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(Securities Code: 6704)

Date of sending by postal mail: June 12, 2024

Start date of measures for electronic provision: June 6, 2024

To our shareholders:

Shogo Kimura, President

**IWATSU ELECTRIC CO., LTD.**

7-41, Kugayama 1-Chome, Suginami-ku, Tokyo

## **Notice of the 115th Annual General Meeting of Shareholders**

You are cordially notified of the 115th Annual General Meeting of Shareholders of IWATSU ELECTRIC CO., LTD. (the “Company”). The meeting will be held as described below.

When convening this general meeting of shareholders, the Company takes measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. (items subject to measures for electronic provision) in electronic format, and posts this information on the Company’s website. Please access the website by using the internet address shown below to review the information.

### **[The Company’s website]**

**<https://www.iwatsu.co.jp/>**

Please access the Company’s website above and check “IR News” (in Japanese) from the top page.

In addition to the website above, this information is also posted on the website of the Tokyo Stock Exchange (TSE).

### **[TSE website (Listed Company Search)]**

**<https://www.jpx.co.jp/english/listing/co-search/index.html>**

Please access the TSE website above, enter and search for the company name (IWATSU ELECTRIC) or securities code (6704), select “Basic information” then “Documents for public inspection/PR information,” and review the information.

**If you will not be attending the meeting in person, you may exercise your voting rights in writing or via the Internet, etc. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights according to the Instructions for Exercising Your Voting Rights (available only in Japanese) by 5:30 p.m. on Wednesday, June 26, 2024 (JST).**

- 1. Date and Time:** Thursday, June 27, 2024, at 10:00 a.m. (JST)  
**2. Venue:** Conference Room of the Headquarters of the Company  
7-41, Kugayama 1-Chome, Suginami-ku, Tokyo

**3. Meeting Agenda:**

**Matters to be reported:**

1. The Business Report and Consolidated Financial Statements for the 115th Fiscal Year (from April 1, 2023 to March 31, 2024) and results of audits of the Consolidated Financial Statements by the Financial Auditor and the Audit & Supervisory Committee
2. Non-consolidated Financial Statements for the 115th Fiscal Year (from April 1, 2023 to March 31, 2024)

**Matters to be resolved:**

- Proposal No. 1** Appropriation of Surplus  
**Proposal No. 2** Approval of Share Exchange Agreement  
**Proposal No. 3** Election of Seven Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)  
**Proposal No. 4** Election of One Director Who Is an Audit & Supervisory Committee Member

**4. Matters Determined in Relation to the Convocation:**

- (1) When voting rights have been exercised in writing, if there is no indication of approval or disapproval of a proposal on a Voting Rights Exercise Form, it shall be treated as a vote of approval.
- (2) If voting rights have been exercised both in writing and via the Internet, etc. multiple times, regardless of the date and time of arrival, the exercise of voting rights via the Internet, etc., shall be treated as valid. If voting rights have been exercised multiple times via the Internet, etc., the final votes submitted shall be treated as valid.

© When attending the meeting in person, please submit the Voting Rights Exercise Form at the venue reception.

© In accordance with the provisions of laws and regulations and Article 16 of the Articles of Incorporation of the Company, the following items subject to measures for electronic provision are not provided in the paper-based documents delivered to shareholders who have made a request for delivery of such documents. The documents listed in (i) and (ii) below are part of the documents included in the scope of audits by the Audit & Supervisory Committee and the Financial Auditor when they create their respective audit reports.

(i) “Notes to Consolidated Financial Statements”

(ii) “Notes to Non-consolidated Financial Statements”

(iii) Articles of Incorporation of Ai Holdings Corporation and the contents of the Non-consolidated Financial Statements, etc. related to the final fiscal year of the said company, which are included in “Proposal No. 2 Approval of Share Exchange Agreement” in the Reference Documents for the General Meeting of Shareholders

© If any revisions are made to the items subject to measures for electronic provision, a notice of the revisions and the details of the matters before and after the revisions will be posted on the Company’s website and the TSE website.

## Reference Documents for the General Meeting of Shareholders

### Proposals and Reference Information

#### Proposal No. 1 Appropriation of Surplus

The Company recognizes that returning profits to our shareholders is one of our important management issues. The basic concept of the dividend policy is to implement the payment of stable dividends that correspond to business performance, and the medium-term management plan “REBORN” aims for a dividend payout ratio of more than 50%.

The Company has given comprehensive consideration to matters including the business performance of the fiscal year under review, and future business development, and it proposes to pay year-end dividends for the fiscal year under review as follows:

- (1) Type of dividend  
Cash
- (2) Allotment of dividend property to shareholders and their aggregate amount  
¥25 per common share of the Company  
Total payment: ¥373,524,350
- (3) Date of distribution of dividends  
June 28, 2024

## Proposal No. 2 Approval of Share Exchange Agreement

The Company and Ai Holdings Corporation (hereinafter referred to as “Ai HD”) resolved at the Board of Directors meetings of both companies held on May 31, 2024 to integrate their businesses (hereinafter referred to as the “Business Integration”) based on the spirit of equality and to conduct a share exchange (hereinafter referred to as the “Share Exchange”), with Ai HD as a wholly owning parent company and IWATSU ELECTRIC as a wholly owned subsidiary, and entered into a share exchange agreement (hereinafter referred to as the “Share Exchange Agreement”) as described below in “2. Contents of the Share Exchange Agreement” on the same day. Therefore, the Company hereby requests our shareholders to approve the Share Exchange Agreement. Ai HD shall conduct the Share Exchange without obtaining the approval of the Share Exchange Agreement by a resolution of the general meeting of shareholders in accordance with the procedure for a simplified share exchange pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act (Act No. 86 of 2005, including subsequent amendments; the same applies hereinafter).

In addition, prior to the effective date of the Share Exchange (scheduled for October 1, 2024), common shares of the Company (hereinafter referred to as the “Company’s shares”) shall be delisted from the Standard Market of the Tokyo Stock Exchange, Inc. (hereinafter referred to as “TSE”) as of September 27, 2024 (the last trading day will be September 26, 2024). The reasons for the Share Exchange, the contents of the Share Exchange Agreement, and other relevant matters are as follows:

### 1. Reasons for implementing the Share Exchange

Based on the corporate philosophy, “Trust is the beginning of everything. Creation of value acknowledged by the Society,” Ai HD has focused on two major businesses; the Security Equipment Business which involves surveillance camera systems and the Peripheral Computer Equipment Business which mainly involves cutting plotters for commercial and personal use, together with the Card Equipment and Other Office Equipment Business, Measuring Devices Business, and Design Business. Furthermore, Ai HD has launched the Decarbonization System Business to be its third core business. In addition to the growth and development of these businesses, Ai HD has been aggressively promoting business operations, including business alliances and M&As, not only in Japan but overseas as well.

On the other hand, the Company has provided unique and high-quality products and services in response to diverse needs of customers in the respective business fields of business communication systems, printing systems, and test and measurement equipment under its management policy, “A bright and vibrant company with an adventurous spirit, valuing speed, creativity and most of all, communication.” Moreover, the Company has been currently promoting radical management reforms to achieve thorough reduction of fixed costs and progress in growth strategies in accordance with the basic policy of the medium-term management plan, “REBORN.” With these efforts, the Company aims to further expand and grow the IWATSU Group through more efficient and strengthened businesses in the respective business fields, as well as advanced ESG management, in the future.

In addition to the fact that both companies are engaged in the measuring devices business, it is expected that the contract manufacturing business, considered as one of our growth areas, will expand as a result of receiving more outsource orders from Ai HD Group, and thus our businesses are highly compatible and may complement each other in the sales, development, and manufacturing processes. To this end, we believe that complementing each other’s business operations will contribute to stable business operations and increased corporate value of both companies. Accordingly, Ai HD and the Company concluded a capital and business alliance agreement on November 30, 2023 and implemented a third-party allocation as part of the capital alliance (hereinafter referred to as the “Capital and Business Alliance”).

Since the commencement of the Capital and Business Alliance, Ai HD and the Company have established several subcommittees consisting of practitioners from both companies, and spent a lot of time discussing specific details of the collaboration measures of the two companies (referred to as the “Collaboration Measures,” collectively the collaboration measures under consideration between the two companies) and the conditions for such measures, including contract manufacturing of the products of Ai HD Group companies by the Company and joint research and development for this purpose, acquisition of the measuring devices business of Graphtec Corporation (hereinafter referred to as “Graphtec”), a wholly owned subsidiary of Ai HD, and mutual sharing of resources and expertise in the test and measurement equipment business and contract manufacturing business. As a result, Ai HD and the Company have come to realize that it is also possible to implement measures to create further synergies across multiple fields, exceeding the areas assumed at the commencement of the Capital and

Business Alliance, through the collaborations among Ai HD, its Group companies, and the Company. However, Ai HD and the Company are both listed companies, and therefore have duties to pursue the proper interests of their respective shareholders, such as (i) necessity of price negotiations based on the profit level of each company in negotiating terms and conditions of the contract manufacturing and (ii) necessity to verify the business plan, including the stand-alone cost of the business to be acquired, and to determine the acquisition price based on a business value calculation by external experts, in order to secure the fairness of the business acquisition considerations, while the method of separating back-office divisions becomes a major point of contention in the discussions concerning the acquisition of Graphtec's measuring devices business. Therefore, the two companies need to spend cost and time to earnestly negotiate on individual terms and conditions whenever considering the implementation of the Collaboration Measures, leading to a difficult situation to timely implement the Collaboration Measures.

