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(Securities code: 5486)

November 24, 2022

To our shareholders:

Hitachi Metals, Ltd.
6-36, Toyosu 5-chome, Koto-ku, Tokyo

Notice of the Extraordinary Shareholders Meeting

Notice is hereby given that the Extraordinary Shareholders Meeting of Hitachi Metals, Ltd. (the “Company”) will be held as follows:

To avoid the risk of shareholders and the Company’s officers and employees becoming infected with the novel coronavirus (COVID-19), for this Shareholders Meeting, **we strongly request that you exercise your voting rights in advance in writing or via the Internet and refrain from attending on the day of the Shareholders Meeting.** Please review the attached Reference Document for the Shareholders Meeting, and exercise your voting rights **no later than 5:30 p.m. (the end of business hours), Thursday, December 8, 2022.**

Details

- 1. Date and time:** Friday, December 9, 2022, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)
- 2. Venue:** Tokyo Dome Hotel, B1 Mid-sized Banquet Room AURORA, 1-3-61 Koraku, Bunkyo-ku, Tokyo
- Note: The venue is different from that of the 85th Ordinary General Meeting of Shareholders held on June 21, 2022.

3. Agenda:

Matters to be resolved

<Proposals>

Item 1: Share Consolidation

Item 2: Partial Amendment to the Articles of Incorporation

<Matters regarding exercising voting rights>

- (1) If you do not indicate your vote of approval or disapproval for all Items when using the voting form, we will consider that you have accepted any Item on which you did not vote.
- (2) If you exercise your voting rights by both using the voting form and via the Internet, your vote received via the Internet will be treated as valid.
- (3) If you exercise your voting rights via the Internet more than once on the same Item, your vote received last will be treated as valid.
- (4) You may ask one person, who is a shareholder entitled to exercise the voting rights of the Company, to attend the Shareholders Meeting and exercise your voting rights on behalf of you. In this case, we will require the person to submit a document to prove his/her right of proxy.

Very truly yours,

Mitsuaki Nishiyama
Representative Executive Officer,
Chairperson, President and Chief Executive Officer, Director

○ Please note that any changes in the items described in Reference Document for the Shareholders Meeting will be posted on our website (<https://www.hitachi-metals.co.jp/ir/ir-stock.html>).

Procedures for Exercising Voting Rights

There are three ways to exercise your voting rights as follows. However, the Company strongly requests that you exercise your voting rights in advance in writing or via the Internet and refrain from attending on the day of the Shareholders Meeting.

Attending the Shareholders Meeting

Please submit the enclosed voting form at the reception of the meeting (no seal is necessary).

Date and Time: Friday, December 9, 2022, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)

Venue: Tokyo Dome Hotel, B1 Mid-sized Banquet Room AURORA, 1-3-61 Koraku, Bunkyo-ku, Tokyo

Exercising Voting Rights by Form (Enclosed Voting Form)

Please indicate on the enclosed voting form whether you approve or disapprove of each Item, and return the completed form to us so that it arrives by the following exercise due date (no seal is necessary).

Exercise due date: to be received by 5:30 p.m. (the end of business hours) on Thursday, December 8, 2022 (JST)

Exercising Voting Rights via the Internet

Please access the voting website (<https://www.tosyodai54.net>) using your PC, smartphone, or mobile phone, enter the “Voting Exercise Code” and the “Password” shown on the enclosed voting form, and then, enter your approval or disapproval by following the guidance on the screen. Please complete the exercise of your voting rights by the following exercise due date (for more details, please read the next page).

Exercise due date: to be received by 5:30 p.m. (the end of business hours) on Thursday, December 8, 2022 (JST)

How to Use the Voting Website	
1.	<p>Access the voting website</p> <p>Access the following URL and click the “Next” button.</p> <p>Voting Website https://www.tosyodai54.net</p>
2.	<p>Login to the voting website</p> <p>Enter the “Voting Exercise Code” shown on the enclosed voting form and click the “Login” button.</p>
3.	<p>Enter the password</p> <p>Enter the “Password” shown on the enclosed voting form and click the “Next” button.</p>
Please enter your approval or disapproval by following the guidance on the screen	

* Please note that each shareholder is required to bear the costs for accessing the voting website (e.g., telephone charges and Internet access fees).

* Exercising voting rights via the Internet may be not available depending on the model of your smartphone or mobile phone.

Contact	<p>For inquiries, please contact:</p> <p>Tokyo Securities Transfer Agent Co., Ltd.</p> <p>Phone: 0120-88-0768 (toll free, telephone number within Japan) available 9:00 a.m. – 9:00 p.m., seven days per week</p>
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To Institutional Investors	<p>Institutional investors who have applied for the use of the “ICJ platform” for electronic voting exercise operated by ICJ, Inc. (ICJ) can exercise their voting rights via the platform. ICJ is a joint venture company established by Tokyo Stock Exchange, Inc. and other institutions.</p>
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Reference Documents for the Extraordinary Shareholders Meeting

Item 1: Share Consolidation

1. Reasons for implementing share consolidation

As announced in the press release of Hitachi Metals, Ltd. (the “Company”) dated October 26, 2022 titled “Announcement of Results of the Tender Offer by K.K. BCJ-52 for the Shares of Hitachi Metals, Ltd., and Change in a Major Shareholder and an Other Affiliate,” K.K. BCJ-52 (the “Tender Offeror”) implemented a tender offer for shares of the Company (the “Company Shares”) (the “Tender Offer”) from September 27, 2022, and consequently, came to own 152,194,289 shares of the Company Shares (voting right ownership ratio (Note): 35.60%) as of November 1, 2022, the commencement date of the settlement of the Tender Offer.

(Note): The “voting right ownership ratio” is calculated using as a denominator the number of voting rights (4,275,529 units) pertaining to the number of shares (427,552,987 shares), which is obtained after deducting the treasury shares owned by the Company (1,351,266 shares) and the Company Shares equal to less than one unit owned by Hitachi, Ltd. (“Hitachi”) (99 shares), which were not planned to be acquired through the Tender Offer, as of September 30, 2022 from the Company’s outstanding shares (428,904,352 shares) as of the same date, and is rounded to the second decimal place. The same applies below.

As described in “[2] Purpose and Background of the Transaction, including the Tender Offer, and Management Policy Following the Tender Offer” of “(2) Grounds and reasons for the opinions concerning the Tender Offer” of “3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer” of “Announcement of Opinion in Support of the Tender Offer by K.K. BCJ-52 for the Shares of Hitachi Metals, Ltd., and Recommendation of Tender” published by the Company on September 26, 2022 (the “Press Release Expressing the Company’s Opinion”), the Company formulated our Mid-Term Management Plan for Fiscal Year 2021 (announced in April 2019), setting “Create People, Create Innovation, and Create the Future” as our vision, where the Company aim to become a high-functional materials company that supports a sustainable society by promoting management strategies and measures to further strengthen our development capabilities to create “Only one, Number one” products, which are our strengths, through collaborative creation with customers in various business fields, and strengthen our manufacturing capabilities to mass-produce them. To this end, specifically, the Company have been working on the following action plans: [1] concentration of resources on high-growth, high-profit areas, [2] maximization of synergies through organizational reforms [3] strengthening of the front-end structure and collaborative creation with customers, [4] full utilization of large-scale capital investments, and [5] implementation of structural reforms and measures to strengthen the management base. However, since the announcement of the medium-term management plan, profitability has deteriorated, such as impairment loss recorded in the second quarter financial results for FY2019 (announced on October 29, 2019), and down ward revision in the full-year consolidated earnings forecast for FY2019, due to factors such as the fact that demand in the automotive sector, factory automation, robotics and other industrial sectors, as well as in the electronics sector, has become more severe than anticipated at the time of the announcement. Since then, the Company have continued to consider various measures to fundamentally restore its business performance and to develop growth strategies. In addition, the business environment has changed significantly due to the recent outbreak of COVID-19. In particular, in the automotive sector, a decline in global automobile sales volume has led to a decline in demand for many key products, while in the aircraft sector, a decline in demand for aircraft-related materials has resulted from a decline in demand for aircraft. Although the Company stated that it would improve capital efficiency and concentrate resources on growth business in the medium-term management plan, it has not achieved results and its profitability has deteriorated due to a decrease in sales revenue, resulting in the announcement of the outlook of negative adjusted operating margin in FY2020 (2021/3), announced on May 27, 2020. Also, the Company have also announced “Misrepresentation of Test Results in the Inspection Reports with Respect to Certain Products of the Company and Its Subsidiaries” on April 27, 2020, and as of the end of May 2020, multiple directors including the CEO, as well as one director who was a former CEO have resigned. To accelerate decision making going forward, the chairperson of the board of directors has also been made to serve as the CEO as of June 1, 2020, while the Company is also appointing new directors, and moving to a new management structure.

