and reviewed them, and provided necessary opinions on the Target Company's discussion and negotiation policies as appropriate.

On that basis, the Special Committee was involved in the overall discussion and negotiation process regarding the terms and conditions of the Transaction between the Target Company and the Tender Offeror, including providing the Target Company with opinions on matters to be discussed with the Tender Offeror in order to achieve the significance and purpose of the Transaction as the Target Company.

Furthermore, the Special Committee has been briefed by Anderson Mori & Tomotsune on the contents of the draft press release and other disclosure documents regarding the Tender Offer to be announced or submitted by the Target Company, and has confirmed that appropriate disclosure of information is planned to be made.

(iii) Details of Decision

As a result of the above process and after earnest and careful consideration and discussion of the matters for consultation, the Special Committee submitted to the Board of Directors of the Target Company on September 12, 2023, the Written Report, the contents of which are summarized below, with the unanimous consent of all the members.

(a) Contents of the Written Report

- Advisory Matter 1 (What opinion should the Target Company's Board of Directors express with respect to the Tender Offer?)

The Board of Directors of the Target Company should express its opinion in favor of the Tender Offer and recommend that the shareholders of the Target Company tender their shares to the Tender Offer.

- Advisory Matter 2 (Whether the Transaction is considered not disadvantageous to minority shareholders.)

The Special Committee state that the decision to approve and cooperate with the Squeeze-Out Procedures to be implemented after the Tender Offer as part of the Transaction (specifically, a board of directors' resolution to submit the Share Consolidation Proposal to the general shareholders meeting of the Target Company for the purpose of making the Tender Offeror the sole shareholder of the Target Company, or a board of directors' resolution to approve a request for approval of a share sale request from the Tender Offeror) is not detrimental to the minority shareholders of the Target Company.

- Advisory Matter 3 (If a sincere competing proposal to the Transaction is made by a third party, what opinion should be expressed by the Target Company's Board of Directors with respect to such competing proposal and whether such competing proposal is considered not disadvantageous to minority shareholders).

As of September 13, 2023, the Special Committee does not have any communication from the target regarding the relevant competing offer, and therefore, the Special Committee does not provide any recommendation on this matter.

(b) Reasons for the Written Report
Regarding Advisory Matter 1

- The Special Committee believes that the Transaction will contribute to the enhancement of the Target's corporate value for the following reasons.

① Promotion of the business alliance proposed by the Tender Offeror will contribute to the improvement of the Target Company's corporate value

- The Target Company believes that the following (a) is the expected synergy from the Transaction, and if these items are realized, the Transaction is expected to be positive for the Target Company's earnings in the aggregate, even taking into account the dis-synergy described in (a) below, and thus will contribute to improving the Target Company's corporate value.

(a) Synergy Matters

- ✓ Sales Synergy
 - Expansion of the customer base that can be approached by joining the Tender Offeror Group
 - Expansion of transactions with the Tender Offeror Group
- ✓ Cost Synergy
 - Lower purchase costs through joint purchasing
 - Improved efficiency of logistics network
 - Improved efficiency of production functions

(b) Dis-Synergy Matters

Possibility that the Target Company's entry into the Tender Offeror Group may reduce transactions with certain customers that directly compete with the Tender Offeror Group

- The Target Company explained to the Special Committee the feasibility of the matters concerning the synergies proposed by the Tender Offeror, and no particular unreasonable points were found. In addition, the Special Committee confirmed that the synergies exceeded the dis-synergies, and found no particular problem with the method used to prepare such materials.

② The business alliance proposed by the Target Company to the Tender Offeror is expected to be realized, and the Target Company's corporate value is expected to increase as a result.

- The Target Company has requested the Tender Offeror to enter into an alliance with the Target Company regarding each of the following matters (collectively, the "Target Company Business Alliance Proposal Matters") if the Target Company becomes a member of the Tender Offeror's group. The Tender Offeror has indicated that it will hold good faith

discussions on matters concerning the business alliance, etc. after the Tender Offer, including the Target Company Business Alliance Proposal Matters.

- (i) Technological exchange with the Tender Offeror Group in fundamental research and product development
- (ii) Sharing of the Tender Offeror Group's proprietary technologies, infrastructure, etc.
- The proposed items of the Target Company Business Alliance are intended to enable the Target Company Group to improve quality by conducting basic research and product development using the Tender Offeror Group's technology and infrastructure, and if this is achieved, the corporate value is expected to increase.
- ③ Reduction of burdens associated with maintaining listing
 - The Target Company will be able to avoid the costs associated with maintaining its listing by taking the Target Company's shares private through the Transaction, and according to the Target Company, this is one advantage of the Transaction.

The Target Company does not expect any specific negative impact on the recruitment of human resources, since it has established name recognition and brand power through its listing on the stock exchange since 1962, and by joining the Tender Offeror Group, it will be able to take advantage of the Tender Offeror's name recognition and brand power, and it also has no immediate plans to raise funds from the capital market through its shares. The company also believes that there will be no problem in raising funds from the capital market through the stock, as it does not plan to do so in the foreseeable future. There is nothing particularly unreasonable about the Target Company's decision that there will be no disadvantages associated with such delisting.

- As described above, the synergies from the Transaction are expected to enhance the corporate value in the Target Company, and the Target Company should express its opinion in favor of the Tender Offer, which is part of the Transaction.
- Next, the Special Committee considers that the Tender Offer Price is a reasonable price that ensures the benefits to be enjoyed by the public shareholders of the Target Company, and that the Tender Offer provides the public shareholders of the Target Company with an opportunity to sell their shares at a price with an appropriate premium, taking into consideration the following points. Therefore, the Target Company should express its opinion recommending that the shareholders of the Target tender their shares to the Tender Offer.
 - The Tender Offeror publicly announced its intention to implement the Tender Offer on July 13, 2023. This gives third parties an opportunity to consider whether or not to make a competing offer to the Tender Offer, and the Target Company has not received any offer that exceeds the Tender Offer Price, which indirectly confirms that the Tender Offer Price is appropriate.
 - The Tender Offer Price exceeds the upper limit of the range of the per share value of the Target Company's shares calculated by various methods in the valuation report obtained by the Target Company from Daiwa Securities.
 - The Tender Offer Price exceeds the median premiums (44.55%, 46.21%, 42.72%, and 46.68%, respectively) of the premiums (premiums from the closing price on the business day preceding the announcement date and the simple average closing prices for the most recent 1 month, 3 months, and 6 months, respectively) in the 33 cases of tender offers (excluding management buyout transactions and takeover bids by controlling shareholders) for going-private transactions announced during the 2-year period from August 2021 to July 2023, the Tender Offer Price shall be at a reasonable level of premium.

The Tender Offer Price is 7.4% below the Target Company's net asset value per share (JPY2,777.24) as of March 31, 2023. However, in light of the following explanation by the Target Company, the Special Committee believes that the fact that the Tender Offer Price is below the net asset value per share does not preclude the Target Company from expressing its opinion to recommend that shareholders tender their shares in the Tender Offer.

- Under generally accepted accounting principles, the balance sheet is prepared on the going concern assumption, and that the net assets do not represent the theoretical liquidation value.
- The Target Company's assets include many illiquid business assets such as inventories and factory land and buildings. Considering the difficulties involved in selling the assets and the various additional costs incurred in liquidation, even if the Target Company were to liquidate, it is not reasonable to focus on the net asset value in calculating the corporate value of the Target Company as a going concern, because a considerable amount of damage from the book value is expected (since the Target does not intend to liquidate, no

estimate was obtained or specific calculations were made on the assumption that liquidation would take place).

- The Special Committee believes that the following measures have been taken in this case, and that the interests of general shareholders have been secured through the implementation of fair procedures.

- Establishment of the Special Committee

In this case, in light of the timing of the establishment of the special committee, the independence of its members, its authority, and its involvement in the negotiation process, the Special Committee is considered to be fulfilling the role it is supposed to play.

- Adoption of an independent review system and decision-making process in the Target Company

There is nothing questionable about the fairness of the decision-making process at the Target Company.

- Obtaining professional advice from outside experts

In this case, the Target Company has received legal and financial advice from independent experts.

- Acquisition of a valuation report on the Target Company's shares from an independent third-party appraiser

The Target Company has obtained a valuation report on the Target Company's shares from Daiwa Securities, an independent third-party valuation institution, as materials concerning the value of the Target Company's shares, and nothing about the business plan used for the valuation report was considered unreasonable.

- Absence of indirect market checks and agreements to restrict contact with competing takeover bidders

The Tender Offeror publicly announced its intention to implement the Tender Offer on July 13, 2023. This provides an opportunity for third parties to consider whether to make a competing offer to the Tender Offer. In addition, the Tender Offer period is set at 30 business days.

In addition, the Special Committee has not received any report from the Target Company that there is any agreement between the Target Company and the Tender Offeror to prohibit the Target Company from contacting any party other than the Tender Offeror (the "Competing Takeover Proposer"). Although the Memorandum of Understanding stipulates that the Target Company shall endorse the Tender Offer and recommend that the shareholders of the Target Company tender their shares to the Tender Offer, since the Memorandum of Understanding is not legally binding, the existence of such a provision and the fact that it is clearly stated in the disclosure documents should not have the effect of preventing contact and discussion with a Competing Takeover Proposer.

- Establishment of a minimum number of shares to be purchased and measures to reduce coercion, etc.

The Squeeze-Out Procedures in the Transaction are to be executed by means of a Share Consolidation or a demand for sale of shares scheme. In either scheme, shareholders who are dissatisfied with the price are entitled to file a petition for price determination under the Companies Act, and this fact is explicitly disclosed in the Target Company Press Release. The Target Company Press Release also disclosed that the Squeeze-Out Procedures will be conducted promptly after the completion of the Tender Offer, and that the cash to be delivered to general shareholders in the Squeeze-Out Procedures is expected to be the same price as the Tender Offer Price.

On the other hand, however, since the Tender Offeror may not secure two-thirds or more of the voting rights in the Tender Offer even if the minimum number of shares to be purchased is met, there is a theoretical possibility that shareholders of the Target Company who are concerned about the state of not going private despite the completion of the Tender Offer will be pressured (so-called coercion effect) to apply for the Tender Offer.

In this regard, according to the Target Company Press Release and the Tender Offeror's written response to the list of information provided by the Target Company in accordance with the Target Company Takeover Defense Policy, the answer is following.

- ① Existence of passive index-managed funds

According to the Tender Offeror Press Release, the Tender Offeror believes that some ETFs (exchange-traded funds) and other passive index management funds that own shares of the Target Company will not in principle subscribe to the tender offer regardless of the suitability of the terms of the tender offer, but in light of past cases, there are those who intend to vote in favor of the subsequent squeeze out at the extraordinary shareholders meeting.

② Existence of cooperating shareholders

In addition, according to the Tender Offeror, although it is considered that there will be a certain number of shareholders who hold the shares of the Target Company for the purpose of policy holding or similar and who refrain from tendering their shares because the Board of Directors of the Target Company does not express an affirmative opinion at the time of the Tender Offer, it is expected that after the Tender Offer is consummated, the Board of Directors of the Target Company will be able to obtain a certain understanding of the management policies, etc. of the Tender Offeror, which has become the new parent company, and will be able to manage its business under policies consistent with those of the parent company.

According to the Tender Offeror, since the Ownership Ratio of the number of shares held by the shareholders listed in (i) and (ii) above is expected to be approximately 18%, even if the number of shares held by the Tender Offeror after the completion of the Tender Offer is near the minimum number of shares to be purchased (for example, 50% in terms of Ownership Ratio), the requirements for approval for the resolution of the Share Consolidation Proposal will be met. On the other hand, the Special Committee was informed by Daiwa Securities that there are only 3.99% of the passive index management funds in this case that would apply for the Tender Offer, and given this, the Ownership Ratio for "shareholders who cannot apply for the tender offer due to their investment policy but are expected to vote for the Share Consolidation Proposal".

In addition, the Special Committee has received explanations from Daiwa Securities and Anderson Mori & Tomotsune that the shareholders listed in (ii) above are not necessarily in favor of the Share Consolidation Proposal, and that (ii) is based on the assumption that the Target Company's Board of Directors will not express an affirmative opinion at the time of the Tender Offer, and such assumption will not apply if the Target Company's Board of Directors expresses an affirmative opinion as the Special Committee reports in its Written Report.

On the other hand, Daiwa Securities and Anderson Mori & Tomotsune reported that the average ratio of voting rights exercised at the Target Company's general shareholders' meetings over the past five years is 67.94%, and that, assuming such ratio, if the Tender Offeror comes to hold shares equivalent to 50% of the total voting rights of the Target Company after the Tender Offer, there is a considerable possibility that the special resolution of the general shareholders' meeting required for the Share Consolidation Proposal will be passed with the number of voting rights secured by the Tender Offeror. Based on this report, since it is not highly likely that the Share Consolidation Proposal will be rejected at the general shareholders' meeting despite the completion of the Tender Offer, it can be said that the likelihood of a shareholder (a shareholder affected by coercion problem) who, despite the completion of the tender offer, is concerned that the company will not go private and decides to tender his/her shares to the Tender Offer against his/her wishes is actually low.

In addition, if the Tender Offeror confirms that the total number of shares tendered in the Tender Offer is 3,193,900 shares or more, which is the minimum number of shares to be purchased, the Tender Offeror plans to promptly announce such confirmation and extend the Tender Offer Period to ensure 10 business days from such point in time for the Tender Offer. The Tender Offeror intends to eliminate the coercive nature of the Tender Offer by providing the shareholders of the Target Company with separate opportunities to express their approval or disapproval of the Transaction and to decide whether or not to tender their shares to the Tender Offer.

Furthermore, according to the Tender Offeror, even if the Tender Offer is successful and as a result the Tender Offeror does not come to hold two-thirds or more of the total voting rights of the Target Company, the Tender Offeror plans to request the Target Company to hold an extraordinary shareholders' meeting to implement the Squeeze-Out Procedures. Even if approval is not obtained at such extraordinary shareholders' meeting, the Tender Offeror clearly stated that the Tender Offeror may conduct in-market transactions, off-market purchases other than tender offers (limited to cases permitted under the Law), or other purchases of shares until it acquires the number of shares equivalent to the number of voting rights obtained by multiplying the number of voting rights exercised in the proposal for going private by 2/3 of the total voting rights of all shareholders. It is also stated that the consideration for the additional acquisition will be a reasonable price that is not economically disadvantageous to the Target Company's shareholders (the same price per share as the Tender Offer Price, unless an event requiring adjustment occurs, such as a share consolidation or stock split by the Target Company).

In light of the Tender Offeror's intention to acquire additional shares, it is not highly likely that the Target Company shareholders who did not tender their shares in the Tender Offer will also tender their shares in the additional acquisition by the Tender Offeror, thereby preventing the Target Company from ultimately going private despite the completion of the Tender Offer.

Based on the above explanations by Daiwa Securities and Anderson Mori & Tomotsune, as well as the measures adopted by the Tender Offeror to extend the Tender Offer Period and its intention to acquire additional shares, although the number of shares to be purchased in the Tender Offer is set lower than that for a normal tender offer for the purpose of going private, a reasonable allowance is made for the coercion of the Tender Offer that could theoretically arise therefrom, and the Special Committee does not necessarily need to oppose the Tender Offer solely on this basis.

Taking into consideration the fact that the Tender Offeror made a sincere and concrete proposal to enhance the corporate value of the Target Company in the letter of intention submitted by the Tender Offeror, the Transaction does not fall under a typical situation where the problem of coercion could arise, which is mainly advocated in academic theory (a situation where the corporate value of the Target Company is expected to decrease after the acquisition of control through the Tender Offer) and given that reasonable measures have been taken to reduce coercion effect, the establishment of the minimum number of shares to be purchased is not disadvantageous to the ordinary shareholders of the Target Company.

- Provide full information to general shareholders and ensure transparency of the process
In this case, there are no particular issues that need to be addressed as information disclosure to ordinary shareholders.

Regarding Advisory Matter 2

- In light of the above, with respect to Advisory Matter 2, the Special Committee decides it is not disadvantageous to minority shareholders of the Target Company that the Target Company's Board of Directors will decide (i) to express its opinion in favor of the Tender Offer and recommend that the shareholders of the Target Company tender their shares to the Tender Offer, and (ii) to approve and cooperate in the Squeeze-Out Process as part of the Transaction. (Specifically, a resolution of the board of directors' meeting to submit a proposal for a share consolidation to the general shareholders' meeting of the Target Company for the purpose of making the Tender Offeror the sole shareholder of the Target Company, or a resolution of the Board of Directors' meeting to approve a request from the Tender Offeror for approval of a demand for sale of shares.)

Regarding Advisory Matter 3

- No report will be made to this Special Committee on Advisory Matter 3, as there are no relevant competing-proposals as of September 13, 2023.

- (c) Obtaining advice from an independent law firm in the Target Company
As described in "(i) Proposal from the Tender Offeror, Confirmation of the Sincerity of the Proposal, and Establishment of the Review System" in "(ii) Decision-Making Process and Reasons for the Decision by the Target Company" in "(2) Background, Purpose, and Decision-Making Process Leading to the Tender Offer and Management Policy after the Tender Offer" above, the Target Company has appointed Anderson Mori & Tomotsune as its legal advisor independent of the Tender Offeror, the Target Company and the consummation of the Transaction, and has received legal advice from Anderson Mori & Tomotsune, including advice on measures to be taken to ensure the fairness of the procedures in the Transaction, various procedures of the Transaction and the decision-making methods and processes of the Target Company with respect to the Transaction.
Anderson Mori & Tomotsune is not a related party of either the Tender Offeror or the Target Company, and does not have any material interest in the Transactions, including the Tender Offer. In addition, the remuneration to Anderson Mori & Tomotsune does not include a contingent fee to be paid contingent upon the success or failure of the Transaction.