Although Ai HD initially had a policy to implement the Collaboration Measures under the capital relationship after making the Company an equity method affiliate, through the discussions with the Company in the subcommittees, Ai HD has come to the conclusion that it would be best to make the Company a wholly owned subsidiary through the Share Exchange rather than the current equity method affiliate structure, in order to fully realize the synergies of the Capital and Business Alliance and to promote various Collaboration Measures more flexibly. To this end, Ai HD proposed to the Company in March 2024, its intention to make the Company its wholly owned subsidiary.

On the other hand, the Company's business telephones field, which is its primary product in its mainstay business communication systems, has reached a mature stage, and it is difficult to independently plan for its sustainable growth in the future. As announced in the "Notice Regarding the Implementation of Structural Reforms" on May 15, 2024, the Company was forced to thoroughly reduce the fixed costs through optimization of the Group personnel. Under these circumstances, the Company has recognized the need to quickly advance growth strategies by thoroughly deepening collaborations with Ai HD, including early and ensured implementation of the Collaboration Measures.

In addition, the Company has been proactively working to increase its corporate value, including early implementation of some of the Collaboration Measures with Ai HD after the Capital and Business Alliance, but the management environment surrounding the Company remains extremely harsh since the Capital and Business Alliance, as evidenced by the following factors: i) The share price of the Company remains stagnant after the Capital and Business Alliance and sufficient evaluation is not obtained in the stock market; ii) the Company revised its earnings forecasts downward twice during the fiscal year ended March 31, 2024, including the one announced in February 2024, after the Capital and Business Alliance; and iii) the Company has announced personnel optimization, including the reduction of 200 employees, equivalent to approximately 20% of the Group's workforce, in addition to a series of measures to reduce fixed costs implemented by the Company in the past.

In such circumstances, the Company accepted the offer from Ai HD and, as stated in "3. (4) Matters considered for avoidance of harm to interest of the Company's shareholders" below, studied the specific details of the independent review system required for considering the Share Exchange, in order to ensure the fairness of the Share Exchange. After establishing the review system appropriately, the Company has determined to commence specific reviews of the Share Exchange. In the commencement of the specific reviews, the Company has established a special committee consisting of independent committee members who do not have interest relationships with Ai HD (hereinafter referred to as the "Special Committee;" and refer to "3. (4) i) Measures to ensure fairness" below for details) on March 29, 2024, as well as developed a system for specific reviews, including the appointment of external experts. These are for the purpose of being cautious about the decision-making by the Board of Directors of the Company with respect to the proposal from Ai HD, eliminating the possibility of arbitrariness and conflict of interest in the decision-making process of the Board of Directors of the Company, ensuring fairness, and confirming that it is not detrimental to the Company's minority shareholders to resolve the Share Change at the Board of Directors meeting of the Company.

Under the above-mentioned system, the Company has carefully considered the proposal from Ai HD and has come to the conclusion that the Share Exchange will contribute to increasing its corporate value due to the fact that, by becoming a wholly owned subsidiary of Ai HD, the Company will be able to flexibly achieve the management strategies from a medium- to long-term perspective of both Groups through the close collaboration to implement the Collaboration Measures more quickly than ever before without spending time and cost to ensure fairness of terms and conditions of the transactions between the two companies, as well as that the Company

may reduce maintenance expenses of the administration divisions and other listing retention costs required as a listed company (including expenses required for ongoing disclosure of information such as annual securities reports, and expenses required for the operation of general meetings of shareholders and outsourcing of administrative affairs to the administrator of the shareholder register). For specific measures that can be considered after the Share Exchange and synergies through the measures, the following is assumed.

(1) Acquisition of Graphtec's measuring devices business

The Company has been discussing in the subcommittees the acquisition of Graphtec's measuring devices business, which is expected to be synergistic with the Company's test and measurement equipment business. However, early implementation has become difficult due to the fact that it is necessary to maintain the fairness of terms and conditions of transactions and ensure the interests of both companies properly in the matters, such as the emerging separation method of the back-office divisions, calculation of the stand-alone cost for transition services after the business acquisition, and determination of the proper acquisition cost, since the both companies are independent parties and have their shareholders. For these matters, the Company believes that becoming a wholly owned subsidiary of Ai HD through the Share Exchange enables the Company to flexibly make decisions, regardless of minority shareholders' interests, mostly from the perspective of the greater efficiency of Graphtec's measuring devices business and maximization of business value, to implement prompt business acquisition, and to achieve synergies with the Company's business through the reorganization.

(2) Further contract manufacturing from Ai HD and deepening joint research and development with Ai HD

As for the contract manufacturing by the Company and the joint research and development of the products associated with the contract manufacturing, issues are emerging in the subcommittees, such as need for negotiations of terms and conditions including prices in pursuit of parties' respective interests and restrictions on timely collaborations and deepening the collaborations due to such negotiations of terms and conditions. By resolving these issues through the Share Exchange, the Company believes that maximizing the volume of the contract manufacturing from Ai HD and deepening the joint research and development are expected.

(3) Optimizing the Company's human resources through personnel exchanges by temporary transfer and deepening synergies

The Company believes that further deepening of synergies is expected by integrating its expertise in technology, sales, and management with those of Ai HD. Specifically, through personnel exchanges where the Company's personnel are seconded to Ai HD, the Company strives to optimize human resources throughout the Group, as well as expects to contribute widely to Ai HD Groupe in various fields including nationwide sales stores, customer networks, expertise in conducting planning through development, manufacturing, and sales, and other product management, quality assurance, ESG management, which the Company has developed over time.

As a result of the comprehensive reviews based on these factors, Ai HD and the Company agreed that Ai HD becoming a wholly owning parent company of the Company through the Share Exchange contributes to strengthening stable competitiveness, expanding businesses, and increasing corporate value of Ai HD and the Company, and it is also beneficial to their shareholders. Through the reviews and discussions, the two companies finally agreed on terms and conditions including the allotment ratio in the Share Exchange, resolved to implement the Share Exchange at the Board of Directors meetings of both companies held on May 31, 2024, and entered into the Share Exchange Agreement between the two companies.

2. Contents of the Share Exchange Agreement

The contents of the Share Exchange Agreement are as described in the "Share Exchange Agreement (Copy)" below.

## Share Exchange Agreement (Copy)

Ai Holding Corporation (hereinafter referred to as “Ai HD”) and IWATSU ELECTRIC CO., LTD. (hereinafter referred to as “IWATSU ELECTRIC”) entered into a share exchange agreement (hereinafter referred to as the “Agreement”) on May 31, 2024 (hereinafter referred to as the “Execution Date”) as follows:

### Article 1 (Share Exchange)

In accordance with the provisions of this Agreement, Ai HD and IWATSU ELECTRIC shall execute a share exchange (hereinafter referred to as the “Share Exchange”) with Ai HD as a wholly owning parent company and IWATSU ELECTRIC as a wholly owned subsidiary, and Ai HD shall acquire all of the issued shares of IWATSU ELECTRIC (excluding shares of IWATSU ELECTRIC held by Ai HD; hereinafter referred to as the “Shares”).

### Article 2 (Trade Names and Addresses)

The trade names and addresses of Ai HD and IWATSU ELECTRIC are listed in the following items.

- (1) Ai HD (wholly owning parent company)  
Trade name: Ai Holdings Corporation  
Address: 12-8 Nihonbashi Hisamatsucho, Chuo-ku, Tokyo
- (2) IWATSU ELECTRIC (wholly owned subsidiary)  
Trade name: IWATSU ELECTRIC CO., LTD.  
Address: 7-41, Kugayama 1-Chome, Suginami-ku, Tokyo

### Article 3 (Shares Delivered in the Share Exchange and Allotment Thereof)

1. In the Share Exchange, Ai HD shall deliver to the shareholders of IWATSU ELECTRIC entered or recorded in the shareholder register (but only the shareholders after cancelling treasury shares of IWATSU ELECTRIC in accordance with Article 8; excluding Ai HD; hereinafter referred to as “Shareholders to Be Allotted Shares”), at the time immediately before Ai HD acquires the Shares through the Share Exchange (hereinafter referred to as the “Reference Date”), the number of common shares of Ai HD equal to the product of the total number of common shares of IWATSU ELECTRIC held by those shareholders multiplied by 0.6, in exchange for the common shares of IWATSU ELECTRIC held by those shareholders.
2. In the Share Exchange, Ai HD shall allot common shares of Ai HD to Shareholders to Be Allotted Shares as of the Reference Date at the ratio of 0.6 common shares of Ai HD per common share of IWATSU ELECTRIC held by the Shareholders to Be Allotted Shares.
3. If the number of common shares of Ai HD to be otherwise allotted to Shareholders to Be Allotted Shares pursuant to the provisions of the preceding two items includes shares less than one share, Ai HD shall handle such shares pursuant to the provisions of Article 234 of the Companies Act and other applicable laws and regulations.