Based on the above profitability and consideration, the Company decided on middle of June that it is necessary to improve speed of decision-making, obtain funds for investment, and introduce external knowledge in order to increase its enterprise value by reinforcing its competitiveness and profitability, and that the best way for that goal was to proceed with reforms after delisting without being restricted by the current capital structure. This decision does not have any direct relationship with the content of the aforementioned “Misrepresentation of Test Results in the Inspection Reports with Respect to Certain Products of the Company and Its Subsidiaries,” nor with the subsequent move to a new management structure.

Then, as described in “[4] The process of decision-making for how the Company came to agree with the Tender Offer, and the grounds therefor” of “(2) Grounds and reasons for the opinions concerning the Tender Offer” of “3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer” of the Press Release Expressing the Company’s Opinion”, the Company and Hitachi started the bidding process, which was comprised of two stages (the “Bidding Process”): the first bidding process and the final bidding process for the selection of the partner candidates, from early November 2020, which included due diligence by several candidates and discussions with each candidate. Through this bidding process and as a result of considering the proposal details of each candidate comprehensively, the Company selected BC Consortium (the general term for Bain Capital Private Equity, LP and its group (collectively, “Bain Capital”), Japan Industrial Partners, Inc. (“JIP”), and Japan Industrial Solutions K.K. (“JIS”); the same applies below) as the final purchaser candidate from among several candidates in early April 2021 and started discussions and considerations with BC Consortium for implementation of the transaction aimed at making the Company a wholly-owned subsidiary (the “Transaction”), including the Company acquiring all of the Company Shares owned by Hitachi (228,221,199 shares, ownership ratio: 53.38%, the “Shares to Be Sold by Hitachi”) (the “Share Repurchase” and the acquisition price of treasury shares through the Share Repurchase, the “Share Repurchase Price”).

The purchaser finally selected from among the candidates and the Company’s parent company, Hitachi, will execute a final contract that covers implementation of the Tender Offer. As described in “(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest” of “3. Matters related to adequacy of the provisions on the matters set forth in Article 180, Paragraph 2 of the Companies Act” below, considering that there might be a chance that Hitachi and the Company’s general shareholders might have conflicts of interest, the Company established a special committee on September 3, 2020, before the start of the first bidding process, in order to eliminate arbitrariness in the Company’s decision-making concerning the Transaction, and the candidate selection process during the Bidding Process, and to consider and evaluate, among other things, the validity of the transaction conditions, including pros and cons of the Transaction or the structure and fairness of the procedures, including the process of selecting the purchaser (partner), from the standpoint of aiming to increase corporate value and to make profits for general shareholders. The Company has consulted with the special committee on the fairness and validity of the Transaction procedures, among other matters (for the composition of the committee and other specific matters regarding which it was consulted, please refer to “[2] Establishment of a special committee independent of the Company and acquisition of opinions” of “(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest” below). Additionally, after the Company took the measures described in “(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest” below, it carefully discussed and considered the selection of candidates in and conditions for the Transaction, considering details in the stock valuation report obtained from BofA Securities Japan Co., Ltd. (“BofA Securities”), the Company’s financial advisor, and the legal advice received from Nishimura & Asahi, the Company’s legal advisor, with the utmost respect given to the report submitted by the special committee on April 28, 2021 (the “April 2021 Report”).

In order to increase corporate value, the Company comprehensively considered, from perspectives of the stock valuation, transaction structure, contract terms, financing ability/funding prerequisites, management strategy and support system after implementation of the Transaction including value-up measures, whether any changes are planned to the terms and conditions of the management policy, such as treatment of employees and the governance system, the necessity of procedures like acquisition of clearance under competition law and other regulatory laws and whether the required period for such procedures are within a reasonable range, and how the Company can maximize the profits of its general shareholders. As a result, the Company came to the conclusion that BC Consortium is the best purchaser as a partner for the Company, to aim for further growth, and will contribute to the improvement of corporate value in the future, from the standpoint of the highest stock valuation and the Tender Offer Price, as well as its financial capability and preconditions for financing being not inferior to those of other candidates, and the proposed management strategy and support system after implementation of the Transaction, including value-up measures.

The Company notified all candidates in the first-round bidding process that the Company would not accept joint proposals by consortia with third parties, as if the Company allowed candidates to form a consortium freely, this would lead to the sharing of proposal terms and conditions including proposal values among candidates, thus possibly leading to the bidding process losing its validity and fairness. In the final bidding process, however, the Company permitted Bain Capital, JIP and JIS to form a consortium as they wished, and also permitted other candidates to form consortia with candidates other than Bain Capital, JIP and JIS, as the pool of candidates was limited as result of the first round, and as it was critical for consortium participants to align on matters such as post-investment policy.

In addition, with regard to the tender offer price of 2,181 yen per Company Share (the “Tender Offer Price”), (a) as mentioned above, the stock valuation BC Consortium provided was the highest amount compared with the stock valuations presented by each candidate that participated in the final bidding process, (b) as described in “[4] Acquisition of the Stock Valuation Reports from the Company’s independent financial advisor and third-party valuation institution” of “(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest” below, in the valuation of the Company Shares as stated in the April 2021 Stock Valuation Report (as defined in “[4] Acquisition of the Stock Valuation Reports from the Company’s independent financial advisor and third-party valuation institution” of “(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest” below) by BofA Securities, the Tender Offer Price exceeds the upper limit of the calculation obtained through market price analysis, comparable companies analysis, and comparable transactions analysis, and it also exceeds the median of the calculation range in the discounted cash flow analysis (“DCF Analysis”), (c) it is the price after adding a premium of 74.48% (rounded to the second decimal place; the same shall be adopted below in the calculation of the premium rate) to JPY 1,250, the closing price of the Company Shares on the Tokyo Stock Exchange on October 25, 2019, which was the day when the news that Hitachi was discussing capital relations with its four listed subsidiaries, which triggered the fluctuation in the stock price of the Company due to expectations that the Hitachi group would be reorganized, was announced by President Toshiaki Higashihara of Hitachi after the close of trading of the Company Shares on the Tokyo Stock Exchange; 80.25% (rounded to the nearest whole number; the same shall be adopted below in the calculation of the simple average value) to JPY1,210, the simple average value of closing prices for one month prior to that point of time; 86.57% to JPY1,169, the simple average value of closing prices for three months prior to that point of time; and 85.93% to JPY1,173, the simple average value of closing prices for six months prior to that point of time, and it is the price after adding a premium of 15.76% to JPY1,884, the closing price of the Company Shares on the Tokyo Stock Exchange on April 27, 2021, the business day prior to the date of announcement of the Tender Offer, 16.32% to JPY1,875, the simple average value of closing prices for one month prior to that point of time; 21.23% to JPY1,799, the simple average value of closing prices for three months prior to that point of time; and 30.99% to JPY1,665, the simple average value of closing prices for six months prior to that point of time, and these premium are considered reasonable compared to past cases involving tender offers by persons other than issuers acting with the aim of making a wholly-owned subsidiary, and (d) as described in “(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest” below, measures have been taken to ensure the fairness of the Tender Offer, and it is recognized that the profits of general shareholders have been considered. Given the above, the Company came to the conclusion that the Tender Offer will provide the Company’s shareholders with a reasonable opportunity to sell their shares.

Therefore, at the board of directors’ meeting held on April 28, 2021, as the Company’s opinion at that point in time, the Company adopted a resolution to express its opinion to support the Tender Offer when the Tender Offer commences and to recommend that the Company’s shareholders tender in the Tender Offer.

In addition, the Tender Offer will commence promptly when the Conditions for the Commencement of the Tender Offer have been satisfied (or waived by the Tender Offeror). According to the Tender Offeror, as of April 28, 2021, the Tender Offeror planned to commence the Tender Offer in late November 2021; however, it was difficult to estimate the period required for the procedures involving domestic and international competition authorities accurately. Therefore, the board of directors’ meeting above also adopted a resolution that when the Tender Offer commences, the board of directors will request that the special committee established by the Company consider whether there are changes in its opinions as expressed to the board of directors on April 28, 2021, and, if there are no changes, make a statement to that effect, or, if there are changes, state the changed opinions (the “Additional Matters of Inquiry”), and that based on such opinions, the Company will express its opinions on the Tender Offer again when the Tender Offer commences, and the Company consulted with the special committee on the Additional Matters of Inquiry.

Thereafter, having been notified by the Tender Offerors on September 20, 2022 that it intends to commence the Tender Offer with a Tender Offer Commencement Date of September 27, 2022, as clearances had been obtained on September 7, 2022 (local times) for the necessary permits and authorizations based on competition laws and other regulatory laws domestically and internationally (Japan, Brazil, China, the EU, Serbia, South Korea, Taiwan and Vietnam, but excluding the necessary permits and authorizations based on the FEFTA of Japan), and on the assumption that all other Conditions for the Commencement of the Tender Offer have been fulfilled or the Tender Offeror waives all other Conditions for the Commencement of the Tender Offer, the Company shared details on the status of the Company and the Tender Offerors with all members of the Special Committee at its 24th meeting held on September 26, 2022. As described in “[2] Establishment of a special committee independent of the Company and acquisition of opinions” under “(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest” below, the special committee deliberated carefully about the Additional Matters of Inquiry. As a result, the special committee submitted a supplementary report (the “Supplementary Report”) dated September 26, 2022 to the Company’s board of directors indicating that its opinion dated April 28, 2021 had not changed.