- (iv) Obtaining the Share Valuation Report from an independent financial advisor and third-party appraiser for the Target Company

- (i) Name of the Calculation Agent and Relationship with the Target Company and the Tender Offeror
In expressing its opinion on the Tender Offer, the Target Company requested Daiwa Securities, a financial advisor and third-party appraiser independent from the Tender Offeror, from the Target Company and from the success of the Transaction, to calculate the value of the Target Company's shares to ensure fairness in the decision-making process regarding the Tender Offer Price presented by the

Tender Offeror, and obtained the Target Company Share Valuation Report as of September 12, 2023. Daiwa Securities is not a related party of either the Target Company or the Tender Offeror, and does not have any material interest in the Transactions, including the Tender Offer, that should be mentioned.

The Target Company has not obtained a fairness opinion from Daiwa Securities because the Tender Offeror and the Target Company have taken measures to ensure the fairness of the Tender Offer in consideration of the interests of minority shareholders, and the Target Company has determined that obtaining a fairness opinion is unnecessary.

The compensation to Daiwa Securities includes a contingency fee to be paid on the condition that the Transaction is consummated, etc. However, the Target Company has appointed Daiwa Securities as its financial advisor and third-party valuation institution in accordance with the above compensation structure, taking into consideration general business practices in similar transactions, etc.

(ii) Overview of the Valuation

Daiwa Securities considered the calculation method to be adopted in valuing the Target Company's shares from among several calculation methods and, based on the assumption that the Target Company is a going concern and on the belief that it is appropriate to evaluate the value of the Target Company's shares from various aspects, Daiwa Securities used the market price method, because the market price of the Target Company's shares is available, the DCF method to reflect the future business activities of the Target Company, and the comparable company method to supplement these calculation methods, and the Target Company received a valuation report for the Target Company's shares from Daiwa Securities on September 12, 2023.

The range of the per share value of the Target Company's shares calculated based on each of the above methods is as follows.

Market Price Method: From JPY 1,225 to JPY 1,587

DCF method: From JPY 1,206 to JPY 1,385

Comparable Company Method: From JPY 736 to JPY 1,483

Under the market price method, in order to eliminate the impact of the announcement of the Tender Offeror Press Release on the share price, the calculation base date was set at July 13, 2023, which is considered to be unaffected by such announcement. The range of the per share value of the Target Company's shares was calculated to be between JPY1,225 and JPY1,587 based on the closing price of the Target Company's shares on the Tokyo Stock Exchange Standard Market on the base date of JPY1,587, the simple average of the closing price of the Target Company's shares for the most recent one month, JPY1,286 for the most recent three months, and JPY1,277 for the most recent six months, respectively.

Under the DCF method, the corporate value and equity value of the Target Company were analyzed by discounting the free cash flows that the Target Company is expected to generate from the fiscal year ending March 2024 onward by a certain discount rate to arrive at a present value, based on the Business Plan prepared by the Target Company and assuming various factors such as earnings and investment plans in the business plan for the five fiscal years from the fiscal year ending March 2024 to the fiscal year ending March 2028 and publicly disclosed information and the per-share value of the Target Company's shares was calculated to range from JPY1,206 to JPY1,385.

On May 13, 2022, the Target Company announced its medium-term management plan "Value-Up 2024" for the three fiscal years from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025. Since the actual results for the fiscal year ending March 31, 2023 and the forecast for the fiscal year ending March 31, 2024 have deviated down from said medium-term management plan, the Target Company has formulated this Business Plan based on the recent market environment and the latest order situation.

In this Business Plan used by Daiwa Securities for the DCF analysis, there are some fiscal years in which a significant increase or decrease in profit is expected. Specifically, for the fiscal year ending March 31, 2026, the company expects to expand sales based on forecasted order trends, and operating income is expected to increase significantly to 2,111 million yen due to improved operating efficiency through shared agency with Takisawa Taiwan, and operating income is expected to decrease significantly to 1,800 million yen for the fiscal year ending March 31, 2028 due to a deteriorating order environment based on forecasted market trends. They also include fiscal years in which they expect a significant change in free cash flow.

Specifically, in the fiscal year ending March 31, 2025, free cash flow will be negative 448 million yen due to the acquisition of land and investment in production facilities in Takisawa, Taiwan, and in the fiscal year ending March 31, 2026, although capital investment is scheduled for the construction of an office in Takisawa Taiwan, the amount of investment will decrease compared to the previous fiscal year, resulting in free cash flow of 254 million yen. In the fiscal year ending March 31, 2027, free cash flow will increase significantly to 1,457 million yen due to a decrease in investment, although the company will continue to invest in production facilities, etc. In the fiscal year ending March 31, 2028, free cash flow is expected to increase significantly to 3,336 million yen due to a decrease in working capital as a result of lower sales.

Under the comparable companies method, the per-share value of the Target Company's shares was

calculated to range from JPY736 to JPY1,483 through a comparison with financial indicators such as market share prices and profitability of listed companies engaged in relatively similar businesses to those of the Target Company.

(v) Establishment of an independent review system at the Target Company

As described in "(ii) Decision-Making Process and Reasons at the Target Company" in "(2) Background, Purpose and Decision-Making Process of the Tender Offer and Management Policy after the Tender Offer", the Target Company has established a system within the Target Company (a system whose main members are directors and executive officers of the Target Company) to examine, negotiate, and make decisions regarding the Transaction from a standpoint independent of the Tender Offeror and the success or failure of the Transaction.

Specifically, the Target Company has confirmed that none of the above key members has a material interest in the Tender Offeror or the Transaction, including those who currently serve concurrently as officers or employees of the Tender Offeror.

In addition, the Target Company has confirmed that, including such treatment, there is no problem from the viewpoint of independence in the system established within the Target Company to examine the Transaction (including the scope of officers and employees of the Target Company involved in the examination, negotiation, and decision-making of the Transaction, and their duties).

(vi) Approval by All Directors without Conflicts of Interest (Including Audit and Supervisory Committee Members) at the Target Company

As described in "(ii) Decision-Making Process and Reasons at the Target Company" in "(2) Background, Purpose and Decision-Making Process of the Tender Offer and Management Policy after the Tender Offer", the Target Company's Board of Directors, while taking into consideration the advice received from Daiwa Securities and the content of the Target Company Share Valuation Report and the legal advice received from Anderson Mori & Tomotsune, and respecting the content of the Special Committee's judgment as set forth in the Written Report, seriously and carefully considered whether the Transactions, including the Tender Offer, would contribute to enhancing the Target Company's corporate value and whether the terms of the Transaction, including the Tender Offer Price, are appropriate.

As described above in "(2) Background, Purpose and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer" in "(ii) Decision-Making Process and Reasons at the Target Company", in conclusion, the Target Company has determined that the Transaction will contribute to the enhancement of the Target Company's corporate value and that the Tender Offer Price of JPY 2,600 per share provides the Target Company's ordinary shareholders with a reasonable opportunity to sell their shares at a price with an appropriate premium. The Board of Directors of the Target Company, at a meeting held on September 13, 2023, unanimously resolved to express an opinion in favor of the Tender Offer by a total of 12 directors of the Target Company (including 5 independent outside directors who are members of the Audit Committee) and to recommend that the shareholders of the Target Company tender their shares to the Tender Offer.

(vii) Absence of Agreements, etc. Restricting Contact with Competing Takeover Bidder

The Tender Offeror and the Target Company have not made any agreement, etc. that would prohibit the Target Company from contacting any party other than the Tender Offeror (the "Competing Takeover Proposer") and have taken care to ensure the fairness of the Tender Offer by ensuring that the Competing Takeover Proposer is not prevented from having an opportunity to make a competing offer.

(viii) Measures to Ensure that Shareholders of the Target Company Have an Appropriate Opportunity to Decide Whether or Not to Tender Their Shares in the Tender Offer

The Tender Offeror has set the Tender Offer Period at 30 business days, whereas the minimum period for the purchase, etc. for a tender offer stipulated by law is 20 business days. By setting the Tender Offer Period longer than the statutory period, the Tender Offeror intends to ensure the fairness of the Tender Offer by ensuring that the shareholders of the Target Company have an appropriate opportunity to decide whether to tender their shares in the Tender Offer and also by ensuring that persons other than the Tender Offeror have an opportunity to make a competing offer for the Target Company's shares.

In addition, the Tender Offer is a pre-announcement tender offer, and by allowing a certain period of time between the announcement of the main terms and conditions, including the Tender Offer Price, and the commencement of the Tender Offer, the Tender Offeror intends to ensure that the shareholders of the Target Company have an appropriate opportunity to decide whether to tender their shares to the Tender Offer, and to ensure that any competing takeover proposer has an opportunity to make a takeover bid. Through these opportunities, the Tender Offeror intends thereby ensure that the shareholders of the Target Company have an opportunity to make an appropriate decision as to whether or not to tender their shares to the Tender Offer.

Furthermore, if the total number of Tendered Share Certificates, Etc. reaches 3,193,900 shares, which is the minimum number of shares to be purchased, the Tender Offeror plans to promptly announce such fact and extend the Tender Offer Period so that 10 business days can be secured as the Tender Offer Period from that

time. The Tender Offeror intends to eliminate the coercive nature of the Tender Offer by providing the shareholders of the Target Company with separate opportunities to express their approval or disapproval of the Transaction and to decide whether or not to tender their shares to the Tender Offer.

In addition, as stated in "(vii) Absence of Agreements, etc. Restricting Contact with Competing Takeover Bidder" above, the Tender Offeror has not entered into any agreement with the Target Company that would restrict such competing takeover bidder from contacting the Target Company, such as an agreement containing transaction protection provisions that would prohibit the Target Company from contacting the competing takeover bidder. In this manner, consideration has been given to ensure the fairness of the Tender Offer by ensuring that opportunities for competing purchases, etc. are secured in conjunction with the establishment of the Tender Offer Period above.

(4) Policy for post-Tender Offer organizational restructuring (Matters concerning so-called two-step acquisition)

As described in "(1) Overview of the Tender Offer" above, the Tender Offeror intends to make the Target Company a wholly-owned subsidiary of the Tender Offeror. Therefore, if, after the Tender Offer is achieved, the Tender Offeror acquires two-thirds or more of the voting rights of all shareholders of the Target Company as a result of the Tender Offer, the Tender Offeror intends to launch a series of procedure to delist the Target Company Shares after the Settlement Commencement Date. If, in the Tender Offer, the Tender Offeror fails to acquire all of the Target Company Shares (excluding the shares owned by the Tender Offeror and treasury shares owned by the Target Company) in the Tender Offer, the Tender Offeror will, after the implementation of the Tender Offer, launch the following measures to execute Squeeze-Out Procedure for the Tender Offeror to acquire all of the Target Company Shares.

Even if the Tender Offer is successful, and if the Tender Offeror fails to acquire two-thirds of the voting rights of all shareholders of the Target Company as a result of the Tender Offer, the Tender Offeror will request the Target Company to hold an Extraordinary General Meeting of Shareholders for a bill that includes executing a consolidation of the Target Company's Shares (hereinafter referred to as the "Share Consolidation") pursuant to Article 180 of the Companies Act and a partial amendment of the Target Company's Articles of Incorporation to abolish the rules on the share unit number based on the condition of the Share Consolidation taking effect (and to elect additional directors). As described in (Note 3) and (Note 7) of "(1) Overview of the Tender Offer" above, even if the Tender Offeror does not come to hold two-thirds of the total voting rights of the Target Company as a result of the Tender Offer, the Tender Offeror expects to obtain the necessary approvals to pass a special resolution to approve the Squeeze-out Procedure.

In addition, there is a chance for the proposal for the Share Consolidation not to be approved at the Extraordinary General Meeting of Shareholders. However, even in such a case, the Tender Offeror will acquire all of the Target Company's shares (excluding the shares owned by the Tender Offeror and treasury shares owned by the Target Company). Therefore, until it acquires the number of shares equivalent to the number of voting rights that is the two-thirds of the number of voting rights exercised in the next General Meeting of Shareholders scheduled, the Tender Offeror will use the price that it will determine after considering the market share price as of the additional share acquisition (the price must be a reasonable one (Unless an event requiring adjustment occurs, such as the Share Consolidation Proposal by the Target Company, the Tender Offer Price per share will be the same as the Tender Offer Price.)), which will not be evaluated as economically disadvantageous to the Target Company's shareholders at the time of such additional acquisition, compared with the Tender Offer Price), to obtain additional shares of the Target Company via in-market transactions and off-market transactions outside of tender offers (to the extent permitted under the laws). If the Tender Offeror acquires such number of shares, or if it acquires a number of shares that is expected to be approved at the General Meeting of Shareholders held to deliberate any proposal regarding the Share Consolidation, the Tender Offeror will request the Target Company to hold another Extraordinary General Meeting of Shareholders (The decision will be made based on the ratio of voting rights exercised against the proposal for the share consolidation at the Extraordinary General Meeting of Shareholders and other factors.). However, depending on the timing, the Tender Offeror may submit such a proposal to a Annual General Meeting of Shareholders scheduled to be held in 2024.

(i) Demand for the sale of shares

As a result of the completion of the Tender Offer, if the total number of voting rights of the Target Company held by the Tender Offeror becomes 90% or more of the voting rights of all shareholders of the Target Company, and that, if the Tender Offeror is to become a special controlling shareholder as stipulated in Article 179, Paragraph 1 of the Companies Act, the Tender Offeror will, immediately 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, request all shareholders of the Target Company (excluding the Tender Offeror and the Target Company; hereinafter the same shall apply in ①) to sell the Tender Offeror all of the Target Company Shares they own (the "Demand for the Sale of Shares"). In the Demand for the Sale of Shares, the Tender Offeror will establish rules to issue an amount of money equivalent to the Tender Offer Price as the consideration for each share of the Target Company. In such a case, the Tender Offeror will inform the Target Company of the establishment of such rules and request the Target Company to approve of the Demand for the Sale of Shares. According to the Target Company Opinion, Target Company intends to

approve the stock sale request from the Tender Offeror if it is made.

If the Target Company approves of the Demand for the Sale of Shares based on a resolution of its Board of Directors, the Tender Offeror will, in accordance with the procedures stipulated in relevant laws and regulations, and without obtaining approval of the Target Company's individual shareholders, obtain all of the Target Company Shares from all of its shareholders, on the specified acquisition date. If the Demand for the Sale of Shares is made, the shareholders of the Target Company may file a petition with the court to determine the trading price of the Target Company Shares held by them in accordance with Article 179-8 of the Companies Act and other relevant laws and regulations.

(ii) Share Consolidation

On the other hand, if, as a result of the completion of the Tender Offer, the total number of voting rights of the Target Company held by the Tender Offeror does not reach 90% or more of the voting rights of all shareholders of the Target Company, the Tender Offeror will, promptly after the completion of the transactions for the Tender Offer, request the Target Company to hold an Extraordinary General Meeting of Shareholders within three months after the completion of the Tender Offer (If the Tender Offer period ends on October 27, 2023 and the Tender Offer is consummated, until late January 2024.), to deliberate a proposal that includes the implementation of the Share Consolidation pursuant to Article 180 of the Companies Act, and partial amendment of the Target Company's Articles of Incorporation to abolish the number of shares constituting one unit on the condition that the Share Consolidation take effect (an "Extraordinary General Meeting of Shareholders").

The Tender Offeror and the Target Company will consult with each other regarding the timing of the Extraordinary General Meeting of Shareholders, and upon determination, the Tender Offeror will request the Target Company to promptly disclose such information.

According to the Target Company Opinion, the Target Company intends to comply with such request from the Tender Offeror.

If the Share Consolidation Proposal is approved at the Extraordinary Shareholders Meeting, the shareholders of the Target Company will, on the day when the Share Consolidation takes effect, own the number of Target Company Shares corresponding to the rate of the Share Consolidation approved at the Extraordinary General Meeting of Shareholders. If the Share Consolidation results in a fraction less than a share, based on Article 235 of the Companies Act and other relevant laws and regulations, the Target Company's shareholders shall receive an amount of money to be obtained after the number of the Target Company Shares equivalent to the total number of such fraction (the "Total Fractional Shares" (if there is a fraction less than a share in the total number obtained, such fraction shall be rounded down) is sold to either the Target Company or the Tender Offeror. With respect to the sale price of the Total Fractional Shares, the Tender Offeror will calculate so that the amount of money to be issued to shareholders of the Target Company who did not tender their shares in the Tender Offer (excluding the Tender Offeror and the Target Company) as a result of such sale matches the amount of money that results after multiplying the Tender Offer Price with the number of the Target Company's shares owned by its shareholders, before the Tender Company will request the Target Company to file a petition with the court for permission to sell the Target Company's shares in their possession voluntarily.

Although the ratio of the Share Consolidation is undecided as of today, the Tender Offeror will request to make the number of the shares owned by the Target Company's shareholders who did not tender their shares in the Tender Offer (excluding the Tender Offeror and the Target Company) a fraction less than a share so that the Tender Offeror owns all of the Target Company Shares.

As a provision of the Companies Act for the purpose of protecting the rights of minority shareholders related to a share consolidation, if the Share Consolidation results in a fraction of less than a share, pursuant to Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations, the shareholders of the Target Company who oppose the Share Consolidation may ask, in accordance with the Companies Act, the Target Company to purchase all of its shares that are fractions of less than a share at a fair price. The Companies Act also stipulates that such shareholder may request that the Target Company to file a petition with the court to determine the price of the Target Company Shares. As stated above, in the Share Consolidation, the number of Target Company Shares held by 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 fraction less than a share. Accordingly, shareholders of the Target Company who oppose the Share Consolidation will be able to file the above petition. If the above petition is filed, the purchase price will ultimately be determined by the court.