### Article 4 (Matters Related to Stated Capital and Reserves)

The increase in the stated capital and reserves of Ai HD in the Share Exchange shall be as follows:

- (1) Amount of stated capital  
Zero (0) yen
- (2) Amount of capital reserve  
This amount shall be separately determined by Ai HD in accordance with the provisions of Article 39 of the Regulation on Corporate Accounting.
- (3) Amount of legal reserve of retained earnings  
Zero (0) yen

### Article 5 (Effective Date)

The date the Share Exchange becomes effective (hereinafter referred to as the “Effective Date”) shall be October 1, 2024. However, Ai HD and IWATSU ELECTRIC may change such date through mutual consultation and agreement if necessary due to reasons including procedural requirements of the Share Exchange.

### Article 6 (Approval of the Agreement)

1. Ai HD shall conduct the Share Exchange without obtaining the approval of the Agreement at the general meeting of shareholders pursuant to the provisions of Article 796, Paragraph 2 of the Companies Act. However, if the

approval at the general meeting of shareholders is required for the Agreement pursuant to the provisions of Article 796, Paragraph 3 of the Companies Act, Ai HD shall request the approval at the general meeting of shareholders for the Agreement no later than the date immediately preceding the Effective Date. Moreover, if necessary due to reasons including procedural requirements of the Share Exchange or for other reasons, Ai HD and IWATSU ELECTRIC may change such date through mutual consultation and agreement.

2. IWATSU ELECTRIC shall implement procedures for the approval of the Agreement and matters required for the Share Exchange at the general meeting of shareholders pursuant to the provisions of Article 783, Paragraph 1 of the Companies Act no later than the date immediately preceding the Effective Date.
3. Ai HD and IWATSU ELECTRIC may change the dates set forth in the preceding paragraphs through mutual consultation and agreement if necessary due to reasons including procedural requirements of the Share Exchange.

#### Article 7 (Management of Company Assets, Etc.)

1. During the period between the Execution Date and the Effective Date, Ai HD and IWATSU ELECTRIC shall execute their operations and manage and operate their assets by exercising its due care, as well as make their respective subsidiaries execute their operations and manage and operate their assets by exercising their due care, and shall consult and agree with each other before engaging in any act that may have a material impact on the Share Exchange.
2. On or after the Execution Date, Ai HD and IWATSU ELECTRIC, except for the provisions prescribed in the following items, shall not make any resolution to distribute dividends of surplus with a date prior to the Effective Date as a record date, as well as to acquire treasury shares (excluding the acquisition of treasury shares in cases where the acquisition of treasury shares is required in response to the exercise of shareholder rights in accordance with applicable laws and regulations) on an acquisition date prior to the Effective Date.
  - (1) Ai HD may distribute dividends of surplus to the shareholders or registered pledgees of shares entered or recorded in the final shareholder register of June 30, 2024, limited to an amount of 45 yen per share or an amount not exceeding 50% of the dividend payout ratio, whichever is higher.
  - (2) IWATSU ELECTRIC may distribute dividends of surplus to the shareholders or registered pledgees of shares entered or recorded in the final shareholder register of March 31, 2024, limited to an amount of 25 yen per share.

#### Article 8 (Cancellation of Treasury Shares)

IWATSU ELECTRIC shall cancel, as of the Reference Date, all of the treasury shares held by IWATSU ELECTRIC at the Reference Date (including treasury shares to be acquired in response to the dissenting shareholders' purchase demands as provided for in Article 785, Paragraph 1 of the Companies Act to be exercised in the Share Exchange) by a resolution at the Board of Directors meeting of IWATSU ELECTRIC to be held no later than the date immediately preceding the Effective Date.

#### Article 9 (Change in Circumstances and Cancellation)

During the period between the Execution Date and the Effective Date, Ai HD and IWATSU ELECTRIC may modify the conditions of the Share Exchange or cancel the Share Exchange through mutual consultation and agreement in the event of any material change in the status of assets or management of Ai HD or IWATSU ELECTRIC due to natural disasters or other events, the occurrence of material events that hinder the execution of the Share Exchange, or some other reasons that make it difficult to achieve the purpose of the Agreement.

#### Article 10 (Effect of Agreement)

The Agreement shall lose its validity if (i) the Agreement is not approved at the general meeting of shareholders of IWATSU ELECTRIC no later than the date immediately preceding the Effective Date; (ii) notwithstanding the fact that Ai HD is required to obtain the approval at the general meeting of shareholders on the Agreement pursuant to the provisions of Article 796, Paragraph 3 of the Companies Act, the Agreement is not approved at the general meeting of shareholders of Ai HD no later than the date immediately preceding the Effective Date; (iii) permissions, etc. are not obtained from the relevant authorities, etc. required prior to the Effective Date to conduct the Share Exchange in accordance with laws and regulations in Japan and any foreign countries; and (iv) the Agreement is terminated in accordance with the preceding Articles.



Article 11 (Non-specified Matters)

Other than as set forth in the Agreement, Ai HD and IWATSU ELECTRIC shall determine any matters not provided for in the Share Exchange and other matters necessary for the Share Exchange through sincere consultation in accordance with the intent of the Share Exchange.

IN WITNESS WHEREOF, this Agreement has been executed in duplicate and the parties hereto shall each retain one original after affixing their respective signatures or names and seal impressions hereto.

May 31, 2024

Ai HD:  
Hideyoshi Sasaki  
Representative Director and Chairman  
Ai Holdings Corporation  
12-8 Nihonbashi Hisamatsucho, Chuo-ku, Tokyo

IN WITNESS WHEREOF, this Agreement has been executed in duplicate and the parties hereto shall each retain one original after affixing their respective signatures or names and seal impressions hereto.

May 31, 2024

IWATSU ELECTRIC:  
Shogo Kimura  
President & Chief Executive Officer  
IWATSU ELECTRIC CO., LTD.  
7-41, Kugayama 1-Chome, Suginami-ku, Tokyo

3. Matters concerning appropriateness of exchange considerations

(1) Matters concerning appropriateness of total number and allotment of exchange considerations

i) Allotment of shares in the Share Exchange

	Ai HD (wholly owning parent company)	The Company (wholly owned subsidiary)
Allotment ratio in the Share Exchange	1	0.6
The number of shares to be delivered through the Share Exchange	Common shares of Ai HD: 6,024,584 shares (plan)	

Note 1: Allotment ratio of shares

0.6 shares of the common shares of Ai HD (hereinafter referred to as “Ai HD shares”) shall be allotted and delivered per share of the Company. However, 4,900,000 shares of the Company (as of May 31, 2024) held by Ai HD shall not be subject to the allotment through the Share Exchange.

The aforementioned allotment ratio in the Share Exchange (hereinafter referred to as the “Share Exchange Ratio”) may be modified in the event of a material change in the terms and conditions on which the calculation is based through mutual consultation and agreement.

Note 2: The number of Ai HD shares to be delivered through the Share Exchange

In the Share Exchange, Ai HD shall allot and deliver to the shareholders of IWATSU ELECTRIC (but only the shareholders after cancelling the following treasury shares; excluding Ai HD) at the time immediately before Ai HD acquires all of the issued shares of the Company through the Share Exchange (hereinafter referred to as the “Reference Date”) the number of Ai HD shares obtained by multiplying the total number of shares of the Company held by those shareholders by the Share Exchange Ratio. Ai HD shall apply its holding treasury shares for the delivery and shall not issue new shares for the allotment in the Share Exchange.

The Company shall cancel, until the Reference Date, all of the treasury shares held by the Company at the Reference Date (including treasury shares to be acquired in response to the dissenting shareholders’ purchase demands in accordance with Article 785, Paragraph 1 of the Companies Act concerning the Share Exchange) by a resolution at the Board of Directors meeting no later than the date immediately preceding the Effective Date of the Share Exchange. The number of shares to be delivered through the Share Exchange may be subject to change in the future due to reasons, such as acquisition and cancellation of treasury shares of the Company.

Note 3: Treatment of shares less than one unit

Shareholders of the Company who will hold less than one unit of Ai HD shares (less than 100 shares) subsequent to the Share Exchange may use the following systems concerning Ai HD shares on and after the Effective Date of the Share Exchange. The shareholders, however, may not sell such shares less than one unit in financial instruments exchange markets.

i) System of request for purchase of shares less than one unit (sale of shares less than 100 shares)

This is a system whereby shareholders of Ai HD shares may request Ai HD to purchase the shares less than one unit held by such shareholders in accordance with the provisions of Article 192, Paragraph 1 of the Companies Act.

ii) System of request for additional purchase for shares less than one unit (additional purchase to reach 100 shares)

This is a system whereby shareholders holding less than one unit of Ai HD shares may request Ai HD to sell the number of shares that would, together with the number of shares less than one unit held by such shareholders, constitute one unit (100) shares and to purchase such shares from Ai HD in accordance with the provisions of Article 194, Paragraph 1 of the Companies Act.