Consequently, the Company once again carefully deliberated on and considered the content of the various conditions related to the Tender Offer, on the basis of the Company's business performance, including the effects of COVID-19, progress of yen depreciation, soaring raw material prices, and changes in the market environment since April 28, 2021, by fully respecting the content of the Supplementary Report submitted by the special committee to the utmost. Therefore, the Company concluded that (a) as of September 26, 2022, there is no cause to change the judgment it made regarding the Tender Offer on April 28, 2021, given facts such as that the Transaction will contribute to the Company's corporate value, the unchanged necessity to improve the Company's corporate value by recovering its prior competitiveness and earning power and to renew its growth, and also that (b) in the valuation of the Company Shares as stated in the September 2022 Stock Valuation Report (as defined in "[4] Acquisition of the Stock Valuation Reports from the Company's independent financial advisor and third-party valuation institution" of "(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest" below) by BofA Securities described in "[4] Acquisition of the Stock Valuation Reports from the Company's independent financial advisor and third-party valuation institution" of "(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest" below, the Tender Offer Price exceeds the upper limit of the calculation obtained through market price analysis, comparable companies analysis, and comparable transactions analysis, as well as the median of the calculation range in the DCF Analysis. Thus, at the board of directors' meeting held on September 26, 2022, the Company once again adopted a resolution to express its opinion to support the Tender Offer, and to recommend that its shareholders tender in the Tender Offer via unanimous decision of all directors with no interest. The Tender Offer Price represents a premium of 0.37% over the closing price (2,173 yen) of the Company Share on the Tokyo Stock Exchange Prime Market on September 22, 2022 which is the business day preceding the announcement of the commencement of the Tender Offer, a premium of 3.51% over the simple average closing price for the most recent one-month period (2,107 yen), a premium of 5.98% over the simple average closing price for the most recent three-month period (2,058 yen), or a premium of 6.91% over the simple average closing price for the most recent six-month period (2,040 yen).

For details of the resolutions of the Company's board of directors, please refer to "[5] Approval of all of the Company's directors with no interest" of "(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest" below.

Subsequently, while the Tender Offer has been completed, as the Tender Offeror was not able to acquire all of the Company Shares (excluding the Shares to Be Sold by Hitachi and the treasury shares owned by the Company) through the Tender Offer, the Tender Offeror requested that the Company implement share consolidation (the "Share Consolidation") in order to make the Tender Offeror and Hitachi the only shareholders of the Company (excluding the Company). Upon this request, taking into account that, among other matters, the Tender Offer, which was implemented as part of the Transaction, has been completed, as announced in the Press Release Expressing the Company's Opinion, the Company decided to implement the Share Consolidation to consolidate 57,055,299 shares of the Company Shares into one share, subject to the approval of the shareholders at the Extraordinary Shareholders Meeting, with the aim of making the Tender Offeror and Hitachi the only shareholders of the Company (excluding the Company).

If the Share Consolidation takes effect, the number of the Company Shares held by the shareholders other than the Tender Offeror and Hitachi as of January 4, 2023, will be a fractional share less than one share.

2. Matters set forth in the items of Article 180, Paragraph 2 of the Companies Act

(1) Consolidation ratio

57,055,299 Company Shares shall be consolidated into one share.

(2) Effectuation date of the Share Consolidation (effectuation date)

January 4, 2023

(3) Total number of authorized shares on the effectuation date

28 shares

3. Matters related to adequacy of the provisions on the matters set forth in Article 180, Paragraph 2 of the Companies Act

The consolidation ratio under the Share Consolidation is such that 57,055,299 Company Shares shall be consolidated into one share. The Company determined that the consolidation ratio under the Share Consolidation is adequate for the following reasons: (i) the Share Consolidation is conducted to make the Tender Offeror and Hitachi the only shareholders of the Company (excluding the Company); (ii) the Tender Offer, which was implemented as part of the Transaction after going through the processes stated in “1. Reasons for implementing share consolidation” above, was completed; and (iii) the following matters.

- (1) When the Company has a parent company, etc., particulars given due consideration so as not to harm the interests of the Company’s shareholders (excluding the parent company, etc.)

The Share Consolidation, which is implemented as part of the Transaction, shall be implemented as the second-step procedure in the so-called two-step acquisition after the Tender Offer. The Tender Offer is not a so-called management buyout (MBO) or a tender offer by a controlling shareholder; however, a definitive agreement including the implementation of the Tender Offer and the Share Consolidation is planned to be executed between the candidate to be finally selected and Hitachi, being the Company’s controlling shareholder (parent company). Accordingly, in light of the possibility that Hitachi’s interests and the interests of the Company’s general shareholders would not necessarily be consistent, the Company took, before commencement of the Tender Offer, the measures set forth in “(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest” below in order to ensure the fairness of the Transaction, including the Tender Offer and the Share Consolidation, and to avoid conflicts of interest.

- (2) When fractional shares that are less than one share are expected to be processed, the particulars concerning the method of the treatment
 - (i) Distinction as to whether the treatment is planned pursuant to Article 235, Paragraph 1 of the Companies Act or Article 234, Paragraph 2 of the same act as applied *mutatis mutandis* pursuant to Article 235, Paragraph 2 of the same Act.

As stated in “1. Reasons for implementing share consolidation” above, the Share Consolidation is a procedure conducted to make the Tender Offeror and Hitachi the only shareholders of the Company, and the Company Shares owned by the Company’s shareholders other than the Tender Offeror and Hitachi are planned to be fractional shares of less than one share upon the Share Consolidation.

Regarding the method of the treatment of fractional shares of less than one share that are created as a result of the Share Consolidation, the Company shall sell the Company Shares in a number equivalent to the total number of those fractional shares (however, if the total number contains fractional shares of less than one share, such fractional shares will be rounded down pursuant to Article 235, Paragraph 1 of the Companies Act) (the “Fractional Equivalent Shares”), and the proceeds obtained by the sale shall be delivered to the shareholders holding fractional shares in proportion to the fractional shares they hold.

Because the Share Consolidation is implemented as part of the Transaction the purpose of which is making the Company a wholly owned subsidiary of the Tender Offeror, it will be consistent, as far as the purpose is concerned, that the Tender Offeror shall be the purchaser of the Fractional Equivalent Shares. Accordingly, pursuant to Article 234, Paragraph 2 of the Companies Act as applied *mutatis mutandis* pursuant to Article 235, Paragraph 2 of the same Act, the Company intends to sell to the Tender Offeror, the Fractional Equivalent Shares by obtaining the court’s permission.

If the required court’s permission is obtained as planned, the Company intends to set the sales price in this case at a price that will result in the delivery of money in an amount equivalent to the amount obtained by multiplying the number of the Company Shares owned by the shareholders by 2,181 yen, being the same price as the Tender Offer Price.

- (ii) Name of the person who is prospected to become the person to purchase the shares to be sold (“Prospective Purchaser”)

K.K. BCJ-52 (Tender Offeror)

- (iii) Method for the Prospective Purchaser to secure funds for payment of the sales price and the adequacy of the method

The Tender Offeror plans to procure funds to acquire the Fractional Equivalent Shares arising as a result of the Share Consolidation, by taking a loan from a financial institution; in this regard, the Company has confirmed the method for the Tender Offeror to secure funds by confirming the agreement regarding the loan from the financial institution. Further, according to the Tender Offeror, no event is expected to occur that will hinder the payment of the sales price of the Fractional Equivalent Shares.

Accordingly, the Company determined that the method to secure funds for the payment of the sales price of the Fractional Equivalent Shares by the Tender Offeror is adequate.

- (iv) Expected time of sale and expected time of distribution of the sales proceeds to the shareholders

After the effectuation of the Share Consolidation, pursuant to Article 234, Paragraph 2 of the Companies Act as applied *mutatis mutandis* pursuant to Article 235, Paragraph 2 of the same Act, the Company plans to file a petition for the court's permission for sale of the Fractional Equivalent Shares arising as a result of the Share Consolidation, with the target deadline set for late January 2023. Although the time when the permission can be obtained will vary depending on, among other factors, the circumstances of the court, the Company expects that it will obtain the court's permission with the target deadline set for the middle of February 2023, and sell the Company Shares to the Tender Offeror with the target deadline set for the end of March 2023; and that thereafter, it will deliver the sales proceeds of the Fractional Equivalent Shares to the shareholders with the target deadline set for late April 2023 after it prepares for the prompt and smooth delivery to the shareholders of the proceeds obtained by the sale.