Regarding each of the procedures of (i) and (ii) above, it may take time to implement or the method of implementation may change depending on the situation such as revision, enforcement of relevant laws and regulations, and interpretation of them by the authorities. However, even in that case, a method of ultimately delivering cash to the shareholders of the Target Company who did not tender their shares in the Tender Offer (excluding the Tender Offeror and the Target Company) is expected to be adopted. In that case, the amount of money to be delivered to each such shareholder will be calculated to be the same as the

Tender Offer Price multiplied by the number of Target Company Shares owned by each such shareholder.

Regarding the specific procedures and the timing of their implementation in each of the above cases, the Tender Offeror will consult with the Target Company, and request that the Target Company promptly disclose such information as soon as they are finalized.

The Tender Offer is in no way intended to solicit the support of the shareholders of the Target Company at the Extraordinary General Meeting of Shareholders. In addition, shareholders are requested to confirm with a tax accountant or other experts at their own responsibility regarding the tax treatment of applying for the Tender Offer or each of the above procedures.

(5) Possibility of delisting and reasons thereof

As of today, the Target Company Shares are listed on the Tokyo Stock Exchange's Standard Market. However, since the Tender Offeror does not set an upper limit in the planned number of shares to be purchased, in accordance with the delisting standards of the Tokyo Stock Exchange, the Target Company Shares may be delisted through the prescribed procedures, depending on the results of the Tender Offer.

In addition, even if the relevant criteria are not met at the time of the completion of the Tender Offer, after the completion of the Tender Offer, if the procedure described in "(4) Policy for post-Tender Offer organizational restructuring (Matters concerning so-called two-step acquisition)" above, is carried out, the Target Company Shares will be delisted through the prescribed procedures in accordance with the delisting standards of the Tokyo Stock Exchange. After the Target Company Shares are delisted, the Target Company Shares cannot be traded on the Tokyo Stock Exchange.

In addition, in the Tender Offer, the voting rights of the Target Company held by the Tender Offeror after the completion of the Tender Offer may fall below two-thirds of the voting rights of all shareholders of the Target Company. At the Extraordinary General Meeting of Shareholders described in "(3) Policy for post-Tender Offer organizational restructuring (Matters concerning so-called two-step acquisition)" above, the proposal for the Share Consolidation may not be approved. However, even if such approval cannot be obtained, the Tender Offeror will acquire additional shares of the Target Company via in-market transactions and off-market transactions besides tender offers (only if such a transaction is permitted by law), at a price to be determined based on the market share price as of the additional share acquisition (The price must be a reasonable one that will not be regarded as economically disadvantageous to the shareholders compared with the Tender Offer Price at the time of such additional acquisition at the time of such additional acquisition (Unless an event requiring adjustment occurs, such as the Share Consolidation Proposal by the Target Company, the Tender Offer Price per share will be the same as the Tender Offer Price.)), until the Tender Offeror acquires the number of shares to reach the number of shares equivalent to the number of voting rights that is two-thirds of the number of voting rights exercised by the second General Meeting of Shareholders, to acquire all of the Target Company Shares (excluding the shares owned by the Tender Offeror and treasury shares owned by the Target Company). After acquiring the intended number of shares, or after acquiring the number of shares that is expected to be approved in the General Meeting of Shareholders for the proposal on the Share Consolidation (The decision will be made based on the ratio of voting rights exercised against the proposal for the share consolidation at the Extraordinary General Meeting of Shareholders and other factors.), the Tender Offeror will request the Target Company to hold an Extraordinary General Meeting of Shareholders.

Since the Tender Offeror aims to ultimately acquire all of the Target Company Shares (excluding the shares owned by the Tender Offeror and treasury shares owned by the Target Company), the Tender Offeror intends to add shares of the Target Company (at a price for the additional acquisition that will be a reasonable price that will not be economically disadvantageous to shareholders compared to the Tender Offer Price at the time of such additional acquisition (Unless an event requiring adjustment occurs, such as the Share Consolidation Proposal by the Target Company, the Tender Offer Price per share will be the same as the Tender Offer Price.)), until it the Tender Offeror acquires the number of shares equivalent to two-thirds of the number of voting rights related to the number of shares after deducting the number of treasury shares owned by the Target Company from the total number of shares.

(6) Matters Concerning Material Agreements Related to the Tender Offer

The Tender Offeror and the Target Company entered into a legally non-binding Memorandum of Understanding on September 13, 2023, with the aim of becoming "the world's number one machine tool manufacturer group" together.

The Memorandum of Understanding outlines the following matters.

(i) Reconfirmation of intentions, etc.

The Tender Offeror reaffirms to the Target Company, and the Target Company accepts, that the items stated in the Letter of Intent and the Target Company's respective responses to the list of necessary information and the list of necessary information (for the second time) to the Tender Offeror will be maintained after the Transaction is executed.

(ii) Support and Recommendation from the Target Company

Subject to (i) and (iii) above, the Target Company will support the Transaction and recommend that its shareholders tender their shares to the Tender Offer, if the Tender Offer is commenced.

(iii) Good Faith Consultation

In response to the Target Company's request, the Tender Offeror and the Target Company will consult on certain management matters (Note 13) of the Target Company, and the Tender Offeror in earnest and good faith in order to achieve the Purpose, to enhance the corporate value of the Target Company Group and to maximize the profit of the Tender Offeror Group. However, this (iii) shall not override the fact that the matters confirmed by the Tender Offeror and accepted by the Target Company pursuant to (i) above shall be maintained after the execution of the Transaction.

(Note 13) Under the Memorandum of Understanding, the Tender Offeror and the Target Company will consult with each other in earnest and in good faith, on the following matters: (i) matters concerning the business alliance, etc. after the Tender Offer; (ii) the steering committee concerning the management integration of the two companies; (iii) the management structure of the Target Company Group; (iv) the employment and maintenance of employment conditions, etc. of employees of the Target Company (including maintenance and continuation of existing labor union and maintenance of collective bargaining agreements); (v) the corporate name, etc. of the Target Company (including maintenance of trademarks and brands, and consolidation and abolition of business bases of the Target Company Group); (vi) the location of the Target Company's headquarters; (vii) the product lineup of the Target Company Group; (ix) the after-sales service system of the Target Company Group; (ix) matters concerning the acquisition of information, etc.; and (x) matters concerning inquiries from the Taiwan Takisawa Group.

2. Overview of share purchase, etc.

(1) Outline of the Target Company

①	Name	Takisawa Machine Tool Co., Ltd.																				
	Address	983 Nadekawa, Kita-ku, Okayama-shi																				
③	Title and name of the representative	Mr. Kazuhiro Harada, Representative Director and President																				
④	Business	Manufacturing and sale of metal machine tools (CNC lathes, ordinary lathes, machining centers, FA cells, systems, etc.)																				
	Capital	JPY 2,319,024,000 (as of March 31, 2023)																				
⑥	Foundation	October 30, 1944																				
⑦	Major shareholders and shareholding ratio (as of March 31, 2023)	<table border="0"> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td> <td>9.88%</td> </tr> <tr> <td>Takisawa Machine Tool client stocks society</td> <td>8.60%</td> </tr> <tr> <td>FANUC LTD</td> <td>4.70%</td> </tr> <tr> <td>The Chugoku Bank, Ltd.</td> <td>4.53%</td> </tr> <tr> <td>UBS AG SINGAPORE (standing proxy Citibank, N.A. Tokyo Branch)</td> <td>2.94%</td> </tr> <tr> <td>Kiyoyuki Kato</td> <td>1.91%</td> </tr> <tr> <td>Custody Bank of Japan, Ltd. (Trust Account)</td> <td>1.76%</td> </tr> <tr> <td>Takisawa Investment Association</td> <td>1.25%</td> </tr> <tr> <td>Sumitomo Mitsui Trust Bank, Limited</td> <td>1.25%</td> </tr> <tr> <td>The Chugin Lease Co.,Ltd</td> <td>1.10%</td> </tr> </table>	The Master Trust Bank of Japan, Ltd. (Trust Account)	9.88%	Takisawa Machine Tool client stocks society	8.60%	FANUC LTD	4.70%	The Chugoku Bank, Ltd.	4.53%	UBS AG SINGAPORE (standing proxy Citibank, N.A. Tokyo Branch)	2.94%	Kiyoyuki Kato	1.91%	Custody Bank of Japan, Ltd. (Trust Account)	1.76%	Takisawa Investment Association	1.25%	Sumitomo Mitsui Trust Bank, Limited	1.25%	The Chugin Lease Co.,Ltd	1.10%
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Sumitomo Mitsui Trust Bank, Limited	1.25%																					
The Chugin Lease Co.,Ltd	1.10%																					
⑧	Relationship between the Tender Offeror and the Target Company																					
	Capital	The Tender Offeror does not own any Target Company Shares as of today.																				
	Personnel	Not applicable.																				
	Business	Not applicable.																				
	Relations with any concerned parties	Not applicable.																				

(2) Schedule

(i) Schedule

Resolution of the Board of Directors Meeting	Sep 9, 2023 (Saturday)
Date of Public Notice of Commencement of the Tender Offer	Sep 14, 2023 (Thursday) Public notice will be made electronically, and a notice to that effect will be published in the Nihon Keizai Shimbun (URL of electronic public notice: https://disclosure.edinet-fsa.go.jp/)

Date of Submission of the Tender Offer Statement	Sep 14, 2023 (Thursday)
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(ii) Initial Period of Purchase as of the time of Submission of the Tender Offer Statement
From Sep 14 (Thursday) to Oct 27, 2023 (Friday) (30 business days)

(iii) Possibility of an Extension of the Tender Offer Period by Request of the Target Company

Not Applicable

The Tender Offeror has set the minimum number of shares to be purchased in the Tender Offer at 3,193,900 shares, and (i) if the total number of shares tendered is less than 3,193,900 shares, the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc.. (ii) If the total number of tendered shares reaches 3,193,900 shares by the last day of the Tender Offer Period (Please refer to "(1) Overview of the Tender Offer" in "1. Purpose of the Purchase, etc." above for the method by which the Tender Offeror will confirm the total number of Tendered Shares, Etc.), the Tender Offeror plans to promptly announce such fact and extend the Tender Offer Period so that 10 business days can be secured between such time and the last day of the Tender Offer Period.

(3) Tender Offer Price

Common Shares JPY 2,600 per share

(4) Basis of Calculation, etc. of the Purchase Price for the Tender Offer

(ii) Basis of Calculation

In determining the Tender Offer Price, the Tender Offeror has conducted a multifaceted and comprehensive analysis of the Target Company Group's business and financial conditions based on the Target Company's publicly available financial information and other materials, and in light of the fact that the Target Company shares are traded through a financial instruments exchange, the Tender Offeror has taken into consideration the following factors; The closing price of the Target Company's shares on the Tokyo Stock Exchange Standard Market on July 12, 2023, the business day prior to the announcement of the scheduled commencement of the Tender Offer, was JPY 1,447, and the simple average of the closing prices for the past one month at that time was JPY 1,269 (rounded to the first decimal place). The same applies to the calculation of the simple average of the closing price. The simple average of the closing price over the past three months was JPY 1,272, and the simple average of the closing price over the past six months was JPY 1,221. Furthermore, in addition to these factors, the Tender Offeror comprehensively considered trends in the market share price of the Target Company's shares (Note 1), examples of premiums granted in past examples of tender offers for the purpose of making the Target Company a wholly owned subsidiary by entities other than the issuer (Note 2), and the prospects for subscriptions to the Tender Offer, and concluded that it was appropriate to offer a price with an appropriate premium over the market price of the Target Company's shares, and decided to offer JPY 2,600 for the Tender Offer.

(Note 1) Looking at the share price of the Target Company since January 2018 and for the most recent 12 months ending July 13, 2023, the share price has generally been on a consistent downward trend from the first half of 2018 to the first half of 2020, and has remained in the range of JPY 1,006 to JPY 1,447 for the most recent 12 months without any significant recovery thereafter. During the relevant period, the Target's share price has never exceeded the Tender Offer Price.

(Note 2) A tender offer announced after January 2020, in which there is no upper limit to the number of shares to be purchased for the purpose of making the Target Company a wholly-owned subsidiary by an entity other than the issuer, and in which the ratio of ownership of the Target Company shares by the tender offeror (including its specially related parties) is less than 33.34% prior to the commencement of the tender offer (excluding Tokyo PRO Market). As a result of analyzing these 57 cases (as of July 7, 2023), the median premiums of the tender offer price to the closing price on the last business day prior to the announcement of the tender offer and the average closing prices for the past 1 month, 3 months, and 6 months prior to such date are 39%, 38%, 41%, and 46% (rounded to the nearest whole number), respectively. (Note that deals targeting REITs, unsuccessful deals, two-step tender offers and so-called discount tender offers, and deals in which the share price had changed due to competing offers prior to the launch of the tender offer are excluded from some of the above analyses.)

In launching the Tender Offer, the Tender Offeror requested XIB, a financial advisor as a third-party appraiser independent of the Tender Offeror and the Target Company, to calculate the value of the Target Company's shares, and the Tender Offeror received the Stock Valuation Report from XIB on September 8, 2023.

The results of the calculation of the per share value of the Target Company's shares based on the market share price analysis by XIB are as follows.

Market share price analysis: From JPY 1,221 to JPY 1,447

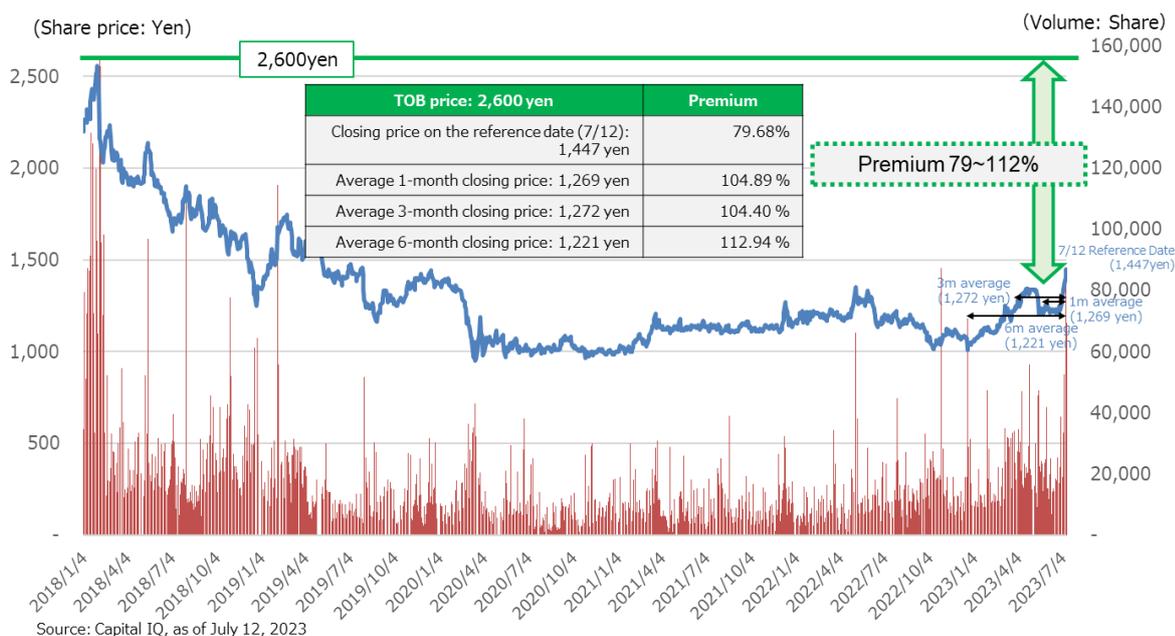
In the Stock Valuation Report, the range of the per-share value of the Target Company's shares was calculated to be JPY 1,221 to JPY 1,447 based on the closing price of the Target Company's shares on the Tokyo Stock Exchange Prime Market on the calculation reference date of July 12, 2023, the simple average of the closing prices of the Target Company's shares for the most recent one month, the most recent three months and the most recent six months to the calculation reference date, which were JPY 1,269, JPY 1,272 and JPY 1,221, respectively.

Based in part on the results of the Stock Valuation Report obtained from XIB, the Tender Offer Price, as described in Note 2 above, exceeds the median of the premiums granted in actual cases of tender offers (57 cases) made after January 2020 to make the issuer, other than the issuer (i.e., MBO) itself, a wholly-owned subsidiary (39% relative to the closing price on the business day preceding the announcement date, 38% relative to the simple average closing price over the last one month, 41% relative to the simple average closing price over the last three months, and 46% relative to the simple average closing price over the last six months). Furthermore, as described below, this price level not only guarantees to the Target Company's shareholders the "benefits to be enjoyed by shareholders," i.e., the "value that can be realized without an acquisition," but also guarantees a fair distribution of the "value that cannot be realized without an acquisition," and therefore, on September 13, 2023, the Tender Offer Price was ultimately set at JPY 2,600 per share.

The Tender Offer Price of JPY 2,600 represents (i) the price is a premium of 79.68% over the closing price of JPY 1,447 of the Target Company's shares on the Standard Market of the Tokyo Stock Exchange on July 12, 2023, the business day immediately preceding the announcement date of the Commencement Schedule; a premium of 104.89% over the simple average closing price of JPY 1,269 for the latest one month; a premium of 104.40% over the simple average closing price of JPY 1,272 for the latest three months; a premium of 112.94% over the simple average closing price of JPY 1,221 for the latest six months and the price is significantly higher than the average (median) premium granted in the 57 cases of tender offers made between January 2020 and June 2023 by entities other than the issuer and its parent company to make the issuer a wholly-owned subsidiary and (ii) given the volume and share price trends of the trading of the Target Company's shares over the past five years before July 12, 2023, which is the business day immediately preceding the publication date of the Tender Offeror's Press Release (see Note 3 above), and the fact that the share price of the Target Company's shares for the past year has ranged between JPY 1,006 and JPY 1,447, all current shareholders of the Target Company will enjoy a large premium. This will also not only guarantee the "benefits to be enjoyed by shareholders" but also sufficiently guarantees the fair distribution of "value that cannot be realized without a takeover".