Note 4: Treatment of shares less than one share

For the Company’s shareholders who shall be allotted of shares less than one Ai HD share in the Share Exchange, Ai HD shall sell Ai HD shares equivalent to the total number of such shares (shares less than one share included in the total number shall be rounded down) and pay the proceeds of such sale to the aforementioned shareholders in proportion to the shares less than one share pursuant to the provisions of Article 234 of the Companies Act and other applicable laws and regulations.

ii) Rationale, etc. for allotment in the Share Exchange

A. Rationale and reason for allotment

Ai HD and the Company have determined to individually request the calculation of the Share Exchange Ratio to third-party valuers independent from the two companies to ensure the fairness and appropriateness of the calculation of the Share Exchange Ratio to be used for the Share Exchange as described in “i) Allotment in the Share Exchange” above. Accordingly, Ai HD selected Daiwa Securities Co., Ltd. (hereinafter referred to as “Daiwa Securities”) as a financial adviser and a third-party valuator, while the Company selected YAMADA Consulting Group Co., Ltd. (hereinafter referred to as “YAMADA Consulting Group”) as a third-party valuator.

As described in “(4) i) Measures to ensure fairness” below, Ai HD has carefully discussed and reviewed the Share Exchange Ratio, taking into account the Share Exchange Ratio valuation report received from its financial adviser and third-party valuator, Daiwa Securities, and advice from its legal adviser, NAGOYA YAMAMOTO LAW FIRM. As a result, Ai HD has come to the judgment that the Share Exchange Ratio is appropriate to contribute to the interests of Ai HD’s shareholders, and therefore has decided to conduct the Share Exchange with the Share Exchange Ratio.

On the other hand, as described in “(4) i) Measures to ensure fairness” below, the Company has carefully discussed and reviewed the Share Exchange Ratio, taking into account the Share Exchange Ratio valuation report received from its third-party valuator, YAMADA Consulting Group, and advice from its legal advisor, TMI Associates, and its financial adviser, SMBC Nikko Securities Inc. (hereinafter referred to as “SMBC Nikko Securities”), which have no significant interest relationship with Ai HD or the Company. As a result, the Company has come to the judgment that the Share Exchange Ratio described in “i) Allotment in the Share Exchange” above is appropriate to contribute to the interests of the Company’s shareholders, and therefore has decided to conduct the Share Exchange with the Share Exchange Ratio.

As mentioned above, Ai HD and the Company have been engaged in negotiations and discussions comprehensively taking into account the factors, such as their financial conditions, assets status, and future outlook by using calculation results of the Share Exchange Ratio received from the respective third-party valutors as a reference. As a result, Ai HD and the Company have come to the judgment that the Share Exchange Ratio is appropriate to contribute to the interests of respective shareholders, and therefore have decided to conduct the Share Exchange with the Share Exchange Ratio. The Share Exchange Ratio may be modified in the event of a material change in the terms and conditions on which the calculation is based through mutual consultation and agreement in accordance with the Share Exchange Agreement.

B. Overview concerning calculations

(i) Names of valutors and the relationships with the Company and Ai HD

Ai HD’s third-party valuator, Daiwa Securities, and the Company’s third-party valuator, YAMADA Consulting Group, are not applicable to the related parties of Ai HD or the Company. These institutions are independent from Ai HD and the Company, and do not have significant interest relationships to be described concerning the Share Exchange.

(ii) Overview of calculations

In the case of Ai HD, Daiwa Securities conducted the calculation by using the market value method since Ai HD is listed on a financial instruments exchange and market prices of its shares are available, as well as the discounted cash flow method (hereinafter referred to as the “DCF method”) to reflect the status of its future business activities in the valuation. As for the market value method, using May 30, 2024 as a calculation reference date, the average closing prices on the TSE’s Prime Market for one-month, three-month, and six-month periods up to and including the calculation reference date were adopted. As for the business plan on which DCF is based, no significant increase or decrease in profit is expected. The financial forecasts are prepared based on the assumption of the stand-alone plan.

In the case of the Company, Daiwa Securities conducted the calculation by using the market value method since the Company is listed on a financial instruments exchange and market prices of its shares are available, as well as the DCF method to reflect the status of its future business activities in the valuation. As for the market value method, using May 30, 2024 as a calculation reference date, the average closing prices on the TSE’s Standard Market for one-month, three-month, and six-month periods up to and including the calculation reference date were adopted. As for the business plan on which DCF is based, a significant increase in profit is expected with the improvement in operating profit from the fiscal year ending March 31, 2025 to the fiscal year ending March 31, 2026, due to the structural reforms as announced in the “Notice Regarding the Implementation of Structural Reforms” on May 15, 2024. After the Capital and Business Alliance last December, the two companies have commenced discussions to implement measures to achieve synergies between them. Among those measures, the synergies associated with the matters that can be rationally determined at present with regard to terms and conditions of transactions are reflected in the business plans. On the other hand, as described in “1. Reasons for the Share Exchange” above, under the conditions that the two companies are both listed companies and assume duties to pursue proper interests respectively to their shareholders, the synergies related to the measures that have been discussed but not agreed upon and the synergies expected to be achieved through the Share Exchange are not reflected in the business plans because it is difficult to specifically estimate the impact on earnings at this time. For the background of the verification of the business plans by the Special Committee in light of the medium-term management plan disclosed by the Company on May 13, 2022, please refer to “(4) ii) Measures to avoid conflict of interest” below.

The valuation range of IWATSU ELECTRIC assuming the share value per Ai HD share to be one is as follows:

Adopted method	Calculation results of Share Exchange Ratio
Market value method	0.28 - 0.29
DCF method	0.52 - 0.62

In principle, Daiwa Securities has taken the information provided from Ai HD and the Company as well as publicly disclosed information in calculating the aforementioned Share Exchange Ratio, assuming that such documents and information are all accurate and complete and has not conducted independent studies on their accuracy or completeness. Moreover, Daiwa Securities has not conducted independent evaluations, appraisals or valuations of the assets or liabilities (including contingent liabilities) of the two companies, including individual analysis or evaluation of each asset or liability, and has not requested any third party to perform appraisals or valuations thereof. The Share Exchange Ratio calculation by Daiwa Securities reflects the information and economic conditions until May 30, 2024. The financial forecasts of the two companies are assumed to have been rationally reviewed and prepared by their respective top management, based on the best predictions and judgment possible at the same date.

In the case of Ai HD, YAMADA Consulting Group conducted the calculation by using the market value method since Ai HD is listed on a financial instruments exchange and market prices of its shares are available, as well as the DCF method to reflect the status of its future business activities in the valuation. As for the market value method, using May 30, 2024 as a calculation reference date, the average closing prices on the TSE's Prime Market for one-month, three-month, and six-month periods up to and including the calculation reference date were adopted. In the DCF method, the share value is evaluated by discounting future cash flows based on the financial forecasts prepared by Ai HD to the present value at a certain discount rate. There is no fiscal year in which a significant increase or decrease in profit is expected in the financial forecasts used as calculation assumptions. The financial forecasts are prepared based on the assumption of the stand-alone plan.

In the case of the Company, YAMADA Consulting Group conducted the calculation by using the market value method since the Company is listed on a financial instruments exchange and market prices of its shares are available, as well as the DCF method to reflect the status of its future business activities in the valuation. As for the market value method, using May 30, 2024 as a calculation reference date, the average closing prices on the TSE's Standard Market for one-month, three-month, and six-month periods up to and including the calculation reference date were adopted.

In the DCF method, the share value is evaluated by discounting future cash flows based on the financial forecasts prepared by the Company to the present value at a certain discount rate. There are fiscal years in which a significant increase in profit is expected in the financial forecasts used as calculation assumptions. Specifically, as announced in the "Notice Regarding the Implementation of Structural Reforms" on May 15, 2024, operating profit is expected to be 844 million yen for the fiscal year ending March 31, 2025, an increase by 30% or more year on year, and an increase by 104% year on year for the fiscal year ending March 31, 2026, despite operating loss for the fiscal year ended March 31, 2024, due to cost reductions of approximately 700 million yen for the fiscal year ending March 31, 2025 and approximately 1,200 million yen for the fiscal year ending March 31, 2026. After the Capital and Business Alliance last December, the two companies have commenced discussions to implement measures to achieve synergies between them. Among those measures, the synergies associated with the matters that can be rationally determined at present with regard to terms and conditions of transactions are reflected in the business plans. On the other hand, as described in "1. Reasons for the Share Exchange" above, under the conditions that the two companies are both listed companies and assuming duties to pursue proper interests respectively to their shareholders, the synergies related to the measures that have been discussed but not agreed upon and the synergies expected to be achieved through the Share Exchange are not reflected in the business plans because it is difficult to specifically estimate the impact on earnings at present. For the background of the verification of the business plans by the Special Committee in light of the medium-term management plan disclosed by the Company on May 13, 2022, please refer to "(4) ii) Measures to avoid conflict of interest" below. The valuation range of the Company assuming the share value per Ai HD share to be one is as follows.