As stated above, the Company determined that there is a prospect of implementation, at the respective point in time, of both of the sale of the Fractional Equivalent Shares arising as a result of the Share Consolidation, and the delivery to the shareholders of the proceeds obtained by the sale. This determination is based on the following factors: (i) the period of time required to file a petition for the court's permission, obtain the court's permission, and deliver the sales proceeds, respectively, as found in past cases of the other companies' share consolidation that were, as with the Share Consolidation, implemented as part of a transaction the purpose of which is making the target company a wholly owned subsidiary of the tender offeror in these cases, (ii) discussion with the Company's shareholder register administrator who will deliver the sales proceeds on behalf of the Company; and (iii) the status of preparation by the Tender Offeror of funds for payment of the sales price of the shares and the method to secure these funds.

- (3) Amount of money to be delivered to the shareholders by treating fractional shares and matters concerning reasonableness of the amount

As described in "(2) When fractional shares that are less than one share are expected to be processed, the particulars concerning the method of the processing" above, regarding the amount of money to be delivered to the shareholders by treating fractional shares arising as a result of the Share Consolidation, the Company intends to set it at a price that will result in the delivery of money in an amount equivalent to the amount obtained by multiplying the number of the Company Shares owned by the shareholders by 2,181 yen, being the same price as the Tender Offer Price.

With regard to the Tender Offer Price, taking into account that, among other matters, (a) the stock valuation BC Consortium provided was the highest amount compared with the stock valuations presented by each candidate that participated in the final bidding process, (b) in the valuation of the Company Shares as described in the stock valuation report of the Company Shares as of April 28, 2021 by BofA Securities, the Tender Offer Price exceeds the upper limit of the calculation obtained through market price analysis, comparable companies analysis, and comparable transactions analysis, and it also exceeds the median of the calculation range in the DCF Analysis, (c) the Tender Offer Price represents a premium of 74.48% over the closing price (1,250 yen) of the Company Share on Tokyo Stock Exchange as of October 25, 2019 when Hitachi's President Toshiaki Higashihara is reported to say that Hitachi is discussing capital relationships with four listed subsidiaries of Hitachi, which triggered fluctuations in the Company's stock price due to expectations, or a premium of 80.25% over the simple average closing price for the most recent one-month period (1,210 yen), or premium of 86.57% over the simple average closing price for the most recent three-month period (1,169 yen), or a premium of 85.93% over the simple average closing price for the most recent six-month period (1,173 yen), (d) the Tender Offer Price represents a premium of 15.76% over the closing price (1,884 yen) of the Company Share on Tokyo Stock Exchange as of April 27, 2021 which is the

business day before the announcement of the Tender Offer, or a premium of 16.32% over the simple average closing price for the most recent one-month period (1,875 yen), or premium of 21.23% over the simple average closing price for the most recent three-month period (1,799 yen), or a premium of 30.99% over the simple average closing price for the most recent six-month period (1,665 yen), (e) in the valuation of the Company Shares as described in the stock valuation report of the Company Shares as of September 26, 2022 by BofA Securities, the Tender Offer Price exceeds the upper limit of the calculation obtained through market price analysis, comparable companies analysis, and comparable transactions analysis, and it also exceeds the median of the calculation range in the DCF Analysis, (f) it also represents a premium of 0.37% to JPY 2,173, the final price of the shares in question on the Tokyo Stock Exchange Prime Market on June 22, 2022, the business day preceding the announcement of the commencement of the Tender Offer, 3.51% to JPY 2,107, the simple average of the final prices over the preceding month, 5.98% to JPY 2,058, the simple average of the final prices over the preceding 3 months, and 6.91% to JPY 2,040, the simple average of the final prices over the preceding 6 months, (g) measures to ensure the fairness of the conditions for the Transaction as described in “(4) Measures to ensure fairness of the Transaction and measures to avoid conflict of interest” below have fully been taken, and the report obtained from the Special Committee finds the appropriateness of the conditions for the Transaction (including the Tender Offer Price), the Company has determined that the Tender Offer provides the shareholders of the Company with an opportunity to sell the Company Shares at a price with a reasonable premium and under reasonable conditions.

In addition, the Company has confirmed that there was no material change to the conditions based on which the Tender Offer Price was calculated, after the Company decided to express its opinion in support of the Tender Offer and recommend that the Company’s shareholders tender their shares in the Tender Offer by the resolution of the Company’s board of directors dated September 26, 2022, by the time of the resolution of the Company’s board of directors on November 21, 2022, which decided to convene the Extraordinary Shareholders Meeting.

In light of the above, the Company has determined that the amount of money to be delivered to the shareholders by treating fractional shares arising as a result of the Share Consolidation is appropriate.

(4) Measures to ensure the fairness of the Transaction and measures to avoid conflicts of interest

While the Share Consolidation is implemented as the second-step procedure in the so-called two-step acquisition after the Tender Offer, as described in “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest” of “3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer” of the Press Release Expressing the Company’s Opinion, taking into account that a final agreement, including the implementation of the Tender Offer and the Share Consolidation, is planned to be executed between a candidate finally selected and Hitachi, as the controlling shareholder (parent company) of the Company, and in light of the possibility that the interests of Hitachi and those of the Company’s general shareholders are not necessarily the same, the Company implemented the following measures to ensure the fairness of the Transaction, including the Tender Offer and the Share Consolidation, and to avoid conflicts of interest during the period up to the commencement of the Tender Offer.

[1] Implementation of bidding procedure

As described in “[2] Purpose and Background of the Transaction, including the Tender Offer, and Management Policy Following the Tender Offer” of “(2) Grounds and reasons for the opinions concerning the Tender Offer” of “3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer” of the Press Release Expressing the Company’s Opinion, the Company implemented the Bidding Process, which targeted multiple candidates selected by the Company and Hitachi and which consisted of two stages, the initial bidding process and the final bidding process, starting from early November 2020, and received a final proposal from multiple candidates, including the BC Consortium, after granting opportunities for multiple candidates, including Bain Capital, to conduct due diligence from mid-December 2020 until mid-March 2021. Thereafter, BC Consortium, Hitachi, and the Company continued discussions and negotiations on a continuing basis, and given that the various conditions of the Transaction were the most favorable, such that the share valuation in the amended final proposal received from the BC Consortium in early April 2021 was the highest of all share valuation presented by the respective candidates participating in the final bidding process, the superiority of the proposal from the BC Consortium in terms of the burden of liability on the Company after the Transaction, and the financing conditions for the BC Consortium was more favorable compared with those of other candidates, there was no candidate presenting conditions more favorable to the Company’s shareholders than those presented by the BC Consortium.

[2] Establishment of a special committee independent of the Company and acquisition of opinions

Hitachi (the parent company of the Company) planned to execute a final agreement, including implementation of the Tender Offer with a candidate finally selected; thus, the Company established a special committee composed of 4 members—Mr. Makoto Uenoyama (outside director and independent officer of the Company), Mr. Koichi Fukuo (outside director and independent officer of the Company), Ms. Toshiko Oka (outside director and independent officer of the Company), and Mr. Eiji Masuda, an outside intellectual with extensive experience as a special committee member and an attorney in transactions similar to the Transaction—independent of the Tender Offeror, Hitachi, and the Company, on September 3, 2020, in advance of the start of the initial bidding process, in light of the possibility that the interests of Hitachi and those of general shareholders of the Company are not necessarily the same, and in order to consider and determine the appropriateness of the transaction conditions including appropriateness, non-appropriateness, and structure, as well as the fairness of procedures, including the offeror (partner) selection process, from the perspectives of eliminating the arbitrary nature of the Company's decision-making regarding the Transaction and the candidate selection process through the Bidding Process, and of improving corporate value and the interests of general shareholders. Furthermore, Mr. Eiji Masuda was elected as chair of the special committee by an internal vote thereof. Additionally, in light of concerns over conflicts of interest with a company at which Ms. Toshiko Oka concurrently serves as a director, from the perspective of avoiding suspicions of conflicts of interest and ensuring the fairness of the Transaction, she resigned as a special committee member voluntarily on March 26, 2021, prior to the commencement of substantial discussions by the special committee regarding candidates who responded to the secondary bidding. Remuneration for members of the special committee will be calculated by multiplying hourly rates by working hours for Mr. Eiji Masuda (the outside intellectual), and performance fees conditional upon the completion of the Transaction were not adopted. Furthermore, as Mr. Makoto Uenoyama, Mr. Koichi Fukuo, and Ms. Toshiko Oka are outside directors of the Company and their duties as committee members are considered to be included in the duties as outside directors of the Company, it was decided based on consideration at the compensation committee that remuneration in accordance with their duties as committee members would be paid in the form of fixed compensation, and performance fees conditional upon the completion of the Transaction were not adopted. Ms. Toshiko Oka has resigned her position as an outside director of the Company as of June 18, 2021.