The Tender Offeror acquired 100 shares of the Target Company for JPY 2,587 per share through market transactions with July 21, 2023 as the delivery date for the purpose of requesting the Target Company to provide a list of its shareholders for inspection and copying. There is a difference of JPY 13 between the Tender Offer Price (JPY 2,600) and such acquisition price (JPY 2,587), which is due to the share price trend at the time of such acquisition.

(Note 3) Turnover and share prices of the Target Company for the past five years.



(ii) Background of Calculations

As announced in the Tender Offeror's Press Release dated July 13, from January to March 2022, the Tender Offeror proposed to Mr. Kazuhiro Harada, Representative Director of the Target Company, the 2022 Proposal. However, the Target Company's Board of Directors refused to discuss the 2022 Proposal, without an explanation of any particular reason. As a step toward strengthening its presence in the machine tool industry, the Tender Offeror once again considered a business alliance with the Target Company from which the Tender Offeror can expect very significant synergies with its group in late February of 2023, and considering that the 2022 Proposal was refused, the Tender Offeror submitted the Letter of Intent to the Target Company.

As stated in "(i) Basis of Calculation" above, (i) the price is a premium of 79.68% over the closing price of JPY 1,447 of the Target Company's shares on the Standard Market of the Tokyo Stock Exchange on July 12, 2023, the business day immediately preceding the announcement date of the Commencement Schedule; a premium of 104.89% over the simple average closing price of JPY 1,269 for the latest one month; a premium of 104.40% over the simple average closing price of JPY 1,272 for the latest three months; a premium of 112.94% over the simple average closing price of JPY 1,221 for the latest six months and the price is significantly higher than the average (median) premium granted in the 57 cases of tender offers made between January 2020 and June 2023 by entities other than the issuer and its parent company to make the issuer a wholly-owned subsidiary and (ii) given the volume and share price trends of the trading of the Target Company's shares over the past five years before July 12, 2023, which is the business day immediately preceding the publication date of the Tender Offeror's Press Release (see Note 3 above), and the fact that the share price of the Target Company's shares for the past year has ranged between JPY 1,006 and JPY 1,447, all current shareholders of the Target Company will enjoy a large premium. This will also not only guarantee the "benefits to be enjoyed by shareholders" but also sufficiently guarantees the fair distribution of "value that cannot be realized without a takeover". Therefore, the Tender Offer Price was determined to be JPY 2,600.

(i) Name of the Third Party from Whom Opinions Were Obtained upon Calculation

In determining the Tender Offer Price, the Tender Offeror referred to the XIB Stock Valuation Report obtained from its financial advisor, XIB, as a third-party appraiser independent from the Tender Offeror and the Target Company, as of September 8, 2023. XIB is not a related party of the Tender Offeror or the Target Company and does not have any significant interest in the Transaction. The Tender Offeror has not obtained from XIB an opinion letter stating that the Tender Offer Price is fair for the Tender Offeror from a financial perspective (a fairness opinion) since the interests of minority shareholders of the Target Company are considered to have been adequately considered through the implementation of measures to ensure appropriate fairness and to avoid conflicts of interest described in "(3) Measures to Ensure Fairness of the Tender Offer Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest" of "1. Purpose of the Purchase" above.

(ii) Outline of Advice from XIB

According to the Stock Valuation Report, the method adopted and the range of the per share value of the Target Company's shares calculated based on such method are as follows.

Market share price analysis: From JPY1,221 to JPY1,447

(iii) Reasons for the Decision on the Tender Offer Price upon Consideration of the Advice from XIB

The simple average of the closing price of the Target Company's shares on the Tokyo Stock Exchange Standard Market on July 12, 2023, which is the business day immediately preceding the announcement date of the scheduled commencement of the Tender Offer, was JPY1,447, and the simple average of the closing price of the Target Company's shares for the past one month, three months, and six months, respectively, was JPY1,269, JPY1,272 and JPY1,221, respectively. Furthermore, in addition to these factors, the Tender Offeror comprehensively considered trends in the market share price of the Target Company's shares, examples of premiums granted in past examples of tender offers by non-issuers to make the Target Company a wholly-owned subsidiary, the prospects for subscriptions to the Tender Offer, and other factors, and concluded that it was reasonable to offer a price with an appropriate premium to the market price of the Target Company's shares. The Tender Offeror has determined that it is appropriate to offer a price of JPY2,600 for the Tender Offer. The Tender Offeror also took into consideration the valuation results of the Stock Valuation Report obtained from XIB, and finally decided on September 13, 2023 to set the Tender Offer Price at JPY2,600 per share.

As stated in the Basis of Calculation above, the Tender Offeror determined the Tender Offer Price based on the market price of the Target Company's shares as a price at which those who acquired the shares in the market could secure sufficient profit and a large number of shareholders would be able to tender their shares. With respect to the possibility of synergies between the Tender Offeror's group and the Target Company's group in various aspects as a result of the Transaction, the Tender Offeror believes that the specific sales figures resulting from synergies will be greatly affected by the specific management policies, etc. to be discussed with the Target Company's management after the Transaction, so it is difficult to make a specific calculation at this time. However, the Tender Offeror believes that the Tender Offer Price represents a more than reasonable premium over the Target Company's share price for the most recent one, three and six months and for the past five years, and that the amount is sufficient to absorb the various synergies that may be realized after the Transaction.

(iii) Relationship with a Third-Party Evaluator

XIB, the Tender Offeror's financial advisor (valuation firm), is not a related party of the Tender Offeror and the Target Company, and does not have any significant interest to be stated in relation to the Transaction including the Tender Offer.

(5) Number of Share Certificates, etc. to Be Purchased

Number of Shares to Be Purchased	Minimum Number of Shares to Be Purchased	Maximum Number of Shares to Be Purchased
6,387,986 shares	3,193,900 shares	— shares

(Note 1) If the total number of Tendered Shares, Etc. falls below the minimum number of shares to be purchased (3,193,900 shares), none of the Tendered Share Certificates, etc. will be purchase. If the total number of Tendered Share Certificates, etc. is equal to or exceeds the minimum number of shares to be purchased, all of the Tendered Share Certificates, etc. will be purchased.

(Note 2) The number of shares to be purchased represents the maximum number of shares of the Target Company to be acquired by the Tender Offeror through the Tender Offer. Such maximum number is calculated by subtracting the number of treasury shares held by the Target Company as of June 30, 2023 (190,036 shares) and the number of shares held by the Tender Offeror as of today (100 shares) from the total number of issued shares of the Target Company as of August 10, 2023 (6,578,122 shares) stated in the Target Company's quarterly financial report.

(Note 3) Shares of less than one unit are also subject to the Tender Offer. If shareholders exercise their right to request that the Target Company repurchase its shares of less than one unit in accordance with the companies Act, the Target Company may purchase such shares during the Tender Offer Period pursuant to the procedures under laws and regulations.

(Note 4) No treasury shares owned by the Target Company are intended to be acquired through the Tender Offer.

(6) Changes in ownership ratio of Share Certificates, etc. due to purchase, etc.

Number of the Tender Offeror's voting rights for owned share certificates, etc. prior to purchasing, etc.	1	(Ownership ratio of share certificates, etc. before purchase: 0.00 %)
Number of specially related parties' voting rights for owned share certificates, etc. prior to purchasing, etc.	0	(Ownership ratio of share certificates, etc. before purchase: 0.00 %)
Number of the Tender Offeror's voting rights for owned share certificates, etc. after purchasing, etc.	63,880	(Ownership ratio of share certificates, etc. after purchase: 100.00%)
Number of specially related parties' voting rights for owned share certificates, etc. after purchasing, etc.	0	(Ownership ratio of share certificates, etc. after purchase, etc.: 0.00%)
Number of voting rights of all shareholders, etc. of the Target Company	63,675	

(Note 1) The "Number of Voting Rights Pertaining to Shares Owned by Special Related Parties Before the Purchase" indicates the total number of voting rights pertaining to shares owned by each of special related parties(excluding those who are excluded from special related parties in the calculations of the ownership ratio of shares under each items of Article 27-2, paragraph 1 of the Act, pursuant to Article 3, paragraph 2, item 1 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Persons Other Than Issuer (Ministry of Finance Order No. 38 of 1990, as amended; the "Cabinet Office Order"). However, since the shares owned by the special related parties are subject to the Tender Offer (excluding the 100 shares owned by the Tender Offeror and treasury shares held by the Target Company), the "Number of Voting Rights Pertaining to Shares Owned by Special Related Parties After the Purchase" indicates nil.

(Note 2) The "Number of Voting Rights Pertaining to Shares Owned by the Tender Offeror After the Purchase" indicates the number of voting rights represented by the number of shares to be purchased in the Tender Offer plus the "number of voting rights represented by shares held by the Tender Offeror prior to the Tender Offer".

(Note 3) The "Number of Voting Rights of All Target Company Shareholders" indicates the number of voting rights held by all shareholders as of March 31, 2023 as stated in the Target Company's Securities Report. However, because shares of less than one unit, in the calculations of the "Ownership Ratio of Shares Before the Purchase" and the "Ownership Ratio of Shares After the Purchase," the number

of voting rights (63,880) was used as the denominator for the number of shares (6,388,086 shares), which was calculated by subtracting the number of treasury shares (190,036 shares) owned by the Target Company as of June 30, 2023, as stated in the Target Company's Quarterly Financial Report, from the total number of issued shares of the Target Company as of August 10, 2023 (6,578,122 shares).

(7) Total Purchase Price

JPY16,608,763,600

(Note) The total purchase price is the number of shares to be purchased in the Tender Offer (6,387,986 shares) described in “(5) Number of Share Certificates, etc. to be Purchased” above, multiplied by the Tender Offer Price (JPY2,600). Due to variations in the number of shares after today, the actual number of shares to be purchased in the Tender Offer may change.

(8) Method of Settlement

(i) Name and Address of the Head Office of Financial Instruments Business Operator or Banks Responsible for the Settlement of Purchase

Mita Securities Co., Ltd. 3-11, Nihonbashi-kabutocho, Chuo-ku, Tokyo
Monex, Inc. (subagent) 12-32, Akasaka-ichome, Minato-ku, Tokyo

(ii) Settlement Commencement Date

Nov 6, 2023 (Monday)

(iii) Method of Settlement

(If making the Tender Offer via Mita Securities Co., Ltd.)

Without delay after the end of the Tender Offer Period, a notice on the share purchase based on the Tender Offer, etc. will be mailed to the addresses of applying shareholders and others (or standing proxies for overseas shareholders, etc.). The shares will be purchased with cash. The proceeds from the sale of purchased shares, etc. will be, without delay after the commencement of the Tender Offer, and based on instructions by applying shareholders, etc. (or standing proxies for overseas shareholders, etc.), remitted by the Tender Offer Agent to the places designated by applying shareholders, etc. (or standing proxies for overseas shareholders), or paid to the accounts of the applying shareholders who accepted the Tender Offer Proxy's application.

(If making the Tender Offer via Monex, Inc.)

Without delay after the end of the Tender Offer Period, a notice on the share purchase based on the Tender Offer, etc. will be mailed to the addresses or locations of applying shareholders and others (or standing proxies for overseas shareholders). The shares will be purchased with cash. The proceeds from the sale of purchased shares, etc. will be, without delay after the commencement of the Tender Offer, and based on instructions by applying shareholders, etc. (or standing proxies for overseas shareholders), remitted by the Tender Offer Agent to the places designated by applying shareholders, etc. (or standing proxies for overseas shareholders).

(iv) Methods of Returning Share Certificates, etc.

If, based on the conditions stipulated in “① Presence/absence and the contents of the conditions provided for in each item of Article 27-13, Paragraph 4 of the Company Act, ”or“ ② Presence/absence of conditions to retract the Tender Offer, etc., and how to disclose the contents and details of the retraction, etc.” “(9) Other conditions and methods of purchase, etc.,” a decision is made not to purchase all of the Tendered Share Certificates, Etc., the Tender Offer Agent will return the Share Certificates, Etc. that must be returned to the state as of the Tender Offer Period (i.e., the state where the execution of an order for the Tender Offer is lifted) in the Tender Offer Agent's accounts of applying shareholders, on the second business day after the final day of the Tender Offer Period (or, the day of the retraction, etc. if the Tender Offer is retracted, etc.).

(9) Other conditions and methods of purchase, etc.

(i) Presence/absence and the contents of the conditions provided for in each item of Article 27-13, Paragraph 4 of the Company Act

The Tender Offeror will not purchase, etc. all the Tendered Share Certificates, Etc. if their total number of Tendered Share Certificates, Etc. is less than the minimum number of shares to be purchased (3,193,900 shares); whereas, the Tender Offeror will purchase, etc. all the Tender Share Certificates, Etc. if the total number of Tendered Share Certificates, Etc. is equal to or greater than the minimum number of shares to be purchased (3,193,900 shares).

(ii) Presence/absence of conditions to retract the Tender Offer, etc., and how to disclose the contents and details of the retraction, etc.

If any of the circumstances set forth in Article 14, paragraph (1), item (i), sub-items (a) through (i) and (l) through (r); item (iii), sub-items (a) through (h) and (j); and paragraph (2), items (iii) through (vi) of the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended) (the “Order”) arises, the Tender Offeror may withdraw the Tender Offer.

In the Tender Offer, “facts equivalent to those set forth in sub-item (a) to sub-item (i)” set forth in sub-item (j) of item (iii) of paragraph (1) of Article 14 of the Order means the cases (i) where it has become clear that the legal disclosure documents submitted by the Target Company in the past included a false statement regarding an important matter or omitted a statement regarding an important matter that should have been stated therein, and (ii) where any of the facts set forth in sub-item (a) through (g) of that item arises with respect to any of the Target Company’s important subsidiaries. Note that, with respect to the prior notification filed by the Tender Offeror with the Vietnam Competition Commissions under the Vietnamese competition laws and regulations, if the said waiting period is so extended as not to expire by the day immediately before the last day of the Tender Offer Period (if extended, the last day of such extended period), the Tender Offeror may withdraw, etc. the Tender Offer based on the reason that the Tender Offer becomes falling within the case where ‘Permission, etc.’ under Article 14, Paragraph 1, Item 4 of the Order for Enforcement of the Financial Instruments and Exchange Act could not be obtained. If the Tender Offeror intends to withdraw the Tender Offer, it will give public notice electronically and will post notice thereof in the Nihon Keizai Shimbun. However, if it is difficult to give public notice by the last day of the Tender Offer Period, the Tender Offeror will announce such withdrawal by the method set forth in Article 20 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Persons Other Than Issuers (Ordinance of the Ministry of Finance No. 38 of 1990, as amended) (the “Cabinet Office Ordinance”).

- (iii) Details regarding the existence and content of conditions for lowering the purchase price, and disclosure method thereof

Pursuant to Article 27-6, paragraph (1), item (i) of the Act, if the Target Company conducts an act falling under any of those acts set forth in Article 13, paragraph (1) of the Order during the Tender Offer Period, the Tender Offeror may lower the Purchase Price in accordance with the standards set forth in Article 19, paragraph (1) of the Cabinet Office Ordinance.

If the Tender Offeror intends to lower the Purchase Price, it will give public notice electronically and will post notice thereof in the Nihon Keizai Shimbun. However, if it is difficult to give public notice by the last day of the Tender Offer Period, the Tender Offeror will announce such lowering by the method set forth in Article 20 of the Cabinet Office Ordinance and will give public notice immediately thereafter.

Where the Purchase Price is lowered, the Tendered Shares, Etc. tendered prior to the day on which such public notice is made will be purchased at the lowered purchase price.

- (iv) Matters regarding the right of the tendering shareholders to cancel contracts

Any shareholder, etc. which tendered its/his/her shares of the Target Company to the Tender Offer (a “Tendering Shareholder”) may cancel any contract in connection with the Tender Offer at any time during the Tender Offer Period relying on the method described below.

(If making the Tender Offer via Mita Securities Co., Ltd.)

Tendering Shareholders may, at any time, cancel the contract on the Tender Offer during the Tender Offer Period. A Tendering Shareholder who wishes to cancel the contract must send by personal delivery or mail, to a person specified below, cancellation documents stating that such Tendering Shareholder requests to cancel the contract concerning the Tender Offer (the “Cancellation Documents”) by 15:30 on the last day of the Tender Offer Period; provided that the Cancellation Documents must reach the person specified below by 15:30 on the last day of the Tender Offer Period.

Therefore, please carefully note that, when sending the Cancellation Documents, the contract cannot be canceled unless the document reaches the Tender Offer Agent by 15:30 of the last day of the Tender Offer Period. In addition, please give inquiries to the person specified below, as it has the Cancellation Document at its head office.

The persons authorized to receive Cancellation Documents:

Mita Securities Co., Ltd.

3-11, Nihonbashi-kabutocho, Chuo-ku, Tokyo

(If making the Tender Offer via Monex, Inc.)

Tendering Shareholders may, at any time, cancel the contract on the Tender Offer during the Tender Offer Period. To cancel the contract, either fill out the form on the sub-Tender Offer Agent’s website (<https://www.monex.co.jp>), or call the sub-Tender Offer Agent’s customer number, 0120-846-365 (or 03-6737-1666 from a mobile phone or PHS), by 12:00a.m. on the final day of the Tender Offer Period to complete the required procedure.

The entity authorized to receive contract-cancellation requests:

Monex, Inc.
1-12-32 Akasaka, Minato-ku, Tokyo

The Tender Offeror will not request that the Tendering Shareholders pay damages or penalties in connection with their cancellation of contracts. The expenses required for returning the Tendered Share Certificates, Etc. will be borne by the Tender Offeror. If cancellation is requested, the Tendered Share Certificates, Etc. will be returned promptly after the completion of the procedures for such cancellation request in the manner set forth in “iv. Method of returning Share Certificates, etc.” under “8. Method of Settlement” above.