Adopted method	Calculation results of Share Exchange Ratio
Market value method	0.27 - 0.29
DCF method	0.51 - 0.76

Notes: In principle, YAMADA Consulting Group has taken the information provided from the two companies as well as publicly disclosed information in calculating the Share Exchange Ratio, assuming that such documents and information are all accurate and complete and has not conducted independent studies on their accuracy or completeness. Moreover, YAMADA Consulting Group has not conducted independent evaluations, appraisals or valuations of the assets or liabilities (including off-balance assets and liabilities, and other contingent liabilities) of the two companies, and has not requested any third party to perform evaluations, appraisals or valuations thereof. In addition, the information on the financial forecasts (including profit plans and other information) presented by the two companies are assumed to have been rationally prepared by their respective top management, based on the best predictions and judgment possible at the time of the presentation. YAMADA Consulting Group has reflected the information and economic conditions it obtained until May 30, 2024 in the calculation.

- (2) Matters concerning the appropriateness of the amounts of Ai HD's stated capital and reserves  
The amounts of increase in Ai HD's stated capital and reserves through the Share Exchange are as follows. The Company considers them appropriate as they have been determined within the scope of laws and regulations by comprehensively taking into account and considering Ai HD's financial conditions, capital policy, and other circumstances.

Amount of increase in stated capital	Zero (0) yen
Amount of increase in capital reserve	This amount shall be separately determined by Ai HD in accordance with the provisions of Article 39 of the Regulation on Corporate Accounting.
Amount of Increase in legal reserve of retained earnings	Zero (0) yen

- (3) Reasons for selecting Ai HD Shares as exchange considerations

Ai HD and the Company selected shares of Ai HD, which is a wholly owning parent company, as considerations of the Share Exchange. The two companies believe that the above selection is appropriate for the reasons that Ai HD is listed on the TSE's Prime Market, its opportunities for transaction are still secured on the said market on and after the Effective Date of the Share Exchange, and the Company's shareholders are also expected to benefit from synergies in the Share Exchange.

Through the Share Exchange, the Company will become a wholly owned subsidiary of Ai HD on the Effective Date (scheduled to be October 1, 2024), and the Company's shares will be delisted as of September 27, 2024 (the last trading day is September 26, 2024) in accordance with the TSE's delisting standards. In the event the current Effective Date of the Share Exchange changes, the delisting date will be changed.

After delisting, the Company's shares will no longer be able to be traded on TSE, but Ai HD shares to be allotted to the Company's shareholders through the Share Exchange are listed on TSE and are available for transactions on TSE on or after the Effective Date of the Share Exchange. Accordingly, the Company believes that liquidity of the shares of one unit or more will continue to be provided to the Company's shareholders who hold 167 or more of the Company's shares on the Reference Date and who receive the allocation of 100 shares, which is one unit, or more of Ai HD shares through the Share Exchange, although there is a possibility that they will receive the allocation of some shares less than one unit according to the number of shares held.

On the other hand, Ai HD shares of less than 100 shares, which will be less than one unit, shall be allotted to the Company's shareholders who hold less than 167 of the Company's shares at the Reference Date. Such shares less than one unit cannot be sold at the financial instruments exchange markets although those shareholders shall possess the right to receive dividends of Ai HD according to the number of their shares with a record date on or after the Effective Date of the Share Exchange. The shareholders who will hold shares less than one unit are allowed to demand Ai HD to purchase their holdings of the shares less than one unit. In addition, those shareholders may purchase from Ai HD such a number of shares that would, together with the number of shares less than one unit held by such shareholders, constitute one unit of shares. For details of such treatment, please refer to "(1) i) Allotment in the Share Exchange (Note 3) Treatment of shares less than one unit" above. For details of the treatment of shares less than one share in case such shares arise in the Share Exchange, please refer to "(1) i) Allotment in the Share Exchange (Note 4) Treatment of shares less than one share" above.

The Company's shareholders may trade the Company's shares held on TSE as before until the last trading day, September 26, 2024 (plan), and may exercise their legal rights as provided for in the Companies Act and other related laws and regulations.

(4) Matters considered for avoidance of harm to interest of the Company's shareholders

i) Measures to ensure fairness

The Company has taken the following measures from the perspective of avoiding any suspicion of conflict of interest, taking into account the factors that Ai HD already holds the Company's shares (32.80% of voting rights as a percentage of the total number of issued shares of 14,940,974 (excluding treasury shares) as of March 31, 2024); Ai HD falls under the largest shareholder, which is a major shareholder, and other associate of the Company; the Company falls under Ai HD's affiliated company accounted for by the equity-method; and Ai HD and the Company conduct transactions pertaining to contract manufacturing and joint research and development; and the Company has temporarily transferred four employees to Ai HD.

A. Receipt of the Share Exchange Ratio valuation report from independent third-party valuers

In order to secure the fairness of the Share Exchange Ratio in the Share Exchange, Ai HD and the Company requested the calculation of the Share Exchange Ratio to the third-party valuers respectively, engaged in negotiations and discussions with the results thereof as a reference, and agreed to implement the Share Exchange using the Share Exchange Ratio as described in "3. (1) i) Allotment in the Share Exchange" above. Ai HD and the Company have not received fairness opinions, from the third-party valuers, indicating that the Share Exchange Ratio in the Share Exchange is appropriate and fair from a financial perspective, as the two companies judged that the fairness of the Share Exchange is fully ensured in light of the measures to ensure the fairness of other Share Exchange Ratio implemented in the Share Exchange and to avoid conflict of interest.

B. Advice from independent law firms

As legal advisers for the Share Exchange, Ai HD selected NAGOYA & YAMAMOTO LAW FIRM, while the Company selected TMI Associates, and respectively obtain advice from those law firms from a legal perspective of various procedures of the Share Exchange and the method and process of decision-making. NAGOYA & YAMAMOTO LAW FIRM and TMI Associates are both independent from Ai HD and the Company and have no significant interest relationship.

C. Appointment of independent financial advisers

The Company appointed SMBC Nikko Securities as an independent financial adviser, other than the independent third-party valuator in "3. (1) ii) (B) Overview concerning calculations" above that was requested to calculate the Share Exchange Ratio, for advice on the review of the Share Exchange and other support in achieving the Business Integration. SMBC Nikko Securities is a member of Sumitomo Mitsui Financial Group, Inc. to which Sumitomo Mitsui Banking Corporation (hereinafter referred to as "SMBC") providing regular banking services to Ai HD and the Company also belongs. However, the Company selected SMBC Nikko Securities as a financial adviser in light of its track record as a financial adviser, as well as its secured independence as a financial adviser with the following reasons: i) Predetermined measures are taken to prevent harmful effects among the division providing advisory services in SMBC Nikko Securities, other divisions, and SMBC; ii) SMBC Nikko Securities conducts transactions with the Company under the same terms and conditions as general business partners; and iii) SMBC Nikko Securities does not fall under a related party of Ai HD or the Company. The Company has not received the Share Exchange Ratio valuation report and fairness opinions from SMBC Nikko Securities.

ii) Measures to avoid conflict of interest

The Company has taken the following measures from the perspective of avoiding any suspicion of conflict of interest, taking into account the factors that Ai HD already holds the Company's shares (32.80% of voting rights as a percentage of the total number of issued shares of 14,940,974 (excluding treasury shares) as of March 31, 2024); Ai HD falls under the largest shareholder, which is a major shareholder, and other associate of the Company; the Company falls under Ai HD's affiliated company accounted for by the equity-method; and Ai HD and the Company conduct transactions pertaining to contract manufacturing and joint research and development; and the Company has temporarily transferred four employees to Ai HD.

A. Establishment of the independent Special Committee at the Company and obtaining a written report

On March 29, 2024, the Company established the Special Committee consisting of the Company's Outside Directors, Tsunehiro Oki and Eizo Tabaru, submitted to TSE of notification as independent officers and have no interest relationships with Ai HD, and the Company's Outside Director who is an Audit & Supervisory Committee Member, Shigeru Kawamoto, submitted to TSE of notification

as an independent officer. This is for the purpose of carefully making decisions by the Board of Directors of the Company for the proposal from Ai HD, excluding fears of arbitrariness and conflict of interest in the decision-making process of the Board of Directors of the Company and securing its fairness, as well as confirming that the decision on the Share Exchange by the Board of Directors of the Company is not detrimental to the Company's minority shareholders. Each committee member shall be paid a fixed amount of remuneration for their duties, regardless of the contents of the written report.