On the premise of considering the content of the opinions the Company must express, the Company's board of directors has inquired of the special committee as to the following matters: (i) the rationality of the objectives of the Transaction (including whether the Transaction contributes to the improvement of the Company's corporate value), (ii) the fairness/appropriateness of the Transaction procedures (including the partner selection process), (iii) the fairness/appropriateness of the Transaction conditions, (iv) the appropriateness of the board of directors of the Company expressing an opinion in support of the Tender Offer and recommending that the Company's shareholders tender in the Tender Offer, and (v) whether the Company's decision regarding the Transaction would be disadvantageous to the Company's general shareholders in light of the above (the "Matters of Inquiry"), as well as granted the power to independently select advisors, etc., and the power to seek professional advice from the Company's advisors, etc., if the special committee determines that they are reliable, in light of their advanced expertise and independence. However, the special committee has not exercised the power to select advisors independently, as the Company's financial advisor and third-party valuation institution – BofA Securities – and legal advisor – Nishimura & Asahi – have no issues regarding independence or expertise. Furthermore, the Company's board of directors has also resolved to respect the content of the report from the special committee to the utmost in the course of making decisions concerning the Transaction. Additionally, with regard to the selection of special committee members, the Company has confirmed that attention is to be given to ensure a situation where the special committee may have a substantial impact on the candidate selection process and the process of negotiating the transaction conditions, in light of the specific circumstances of the Transaction.

Special committee meetings were held a total of 21 times from October 23, 2020, through April 28, 2021, over a total of 43 hours, discussing and considering the Matters of Inquiry. Furthermore, the special committee frequently submitted reports, shared information via email, and conducted deliberations and decision-making, etc., even between meetings.

Specifically, the special committee gathered and considered all of the various materials and other necessary information/materials submitted by the Tender Offeror and the Company, and held interviews, through meetings with BofA Securities as the Company's financial advisor, Nishimura & Asahi as the Company's legal advisor, and the Company's officers and employees, and also received explanations and

held question and answer sessions regarding an overview of the Tender Offeror selection process, selection methods, confirmation of the selection procedures, the process and background of the Transaction, including the Tender Offer, the details thereof, the significance and objectives thereof, the impact on the Company's corporate value, the relationships and the details of the current alliance between the Tender Offeror and Hitachi, the independence of each advisor, the rationality of the calculation method used for the Tender Offer Price, the appropriateness of the facts the analysis was premised on, the presence of unreasonable interference by interested parties, the appropriateness of the status(es) of the Tender Offerors, Hitachi and the Company, and the background and consideration process leading up to the respective decision-making by each of them, the appropriateness of disclosures, and other matters concerning the Transaction. Furthermore, the special committee received an explanation of the Company's business plan from the Company's officers and employees, and after a question and answer session, the committee confirmed the rationality of the business plan and received an explanation of the April 2021 Stock Valuation Report submitted to the Company by the Company's financial advisor – BofA Securities – and investigated the premises of the relevant price calculations through interviews, etc. Additionally, the special committee also received an explanation from the Company's legal advisor – Nishimura & Asahi – regarding the content of the legal advice obtained from the legal advisor by the Company on the Company's decision-making process relating to the Transaction, including the Tender Offer, decision-making methods, and other points to note in decision-making concerning the Transaction, including the Tender Offer. Furthermore, in the Bidding Process, the special committee was substantially involved in the candidate selection process and the process of negotiating the transaction conditions, by receiving reports from the Company in a timely manner concerning the content of price proposals when the Company received from various candidates including the Tender Offeror, by stating opinions concerning transaction terms, including the tender offer price, on important aspects of candidate selection, after deliberating and considering the opinion of the Company, which took into consideration advice from a financial perspective received by the Company from BofA Securities.

Through this process, based on the content of various explanations and question and answer sessions, and after cautious consideration of the Matters of Inquiry, the special committee submitted a report to the Company's board of directors, with its contents as summarized below, with the unanimous consent of all committee members, on April 28, 2021, on the precondition that all information disclosed or explained to the special committee was accurate and correct.

- (i) Rationality of the objective of the transaction (including contributions to corporate value improvements by the transaction)

Since the announcement of the medium-term management plan, the profitability has deteriorated due to factors such as the fact that demand in the automotive sector, factory automation, robotics and other industrial sectors, as well as in the electronics sector, has become more severe than anticipated at the time of the announcement. In addition, the business environment has changed significantly due to the recent outbreak of COVID-19. In particular, in the automotive sector, a decline in global automobile sales volume has led to a decline in demand for many key products, while in the aircraft sector, a decline in demand for aircraft-related materials has resulted from a decline in demand for aircraft. Although the Company stated that it would improve capital efficiency and concentrate resources on growth business in the medium-term management plan, it has not achieved results and its profitability has deteriorated due to a decrease in sales revenue.

Under these circumstances, based on the Company's understanding that it is important to implement a growth strategy without any restrictions by Hitachi's portfolio strategy, and to establish a strategy and significant reform from a longer-term perspective and with a sense of urgency, without regard to quarterly performance, the Company believes that by executing this transaction to make the Company a private company, and by undertaking business reforms under the new partners, without being restricted by the current capital structure, the Company can expedite its decision-making, obtain investment funds, introduce external knowledge, regain our competitiveness and profitability, and aim to enhance corporate value by achieving regrowth. The purpose of this is not for Hitachi, its management, or others to use their positions to benefit themselves or a third party at the expense of general shareholders. In addition, expediting our decision-making, obtaining funds for investment, and introducing external knowledge will lead to the sustainable development and improved profitability of the Company group. The transaction is therefore logical because it can improve the corporate value of the Company group.

In addition, the Tender Offerors think that the Company is a high-performance materials company

having a wide range of businesses, and in order to realize the Company's vision, they think that it will be important to secure world-class technological capabilities and profit levels in each business segment and aim for achieving the business growth once again. As specific growth strategies, the Tender Offerors will strongly support [1] continuous investment in basic technologies, [2] business expansion in growth markets, and [3] execution of structural reforms across the entire company. In addition, for improving the corporate value of the Company, the Tender Offerors envision three phases: (i) business concentration and selection and structural reforms, (ii) strengthening business capabilities in growth business areas including M&A and alliances, and (iii) developing new businesses. None of these growth strategies and business value enhancement measures are unreasonable to doubt their feasibility. They are rational because they will contribute to restoring the Company's competitiveness and profitability in terms of speeding up decision-making, obtaining investment funds in growth areas, and utilizing external knowledge and human resources. In addition, there are no unreasonable points in the management policy explained by the Tender Offerors.

It is also recognized that matters have been handled appropriately even where they could be disadvantageous through this transaction. For example, in association with the Transaction, the Company will be independent from the Hitachi Group, but the Company plans to conclude a rational migration service contract, commissioned research contracts, and licensing agreements to use the Hitachi brand with Hitachi, Ltd., and it is scheduled that business operation in a format as per the status before implementation of the transaction will be possible for a certain period through these contracts. Based on the execution of these contracts, the Company's competitiveness will not be lost. Even concerning the interest payment burden for loans, etc. for the Company being provided these funds related to this Transaction, it is also recognized as having been handled appropriately, i.e. there is no notable obstacle to repayment.

As per the above, it is considered that this transaction is able to increase our corporate value, and its purpose is rational.

- (ii) The fairness/validity of the procedures for the Transaction (including the partner selection process)

Various measures to ensure fairness have been taken for the Transaction, as follows:

Regarding the Transaction, (a) an independent special committee was established from the initial stage to formulate the transaction terms, etc., related to the Transaction prior to starting the first round bidding process, and it was granted the power to appoint and approve advisors, etc., and the power to substantially participate in the negotiation process regarding the transaction terms, etc., related to the Transaction. The Company's board of directors approved a resolution that the Company would make decisions related to the Transaction by fully respecting the details of the special committee's report to the utmost. As a practical matter, the special committee was allowed to be involved in the negotiation process, etc., for the transaction terms with Hitachi and the Tender Offerors by exercising its authority, and that there was no notable hindrance to the independence of the special committee members, the structure of its attributes/specialties, etc., the processes for establishing the special committee and selecting its members, the system of examination of advisors, etc., the system of information acquisition, the Company's internal examination system, and rewards, etc.; (b) the Company appointed Nishimura & Asahi as a legal advisor independent of the Company, Hitachi, and the Tender Offerors, and received various advice; (c) the Company asked BofA Securities, a financial advisor and a third-party valuation institution independent of the Company, Hitachi, and the Tender Offerors, to calculate the value of the Company Shares and conduct associated financial analysis, and obtained the April 2021 Stock Valuation Report as of April 28, 2021; (d) the Bidding Process was conducted by Hitachi and the Company and with the substantial involvement of the special committee, and appropriate consideration was given to the Bidding Process; (e) based on the special committee's opinion, the Company requested that Hitachi and the Tender Offeror set the Tender Offer Period at 30 business days and held discussions with them, but finally Hitachi and the Tender Offeror agreed on 20 business days for the Tender Offer Period, which is the shortest period provided by law. However, considering that it is anticipated that it will take a reasonable period of time from the announcement to the commencement of the Tender Offer, etc., even with a period of 20 business days, it can be said that appropriate opportunities for general shareholders to make decisions on whether to tender their shares in the Tender Offer have been ensured at some level, and that opportunities for persons who wish to propose a counter-purchase to make such counter-purchase,

etc., also have been ensured; (f) due consideration has been given to avoid pressuring general shareholders. Therefore, it is believed that the procedures for the Transaction are fair.