(v) Disclosure method in the case of changes in the purchase conditions

Other than the cases where it is prohibited by Article 27-6, paragraph (1) of the Act and Article 13 of the Order, the Tender Offeror may change the purchase conditions during the Tender Offer Period. If the Tender Offeror intends to change the purchase conditions, it will give public notice regarding the details of the changes electronically and will post notice thereof in the Nihon Keizai Shimbun.

However, if it is difficult to give public notice by the last day of the Tender Offer Period, the Tender Offeror will announce such changes by the method set forth in Article 20 of the Cabinet Office Ordinance and will give public notice immediately thereafter. Where any changes are made to the purchase conditions, the Tendered Share Certificates, Etc. prior to the day on which such public notice is made will be purchased based on the changed purchased conditions.

(vi) Disclosure method where an amendment to registration statement is filed

Where the Tender Offeror files any amendment to the Tender Offer Registration Statement with the Director General of the Kanto Local Finance Bureau (except for the case set forth in the proviso clause of paragraph (11) of Article 27-8 of the Act), it will immediately announce such information as stated in such amendment to the extent relevant to the contents of the public notice of commencement of the Tender Offer by the method set forth in Article 20 of the Cabinet Office Ordinance. In addition, the Tender Offeror will immediately amend the Tender Offer Explanatory Statement, and for the Tendering Shareholders to whom the Tender Offer Explanatory Statement has already been delivered, the Tender Offeror will provide such amended Tender Offer Explanatory Statement to such Tendering Shareholders so as to inform them of the amendment. However, if the scope of the amendment is limited, the Tender Offeror will make such amendment by preparing a document stating the reasons for the amendment, the amended matters, and the content after amendment and by delivering such document to the Tendering Shareholders.

(vii) Method of Disclosure of Tender Offer Results

The Tender Offeror will disclose the results of the Tender Offer the day immediately after the last day of the Tender Offer Period, based on the method provided for in Article 9-4 of the Order and Article 30-2 of the Cabinet Office Ordinance.

(viii) Other matters

The Tender Offer is not to be performed, directly or indirectly, in or for the United States, by using any ways or means of the United States mailing, interstate commerce, or international commerce (including, but not limited to facsimile, email, internet communication, telex, and telephone), or via any securities exchange facilities in the United States. No one cannot apply for the Tender Offer by using any of the aforementioned ways or means, via any of the aforementioned facilities, or from the United States.

In addition, the tender offer registration statement for the Tender Offer or related tender offer documents are not to be sent or distributed in, to, or from inside the United States, by mailing or any other method, and one cannot send or distribute such documents by any of the aforementioned methods. Applications to the Tender Offer that violate the above restrictions either directly or indirectly will not be accepted.

When applying for the Tender Offer, Tendering Shareholders (or standing proxies for overseas shareholders) may be requested to make the following representation or warranties to their Tender Offer Agent:

Tendering Shareholders, etc. must not: be in the United States as of applying for the Tender Offer or sending an application form for the Tender Offer; receive or send, directly or indirectly, any information regarding the Tender Offer (including a copy of such information) in, to, or from inside the United States; use, directly or indirectly, ways or means of the United States mailing, interstate commerce, or international commerce (including, but not limited to facsimile, email, internet communication, telex, and telephone) or any securities exchange facilities in the United States to make a purchase, etc. or sign and issue an application form for the Tender Offer; or be someone who acts as a proxy, assignee, or mandatary without discretion of others (except for cases where such others provide all instructions regarding tender offers, etc. from outside the United States).



(10) Date of Public Notice of Commencement of Tender Offer
Sep 14, 2023 (Thursday)

(11) Tender Offer Agent

Mita Securities Co., Ltd. 3-11, Nihonbashi-kabutocho, Chuo-ku, Tokyo
Monex, Inc. (subagent) 12-32, Akasaka-ichome, Minato-ku, Tokyo

3. Policies after Tender Offer and Future Prospects

Regarding the policies after the Tender Offer, please refer to “(2) Background, Purpose and Decision-making Process Which Led to the Decision to Implement the Tender Offer As Well As the Management Policy After the Tender Offer,”“(4) Policies for Reorganization After the Tender Offer (Matters Concerning So -Called Two-Step Acquisition)” and “(5)Possibility of Delisting and Reasons Therefor” in “1. Purpose of the Tender Offer” above.

The impact of the Tender Offer on the Tender Offeror's business forecast for the current fiscal year is expected to be negligible. In the event that the Tender Offeror should revise the business forecast or any matter arises that should be disclosed, the Tender Offeror will promptly announce such facts.

4. Other Information

(1) Existence and Details of Agreements between the Tender Offeror and the Target Company or its Officers

(i) Support and Recommendation for the Tender Offer

According to the Target Company Press Release, the Target Company adopted a resolution at its board of directors' meeting held on September 13, 2023 to express an opinion to support the Tender Offer and to recommend that the Target Company's shareholders tender Shares in the Tender Offer. For details, please refer to the Target Company Press Release and “(v) Approval by All Directors without Conflicts of Interest (Including Audit and Supervisory Committee Members) at the Target Company” in “(3) Measures to Ensure the Fairness of the Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and Avoid Conflicts of Interest” in “1. Purpose of Purchase” above.

(ii) Memorandum of Understanding

On September 13, 2023, the Tender Offeror entered into the Memorandum of Understanding with the Target Company. For details of the Memorandum of Understanding, please refer to “(6) Matters Concerning Material Agreements Regarding the Tender Offer” in “1. Purpose of the Tender Offer.”

Attachment: Summary of Questions and Answers

In the written response, the Tender Offeror stated that it would provide an explanation at the time of the interview, and the contents of the explanation at the time of the interview are not stated because they constitute trade secrets of the Tender Offeror.

Questions as of July 28, 2023	Responses as of August 1, 2023
Reason for changes from the 2022 Proposal for capital and business alliance.	Please refer to the relevant statements in the Letter of Intent and the press release dated on July 13, 2023 ("July 13 Press Release"). In order to maximize the synergy with the Tender Offeror's group and to realize the potential corporate value of the Target Company more quickly, the Tender Offeror has reached the conclusion that making the Target Company a wholly owned subsidiary is the most appropriate way to achieve such synergies.
Please explain the assumptions used in the calculation of the Tender Offer Price, the specific method used in the calculation, the numerical information used in the calculation, the amount of synergies expected to arise from the Transaction, and the method used to calculate such synergies.	Please refer to the relevant statements in the Letter of Intent and the July 13 Press Release. As stated in Section 4 of the Letter of Intent, the Tender Offeror is confident that the Target Company will be able to realize synergies with the Tender Offeror Group in a diverse and substantial scale after the Transaction, but the Tender Offeror has not determined the Tender Offer Price based on the synergies that could be realized after the Transaction.
Please indicate whether there is any communication of intent with third parties, including shareholders of the Target Company, in connection with the Transaction, and if so, the specific details.	Some of the Target Company's shareholders have been notified of the publication of the Letter of Intent on July 13.
Please provide more details regarding the details of Mita Securities Co., Ltd.'s estimate stated as the basis for setting the minimum percentage of shares to be purchased at 50.00%. Specifically, please provide the specific names of the approximately 18% of shareholders who are expected to vote in favor of the Share Consolidation Proposal and the reasons why each shareholder is expected to vote in favor of the proposal.	<p>In light of past examples of tender offers, we understand that the shares owned by the GPIF and passive index funds tend to vote in favor of the extraordinary general meeting of shareholders for a squeeze-out after the Tender Offer is completed, while not tendering their shares in the tender offer in principle, as indicated in the "Proposed Guidelines for Fair M&A Practices".</p> <p>As of the date of submission of the Letter of Intent, the shareholder and the number of shares held by such shareholders as estimated based on publicly available information and database information provided by an information vendor that provides various types of data on financial markets, etc., are as follows.</p> <p>Government Pension Investment Fund (GPIF): 254,600 shares (3.99%) Nomura Asset Management: 139,700 shares (2.19%) Daiwa Asset Management: 65,600 shares (1.03%) Nikko Asset Management: 57,500 shares (0.90%) Mitsubishi UFJ Kokusai Asset Management: 27,200 shares (0.43%)</p> <p>In addition, among shareholders who hold the Target Company's shares as cross-shareholding or for similar purposes, it is expected that there will be a certain number of shareholders who will generally refrain from tendering their shares in the Tender Offer (if the Target Company does not express an affirmative opinion), but after the Tender Offer is completed, the Target Company is expected to show certain understanding of the management policies of the Tender Offeror, which will become the parent company, and to operate its business under policies consistent with those of the parent company. However, it is expected that after the completion of the Tender Offer, there will be a certain number of shareholders who will refrain from tendering their shares in the Tender Offer in general.</p> <p>Such shareholders are estimated as follows. Takisawa Machine Tool Business Partners Shareholding</p>



All for dreams

	<p>Association: 517,000 shares (8.09%) Takizawa Investment Association: 79,000 shares (1.24%) Kazuya Harada: 13,100 shares (0.21%)</p>
<p>Please provide the Tender Offeror's outlook for the Target Company's (non-consolidated/consolidated) sales (by destination, if possible), operating margin, etc. in the short- to medium-term (e.g., one year, three years, five years) after the Transaction is consummated.</p>	<p>Please refer to the relevant statements in the Letter of Intent and July 13 Press Release. The timing of the realization of synergies and the sales, operating margin, etc. after the realization of synergies will largely depend on the specific management policies, etc. to be determined upon consultation with the Target Company's management, and will be discussed in more detail with the Target Company, while receiving detailed information on the Target Company's financial figures, etc. The Tender Offeror aims to achieve an operating margin of 10% or more in the third year of any M&A transaction, and 15% or more thereafter.</p>
<p>Please explain the specific policies for the treatment of employees, labor unions, business partners, customers, local communities, and other stakeholders of the Target Company and the Target Company Group that the Tender Offeror plan after the Transaction.</p>	<ul style="list-style-type: none"> • Employees: As also stated in Paragraph 2 (4) of this Letter of Intent, after the Transaction, (i) it is expected to expand opportunities for its employees by increasing the number of posts, etc. due to business expansion through capital investment, strengthening of sales network, etc. In addition, since the basic policy of the Tender Offeror Group is to provide compensation based on contribution and performance, regardless of education, age, gender, race, or whether the employee is from the acquired company or not, we believe that the possibility for motivated and ambitious employees to jump up significantly in terms of treatment, including promotion and salary increase, will increase. Labor Unions: The Tender Offeror places importance on communication with the labor unions of the companies that will join the Tender Offeror Group through M&A. The Tender Offeror intends to hold a meeting with the labor unions of the Target Company promptly after the commencement of the Tender Offer, and will hold the same meeting even before the Tender Offer if requested by the Target Company's management. • Business partners: Through the expansion of business through participation in the Tender Offeror's group, business partners can expect to expand business opportunities, as well as opportunities to expand business through new transactions with the Tender Offeror's group companies. • Customers: In terms of relationships with customers, we believe that mutual customer introductions (cross-selling) and integrated proposals will become possible. • Local community: The Transaction is expected to provide opportunities for business expansion through further capital investment in existing plants and the start-up of new plants, as well as through the strengthening of sales networks, and is expected to create employment opportunities and increase consumer activity as a result. Furthermore, new business opportunities with local companies are expected through interactions with the Tender Offeror group, etc., and through these, we believe that we can help revitalize the local economy and local society. <p>In order to better understand specific examples of PMI measures at the Tender Offeror, it is possible to set up opportunities to meet with executives and employees of companies that have joined the Tender Offeror Group through M&A (specifically, for example, Nidec Machine Tool Corporation or Nidec Drive Technology Corporation) and their labor unions, so please let the Tender Offeror know if the Target Company would like to do so.</p>
<p>Are there any plans to change the terms and conditions of employment, restructure or otherwise reduce the workforce of the Target Group's employees after the Transaction? Please provide details of any applicable matters, if any. For reference, please also tell us whether any personnel reductions or changes in working conditions have been made to any of the employees of</p>	<p>There are no plans to carry out personnel reductions. Regarding changes in working conditions, after the Transaction, we would like to discuss directly with the officers and employees of the Target Company to understand the current situation of the Target Company, and then proceed with the transition to a personnel and evaluation system similar to that of the Tender Offeror Group in order to enable employees to work proactively with high motivation and great hope.</p>



All for dreams

<p>Nidec OKK Corporation ("Nidec OKK").</p>	<p>No personnel reductions are being made at Nidec OKK. Working conditions are improving significantly in line with the company's improved performance.</p>
<p>Please describe the Tender Offeror's plans for group consolidation of the sales, service, administrative and purchasing departments following the execution of this Transaction. In particular, please indicate your assumptions regarding the implementation of personnel transfers involving transfers and inter-corporate transfers.</p>	<p>The Tender Offeror plans to consider this matter based on discussions with the Target Company's management and each business site. The Tender Offeror will also consider offering opportunities for union members to be active in the Tender Offeror Group companies in Japan and overseas, with their consent.</p>
<p>When we received the Tender Offeror's proposal for a capital alliance in the past, the Tender Offeror responded that the Tender Offeror would like to keep the Takisawa brand, but would like the company name to be Nidec. Would it be correct to say that the Tender Offeror intends to maintain the trade name after the transaction, as stated in this Letter of Intent?</p>	<p>The Target Company's understanding is correct.</p>
<p>Please let the Target Company know about the cooperation between the Tender Offeror and Taiwan Takisawa Technology Co.</p>	<p>The Tender Offeror plans to consider measures to strengthen cooperation with Taiwan Takisawa Technology Co. as soon as possible based on discussions with the management of the Target Company and Taiwan Takisawa Technology Co. Since Taiwan Takisawa Technology Co. is an important subsidiary that supports the sales and profits of the Target Company Group, the Tender Offeror intends to maintain close communication with the management of Taiwan Takisawa Technology Co., including the provision of the Tender Offeror's management resources, including the sales network of the Tender Offeror Group, as well as PMI and alliance know-how cultivated in previous M&A transactions. Currently the Tender Offeror plans to maintain the listing of Taiwan Takisawa Technology Co.</p>
<p>According to the Letter of Intent, with respect to the "Machine Tool Business", Nidec Machine Tools Corporation, Nidec OKK Corporation and PAMA S.p.A. ("PAMA"), all of which were welcomed into the Group by the Tender Offeror has successfully reformed their business structure after joining the Group. Please tell the Target Company what specific measures the Tender Offeror has taken for the three companies as the Tender Offeror, and whether the Tender Offeror intends to apply the same measures to the Target Company after the Transaction.</p>	<p>Not only the three machine tool companies, but also other companies that have joined the Tender Offeror Group, the top management of the Tender Offeror Group has actively visited the target companies, closely communicated with the executives and employees of each company to further growth and development, listened to the management issues and problems of each company, collaborated in formulating measures for growth and development, and supported the implementation of such measures. After the Target Company joins the Tender Offeror Group, the Tender Offeror will work with the Target Company and strongly support the management team and executives in recognizing the current management issues and formulating and implementing specific measures to address these issues as soon as possible. Specific measures that the Tender Offeror has implemented at each company since joining the Tender Offeror Group include: sales support in Japan and overseas (including visits by executives of the Tender Offeror's Machinery Business Division to major and new customers at each company, introductions to Tender Offeror Group companies and business partners, promotion and support for strengthening ties with major distributors, etc.), early construction of production plants in Japan and overseas (including financial support, etc.), support for information exchange with the development divisions of companies of the Tender Offeror Group, mutual introductions to suppliers on a global basis, opportunities for talented employees and former executives who have been moved back to the front line due to age restrictions (too young or too old) to work at the front line (Identification of human resources through active communication between the Tender Offeror's executives and employees of each company), etc.</p>
<p>In "Press Release dated July 13, 2023," the Tender Offeror stated, "The Tender Offeror is convinced that the Target Company will grow as a world-leading machine tool manufacturer, and be able to prosper sustainably with strong competitiveness." (page 16).</p>	<p>The Tender Offeror is targeting sales of 1 trillion yen in FY2030 for the Machinery Business Division as a whole. The Tender Offeror will explain more about the machine tool business at the time of the interview. The Tender Offeror believes that new M&A in Japan and overseas will be a powerful tool for growth.</p>