In considering the Share Exchange, the Company consulted with the Special Committee about (i) validity and rationality of the purpose of the Share Exchange; (ii) appropriateness of terms and conditions of the Share Exchange; (iii) fairness of the negotiation process and decision-making procedures upon the Share Exchange; and (iv) based on the above (i) to (iii) and other matters, whether the Share Exchange is disadvantageous to the Company's minority shareholders or not (hereinafter (i) through (iv) collectively referred to as the "advisory matters"). The Special Committee has carefully considered advisory matters, such as collecting information by its own and holding discussions as needed, in addition to a total of seven meetings held from April 4, 2024 to May 30, 2024. Specifically, the Special Committee first confirmed that there are no problems with independence and expertise in any of the entities selected by the Company, the third-party valuator, YAMADA Consulting; the legal adviser, TMI Associates; and the financial adviser, SMBC Nikko Securities, and then approved the selection. Moreover, the Special Committee has received an explanation from the Company about its business activities, business environment, major management issues, assumed advantages and disadvantages of the Share Exchange on the Company's business, and calculation procedures of the Company's business plan to be an assumption of the Share Exchange Ratio. Furthermore, the Special Committee received advice from the Company's legal adviser, TMI Associates, on the method and process of decision-making by the Board of Directors of the Company upon the Share Exchange, measures to ensure the fairness of operation and other procedures of the Special Committee, and measures to avoid conflict of interest, while receiving an explanation from its third-party valuator, YAMADA Consulting Group, on the method of valuation of the Share Exchange Ratio in the Share Exchange and the results thereof, and held question and answer sessions. After receiving timely reports on the process and details of discussions and negotiations upon the Share Exchange between Ai HD and the Company, the Special Committee has discussed the negotiation policy on several occasions until receiving the final proposal of the Share Exchange Ratio from Ai HD, and offered advice to the Company. The Special Committee, through such a procedure, has carefully discussed and considered the advisory matters, and submitted to the Board of Directors of the Company on May 30, 2024 a written report describing that: (i) the Share Exchange contributes to increasing corporate value of the Company, and its purpose is recognized as valid and rational; (ii) terms and conditions of the Share Exchange are recognized as appropriate; (iii) the negotiation process and decision-making procedures upon the Share Exchange are recognized as fair; and (iv) based on the above (i) to (iii) and other matters, the determination of the Share Exchange is not detrimental to the Company's minority shareholders. The overview of the opinions of the Special Committee is as follows:

- (i) Validity and rationality of the purpose of the Share Exchange
  - After receiving an explanation on each of the following matters from the Company and conducting comprehensive reviews thereof through questions and answers, the Special Committee judged that there was no irrational points on the Company's explanation and the purpose of the implementation of the Share Exchange was recognized as valid and rational due to its contribution to stable business operations and increasing corporate value of Ai HD and the Company.
    - (a) After the commencement of the Capital and Business Alliance, Ai HD and the Company have discussed specific details of the Collaboration Measures and terms and conditions thereof, resulting in the recognition that further synergies can be created in more fields than expected at the time of the commencement of the Capital and Business Alliance; (b) on the other hand, the two companies are both listed companies and assuming duties to pursue profit respectively to their shareholders, and thus it may be difficult to implement the Collaboration Measures quickly due to sincere negotiations; (c) the Company needs to thoroughly deepen collaborations with Ai HD, including early and ensured implementation of the Collaboration Measures, under the conditions that the main business is difficult to sustainably grow by itself and reduction of fixed costs due to optimization of Group personnel is forced, and therefore has actively worked to increase corporate value since the Capital and Business Alliance, such as early implementation of some of the Collaboration Measures with Ai HD; (d) nevertheless, the management environment surrounding the Company remains extremely harsh as evident from the fact that the Company's

share prices remain stagnant even after the Capital and Business Alliance, no sufficient evaluation is obtained in the stock market, the Company's earnings forecasts were revised downward twice during the fiscal year ended March 31, 2024, including the one announced in February 2024 after the Capital and Business Alliance, and personnel optimization was announced, including the reduction in scale of 200 employees, equivalent to approximately 20% of the Group's workforce, in addition to a series of measures to reduce fixed costs implemented by the Company in the past; (e) in such circumstances, Ai HD proposed its intention to make the Company a wholly owned subsidiary with the conclusion that it would be best to make the Company a wholly owned subsidiary through the Share Exchange rather than the initial equity method affiliate structure, in order to fully realize the synergies of the Capital and Business Alliance and to promote various Collaboration Measures more flexibly; (f) after carefully considering the proposal from Ai HD, the Company has come to the conclusion that the Share Exchange contributes to increasing corporate value of the Company due to the fact that implementing the Business Integration based on the spirit of equality and becoming a wholly owned subsidiary of Ai HD enable the Company to flexibly achieve the management strategies from a medium to long-term perspective of both Groups through quicker and closer collaboration on the Collaboration Measures than ever before, as well as that the Company may reduce listing retention costs; and (g) the following matters are assumed as measures to be able to be specifically considered after the Share Exchange and synergies through such measures: i) acquisition of Graphtec's test and measurement business; ii) further contract manufacturing from Ai HD and deepening joint research and development with Ai HD; and iii) optimizing the Company's human resources through personnel exchanges by temporary transfer and deepening synergies.

The Special Committee has confirmed the rationality of the contents of the business plan, important prerequisites, and the preparation process, although the Company's business plan used for the transaction is not identical with the medium-term management plan announced by the Company in May 2022, mainly due to the fact that (a) it is natural to conduct reviews as needed in light of changes in the management environment surrounding the Company that has occurred after May 2022 and (b) the contents of the business plan prepared by the Company have indicated certain arguments in light of the changes in the business environment from the time of preparation of the previous medium-term management plan and there are no irrational points.

(ii) Appropriateness of terms and conditions of the Share Exchange

In the calculation results of the Share Exchange Ratio valuation report the Company received from YAMADA Consulting Group, the valuation range of the Company's common share, assuming the per share value of Ai HD share to be 1, is 0.27 to 0.29 under the market value method, and 0.51 to 0.76 under the DCF method. The Share Exchange Ratio is higher than the upper range of the results calculated by the market value method and is within the range of and is close to the median of the results calculated by the DCF method. The Share Exchange Ratio is equivalent to the ratio adding a premium of 119.43% (rounded to two decimal places) to the exchange ratio calculated based on the closing prices of Ai HD shares and the Company's shares (2,443 yen and 668 yen) on TSE on May 29, 2024. The level of such premium offered to the Company's shareholders is significantly higher than the average premium level in recent cases of other listed subsidiaries becoming wholly owned subsidiaries through the Share Exchange.

Furthermore, the Share Exchange is to allot and deliver Ai HD shares to the Company's shareholders and they, as Ai HD's shareholders, may benefit from achieving synergies expected to arise through the Share Exchange. As Ai HD is listed on the TSE's Prime Market, the liquidity of the shares continues to be ensured for the Company's shareholders who acquire Ai HD shares of one unit or more, and those who acquire less than one unit of Ai HD shares can use the system of request for purchase of shares less than one unit as well.

Accordingly, the delivery of Ai HD shares to the Company's shareholders is considered reasonable as a method of implementation of the Share Exchange and type of considerations.

(iii) Fairness of negotiation process and decision-making procedures upon the Share Exchange

In considering the Share Exchange, the procedures of the transaction are deemed fair based on the facts that the Company has established the Special Committee and timely reported the status of discussions and negotiations with Ai HD to it with full respect for the Committee's opinions, has carefully considered and discussed the appropriateness of terms and conditions of the Share Exchange, including the Share Exchange Ratio with advice from independent external experts, has conducted sincere discussions and negotiations to increase the Share Exchange Ratio from the perspective of protecting the interests of minority shareholders, and does not involve any person who has a special interest relationship in the negotiation process.



- (iv) Whether the Share Exchange is disadvantageous to the Company's minority shareholders or not, based on the above (i) to (iii) and other matters  
The Share Exchange is not disadvantageous to the Company's shareholders in light of (i) to (iii) above.

- B. Approval of all the Directors (including Directors who are Audit & Supervisory Committee Members) of the Company who have no interest relationships  
At the Board of Directors meeting of the Company held on May 31, 2024, all Directors of the Company deliberated and then resolved to implement the Share Exchange upon the approval of all of them. There are no Directors of the Company who have interest relationships with Ai HD.

4. Matters to be referred to relating to exchange considerations

(1) Provisions of the Articles of Incorporation of Ai HD

The Articles of Incorporation of Ai HD is posted on the Company's website (<https://www.iwatsu.co.jp/>) (in Japanese) and the TSE website (<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>) (in Japanese) according to the laws and regulations and provisions of Article 16 of the Articles of Incorporation of the Company.

(2) Matters concerning liquidation method of exchange considerations

- i) Markets for transactions of exchange considerations  
Ai HD shares are traded on the TSE's Prime Market.
- ii) Parties performing brokering, intermediation, and agency services for transactions of exchange considerations  
Ai HD shares are intermediated and brokered by financial instruments dealers (securities companies, etc.) nationwide.
- iii) Restrictions on transfer and other portions of exchange considerations if any  
Not applicable.

(3) Matters concerning market price for exchange considerations

Based on the business day immediately preceding the announcement date of the conclusion of the Share Exchange Agreement (May 31, 2024), the average closing prices of Ai HD shares on the TSE's Prime Market of one-month, three-month, and six-month periods are 2,448 yen, 2,412 yen, and 2,418 yen, respectively.

Market prices, etc. of Ai HD shares are available on the TSE's website (<https://www.jpx.co.jp/>) (in Japanese).

(4) Balance sheets of Ai HD for each fiscal year ending on the last day of the fiscal year in the past five years  
Ai HD has filed the annual securities report for any of the fiscal years pursuant to the provisions in Article 24, Paragraph 1 of the Financial Instruments and Exchange Act, and therefore the description is omitted.

5. Matters concerning the appropriateness of the provisions of share acquisition rights upon the Share Exchange  
Not applicable.