Although so-called “Majority of Minority” conditions were not set for the Transaction, bearing in mind the following, it cannot be said that not setting majority of the minority conditions has diminished the fairness of the Transaction procedures. (i) Hitachi (the parent company of the Company), holds 228,221,199 shares (ownership ratio: 53.38%), and if majority of the minority conditions are set, the lower limit of shares planned to be purchased in the Tender Offer will rise and successful completion of the Tender Offer will become uncertain, resulting in non-contribution to the interests of tendering general shareholders; and (ii) as described above, measures to ensure fairness have been taken; notably, after sincerely discussing and negotiating the transaction terms with Hitachi and the Tender Offerors, with the substantial involvement of the special committee, the BC Consortium – which offered the best conditions when comparing the share valuation presented by candidates who participated in the final bidding process – has been selected as the final purchasing candidate, and 2,181 yen has been agreed upon as the Tender Offer Price between the BC Consortium and Hitachi.

(iii) The fairness/validity of the transaction terms of the Transaction

- (a) For the discussion/negotiation process on the transaction terms, agreement was reached as a result of the Bidding Process implemented by the Company and Hitachi, and for the Bidding Process, the price was negotiated multiple times among the Company, Hitachi and the BC Consortium as per the Special Committee’s request. As a result, it is recognized that ensuring a situation where reasonable efforts are made so as to implement the Transaction under the most advantageous terms possible for general shareholders while improving corporate value, such as agreement has been made after achieving meaningful concessions from the BC Consortium.
- (b) According to the April 2021 Stock Valuation Report, per-share prices of the Company Share is from 1,665 to 1,884 yen based on the Market Price Analysis, from 714 to 1,491 yen based on the Comparable Companies Analysis, from 528 to 978 yen on the Comparable Transaction Analysis, and from 1,381 to 2,542 yen based on the DCF Analysis. The Tender Offer Price of 2,181 yen is higher than the upper range of Market Price Analysis, Comparable Companies Analysis, Comparable Transaction Analysis, and in the higher than the median for the range calculated using the DCF Analysis. Also, according to the Company’s explanation on the business plan details, and BofA Securities’ explanation and questions and answers regarding details of the April 2021 Stock Valuation Report, no notably irrational point is recognized regarding the assumptions made to establish the April 2021 Consolidated Financial Forecast, or the numerical data based on that, the method adopted by BofA Securities for calculating the value of the Company Shares, process, and the results of the stock value calculation.
- (c) The following premium has been added to the 2,181yen Tender Offer Price; (A) 15.76% of 1,884 yen as our closing price on the Tokyo Stock Exchange on April 27, 2021, which is the business day prior to the announcement of the Tender Offer (April 28, 2021), 16.32% of 1,875 yen that is the simple average of the closing stock price for the past one month, 21.23% of 1,799 yen that is the simple average of the closing stock price for the last three months, and 30.99% of 1,665 yen that is the simple average of the closing stock price for the last six months, (B) the following premium is added to the Tender Offer Price, 74.48% of 1,250 yen that is the closing price of our stock on the day when news that President Toshiaki Higashihara of Hitachi, Ltd. discussed capital-related issues with four listed subsidiaries was delivered on October 25, 2019 which caused the changes in our stock price related to the restructuring of the Hitachi Group, 80.25% of 1,210 yen that is the simple average of the closing stock price for the past one month, 86.57% of 1,169 yen that is the simple average of the closing stock price for the last three months, and 85.93% of 1,173 yen that is the simple average of the closing stock price for the last six months; until now, our stock price had been increasing significantly from EBITDA multiple trends of listed companies whose business details are similar to ours, and the Nikkei stock average caused by news reports that President Toshiaki Higashihara of Hitachi discussed capital-related issues with four listed subsidiaries. Thus, it cannot be said that the view that our stock price since the president’s statement was made has been

affected by expectations for restructuring of the Hitachi Group caused by the statement is irrational. (C) Our (a) premium standard for the stock market price based on the business day prior to the announcement day for the Tender Offer is not necessarily high compared to the premium standards for similar cases in the past, but (b) it can be evaluated that a reasonable and comparable premium has been added compared to the stock market price on the day that news that President Toshiaki Higashihara of Hitachi discussed capital-related issues with four listed subsidiaries was delivered on October 25, 2019. Thus, the Tender Offer Price is fair and valid.

Regarding other transaction terms and conditions, (a) the Share Consolidation is scheduled to be carried out after the Tender Offer, but the Share Consolidation is scheduled to be carried out by the share consolidation based on the Companies Act. No scheme has been adopted in which shareholders who oppose the Transaction cannot secure shareholders' appraisal rights or pricing claims, and considering the assumption of disclosure of the Share Consolidation, consideration has been given so that if the applicant does not apply for the Tender Offer, such applicant will not be treated unfavorably. Therefore, the terms and conditions of the Transaction can be said to be fair and reasonable. (b) The Share Repurchase is scheduled to be carried out after the Share Consolidation, and the Share Repurchase Price is 1,674 yen. The Tender Offer Price and the Share Repurchase Price are set so that the proceeds after tax to Hitachi will be approximately equal between the case where Hitachi sells through the Tender Offer and the case where it sells through the Share Repurchase. By adopting a scheme that combines the Tender Offer and the Share Repurchase, the Tender Offer Price of the Tender Offer offered by ordinary shareholders can be set higher than when Hitachi sells the Company Shares through the Tender Offer. Therefore, it will not be disadvantageous to ordinary shareholders, and including the scheme associated with the Share Repurchase as a part of the transaction terms of the Transaction cannot be deemed to lack fairness and validity. (c) Considering that the financing by the Tender Offerors does not have a significant adverse effect on the financial condition of the Company, it is considered that the other terms and conditions of the Transaction are fair and appropriate.

- (iv) Whether the Company's board of directors should express supportive opinions on the Tender Offer and should recommend that shareholders of the Company tender their shares in the Tender Offer

Based on (i) to (iii) above, the Transaction contributes to improvement of the Company's corporate value, the purpose of the Transaction is considered to be reasonable, the conditions of the Transaction are fair and appropriate, and the procedures related to the Transaction, including the process of selecting the partner, are considered to be fair and appropriate. Therefore, it is reasonable that at the time of the announcement of the Tender Offer, the Company's board of directors resolves to express its supportive opinion and to recommend that shareholders of the Company tender their shares in the Tender Offer.

- (v) Whether the Company's decision on the Transaction is disadvantageous for general shareholders of the Company in light of (i) to (iv) above

Based on (i) to (iv) above, it was concluded that it would be best to provide general shareholders of the Company with the opportunity to sell the Company Shares at an appropriate price through the Tender Offer, taking into consideration the interests of the shareholders at this time. Since the purpose of the Transaction is considered to be reasonable, the conditions of the Transaction are fair and appropriate, and the procedures related to the Transaction are considered to be fair and appropriate, the Company's decision on the Transaction is not considered to be disadvantageous to general shareholders of the Company.

While the specific investment ratio within the BC Consortium was not yet set as of the April 2021 Report by the Special Committee, the BC Consortium side had notified Hitachi and the Company at the time of submitting the final proposal that Bain Capital would contribute over two thirds of the funding. The Special Committee made the judgment that Bain Capital contributing at least the majority of the funding, with JIP and JIS contributing a minority stake of the funding, or, in other words, Bain Capital playing the leading role in the Consortium was the important fact, and that further details about the investment ratio would not sway the opinion of the Special Committee.