<p>Please explain the growth strategy (including M&A strategy) of the Tender Offeror Group's machine tool business.</p>	
<p>In relation to the above, please tell us what kind of machines the Tender Offeror is planning to expand to in addition to machining, lathes, gears, and gantry + horizontal boring, and what size of sales the Tender Offeror is targeting. Please also tell us the percentage of the Target Company.</p>	<p>In order to be the best comprehensive machine tool manufacturer, the Tender Offeror would like to secure other major machine tool models in addition to those listed above. The Tender Offeror plans to build up our machine tool business to a certain scale of sales by FY2030 (to be explained at the interview) and to make it a highly profitable business with high profit margins, and in addition to Nidec Machine Tools, Nidec OKK, and PAMA, the Tender Offeror will actively discuss with the executives and outstanding employees of the Target Company to develop and implement measures to realize the plan. Furthermore, the Tender Offeror would like to develop not only existing models but also new models (lathe + α, etc.) such as high-precision and high-efficiency multi-tasking machines together with the Target Company. To this end, the Tender Offeror will actively invest its funds and technological development capabilities (including support from each of the Tender Offeror Group 's technological laboratories).</p>
<p>Currently, the Tender Offeror Group has many sales and service bases scattered within Nidec Machine Tools Corporation and Nidec OKK, respectively. Is there any system of collaboration or cooperation between them? If so, please provide details.</p>	<p>Nidec Machine Tools Corporation and Nidec OKK work together in sales and services, exchanging customer information and jointly handling business negotiations and services.</p>
<p>Please indicate your thoughts on the collaboration between the Tender Offeror Group and the Target Company's overseas subsidiaries (Taiwan, China, the U.S., Thailand, India, etc.) after the Transaction is executed.</p>	<p>Promptly after the Transaction, Nishimoto and other members of the Tender Offeror's management team will visit the Target Company's overseas subsidiaries or meet with them by video conference or other means. After confirming the current status and issues concerning the Target Company's overseas subsidiaries, the Tender Offeror would like to discuss and consider specific measures for collaboration with the Target Company's management team.</p>
<p>Currently, the Target Company Group utilizes sales agents for its sales activities. If the Target Company Group were to join the Tender Offeror Group, what kind of sales activities would be conducted by the Tender Offeror Group? In particular, please tell the Target Company whether the Target Company will conduct its own sales activities, or whether it will conduct sales activities in unison with the Tender Offeror Group, or whether its sales activities will be specific to particular industries or corporations. It is possible that the regional distributors for the Target Company and its subsidiaries' products will not continue as distributors after the Target Company joins the Tender Offeror Group. In that case, please tell the Target Company how the Tender Offeror expects to conduct sales in each region.</p>	<p>While respecting the sales network of the Target Company Group, the Tender Offeror would like to discuss with the management team of the Target Company the best sales strategy for both the Target Company Group and the Tender Offeror Group. In addition, the Tender Offeror believes that there is little concern that distributors will request to discontinue sales of the Target Company Group products as a result of the Target Company's entry into the Tender Offeror Group. But in the unlikely event that such a request is made, the Tender Offeror would like to discuss countermeasures with the management team of the Target Company as needed.</p>
<p>The Target Company sells two models of vertical machining centers. If the Target Company joins the Tender Offeror Group through the Transaction, will the sales of machining centers be limited to products of Nidec OKK Corporation? The Target Company has been manufacturing and selling products for the automotive industry and general machinery, mainly 6-inch and 8-inch lathes. Please tell us whether these main products will basically remain the same after the Transaction. The Target Company has a specialized unit for customizing products to meet customer-required specifications, and most sales are generated by customized products. However, this specialized unit has the disadvantage of requiring a large number of man-hours for each design, resulting in high costs. Please let the Target Company know if the Tender Offeror plans to switch to the sale of standard products, mainly catalog products, after the Transaction.</p>	<p>The Tender Offeror understands that the vertical machining centers of the Target Company and those of Nidec OKK Corporation differ in machine specifications, target customers, etc., and are not basically in competition with each other. Therefore, the Tender Offeror plans to continue to sell the vertical machining centers of the Target Company after the Transaction. The Target Company has been manufacturing and selling products for the automotive industry and general machinery, mainly 6-inch and 8-inch lathes. And after the Transaction, the Target Company will basically continue to manufacture and sell the same main products. In the future, the Tender Offeror believes that the Target Company will be able to expand its sales to the major customers and industries of products of Nidec Machine Tool Corporation and Nidec OKK Corporation. In addition, the Tender Offeror understands that customized products are the Target Company's mainstay products, and the Tender Offeror will respect the current situation. After receiving relevant detailed information from the Target Company after the Transaction, the Tender Offeror would like to discuss with the Target Company the future product mix, sales policy, etc.</p>

<p>The Target Company and Nidec OKK Corporation are similar in size, business model, and history, and there is less advanced technological development on both sides. What is the Tender Offeror's policy on technological development if the Target Company Group joins the Tender Offeror Group through the Transaction?</p>	<p>Based on the policy that "technology creates cost," the Tender Offeror Group emphasizes the development of technology directly related to the enhancement of profitability when developing new products. Under this policy, the Tender Offeror Group companies conduct R&D with the support of each technical research institute of the Tender Offeror Group, and the Tender Offeror hopes that the Target Company will actively pursue R&D with the support of each technical research institute after joining the Tender Offeror Group. The three machine tool companies are very open in their communication among engineers, and engineers of the Target Company will be able to join the communication circle and exchange information on various technological developments and conduct joint development, etc. Incidentally, as a result of such efforts, Nidec OKK Corporation and Nidec Machine Tool Corporation have successfully developed and marketed a 3D printer and a new gate-type milling machine through joint development.</p>
<p>What is the outlook for the Target Company Group's treatment of sales management, purchasing management, cost management, manufacturing management, and accounting system (whether it will need to be integrated into the Tender Offeror Group's systems) after the Transaction? (Incidentally, the Target Company Group is currently in the process of migrating to a new system for the aforementioned systems.)</p>	<p>Basically, the Tender Offeror plans to maintain the existing systems. The Tender Offeror would like to maintain the Target Company's user-friendly systems and switch to systems that can achieve cost advantages by integrating or standardizing them as needed.</p>
<p>The competitive market to which the Target Company Group belongs is the market in which there is fierce competition among many business enterprises. Does the Tender Offeror have any business strategy other than complementing products and markets, promoting decentralization of bases and local production for local consumption, and expanding business scale as a way to survive in this market?</p>	<p>As mentioned in the Letter of Intent, the Tender Offeror Group considers strategies such as complementing products and markets, promoting decentralization of bases and local production for local consumption, and expanding business scale to be important. On the other hand, the Tender Offeror intends to complement products and markets lacking in the Target Company Group and the Tender Offeror Group, conduct M&As where further technological acquisition can be expected, and reduce costs through joint purchasing. Details will be determined in discussion with the management team of the Target Company.</p>
<p>The Tender Offeror already has important sales offices in Europe (PAMA, an Italian machine tool manufacturer) and the U.S. (U.S. subsidiary of Nidec Machine Tools). If the Tender Offeror utilizes the Tender Offeror Group's customer base and overseas sales offices, what are the Tender Offeror's assumptions regarding the increased sales and the possibility of intra-regional competition with existing trading companies and outflow of existing customers?</p>	<p>The Tender Offeror does not anticipate any dis-synergies such as intra-regional competition with existing trading companies or outflow of existing customers. The Tender Offeror would like to discuss the details of the increased sales together with the Target Company after confirming the details of its customer base and overseas offices.</p>
<p>In the Tender Offeror's press release dated July 13, the Tender Offeror stated, "The Target Company and Nidec OKK Corporation share the same target users, and thus synergies such as cross-selling and integrated proposals can be expected to be realized more quickly." (page 15). Please tell the Target Company how much the Tender Offeror expects sales to increase. Also, what are the Tender Offeror's thoughts on the consolidation of sales offices?</p>	<p>The Tender Offeror would like to determine the specific increase in sales based on detailed information on the Target Company's products, customers, etc., as the Tender Offeror works together with the Target Company to formulate a sales strategy with existing machine tool companies. Although the Tender Offeror is not considering the consolidation of sales offices at this stage, the Tender Offeror would like to actively discuss the possibility of sharing the same floor space (i.e., moving into the same office building while maintaining the sales organization of each company) in order to reduce costs and increase communication among the machine tool companies, including the Target Company.</p>
<p>The Target Company believes that if the Transaction is consummated, the Target Company Group may not be able to sell to competitors of the Tender Offeror Group's products (e.g., E-Axle, reduction gears) or its subcontractors. In the EV field, the Target Company Group has been conducting transactions with all automobile-related manufacturers on a neutral basis, however, if the Target Group joins the Tender Offeror's group through the Transaction, the Target Company has concerns that it may be limited in terms of the customers and models it can sell its products to. Please explain the</p>	<p>The Tender Offeror Group, like the Target Company, supplies parts to its customers on a neutral basis. Therefore, the Tender Offeror does not plan to ask the Target Company Group to restrict sales to the Tender Offeror Group's competitors, but rather to promote sales expansion by maintaining good current business relationships and developing new business partners. Incidentally, Nidec Machine Tools has had transactions with manufacturers that compete with the Tender Offeror Group, and has continued to sell to these manufacturers after joining the Tender Offeror Group, and in addition, sales to the Group are expanding in response to equipment demand within the Tender Offeror Group.</p>

<p>Tender Offeror's position on this point. In particular, the Target Company is concerned that the sales destinations of processing machines for E-Axle-related parts will be limited and that sales of processing machines for parts other than E-Axle may also be affected.</p>	
<p>With respect to synergies to the Target Company's products through the Transaction, please indicate which technologies of the Tender Offeror Group (e.g., thermal displacement control technologies) will contribute to enhancing the value of the Target Company's products.</p>	<p>The Tender Offeror believes that thermal displacement compensation technology, high-speed spindle technology, remote monitoring systems, thermal displacement suppression technology, guide surface technology, full-turn technology (turnkey support including jigs and tools and transportation), and HMI (human machine interface) are applicable.</p>
<p>In the press release dated July 13, it is stated that " The Tender Offeror Group has production bases in Europe, the U.S., and India, where the Target Company does not have production bases. By joining the Tender Offeror Group, the Target Company will be able to establish and expand production bases in these regions and promote local production for local consumption worldwide. " (page 15). The Target Company would like to know if the Tender Offeror has any solution to the problem of taking machine tool drawings, etc. overseas when establishing or expanding a production facility, which is subject to export-related regulations under the Foreign Exchange and Foreign Trade Law.</p>	<p>The Tender Offeror Group is committed to emphasizing compliance, so the Tender Offeror will comply with all export-related and other laws and regulations under the Foreign Exchange and Foreign Trade Law.</p>
<p>In the Letter of Intent, the Tender Offeror Group state that they have production bases in Europe, the U.S., and India, and it is possible to establish and expand production bases in these regions and promote local production for local consumption worldwide (page 7), but after the completion of the Transaction, to what extent do the Tender Offeror expects an increase in overseas production, a corresponding decrease in domestic production volume, and a decrease in sales and profits due to a decline in the cost competitiveness of domestic production?</p>	<p>In recent times, the Tender Offeror's Machinery Business Group has decided to start up a plant for high-precision small robot reduction gears at its Ueda Plant in Nagano Prefecture, and to invest in the construction of a large-scale plant for high-precision large reduction gears in Komagane City, Nagano Prefecture. In addition, Nidec Machine Tool's factory in Ritto City, Shiga Prefecture, a large site that had been covered with forest land, will be upgraded after the acquisition of Nidec Machine Tool, and a large expansion of the machine tool manufacturing factory will be constructed in the near future. The Tender Offeror is aggressively returning to domestic investment, and does not expect a decline in domestic production, sales, or profits after the Target Company joins the group, but rather plans to further expand its domestic operations.</p>
<p>In the press release dated July 13, the Tender Offeror stated that " By joining the Tender Offeror Group, the combined sales scale of the machine tool business of the Tender Offeror Group and the Target Company will exceed 100 billion yen, and the Target Company will be able to enjoy the benefits of scale, including cost reductions in purchasing and production, and qualitative improvements in sales and services." (page 15), but please explain the specific method. Is there a possibility of integrating the production plants of the Target Company's group into the Tender Offeror's group's production plants and discontinuing the existing plants of the Target Company's group? In addition, in conjunction with this, please tell us the Tender Offeror's thoughts on the benefits (quantitative amounts) to the Target Group regarding cost reductions in purchasing and production.</p>	<p>There are no plans to abolish existing plants of the Target Company Group. With respect to benefits related to cost reduction in purchasing and production, economies of scale can be expected through the promotion of joint purchasing by the Target Company Group and the Tender Offeror Group, among others.</p>
<p>In the press release dated July 13, the Tender Offeror stated in the section "(c) Commencement of modularization" that " but the Target Company will be able to enjoy the benefits of cost reductions through information exchange with the Tender Offeror Group and introduction of low-cost suppliers immediately after joining the Tender Offeror Group, without having to wait for modularization." (page 16), please tell us how much the Tender Offeror expects to save by exchanging</p>	<p>The effect of the cost reduction will be examined in detail after receiving information on the Target Group's procurement costs, suppliers, etc. For your information, the following are examples of reductions in Nidec OKK Corporation procurement costs through collaboration between Nidec Machine Tool Corporation and Nidec OKK Corporation. (1) Reduction of export packaging and transportation costs for Nidec OKK Corporation</p>

<p>information with the Tender Offeror Group and introducing low-cost suppliers. In addition, please tell us how much effect the introduction of low-cost suppliers has had on Nidec OKK Corporation.</p>	<p>After comparing costs between Nidec Machine Tool Corporation's and Nidec OKK Corporation's existing transportation suppliers, (i) the transportation costs were reduced by hiring Nidec Machine Tool Corporation's existing supplier for packaging and transportation up to FOB, and (ii) the ocean transportation to North America was reduced by using Nidec Machine Tool Corporation's existing supplier's price as a basis for the transportation of Nidec OKK Corporation's products to North America. (ii) For ocean transport to North America, obtaining discounts by negotiating with existing Nidec OKK Corporation suppliers based on the prices of existing Nidec Machine Tool Corporation's suppliers, thereby reducing the relevant transport costs.</p> <p>(ii) Reduction of export transportation costs for Nidec OKK Corporation export machines to Chicago</p> <p>Competitive bidding was conducted among several existing suppliers of Nidec Machine Tool Corporation's and Nidec OKK Corporation's, and the transportation cost was significantly reduced from the original estimate.</p>
<p>With respect to "(b) Development of high-end machines" (page 16) in the press release dated July 13, please explain what synergies are expected with respect to the development of high-end machines, given the limited number of key units that can be used in common between the Target Company and Nidec OKK Corporation after the execution of this transaction.</p>	<p>While the Tender Offeror does not deny that there are limited key units that can be used in common, the Tender Offeror believes that there are various synergies for the development of high-end machines, and the Tender Offeror is looking forward to discussing the development of high-end machines with the target company in the future.</p> <p>As an example of another company, Gleason, a gear machine manufacturer and competitor of Nidec Machine Tool Corporation's, has a high-end machine that can perform various processes from materials to turning, hobbing, and chamfering in a single machine by adding a lathe function to a hobbing machine.</p> <p>The Tender Offeror also believes it is possible to develop a multitasking machine that can also perform turning based on a machining center, or vice versa.</p>
<p>Regarding Nidec OKK Corporation, the actual consolidated sales for fiscal year of 2017 was 26.6 billion yen and for fiscal year of 2018 was 26.4 billion yen, but compared to this, the consolidated forecast for fiscal year of 2023/3 is 21.6 billion yen, which is a decrease in amount. Please explain the background behind this.</p>	<p>Nidec OKK Corporation's exact sales from fiscal year of 2017 to 2022 are as follows</p> <p>FY 2017: Net sales 26.6 billion yen, operating income 700 million yen</p> <p>FY 2018: Net sales 26.5 billion yen; operating income 800 million yen</p> <p>FY 2019: 21.3 billion yen in net sales and 100 million yen in operating income</p> <p>FY2020: Net sales 12.1 billion yen, operating income -2.8 billion yen</p> <p>FY2021: Net sales: 13.8 billion yen, operating income: -1.0 billion yen</p> <p>FY2022: Net sales 20.7 billion yen, operating income 0.6 billion yen</p> <p>Tender Offeror's Note (August 22, 2023)</p> <p>Regarding the above response, as previously stated, until fiscal year of 2021, the Tender Offeror used Japanese GAAP, but from fiscal year of 2022 the Tender Offeror has adopted IFRS standards, and under Japanese GAAP, operating income for fiscal year of 2022 will be 0.4 billion yen. In addition, operating income for fiscal year of 2017 and fiscal year of 2018 were adjusted in fiscal year of 2021, and the previously reported figures are before the adjustment, and the figures after the adjustment are as follows.</p> <p>(Japanese GAAP)</p> <p>FY2017: Net sales 26.6 billion yen, operating income 400 million yen</p> <p>FY2018: Net sales 26.5 billion yen, operating income 600 million yen</p> <p>FY2019: Net sales 21.3 billion yen, operating income 100 million yen</p> <p>FY2020: Net sales 12.1 billion yen, operating income -2.8 billion yen</p> <p>FY2021: Net sales: 13.8 billion yen, operating income: -1.0 billion yen</p> <p>FY2022: Net sales 20.7 billion yen, operating income 0.4 billion yen</p>