6. Matters concerning non-consolidated financial statements, etc.

(1) Non-consolidated financial statements of Ai HD for the most recent fiscal year

The non-consolidated financial statements, etc. of Ai HD for the most recent fiscal year ended June 30, 2023 are not provided in the paper-based documents (documents stating items subject to measures for electronic provision) delivered to shareholders who have made a request for delivery of such documents, in accordance with the provisions of laws and regulations and Article 16 of the Articles of Incorporation of the Company, but posted on the Company's website (<https://www.iwatsu.co.jp/>) (in Japanese) or the TSE website (<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show>) (in Japanese).

(2) Contents of the events that occurred in the Company and Ai HD after the last day of the most recent fiscal year, such as disposal of important properties, bearing of significant obligations, and other events significantly affecting the status of the company properties

i) The Company

- A. The Company resolved at the Board of Directors meeting held on May 31, 2024 to implement the Share Exchange with Ai HD by making Ai HD as a wholly owning parent company and the Company as a wholly owned subsidiary, and entered into the Share Exchange Agreement on the

same day. The contents of the Share Exchange Agreement are described in “2. Contents of the Share Exchange Agreement” above.

- B. The Company shall cancel, until the Reference Date, all of the treasury shares held by the Company (including treasury shares to be acquired in response to the dissenting shareholders’ purchase demands to be exercised concerning the Share Exchange) by a resolution at the Board of Directors meeting no later than the date immediately preceding the Effective Date of the Share Exchange.

ii) Ai HD

Ai HD resolved at the Board of Directors meeting held on May 31, 2024 to implement the Share Exchange with the Company by making Ai HD as a wholly owning parent company and the Company as a wholly owned subsidiary, and entered into the Share Exchange Agreement on the same day. The contents of the Share Exchange Agreement are described in “2. Contents of the Share Exchange Agreement” above.

**Proposal No. 3** Election of Seven Directors (Excluding Directors Who Are Audit & Supervisory Committee Members)

The terms of office for all seven Directors (excluding those who are also Audit & Supervisory Committee Members; the same shall apply hereafter in this proposal) will expire at the conclusion of this meeting.

Therefore, the Company proposes the election of seven Directors.

The Audit & Supervisory Committee has no particular statement for this proposal.

The candidates for Directors are as follows:

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
1	Shogo Kimura (January 25, 1962)  Reelection	<p>Apr. 1984      Joined The Sanwa Bank, Ltd.</p> <p>Oct. 2004      General Manager, Tokorozawa Corporate Banking Department and General Manager, Tokorozawa Branch of UFJ Bank Limited</p> <p>Sept. 2006     General Manager, Katsushika Branch Office of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>May 2009      General Manager, Osaka Corporate Banking Division No.1, Osaka Corporate Banking Group</p> <p>May 2011      General Manager, Corporate Payment Business Department</p> <p>July 2013      Assistant to General Manager, Management Division of the Company</p> <p>Aug. 2013     Assistant to General Manager, Reprographic Systems Division</p> <p>Oct. 2013      General Manager, Sales Dept., Printing Systems Division</p> <p>June 2015     Executive Officer; and General Manager, Printing Systems Division</p> <p>June 2016     Director &amp; Executive Officer; and General Manager, Printing Systems Division</p> <p>July 2016      Director &amp; Executive Officer; and General Manager, Sales Division No.1</p> <p>June 2017     Director &amp; Senior Executive Officer; and General Manager, Sales Division</p> <p>June 2021     Director &amp; Senior Executive Officer; and General Manager, Management Division</p> <p>June 2022     President &amp; Chief Executive Officer (current position)</p>	7,300
<p>[Reasons for nomination as candidate for Director]</p> <p>Shogo Kimura has deep discernment related to finance obtained through his service in financial institutions, and also has the ability to manage and lead based on his experience as General Manager of the Sales Division and Management Division. The Company judges that he has experience and capabilities suitable for Director and Executive Officer of the Company and thus has nominated Mr. Kimura as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
2	Tsukasa Aiura (August 3, 1962)  Reelection	<p>Apr. 1987      Joined NIPPON TELEGRAPH AND TELEPHONE CORPORATION</p> <p>July 1999      Manager-in-charge of Research and Development Center of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION</p> <p>July 2000      Manager-in-charge of Equipment Department</p> <p>Oct. 2001      Manager of Equipment Department</p> <p>May 2005      Manager of Network Interconnection Department</p> <p>July 2007      Manager of Network Department</p> <p>July 2010      Manager of Technology Innovation Department</p> <p>July 2013      Manager of Shizuoka Branch</p> <p>Oct. 2013      Manager of Shizuoka Branch and Deputy General Manager of Tokai Regional Headquarters</p> <p>June 2015      Director &amp; Executive Officer; and General Manager, ICT Division of the Company</p> <p>July 2016      Director &amp; Executive Officer; and General Manager, ICT Business Division</p> <p>June 2017      Director &amp; Senior Executive Officer; and General Manager, ICT Business Division</p> <p>Apr. 2018      Director &amp; Senior Executive Officer; General Manager, ICT Business Division; and General Manager, NTT Sales Dept., ICT Business Division</p> <p>July 2018      Director &amp; Senior Executive Officer; and General Manager, ICT Business Division</p> <p>Apr. 2024      Director &amp; Senior Executive Officer; and General Manager, supervising Sales Division (current position)</p>	6,300
<p>[Reasons for nomination as candidate for Director]</p> <p>Tsukasa Aiura has deep discernment in the information communications business obtained through his service in a telecommunications carrier and also an ability to lead departments and divisions. The Company judges that he has experience and capabilities suitable for Director and Executive Officer of the Company and thus has nominated Mr. Aiura as a candidate for Director.</p>			
3	Hidenori Tokida (February 5, 1968)  Reelection	<p>Apr. 1991      Joined the Company</p> <p>Dec. 2018      General Manager, Accounting &amp; Financial Dept., Management Division</p> <p>June 2021      Executive Officer; Deputy General Manager, Management Division; and General Manager, Accounting &amp; Financial Dept., Management Division</p> <p>June 2022      Director &amp; Executive Officer; and General Manager, Management Division</p> <p>Apr. 2024      Director &amp; Executive Officer; and General Manager, Corporate Management Division (current position)</p>	6,900
<p>[Reasons for nomination as candidate for Director]</p> <p>Hidenori Tokida has engaged in the management department since joining the Company and is well versed in the overall finance and accounting, and has excellent management ability. The Company judges that he has experience and capabilities suitable for Director and Executive Officer of the Company and thus has nominated Mr. Tokida as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
4	Takehiro Okawa (February 1, 1969)  New election	<p>Apr. 1991      Joined the Company</p> <p>Apr. 2011      General Manager, Solutions Sales Dept., ITNS Division</p> <p>Apr. 2013      General Manager, IT Solutions Sales Dept., IT Solutions Division</p> <p>June 2015      General Manager, Sales Dept., Printing Systems Division</p> <p>July 2016      General Manager, Sales Dept. No.1, Sales Division No.1</p> <p>June 2017      General Manager, Sales Dept. No.1, Sales Division</p> <p>Apr. 2019      General Manager, Sales Incubation Dept., Sales Division</p> <p>June 2021      Executive Officer; Deputy General Manager, Sales Division; and General Manager, Sales Incubation Dept., Sales Division</p> <p>Apr. 2022      Executive Officer; Deputy General Manager, Sales Division; and General Manager, Business Design Dept., Sales Division</p> <p>Oct. 2022      Executive Officer; Deputy General Manager, Sales Division; General Manager, Business Design Dept., Sales Division; and General Manager, Print Solutions Sales Dept., Sales Division</p> <p>Apr. 2024      Executive Officer; General Manager, Total Communications Company (current position)</p>	7,157
<p>[Reasons for nomination as candidate for Director]</p> <p>Takehiro Okawa has engaged in the sales departments of IT solutions, printing systems, new businesses, and communication systems since joining the Company and thus is well versed in each of these business areas and overall sales activities. The Company judges that he has experience and capabilities suitable for Director and Executive Officer of the Company and has nominated Mr. Okawa as a candidate for Director.</p>			
5	Koji Umehara (April 17, 1970)  New election	<p>Apr. 1993      Joined The Sanwa Bank, Ltd.</p> <p>Sept. 2015      Deputy General Manager, Corporate Planning Dept. (Osaka), and General Manager, Secretarial Office (Osaka) of The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Apr. 2019      General Manager, Kojimachi Branch of MUFG Bank, Ltd.</p> <p>Aug. 2021      Assistant to General Manager, Management Division of the Company</p> <p>Apr. 2022      General Manager, Management Strategy Dept., Management Division</p> <p>June 2023      Executive Officer; and General Manager, Management Strategy Dept., Management Division</p> <p>Apr. 2024      Executive Officer; and General Manager, Corporate Planning Dept. (current position)</p>	1,000
<p>[Reasons for nomination as candidate for Director]</p> <p>Koji Umehara has deep discernment in finance obtained through his service in financial institutions and also experience in management strategy. Therefore, the Company judges that he has experience and capabilities suitable for Director and Executive Officer of the Company and has nominated Mr. Umehara as a candidate for Director.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
6	<p style="text-align: center;">Tsunehiro Oki (November 11, 1952)</p> <p style="text-align: center;">Reelection Outside Independent</p>	<p>Nov. 1977      Joined Asahi &amp; Co.</p> <p>Sept. 1981     Registered as a certified public accountant</p> <p>July 1992      Partner of Asahi Shinwa &amp; Co.</p> <p>May 2001      Senior Partner of Asahi &amp; Co.</p> <p>July 2010      Partner of KPMG AZSA LLC (retired from office in June 2015)</p> <p>July 2015      Oki Certified Public Accountant &amp; Tax Accountant Office (current position)</p> <p>June 2016      Outside Audit and Supervisory Board Member of Utoc Corporation</p> <p>June 2016      Outside Director of the Company (current position)</p> <p>June 2019      Outside Director of Takakita Co., Ltd. (Audit and Supervisory Committee Member) (current position)</p>	0
<p>[Reasons for nomination as candidate for Outside Director and summary of expected roles]</p> <p>Tsunehiro Oki is expected to offer useful opinions and candid indications on the management of the Company utilizing his extensive experience and discernment regarding finance and accounting obtained as a certified public accountant. Therefore, the Company has nominated Mr. Oki as a candidate for Outside Director. If Mr. Oki is elected, the Company plans for him to be involved in determining the selection of candidates and remuneration, etc. for directors and officers of the Company as a member of the voluntary Remuneration and Nomination Advisory Committee from an objective and neutral standpoint.</p>			