Thereafter, since the process of Obtaining Clearance for the necessary permits and authorizations based on competition laws and other regulatory laws of part of countries (i.e., Japan, Brazil, the EU, Serbia, South

Korea, Taiwan and Vietnam) has been completed once, the Company shared details on the status of the Company and the Tender Offerors with all members of the Special Committee at its 22nd meeting, held on November 24, 2021 and its 23rd meeting, held on June 6, 2022. With respect to receipt of the Tender Offeror's notification by the Minister of Finance and the competent minister for the business and the passing of the waiting period pursuant to the FEFTA of Japan, which is necessary for the Tender Offeror to acquire the Company Shares, a public notice was issued on November 19, 2021 stating that the waiting period was shortened, and from November 20, 2021, the Tender Offeror was able to acquire the Company Shares. However, as the notification enables only transactions and acts taking place within six months of the receipt of the notification, the Tender Offeror filed a notification with the Minister of Finance and the competent minister for the business. Subsequently, on September 20, 2022, the Company was informed by the Tender Offeror that it intends to commence the Tender Offer with a Tender Offer Commencement Date of September 27, 2022, as Obtaining Clearance for the necessary permits and authorizations based on competition laws in all countries (Japan, Brazil, China, the EU, Serbia, South Korea, Taiwan and Vietnam), domestic and international has been completed on September 7 (local times), 2022, and the notification to the Minister of Finance and the competent minister for the business pursuant to the FEFTA of Japan was received on September 20, 2022, the process of Obtaining Clearance (excluding the necessary permits and authorizations based on the FEFTA of Japan) was fully completed), and on the assumption that all other Conditions for Commencement of the Tender Offer have been fulfilled or the Tender Offeror waives all other Tender Offer Preconditions. Therefore, the Company shared the details of the status of the Company and the Tender Offerors with all members of the Special Committee at its 24th meeting held on September 26, 2022. The Special Committee carefully deliberated the Additional Matters of Inquiry, which are whether there were no changes to the opinion expressed in the April 2021 Report, taking into account the Company's business performance, including the effects of COVID-19, progress of yen depreciation, soaring raw material prices, and changes in the market environment since April 28, 2021, as well as the results of the stock value calculation in the September 2022 Stock Valuation Report. As a result, the Special Committee confirmed that the recent business environment surrounding the Company has not changed significantly from that at the time of submission of the April 2021 Report, although there have been some changes, such as an increase in profit due to the progress of yen depreciation, and on the other hand, the impact of production adjustments in the automobile industry and soaring raw material prices. And the Special Committee considered that as of September 26 2022, the Transaction would contribute to the Company's corporate value, and no circumstances could be found that would necessitate any change to the content of the April 2021 Report, even taking into account the circumstances from the period from April 28, 2021, to September 26, 2022. In addition, according to the September 2022 Stock Valuation Report, the per-share prices of the Company Shares are from 1,655 to 1,884 yen based on the Market Price Analysis, from 968 to 1,687 yen based on the Comparable Companies Analysis, from 552 to 1,150 yen based on the Comparable Transaction Analysis, and from 1,497 to 2,755 yen based on the DCF Analysis, and the Tender Offer Price of 2,181 yen is higher than the upper range of the Market Price Analysis, Comparable Companies Analysis, and Comparable Transaction Analysis and is higher than the median of the range calculated using the DCF Analysis. Thus, the Special Committee submitted a supplementary report to the Company's board of directors on September 26, 2022, to the effect that there were no changes to the opinion expressed in the April 2021 Report. The Special committee meetings were additionally held a total of 3 times from November 24, 2021, through September 26, 2022, for approximately a total of 5 hours, deliberating and considering the Additional Matters of Inquiry.

[3] Acquisition of advice from the Company's independent legal advisor

In order to ensure the fairness and validity of decision-making by the Company's board of directors and its caution concerning the transaction including the Tender Offer, as listed in "[2] Establishment of a special committee independent of the Company and acquisition of opinions" above, the Company has selected Nishimura & Asahi as a legal advisor independent of the Tender Offerors, Hitachi and the Company, and receives legal advice from the same concerning various procedures for the transaction including the Tender Offer, methods and processes for board of directors decision-making, and other points for consideration in decision-making concerning the transaction (preferably including but not limited to the scope conflicts of interest of the Company's board of directors, the establishment of the special committee and its timing, and the conduct of decision-making respecting the responses and filings of the special committee to the utmost).

Furthermore, Nishimura & Asahi is not the Company, Hitachi, and a related party of the Tender Offerors, and has no important conflict of interest relating to the transaction including the Tender Offer.

[4] Acquisition of the Stock Valuation Reports from the Company's independent financial advisor and third-party valuation institution

In order to obtain specialists' advice and assistance concerning the appraisal of corporate value and price negotiations, etc., as described in "[2] Establishment of a special committee independent of the Company and acquisition of opinions" above, BofA Securities has been selected as a financial advisor and a third-party valuation institution independent of the Tender Offerors, Hitachi, and the Company, and the Company received financial advice from BofA Securities and obtained the stock valuation report on April 28, 2021 (the "April 2021 Stock Valuation Report") under the conditions as described in (Note 1) in "(iii) of [1] Obtainment of a Stock Valuation Report of an Independent Financial Advisor and Third-Party Valuation Institution by the Company" of "(3) Matters Related to the Valuation" of "3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer" of the Press Release Expressing the Company's Opinion and other conditions.

In addition, in expressing its opinion to support the Tender Offer, the Company obtained the stock valuation report on September 26, 2022 (the "September 2022 Stock Valuation Report", together with the April 2021 Stock Valuation Report, collectively, the "Stock Valuation Reports") under the conditions as described in (Note 1) above and other conditions from BofA Securities, the financial advisor and third-party valuation institution independent of the Tender Offerors, Hitachi, and the Company, in order to consider whether there were any changes in the value of the Company Shares from April 28, 2021 to September 22, 2022, and the details thereof, and to ensure fairness in the decision-making process concerning the Tender Offer Price.

For an overview of the Stock Valuation Reports, please refer to "[1] Obtainment of a Stock Valuation Report of an Independent Financial Advisor and Third-Party Valuation Institution by the Company" of "(3) Matters Relate to the Valuation" of "3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer" of the Press Release Expressing the Company's Opinion.

Furthermore, BofA Securities is not a related party with regard to the Tender Offeror, Hitachi, or the Company, and has no material interest in the Transaction, including the Tender Offer.

[5] Approval of all of the Company's directors with no interest

As described in "[4] The process of decision-making for how the Company came to agree with the Tender Offer, and the grounds therefor" of "(2) Grounds and reasons for the opinions concerning the Tender Offer" of "3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer" of the Press Release Expressing the Company's Opinion, the Company's board of directors carefully deliberated on and considered whether the Transaction, including the Tender Offer, would contribute to improvement of the Company's corporate value and whether the transaction terms related to the Transaction, including the Tender Offer Price, were appropriate, taking into consideration legal advice received from Nishimura & Asahi, financial advice received from BofA Securities, and the content of the Valuation Report, and respecting the decision of the special committee to the utmost, as shown in the April 2021 Report.

As a result, as described in "[4] The process of decision-making for how the Company came to agree with the Tender Offer, and the grounds therefor" of "(2) Grounds and reasons for the opinions concerning the Tender Offer" of "3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer" of the Press Release Expressing the Company's Opinion, the Company determined that (i) the Transaction, including the Tender Offer, would contribute to improvement of the Company's corporate value, and that (ii) the transaction terms related to the Transaction, including the Tender Offer Price, were reasonable and ensured that general shareholders of the Company could enjoy the benefits thereof, and the Tender Offer would provide a reasonable opportunity for sale of the Company Shares at an appropriate premium to general shareholders of the Company, and it approved a resolution at the meeting of the Company's board of directors held on April 28, 2021, to express a positive opinion in support of the Tender Offer and to recommend that shareholders of the Company tender their shares in the Tender Offer via unanimous decision of all four directors of the Company participating in the deliberations and resolutions, excluding Mr. Mamoru Morita and Ms. Toshiko Oka (as explained below), of all six directors of the Company.

Furthermore, as described in "[4] The process of decision-making for how the Company came to agree with the Tender Offer, and the grounds therefor" of "(2) Grounds and reasons for the opinions concerning the Tender Offer" of "3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer" of the Press Release Expressing the Company's Opinion, it was planned that the Tender Offer would be

commenced promptly when the Conditions for Commencement of the Tender Offer were satisfied or waived by the Tender Offeror. According to the Tender Offeror, as of April 28, 2021, it aimed to commence the Tender Offer around late November 2021; however it was difficult to estimate the period required for procedures involving the domestic and international competition authorities accurately. Therefore, at the board of directors meeting mentioned above, the Company also adopted a resolution that when the Tender Offer was commenced, the board of directors would request that the special committee established by the Company consider whether there were any changes in its opinions as expressed to the Company's board of directors on April 28, 2021, and if there were no changes, to make a statement to that effect, or if there were changes, to state the changed opinions, and that based on such opinions, the Company would express its opinions on the Tender Offer again when the Tender Offer was commenced.

The Company has, as of September 20, 2022, been notified by the Tender Offeror that it intends to commence the Tender Offer with a Tender Offer Commencement Date of September 27, 2022, as it has obtained clearances for all necessary permits and authorizations based on competition laws and other regulatory laws domestically and internationally (Japan, Brazil, China, the EU, Serbia, South Korea, Taiwan and Vietnam, but excluding the necessary permits and authorizations based on the FEFTA of Japan), and on the assumption that all other Conditions for Commencement of the Tender Offer have been fulfilled or the Tender Offeror waives all other Tender Offer Preconditions. Thus, the Company once again carefully discussed and considered the conditions related to the Tender Offer, by fully respecting the content of the Supplementary Report from the Special Committee to the utmost. As a result, at the board of directors' meeting held on September 26, 2022, the Company once again adopted a resolution to express its opinion to support the Tender Offer and to recommend that its shareholders tender in the Tender Offer via unanimous decision of all directors with no interests.