	<p>The Tender Offeror believes it is not appropriate to directly compare sales in fiscal year of 2017 and 2018, when the machine tool market was booming, with sales after joining the Tender Offeror Group. Nidec OKK Corporation recorded net sales of 12.1 billion yen and an operating loss of 2.8 billion yen in fiscal year of 2020, and in the following fiscal year, fiscal year of 2021 (it entered the Tender Offeror Group in February 2022), it recorded net sales of 13.8 billion yen and an operating loss of 1 billion yen. In contrast, in fiscal year of 2022, the first fiscal year after joining the Tender Offeror Group, the company recovered to 20.7 billion yen in net sales (a 50% increase over the previous year) and 600 million yen in operating income (a loss in the previous year).</p>
<p>In the Supplementary Information to the Letter of Intent, there is an entry for the changes in sales of the companies acquired by the Tender Offeror Group (page 4/15), but please provide the changes in sales, excluding group sales, for each of Nidec Machine Tool Corporation and Nidec OKK Corporation.</p>	<p>As the Tender Offeror will explain during the interview, both Nidec Machine Tool Corporation and Nidec OKK Corporation account for only a few percent of group sales.</p>
<p>In "(iii) The absolute amount of capital investment and research and development expenses is small and it is not easy to maintain and improve competitiveness" (page 15) of this letter of intent, the Tender Offeror stated that the absolute amount of research and development expenses of the target company is small. Please provide the transition of research and development expenses by year for Nidec Machine Tool Corporation and Nidec OKK Corporation, respectively.</p>	<p>The Tender Offeror will explain during the interview.</p>
<p>In the Letter of Intent, the Tender Offeror mentioned the treatment of employees of the Target Group (page 18). If the number of employees of each of Nidec Machine Tool Corporation and Nidec OKK Corporation at the time of acquisition is 100%, please indicate the percentage of employees enrolled as of June 30 2023, excluding those hired after the acquisition.</p>	<p>The Tender Offeror will explain during the interview.</p>
<p>In the Tender Offeror Group's M&A activities, please indicate whether there have been any cases of direct dialogue with the labor union of the target company as part of the PMI process.</p>	<p>The Tender Offeror's policy is to operate its business while maintaining a common understanding with labor unions and employees, and the Tender Offeror believes that communication with the target company labor unions and employees after M&A is extremely important. In fact, when the three machine tool companies joined the Tender Offeror Group, immediately after they joined the Group, a forum was set up for direct dialogue between the labor unions and employees and the Tender Offeror's executives, and questions were carefully addressed. In the case of other European and US companies under the Machinery Business Division, there was also direct communication between the labor unions and employees when there were labor unions and between the unions and the Even in cases where there is no union, the Tender Offeror communicated directly with employees.</p>
<p>Please tell the Target Company what kind of guidance the Tender Offeror gives to the Tender Offeror's employees to ensure that the three management philosophies of the Tender Offeror Group ("Passion, Enthusiasm, and Persistence," "Intellectual Hard Working," and "Do It Now, Do It Always, and Do It Until You Can") are fully implemented. Please also tell us if this guidance is also given to the Tender Offeror's subsidiaries and affiliates.</p>	<p>The Tender Offeror Group is making efforts to disseminate a common understanding of the Tender Offeror Group's management philosophy, management policies, etc. at each workplace by using books and other materials that summarize the management philosophy and policies of the Tender Offeror Group. In addition, the Tender Offeror Group strives to thoroughly disseminate its management policies through periodic company-wide instructions by top management led by Mr. Nagamori, morning meetings for all employees, etc., in order to promote direct communication to employees from the top management of each Tender Offeror Group company.</p>
<p>In the Tender Offeror's press release dated July 13, the Tender Offeror indicated that the Tender Offeror will practice the management policy of "Results First, Trust and Punishment" and that the Tender Offeror will permeate the Target Company's business operations with</p>	<p>The Tender Offeror Group has established a fair and open personnel evaluation system based on the principle that "those who have grown sales and profits and improved the company" will be evaluated. Personnel evaluations are based on merit and performance without regard to age, gender, nationality, academic background, race, or</p>

<p>fair evaluation methods, etc. (page 17), but please provide specific personnel evaluation standards in the Tender Offeror Group to the extent the Tender Offeror is comfortable with.</p>	<p>whether the employee is from an acquired company. Specifically, performance against annual goals is evaluated, and the results are reflected in salary, bonuses, promotions, and demotions. For example, there have been cases in which people who once retired and became contract employees have been promoted to executive positions, and there have been people who became executives at a young age.</p>
<p>Additional Questions as of August 17, 2023</p>	<p>Additional Responses as of August 22, 2023</p>
<p>(With regard to the reasons for the changes in the proposal) Is it correct to assume that the reason for the decision to make the Target Company a wholly owned subsidiary rather than a consolidated subsidiary is to fully control the management rights and to manage the company in the NIDEC style?</p>	<p>As stated in the previous Tender Offeror's Response, the Tender Offeror believes that making the Target Company a wholly owned subsidiary of the Tender Offeror will create various types of synergies including sales-related synergies and cost-related synergies, and the Tender Offeror is convinced that chances are very high to enable the two companies to maximize their corporate values, and as a matter of course common sense, the Tender Offeror proposed making the Target Company a wholly owned subsidiary of the Tender Offeror, which would be more effective and efficient. In the case of a consolidated subsidiary, it would be a partial acquisition rather than a full acquisition, but the fact that a partial acquisition could have a certain coercive effect on minority shareholders is pointed out in the "Proposed Guidelines for Conduct in Corporate Takeovers" released on June 8, 2023, by the Ministry of Economy, Trade and Industry. The Tender Offeror believes that the proposal to make the Target Company a wholly owned subsidiary is the most appropriate for the minority shareholders.</p>
<p>(With regard to the Tender Offer Price) The Target Company also believes that synergies that could be realized after the Transaction should be taken into account in determining the Tender Offer Price, but please explain why such synergies should not be taken into account.</p>	<p>As stated in the previous Tender Offeror's Response, and I have repeatedly explained verbally, the Tender Offer Price was not determined after calculating the synergy amount, etc., but was determined based on the market price of the Target Company's shares as a price that would ensure sufficient profit for those who acquired the shares in the market and that a large number of shareholders could apply for the Tender Offer. On the other hand, the Tender Offeror believes that synergies can be generated between the Tender Offeror Group and the Target Company Group in various aspects through the Transaction, as described in detail in section 4 of this letter of intent, but it is difficult to make a specific calculation at this time, as the specific figure of sales generated by the synergies will be greatly affected by the specific management policies, etc. to be discussed with the Target Company's management after the Transaction. Nonetheless, the Tender Offeror believes that the Tender Offer Price represents a more than reasonable premium over the Target Company's share price for the most recent one, three and six months and for the past five years, and that the amount is sufficient to absorb the above synergies that could be realized after the Transaction.</p>
<p>(With regard to the Target Company shareholders contacted on July 13 regarding the publication of this letter of intent) Please provide the name of the third party and the details of the contact the Tender Offeror made to the extent the Tender Offeror is comfortable with.</p>	<p>As stated in the previous Tender Offeror's response, the Tender Offeror has contacted some of the Target Company's shareholders regarding the publication of this letter of intention. In addition, after the announcement of this matter, the Target Company's shareholders and business partners of the Target Company and the Tender Offeror ("Third Parties") contacted the Tender Offeror and The Tender Offeror has received many positive evaluations of the Tender Offeror's proposal. Please note that the Target Company shareholders contacted by the Tender Offeror have not agreed on disclosing their specific names and therefore please understand that the Tender Offeror cannot disclose their names. The Tender Offeror would like to add that the opinions of Third Parties were generally positive about the transaction, with many Third Parties saying, for example, "It was good for TAKISAWA, and as a user, we welcome it."</p>
<p>(With regard to the determination that approximately 18% of shareholders will not tender their shares in the tender offer but are expected to vote in favor of the subsequent Share Consolidation Proposal) The Target Company understands that this is the view of Mita Securities Co., Ltd. based on the disclosed materials of the Tender Offeror, but the Target Company would appreciate the Tender Offeror's response on the</p>	<p>Since deals similar to the Transaction itself are not yet common in Japan, the Tender Offeror is not in a position to answer whether they are common or not. The Tender Offeror believe that one of the purposes of the Suppliers' Shareholding Association is to maintain a good business relationship with the Target Company, and that there is a reasonable possibility that the Suppliers' Shareholding Association will act in accordance with the wishes of the Target</p>

<p>following points regarding the part following "Also" of the Tender Offeror's response.</p> <p>i) Is this a common approach? (if the Tender Offeror has other cases that the Tender Offeror has referred to, please let the Target Company know.)</p> <p>ii) With regard to the three shareholders the Tender Offeror mentioned (in the event that the Target Company does not express an opinion in favor of the Tender Offer), why is the Target Company expected to approve of the proposals requested by the Tender Offeror if, after the Tender Offer is completed, the Target Company is likely to show a certain understanding of the management policies, etc. of the Tender Offeror, which will become the parent company, and conduct its business operations under policies consistent with those of the parent company? Please explain more specifically the basis for the Tender Offeror's opinion, as well as the expected results of the Tender Offer. (If the Target Company does not support the Tender Offer, it is also expected that the Target Company will not support such proposals.) In particular, with regard to the Suppliers' Shareholding Association, the Target Company believes that it is not clear whether suppliers will vote in favor of the proposal for the Share Consolidation Proposal, as each supplier operates its own shareholding association.</p>	<p>Company's management in order to maintain a good business relationship with the Target Company. The Tender Offeror believes that if these shareholders are aware of the intentions of the Target's management, (i) if the Tender Offer is not yet completed and the Target Company's management is opposed to the Tender Offer, the Suppliers' Shareholding Association will oppose the Tender Offer at that stage, while (ii) if the Tender Offer is successfully completed and the Target Company becomes a subsidiary of the Tender Offeror and the Target Company's management respects the intentions of the Tender Offeror, which is a major shareholder of the Target Company, the Suppliers' Shareholding Association will support the Share Consolidation Proposal at the stage where the Share Consolidation Proposal is submitted to the General Shareholders' Meeting.</p>
<p>If the Target Company requests a meeting with the target company's labor union, please let the Target Company know who will be available to visit with us.</p>	<p>Tatsuya Nishimoto, General Manager of the Tender Offeror's Machinery Business Division, and other members will visit and meet with them. Incidentally, Nishimoto also visited the three existing machine tool companies immediately after they joined the group and held meetings with their unions to discuss the future of the companies and other matters in an open and frank manner, which the Tender Offeror believes facilitated the subsequent PMI process.</p>
<p>Please let the Target Company know if the company will remain viable after joining the tender offeror group.</p>	<p>Nidec Machine Tool and Nidec OKK also have supplier friendship associations called "Kouki Kai" and "Nidec OKK Cooperative Association (former name: OKK Cooperative Association)," respectively, which have continued to exist after joining the Nidec Group. The Tender Offeror would like to discuss how to deal with the above cooperatives after receiving information about them and their functions after this transaction.</p>
<p>(Regarding employment conditions for employees of the Target Company Group after the Transaction) Please provide the following information.</p> <p>(i) The Target Company understood that after the Transaction, the personnel and evaluation system will be shifted to one similar to that of the Tender Offeror Group and that there will be changes in the terms and conditions of employment. But Please provide specifics on the following terms and conditions</p> <ul style="list-style-type: none"> • Prescribed working hours • Prescribed number of holidays • Flexible working hours • Various premium rates for overtime, late-night, and holiday work • Number of months of bonuses • Retirement allowances and defined contribution pension plans • Continuation of the collective agreement <p>(ii) Regarding the working conditions of the employees, especially in terms of salary, the recent interview with Nidec OKK indicated that it was about a 20% increase, but please tell us what the increase would be for the Target Company's employees and how it was for Nidec Machine Tools.</p> <p>(iii) Please provide information on the Tender Offeror's average monthly overtime hours worked, average paid leave utilization rate, and education and training expenses per employee.</p>	<p>(i) It is not appropriate for the Tender Offeror to unilaterally set employment conditions at this point in time when the specific situation of the Target Company is not fully understood. After the Transaction, the Tender Offeror will consider the most appropriate personnel system, etc. to further motivate the officers and employees of the Target Company (and, if necessary, the Target Company's labor union) after receiving disclosure of the employment conditions of the Target Company. (2) The Company will discuss with the Target Company's officers and employees (and the Target Company's labor union, if necessary) the most appropriate personnel system, etc. to further motivate the Target Company's officers and employees.</p> <p>(ii) At the interview on August 2, Nishimoto said, "When compared with the amounts stated in the quarterly report, there is a difference in average salaries of approximately 20% between Nidec and Nidec OKK," which does not mean that the transition to a unified group personnel system in October 2023 will result in a uniform 20% increase in salaries for all Nidec OKK employees. This does not mean that there will be a 20% increase in wages, but only that there will be an average increase of approximately 20%, which will vary from position to position on an individual basis. The average wage for machine tools will not change significantly from that before the transition to the new system, but will reflect the wage revision for the current fiscal year.</p> <p>(iii) As follows</p> <p>Average overtime: Approximately 25 hours/month for machine tools and 30 hours/month for OKK</p> <p>Number of paid vacations taken: Approximately 14 days/year per person for both Machine Tool and OKK</p>

<p>(iv) Please describe the Tender Offeror's various benefit programs, such as educational assistance to support employees' career development.</p>	<p>Education and training expenses: Taking Machine Tool as an example, the average is about JPY35,000 /year per person (excluding artificial expenses). (iv) OFF-JT includes new employee training and various level-specific training, support for passing skill tests through the in-house skills school, encouragement to acquire various qualifications, subsidies for taking correspondence courses, and encouragement to take outside seminars based on the employee education system.</p>
<p>(Please provide the following information (regarding group consolidation of sales, service, administration, and purchasing divisions). (i) The Tender Offeror mentioned that the consolidation of group organizations will be considered based on discussions. Please provide any examples of group organizational consolidation at Nidec OKK and Nidec Machine Tools. (ii) It is stated that personnel transfers involving transfers or transfers between corporations must be made with the consent of the individual concerned. If unable to obtain his/her consent, please let the Target Company know how the Tender Offeror plans to treat him/her.</p>	<p>(i) In addition to sales and service, some departments of administration and purchasing have already been transferred to the same space for the purpose of facilitating communication between the two companies and horizontal development of efficient points of operations. (ii) As stated in the previous Tender Offeror's response, in principle, the transfer has been made with the consent of the individual concerned. If consent cannot be obtained, The Tender Offeror will, as a matter of course, take action in accordance with laws and regulations.</p>
<p>Please provide the following information (regarding specific measures taken by Nidec Machine Tool Corporation, Nidec OKK Corporation and PAMA after joining the Tender Offeror Group). (i) Please provide any specific examples of "mutual introduction of suppliers on a global basis". (ii) Both Nidec Machine Tool Corporation and Nidec OKK Corporation have turned operating profitable in a short period of time. Could the Tender Offeror please disclose specific figures on how the Tender Offeror increased sales and reduced or increased expenses in each of these categories?</p>	<p>(i) Since the provision of sensitive information such as specific business partners of the Tender Offeror Group could be subject to gun-jumping restrictions under the competition laws of various countries, The Tender Offeror will refrain from providing a response. (ii) The specific examples of the measures are as described in the previous response by the Tender Offeror. The Tender Offeror will refrain from providing specific figures for Nidec Machine Tool Corporation and Nidec OKK Corporation, as this information has not yet been disclosed.</p>
<p>Please provide the following information (regarding the growth strategy (including M&A strategy) of the Tender Offeror Group's machine tool business. (i) Please indicate to what extent the speed of progress of the Tender Offeror's machine tool business strategy will change depending on whether or not the Target Company is made a wholly owned subsidiary of the Tender Offeror. (ii) Given the management philosophy of the Tender Offeror, the Target Company believes that the numerical target of 1 trillion yen in sales for FY2030 will eventually be achieved, but please tell the Target Company how the Tender Offeror plans to achieve it (scale of sales, time frame, etc.).</p>	<p>(i) First of all, although it may be common sense to repeat this, in comparing the two options of becoming a listed subsidiary and becoming a wholly-owned subsidiary, the Tender Offeror believes that it would be faster for both the Target Company and the Tender Offeror to realize synergies with the Tender Offeror's Group and the Target Company's potential corporate value if the Tender Offeror's Group and the Target Company's Group were to become wholly-owned subsidiaries, since the Tender Offeror would not be required to take certain measures to avoid conflict of interest in accordance with TSE rules in the event of collaboration (transactions, etc.). The Tender Offeror believes that the synergies with the Tender Offeror Group and the potential corporate value of the Target Company will be realized more quickly if the Target Company becomes a wholly-owned subsidiary of the Tender Offeror Group, because the Target Company and the Tender Offeror will no longer need to be restricted by certain measures to avoid conflicts of interest in accordance with the TSE rules. The specific degree to which the speed of progress will change will be affected by market conditions at the time and the content of specific measures to be discussed with the Target Company's management after the Transaction, and will be discussed and examined specifically after the Transaction. (ii) As stated on page 28 of the Tender Offeror's Presentation Material for the First Quarter of the Fiscal Year Ending March 31, 2024 dated July 20, 2023, the sales target of 1 trillion yen for FY2030 is for the entire Machinery Business Division, including the press business and reduction gears business in addition to the machine tools business, and The Tender Offeror hopes to achieve it through both organic growth in these businesses., The Tender Offeror hopes to achieve this goal through both organic growth in these businesses and growth through M&A. For details, please refer to the presentation materials used in the financial results presentation below. Presentation materials 【Financial Results Presentation Materials】 https://www.nidec.com/jp/ir/event/conference/</p>
<p>Please provide the following information (regarding</p>	<p>(i) It can be seen from objective data that the absolute amount of</p>