Candidate No.	Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
7	Eizo Tabaru (July 3, 1958)  Reelection Outside Independent	Apr. 1981      Joined Mitsubishi Chemical Industries Ltd. Apr. 2010      General Manager of Finance and Accounting Department of Mitsubishi Chemical Corporation June 2010      Associate Director and General Manager of Finance and Accounting Department Apr. 2012      Executive Officer and General Manager of Finance and Accounting Department Apr. 2014      Executive Officer and General Manager of Finance & Accounting Department of Mitsubishi Tanabe Pharma Corporation June 2015      Member of the Board, Executive Officer, and General Manager of Finance & Accounting Department Apr. 2016      Member of the Board, Managing Executive Officer, and General Manager of Finance & Accounting Department Apr. 2017      Member of the Board, Managing Executive Officer, and in charge of Corporate Strategy & Planning Department, Finance & Accounting Department, Corporate Communications Department, and ICT Management Department Apr. 2018      Member of the Board, Managing Executive Officer, in charge of Corporate Strategy & Planning Department, NeuroDerm Office, Finance & Accounting Department, and Corporate Communications Department Apr. 2020      Representative Director, Managing Executive Officer, in charge of Corporate Management Department, Corporate Communications Department, Legal & General Affairs Department, and Japan Quality Assurance Department Apr. 2021      Representative Director, Managing Executive Officer, in charge of Corporate Management Department, Communication Crossroads Department, General Affairs Department, and Japan Quality Assurance Department Apr. 2022      Senior Advisor June 2022      Adviser of Palo Alto Co., Ltd. (current position) June 2023      Outside Director of the Company (current position)	500
<p>[Reasons for nomination as candidate for Outside Director and summary of expected roles]  Eizo Tabaru is expected to offer useful opinions and candid indications on the management of the Company utilizing his extensive career in pharmaceutical companies and his experience and discernment obtained through his service as a director. Therefore, the Company has nominated Mr. Tabaru as a candidate for Outside Director. If Mr. Tabaru is elected, the Company plans for him to be involved in determining the selection of candidates and remuneration, etc. for directors and officers of the Company as a member of the voluntary Remuneration and Nomination Advisory Committee from an objective and neutral standpoint.</p>			

- Notes:
1. There is no special interest between any of the candidates and the Company.
  2. Both Tsunehiro Oki and Eizo Tabaru are candidates for Outside Director.  
Subject to the approval and adoption of this proposal, the Company has submitted notification to the Tokyo Stock Exchange that both of them have been designated as independent officers as provided for by the aforementioned exchange.
  3. Tenure as Outside Director
    - (1) Tsunehiro Oki is currently an Outside Director of the Company, and at the conclusion of this meeting, his tenure as Outside Director will have been eight years.

- (2) Eizo Tabaru is currently an Outside Director of the Company, and at the conclusion of this meeting, his tenure as Outside Director will have been one year.
4. The Company has entered into agreements with Tsunehiro Oki and Eizo Tabaru to limit the maximum amount of liability for damages provided for by Article 423, paragraph (1) of the Companies Act, to the amount provided for by each item of paragraph (1) of Article 425 of the said Act. If their reelections are approved and adopted in this proposal, the Company plans to renew the abovementioned agreements with them.
  5. The Company has entered into a liability insurance contract with an insurance company for directors and officers to cover damages that may arise from the insured assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility by such insurance contract. If the election of each candidate is approved and adopted in this proposal, each candidate will be included as the insured of such insurance contract. In addition, the Company plans to renew such insurance contract with the same content at the next renewal time.



**Proposal No. 4** Election of One Director Who Is an Audit & Supervisory Committee Member

The term of office for Director Osamu Sato, who is an Audit & Supervisory Committee Member, will expire, and Director Takaharu Nishimura, who is an Audit & Supervisory Committee Member, will resign, at the conclusion of this meeting.

Therefore, the Company proposes the election of one Director who is an Audit & Supervisory Committee Member. If this proposal is approved and adopted, although the number of Directors who are Audit & Supervisory Committee Members will be reduced by one to a total of four Directors, the Company judges that they can continue to ensure the effectiveness of audits through collaboration with the internal audit department.

The Audit & Supervisory Committee has given consent to this proposal.

The candidate for Director who is an Audit & Supervisory Committee Member is as follows:

Name (Date of birth)	Career summary, position and responsibility in the Company, and significant concurrent positions outside the Company	Number of the Company's shares owned
<p style="text-align: center;">Osamu Sato (February 5, 1962)</p> <p style="text-align: center;">Reelection</p>	Apr. 1984      Joined the Company	8,200
	June 2011      General Manager, Administration & Planning Dept., ICT Division	
	June 2014      General Manager, Business Planning Dept., ICT Division	
	Apr. 2015      General Manager, Business Planning Dept., ICT Division and General Manager, Business Planning Dept., Smart Community Division	
	June 2015      Executive Officer; Deputy General Manager, ICT Division; General Manager, Business Planning Dept., ICT Division; Deputy General Manager, Smart Community Division; and General Manager, Business Planning Dept., Smart Community Division	
	June 2016      Executive Officer; Deputy General Manager, ICT Division; General Manager, Business Planning Dept., ICT Division; General Manager, IT Solution Division; General Manager, Smart Community Division; and General Manager, Business Planning Dept., Smart Community Division	
	July 2016      Executive Officer; and General Manager, Sales Division No.2	
	June 2017      Director & Executive Officer; General Manager, Management Division; and General Manager, Corporate Planning Dept., Management Division	
	Apr. 2019      Director & Executive Officer; and General Manager, Management Division	
	July 2021      President of IWATSU Business Services Co., Ltd.	
	June 2022      Director who is a Full-Time Audit & Supervisory Committee Member (current position)	

[Reasons for nomination as candidate for Director who is an Audit & Supervisory Committee Member]  
 Osamu Sato served as Chief Financial Officer of the Company as a General Manager of the Management Division, and has experience in the planning department and sales department with ICT business and smart community business, and also has experience as president of a subsidiary of the Company. In light of his extensive discernment, the Company judges that he has experience and capabilities suitable for Director who is an Audit and Supervisory Committee Member of the Company and thus has nominated Mr. Sato as a candidate for Director who is an Audit & Supervisory Committee Member.

- Notes:
1. There is no special interest between the candidate and the Company.
  2. The Company has entered into a liability insurance contract with an insurance company for directors and officers to cover damages that may arise from the insured assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility by such insurance contract. If the election of the candidate is approved and

adopted in this proposal, the candidate will be included as the insured of such insurance contract. In addition, the Company plans to renew such insurance contract with the same content at the next renewal time.

(Reference)

Skills Matrix of Board of Directors and Audit & Supervisory Committee Members (When Proposals 3 and 4 have been approved.)

		Independent Officer	Expected Role, Experience, and Knowledge						
			Corporate Management Strategy	Finance Accounting	Governance Compliance	Sales Marketing	IT/DX R&D Production	Social/Environment Sustainability	Global Internationality
Director	Shogo Kimura		○	○	○	○		○	
Director	Tsukasa Aiura		○		○	○	○		○
Director	Hidenori Tokida		○	○	○			○	
Director	Takehiro Okawa		○		○	○	○		
Director	Koji Umehara		○	○	○	○			
Outside Director	Tsunehiro Oki	○	○	○	○				
Outside Director	Eizo Tabaru	○	○	○	○				○
Director Audit & Supervisory Committee Member	Osamu Sato			○	○			○	○
Outside Director Audit & Supervisory Committee Member	Shigeru Kawamoto	○	○		○		○		
Outside Director Audit & Supervisory Committee Member	Kazuaki Tanaka	○	○	○	○	○			
Outside Director Audit & Supervisory Committee Member	Yoshikazu Takahashi	○	○		○		○		

\* The above list only includes the main skills that each person is expected to possess.