Furthermore, among the Company's directors, Mr. Mamoru Morita concurrently serves as Senior Vice President and Executive Officer of Hitachi, and Ms. Toshiko Oka faced concerns over conflicts of interest due to her concurrent role as a director of another company, as described in "[2] Establishment of a special committee independent of the Company and acquisition of opinions" above; therefore, in order to avoid conflicts of interest and to ensure the fairness of the Transaction, they did not participate in the deliberations or resolutions at the board of directors' meeting held on April 28, 2021, while Mr. Mamoru Morita did not participate in the deliberations or resolutions at the board of directors meeting on September 26, 2022. Ms. Toshiko Oka resigned as a director of the Company on June 18, 2021. Among the Company's directors, Mr. Mitsuaki Nishiyama was in the position of Representative Executive Officer and Senior Vice President and Executive Officer of Hitachi until March 2020. However, only Mr. Mamoru Morita and Ms. Toshiko Oka are deemed to be directors having interests, as mentioned above, and are subject to the above-mentioned measures, because, among others, since Mr. Mitsuaki Nishiyama resigned from that position in that month, there have been no concurrent relationships with Hitachi or any of Hitachi's subsidiaries other than the Company's group companies; the Transaction is not of a type in which there is a conflict of interest problem due to the structure of the transaction, such as a so-called management buyout or acquisition of a subsidiary company by a controlling shareholder; in this Transaction, a special committee was established on September 3, 2020, before the commencement of the first round bidding process, and it has been functioning effectively; and Mr. Mitsuaki Nishiyama's knowledge about the Company's business gained through his position as a director of the Company is essential for purposes of examining the Transaction.

[6] Measures to ensure opportunities for purchase by other purchasers

While the Tender Offeror has set the Tender Offer Period at 20 business days, the period from when the Tender Offer was announced on April 28, 2021, to the commencement of the Tender Offer is long. Therefore, according to the Tender Offeror, it is believed that the opportunity for general shareholders of the Company to make decisions on whether to tender their shares in the Tender Offer, and the opportunity for parties other than the Tender Offeror to make purchases, etc., of Company Shares has been ensured.

Furthermore, as described in "[2] Purpose and Background of the Transaction, including the Tender Offer, and Management Policy Following the Tender Offer" of "(2) Grounds and reasons for the opinions concerning the Tender Offer" of "3. Details of, and Grounds and Reasons for, the Opinion on the Tender Offer" of the Press Release Expressing the Company's Opinion, the Company implemented a Bidding Process, and the BC Consortium was selected through comparison with multiple other candidates under certain competitive conditions. Accordingly, the Company believes that there were adequate opportunities for purchase, etc., of Company Shares by parties other than the Tender Offeror.

4. Disposal of important property, burden of major obligations, or any other event having a material impact on the status of Company property that occurs after the last day of the most recent business year of the Company

(1) The Tender Offer

As stated in “1. Reasons for implementing share consolidation” above, the Tender Offeror implemented the Tender Offer for the Company Shares from September 27, 2022 until October 25, 2022, and consequently, came to own 152,194,289 shares of the Company Shares (the voting right ownership ratio: 35.60%) as of November 1, 2022, the commencement date of the settlement.

(2) Cancellation of treasury shares

As announced in the press release “Announcement of Cancellation of Treasury Shares” dated November 21, 2022 and the press release “(Change) Announcement of Partial Changes to ‘Announcement of Cancellation of Treasury Shares’” dated November 30, 2022, the Company resolved at its board of directors meeting held on November 21, 2022 and November 30, 2022 to cancel its treasury shares on December 30, 2022. Such cancellation of treasury shares is on condition that the proposal for the Share Consolidation is approved in its original form at the Extraordinary Shareholders Meeting.

(3) Issuance of class shares to the Tender Offeror, partial amendment to the Articles of Incorporation, and reduction in the amount of stated capital, capital reserves and retained earning reserves

As announced in the press release “Announcement of Issuance of Class Shares through Third-Party Allotment, Partial Amendment to the Articles of Incorporation, and Reduction in the Amount of Stated Capital, Capital Reserves and Retained Earnings Reserves” dated November 21, 2022, the Company resolved at its board of directors meeting held on November 21, 2022 to (i) issue class shares through third-party allotment to the Tender Offeror (the “Capital Increase through Third-Party Allotment”), (ii) partly amend the Articles of Incorporation to establish provisions concerning the class shares, and (iii) reduce the amount of stated capital, and the amount of capital reserves and retained earning reserves after the Capital Increase through Third-Party Allotment.

Item 2: Partial Amendment to the Articles of Incorporation

1. Reasons for the amendment

- (1) If Proposal No. 1 “Share Consolidation” is approved in its original form and the Share Consolidation takes effect, the total number of authorized shares of the Company Shares will be reduced to 28 shares pursuant to Article 182, Paragraph 2 of the Companies Act. In order to clarify such point, the Company proposes to amend Article 6 (Total number of authorized shares) of the Articles of Incorporation subject to the effectuation of the Share Consolidation.
- (2) If Proposal No. 1 “Share Consolidation” is approved in its original form and the Share Consolidation takes effect, the total number of issued shares of the Company will be 7 shares, and it will not be necessary to provide for a share unit. Accordingly, subject to the effectuation of the Share Consolidation, in order to abolish the provision regarding a share unit of the Company Shares, the Company proposes to delete Article 7 (Share unit) and Article 8 (Rights in relation to shares less than one unit) and move up the Article numbers due to the deletion, and make other necessary amendments.

2. Details of amendments

These details of the amendments are as follows. These amendments to the Articles of Incorporation under this proposal will take effect on January 4, 2023 (the effective date of the Share Consolidation), on condition that Proposal No. 1 “Share Consolidation” is approved in its original form and the Share Consolidation takes effect.

(The underlined portions indicate amendments.)

Current Articles of Incorporation	Proposed amendments
<p>Article 6 (Total number of authorized shares) The total number of authorized shares of the Company shall be <u>500 million</u> shares.</p>	<p>Article 6 (Total number of authorized shares) The total number of authorized shares of the Company shall be <u>28</u> shares.</p>
<p><u>Article 7 (Share unit)</u> <u>A share unit of the Company shall be 100 shares.</u></p>	<p>(Deleted)</p>
<p><u>Article 8 (Rights in relation to shares less than one unit)</u> <u>Shareholders of the Company may not exercise rights, other than the following rights, with respect to the relevant shares less than one unit:</u> <u>1. The rights listed in each item of Article 189, Paragraph 2 of the Companies Act;</u> <u>2. The right to receive the allotment of shares and share options to be offered according to the number of shares held by shareholders; and</u> <u>3. The right to make a demand set forth in the next paragraph.</u> <u>Pursuant to the Share Handling Rules, the Company shareholders may demand that the Company sell the shares amounting to a share unit together with shares less than one unit held by it.</u></p>	<p>(Deleted)</p>
<p>Articles <u>9</u> to <u>34</u> (provisions omitted)</p>	<p>Articles <u>7</u> to <u>32</u> (remain unchanged)</p>
<p>Supplementary Provisions</p>	<p>Supplementary Provisions</p>
<p>Article 3 (Transitional measures regarding electronic provision measures) The deletion of Article 14 (Disclosure on the Internet and deemed provision of reference documents for shareholders meetings) of the Articles of Incorporation and the new establishment of Article <u>14</u> (Electronic provision measures, etc.) of the</p>	<p>Article 3 (Transitional measures regarding electronic provision measures) The deletion of Article 14 (<u>Article number at the time of amendment of the Articles of Incorporation dated June 21, 2022</u>) (Disclosure on the Internet and deemed provision of reference documents for shareholders meetings) of the Articles of Incorporation <u>before</u></p>

Articles of Incorporation shall take effect on September 1, 2022 (the “Date of Enforcement”), the day when amendments provided in the proviso of Article 1 of the Supplementary Provisions to the Act Partially Amending the Companies Act (Act No. 70 of 2019) are enforced.

Notwithstanding the preceding paragraph, regarding any shareholders meeting, the day of which comes within six months from the Date of Enforcement, Article 14 (Disclosure on the Internet and deemed provision of reference documents for shareholders meetings) of the Articles of Incorporation shall remain effective.

The provisions of this Article shall be deleted on the day when six months have passed from the Date of Enforcement or the day when three months have passed from the day of a shareholders meeting in the preceding paragraph, whichever comes later.

amendment and the new establishment of Article 14 (Electronic provision measures, etc.) of the Articles of Incorporation shall take effect on September 1, 2022 (the “Date of Enforcement”), the day when amendments provided in the proviso to Article 1 of the Supplementary Provisions to the Act Partially Amending the Companies Act (Act No. 70 of 2019) are enforced.

Notwithstanding the preceding paragraph, regarding any shareholders meeting, the day of which comes within six months from the Date of Enforcement, Article 14 (Article number at the time of amendment to the Articles of Incorporation dated June 21, 2022) (Disclosure on the Internet and deemed provision of reference documents for shareholders meetings) of the Articles of Incorporation before amendment shall remain effective.

The provisions of this Article shall be deleted on the day when six months have passed from the Date of Enforcement or the day when three months have passed from the day of the shareholders meeting in the preceding paragraph, whichever comes later.

End