<p>research and development).</p> <p>(i) Please let the Target Company know how much the Tender Offeror plans to spend on R&D and if the Tender Offeror have a quantitative plan.</p> <p>(ii) The Tender Offeror seems to think that the development of new models will focus on high-precision, high-efficiency multitasking machines. What industries is the Tender Offeror targeting, how many models, how long will it take, and how much money does the Tender Offeror expect to need? What industries is the Tender Offeror targeting, how many models, how long will it take, and how much money does the Tender Offeror expect to need? Also, please let the Target Company know if the Tender Offeror has a basic policy for approaching other industries.</p>	<p>R&D expenses of the Target Company is small and that a substantial increase in R&D expenses will be necessary in the future, as explained in the Letter of Intent. On the other hand, the amount of R&D expenses required and in what areas should be determined based on the nature of the collaboration between the Tender Offeror Group and the Target Company Group, the specific circumstances after the Transaction, and other factors (please also see the Tender Offeror's response to (ii) below). The Tender Offeror will consider this matter based on discussions with the Target Company's management after the Transaction, including how the Tender Offeror Group and the Target Company's Group should cooperate with each other.</p> <p>(ii) It is not considered appropriate for the Tender Offeror to unilaterally determine the details of specific measures, etc., based on outside information. The development of new models will be considered after the Transaction, based on discussions with the Target Company's management, after both parties have a good understanding of the current status of the technologies and products currently held.</p>
<p>(Regarding the structure of alignment and cooperation among the sales service offices of the group companies of the Tender Offeror) The Target Company heard in the meeting that the sales service offices pursue sharing of the offices with organization of each office maintained, share information and negotiate business deals together. Please let the Target Company know whether the Tender Offeror assumes other kinds of alignment and cooperation, such as integration of call-taking and other back-office operation, sharing instruments and devices and supports of delivery and installation and repair of instruments and devices.</p>	<p>The Tender Offeror thinks it possible that all the kinds of alignment and cooperation which the Target Company presents as examples are implemented. However, the Tender Offeror would like to consider the concrete structure of alignment and cooperation through close discussion with the Target Company after the Transaction.</p>
<p>(Regarding the lineup of the products) Can the Target Company request Nidec OKK Corporation to manufacture machining centers on an OEM basis or new models on an OEM or ODM basis? In addition, please let the Target Company know the Tender Offeror's strategy, if any, regarding small machining or tapping centers.</p> <p>The Tender Offeror has said that the Tender Offeror and Nidec OKK Corporation have main customers and business of the products similar to the Target Company's and that approval of the Transaction is the best choice to us. Therefore, please let the Target Company know how much the Target Company is expecting the sales amount to be increased by expansion of sales.</p> <p>The Target Company assumes that Nidec OKK Corporation manufactures customized products. Please let the Target Company know the basic policy regarding customization, if any.</p> <p>In Nidec Machine Tool Corporation, Nidec OKK Corporation and PAMA manufacturing customized products, do the costs tend to be high due to increases in process, just as in the Target Company's manufacturing customized products?</p> <p>Rather, is the increase in the costs controlled by the Tender Offeror's own measures? If the increase in the costs is controlled, please let the Target Company know such measures as much as the Tender Offeror can disclose.</p>	<p>The Target Company may request Nidec OKK Corporation to manufacture machining centers or new models on an OEM or ODM basis. As to the specific strategy regarding each product, we would like to receive the relevant information from the Target Company after the Transaction and then consider such strategy based on discussion with the Target Company's management.</p> <p>The Target Company thinks that the Target Company should consider through discussion with the Target Company's management which products of the Target Company Group should be sold to the customers of the Tender Offeror Group and how much the sales will be expected to increase through such expansion of sales. The Target Company would like the Target Company to discuss them with the Tender Offeror together after the Transaction.</p> <p>The Target Company does not respond to the demand for specialized machines and products of which basic specifications such as rotation frequency of a main axis and machine strokes are different from those of Nidec OKK Corporation's products, while the Target Company actively addresses the minor customization of fixture regarding the customers' usability.</p> <p>The Target Company will refrain from providing sensitive information such as concrete information on costs borne by the Tender Offeror, because that can be subject to the gun-jumping regulation under competition laws in certain jurisdictions. However, the Target Company is sure that the Tender Offeror has a lot of know-how which can help the Target Company to improve its corporate value, such as know-how for management of business globally, financial power, human capital and technical capabilities, which the Tender Offeror has been developing. The methods to manage products costs are included in such know-how.</p>
<p>(Regarding the policy for technical development) Please answer the following questions:</p> <p>(i) Further to the concrete examples of exchange of information and joint development by the three machine tool companies which the Tender Offeror answered, please let the Target Company know concrete content of supports which were provided by technical institutes of the Tender Offeror Group in the</p>	<p>(i) As to an example of the technical institutes' support regarding machine tools, the technical institutes support the improvement of performance of precise location detectors and gear machines.</p> <p>(ii) As to the joint development projects within the Tender Offeror Group, the intellectual properties are basically under common ownership. If the intellectual properties such as patent are created, the parties can use such intellectual property rights for free</p>

<p>past and the achievement of such supports (if any). (ii) The Target Company thinks that the Tender Offeror Group has many joint development projects because it has a lot of different kinds of companies. Please let the Target Company know the Tender Offeror's policy on treatment of intellectual properties and license.</p>	<p>because they jointly apply for such rights.</p>
<p>Please answer the following questions: (i) Please let the Target Company know the cases of joint purchase by Nidec OKK Corporation and Nidec Machine Tool Corporation and organization structure and financial effects of decrease in costs with regard thereto. (ii) Considering the lineup of the products sold by the Target Company, does the Tender Offeror think that the Tender Offeror can solely meet the demands to lathe manufacturers?</p>	<p>(i) The Tender Offeror will refrain from providing sensitive information such as concrete information on costs borne by the Tender Offeror, because that can be subject to the gun-jumping regulation under competition laws in certain jurisdictions. However, the Tender Offeror is sure that the Tender Offeror has a lot of know-how which can help the Target Company to improve its corporate value, such as know-how for management of business globally, financial power, human capital and technical capabilities, which the Tender Offeror has been developing. The methods to decrease costs regarding purchase are included in such know-how. (ii) The Tender Offeror will refrain from answering the question because it is related to the Tender Offeror's M&A strategy in the future. After the Target Company joins the Tender Offeror Group, the Tender Offeror would like the Target Company to consider strategy of the machine business division together and help the Tender Offeror group accelerate its development.</p>
<p>(Regarding the expected synergy and negative synergy regarding business) Although the Target Company has received the Tender Offeror's answer that the Tender Offeror does not expect negative synergy such as loss of the existing customers, negative synergy has been brought to light after publication of the Tender Offer. For example, the existing customers of the Tender Offeror which manufacture the components of the products competitive with those of the Tender Offer Group, such as reducers, have already worked toward boycott of the products of the Tender Offeror Group and that has brought about obstacles to the sales activities. With regard to the above, please let the Target Company know whether such incidents occurred when the Tender Offeror made Nidec OKK Corporation and Nidec Machine Tool Corporation the Tender Offeror's subsidiaries. If such incidents occurred, please let the Target Company know the amount of negative synergy.</p>	<p>As the Tender Offeror mentioned before, the Tender Offeror thinks it possible that the companies which has a strong competitive relationship with the Tender Offeror Group might stop transactions after the Target Company joins the Tender Offeror Group and it is true that a few competitive companies did that after Nidec Machine Tool Corporation joined the Tender Offeror Group, although such cases are rare. However, considering a lot of third parties positively reacts to the Transaction, the Tender Offeror understands that the number of such business acquaintances will be extremely limited (even if switches to other companies' products actually occur apart from strategy for the Target Company to object to the Transaction). If the competitive companies of the Tender Offeror Group should work toward boycott, the executives of the Tender Offeror Group will visit such companies to ask them to continue transactions if the Target Company discloses the names of such companies to the Tender Offeror. Considering the Letter of Intent and the past M&A cases of the Tender Offeror on which the Tender Offeror explained in the meetings, the Tender Offeror is sure that, by creating synergy of the Tender Offeror Group and the Target Company Group as described in the Letter of Intent, the Tender Offeror can create synergy much stronger than negative synergy which might be caused by the loss of sales amount through the discontinuance and decrease of transactions with exceptional business acquaintances.</p>
<p>(Regarding the size and preliminary calculation of the new market) Through the Tender Offeror's answer to the Target Company's question, the Target Company feels that the Tender Offeror have not actually had yet any concrete expectation on new markets created by the synergy with the Tender Offeror Group and will consider such market after the Transaction is completed. Please let the Target Company know if such understanding is correct.</p>	<p>As mentioned in the Letter of Intent, even at this moment, the Tender Offeror thinks that the Tender Offeror can probably accelerate the development of new markets by the Target Company's using the resources which the Tender Offeror has been developing, such as know-how for management of business globally, financial power, human capital and technical capabilities. The Tender Offeror does not think that it is a good idea that the Tender Offeror unilaterally decides, based on external information, how to develop new markets and how much the Tender Offeror should aim as a scale of sales through alliance with the Tender Offeror Group. Therefore, the Tender Offeror will consider such matters through discussion with the Target Company's management after the Transaction.</p>
<p>(Regarding synergy effects) Please answer the following questions: (i) Through the Tender Offeror's answer to our question, the Target Company feels that the Tender Offeror has not actually had any concrete expectation yet on synergy effects such as cross-selling and integrated proposals created by the synergy with the Tender Offeror Group and will consider such effects after the Transaction is completed. Please let the Tender Offeror know if such understanding is correct. (ii) It seems that the Tender Offeror does not plan to eliminate and consolidate the sales offices, while the Tender Offeror has told the Target Company that the</p>	<p>(i) Since the Target Company Group and the Tender Offeror Group have the same target users, the Tender Offeror thinks that cross-selling and integrated proposals can be obviously implemented. The Tender Offeror does not think that it is a good idea that the Tender Offeror unilaterally decides, based on external information, how much the Tender Offeror can increase the sales and to what customers the Tender Offeror can aim. Therefore, the Tender Offeror will consider such matters through discussion with the Target Company's management after the Transaction. (ii) The basic policy regarding the sales offices of Nidec Machine Tool Corporation and Nidec OKK Corporation is for them to share the same floor(s) and/or room(s) of sales office(s) together for reduction of costs and promotion of communication between the</p>

<p>Tender Offeror would like to discuss actively sharing the sales offices. Please let the Target Company know the policy of Nidec Machine Tool Corporation and Nidec OKK Corporation regarding the sales offices.</p>	<p>companies. They have already shared some of their sales offices.</p>
<p>(Regarding negative synergy) Please answer the following questions: (i) As concerned in the Tender Offeror's question, in the sales activities of the Tender Offeror, negative synergy has been brought to light after publication of the Tender Offer, such as boycott of the products of the Tender Offeror Group and that has brought about obstacles to the sales activities. Please let the Target Company know whether such incidents occurred when the Tender Offeror made Nidec OKK Corporation and Nidec Machine Tool Corporation the Tender Offeror's subsidiaries, although this question is the same as in (1). (ii) The Target Company has heard that the Tender Offeror has a close relationship with Stellantis and thus the Target Company expects that the Transaction will have an impact on transactions with the competitive companies. Please let the Target Company know whether Nidec OKK Corporation has not experienced such cases.</p>	<p>(i) After Nidec Machine Tool Corporation joined the Tender Offeror Group, a few companies which have a strong competitive relationship with the Tender Offeror Group refrained from transactions. However, through PMI activities and creation of synergy after Nidec Machine Tool Corporation joined the Tender Offeror Group, the Tender Offeror succeeded in creating synergy much stronger than negative synergy which might be caused by the loss of sales amount through the discontinuance and decrease of transactions with exceptional business acquaintances. (ii) Nidec OKK Corporation has not suffered any impact on such transactions.</p>
<p>Please provide the following information on the Tender Offeror Group's technology (e.g., heat displacement control technology) that contributes to the value of the Target Product. (i) Is it correct to understand that these technologies are disclosed and provided free of charge among group companies for the purpose of developing their respective products? (ii) Will the various technologies the Tender Offeror responded to include new technologies developed jointly with Nidec Machine Tool Corporation, Nidec OKK Corporation or PAMA, proprietary technologies of the Tender Offeror, and patented technologies?</p>	<p>(i) Basically, that is what the Tender Offeror plans to do. (ii) The technologies illustrated above are proprietary technologies of each machine tool company and include patented technologies.</p>
<p>Please describe the Tender Offeror's outlook for the expansion of the Tender Offeror Group's overseas production bases (name of country, time, etc.) and the Tender Offeror's plan for the production of the Target Product at the Tender Offeror Group's overseas production bases.</p>	<p>With regard to overseas production in the machine tool business, based on the basic concept of local production for local consumption, the Tender Offeror intends to expand overseas production based on further capital investment in regions where market expansion is expected. With respect to overseas production of the Target Products, the Tender Offeror intends to consider it together with the management of the Target after this transaction, based on the basic policy of local production for local consumption, in accordance with all export-related laws and regulations under the Foreign Exchange and Foreign Trade Law.</p>
<p>(Regarding economies of scale through promotion of joint purchasing, etc.). Please tell us the scale of joint purchasing within the Tender Offeror Group. Also, as a cost reduction for purchasing and production, please tell us about the quantitative amount or the reduction rate.</p>	<p>The Tender Offeror will refrain from responding to sensitive information, such as specific suppliers and cost information of Tender Offeror Group, as such information may be subject to gun jumping restrictions under the Competition Law in each country.</p>
<p>(Regarding purchasing costs and suppliers, etc.) Please tell us the following. (i) The Target Company has received a response regarding the reduction of transportation costs as an example of cost reduction. Please provide specific examples of procurement cost reductions through collaboration, and the actual figures for procurement costs and transportation costs when Nidec Machine Tool Corporation and Nidec OKK Corporation collaborated. Rate of reduction in unit purchase price of main parts (casting, CNC equipment, bearings, ball screws, linear guides, hydraulic units) / Rate of reduction in parts procurement logistics cost / Rate of reduction in product distribution cost (domestic transportation cost, export transportation cost) (ii) Although both answers to ① and ② by the Tender Offeror are packing and transportation cost reductions,</p>	<p>(i) The Tender Offeror will refrain from responding to sensitive information, such as cost information of Tender Offeror Group, as this may also be subject to gun jumping restrictions under the Competition Law in each country. (ii) The Tender Offeror is currently considering the unification and bulk purchase of parts that can be standardized.</p>

<p>are there any examples of cost benefits, such as unifying parts that can be standardized, such as electric and hydraulic equipment, and purchasing them in a lump sum?</p>	
<p>Please indicate below (regarding the view that it is not appropriate to compare sales after entering the Tender Offeror Group with FY2017 and FY2018, when the machine tool market of the Tender Offeror was active). (i) In order to measure the synergy effect, it is appropriate to compare the results of sales in fiscal 2017 and fiscal 2018 to eliminate the impact of the slump in sales both internally and externally. What are the Tender Offeror's thoughts on this? (ii) Sales after entering the Tender Offeror Group are approximately 1.5 times higher than in the previous year. On the other hand, the increase in Group's sales are about a few percent. Please tell us the reason for the increase in sales and the measures taken other than the Group.</p>	<p>(i) Since both Nidec Machine Tool Corporation and Nidec OKK Corporation were companies with the potential for bankruptcy that recorded a large loss immediately after joining the Group, it is appropriate to compare the business year immediately before and after joining the Tender Offeror Group in order to determine the effects of joining the Tender Offeror Group. (ii) Reasons and measures for the increase in sales outside the Group include, for example, the following. - Increase in orders received due to an increase in the number of visits to customers in sales activities. In particular, the increase in orders received due to an increase in the number of direct visits to end users of sales activities, which mainly focused on communication with trading companies and distributors, resulting in an increase in the time required to ascertain customer needs and submit estimates. - Increase in orders received through sharing of customer information, introductions to customers, and joint sales among the companies of the Machinery Division, including speed reducers and press machines</p>
<p>(Regarding the annual changes in R&D expenditures for Nidec Machine Tool Corporation and Nidec OKK Corporation) At the interview, the Target Company was unable to have an explanation as to the specific amount. Please tell us again about the annual changes in R&D expenditures for Nidec Machine Tool Corporation and Nidec OKK Corporation.</p>	<p>When the Tender Offeror visited the Target Company on August 2, Mr. Nishimoto mentioned the ratio of R&D expenditures to sales. However, the Tender Offeror will refrain from answering this question because the provision of sensitive information such as R&D expenditures by the Tender Offeror Group may also be subject to gun jumping restrictions under the Competition Law in each country.</p>
<p>(Regarding the enrollment rate of Nidec Machine Tool Corporation and Nidec OKK Corporation Company before and after the acquisition of each company) The Target Company has received a qualitative explanation orally. However, since this is likely to be a matter of great interest to employees, please provide a quantitative figure (if possible, by job category) on this point.</p>	<p>As the Tender Offeror mentioned from Mr. Nishimoto during our visit on August 2, in the case of Nidec OKK Corporation, human resources had already been drained due to severe business conditions even before it joined the Tender Offeror Group. In addition, there are some temporary transferees from banks and those who have been hired by such temporary transferees. After joining the Tender Offeror Group, such temporary transferees returned to their home banks or retired. In addition, those who had been hired by such temporary transferees also retired. In the case of Nidec Machine Tool Corporation, there were some people who returned to Mitsubishi Heavy Industries because they had the right to return to the company. In this way, the situation differs greatly from that of the Target Company, and the Tender Offeror believes that the figures for both companies are not appropriate for comparison. In addition to the above retirees, unfortunately, due to temporary busyness caused by the recovery of business performance and increase in orders, some of our employees have left the company. However, many executives and employees of each company continue to play active roles in the company, and many new employees join the company due to the expansion of the company. The Tender Offeror Group's basic policy is to provide compensation according to the level of contribution and performance, regardless of academic background, age, gender, race, or ethnicity of the acquiring company. There is a possibility that the treatment of motivated employees will greatly improve, and the Tender Offeror believes that the employees of the Target Company Group will benefit from this transaction.</p>
<p>(Regarding the discussion with the Labor Union at PMI) Please specify the details of the changes in the working conditions (working hours, holidays, etc.) as a result of discussions with the labor union after the three machine tools joined the tender bidder group.</p>	<p>Nidec Machine Tool Corporation and Nidec OKK Corporation changed the number of days off after joining the group to match the Tender Offeror's.</p>
<p>(Concerning the thorough dissemination of management policies) Have the Tender Offeror understood the importance of business management skills by management supervisors in order to achieve corporate growth? In the event that the targets are not achieved, what guidance policies and guidance methods are used to catch up? Please let me know to the extent possible.</p>	<p>In the event that the target is not achieved, the top management of the Tender Offeror Group, including Mr. Nagamori, will directly instruct and confirm the clarification of the timing for recovery of the unachieved amount and the early formulation and implementation of recovery measures, while the top management of each business division of the Tender Offeror and the Tender Offeror Group companies themselves will proactively address these issues without waiting for instruction.</p>
<p>(Regarding personnel evaluation criteria) The Tender</p>	<p>Under a fair and impartial personnel evaluation system, the</p>



All for dreams

<p>Offeror has provided specific examples of promotions, but please provide us with examples of the most significant demotions (apart from penalties for job violations, etc., but only demotions based on job performance).</p>	<p>Tender Offeror does not conduct arbitrary evaluations.</p>
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