

(Translation)

September 1, 2020

To Whom It May Concern:

Company Name: Nissin Kogyo Co., Ltd.
Name of Representative: Yasushi Kawaguchi,
President and Representative
Director
(Code: 7230 First Section of the
Tokyo Stock Exchange)
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Expression of Opinion and Notice Regarding Tender Offer for Company Shares by Honda Motor Co., Ltd.

Nissin Kogyo Co., Ltd. (“Company”) received notification from Honda Motor Co., Ltd. (“Tender Offeror”) on August 27, 2020 that it wants to commence tender offer (“Tender Offer”) on September 2, 2020 (“Tender Offer Commencement Date”) with respect to a tender offer for its common stock (“Company Shares”) to be conducted by the Tender Offeror announced on the “Expression of Opinion Regarding Plan to Commence Tender Offer for Company Shares by Honda Motor Co., Ltd. and Notice of Closing of Basic Contract Regarding management Integration” issued on October 30, 2019. Based on the notification, the Company hereby announces that it resolved, at its board of directors meeting held today, that it will express an opinion again in support of the Tender Offer and recommend that the Company’s shareholders apply for the Tender Offer, as detailed below.

As set forth in “(4) Possibility of Delisting and Reasons Therefor” and “(5) Matters Relating to So-called “Two Step Acquisition”” in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” below, the above resolution of the Company’s board of directors has been made with the assumption that the Tender Offeror aims at acquiring 100% ownership of the Company as a result of the Tender Offer and a series of procedures thereafter and that the Company Shares will be delisted.

1. Outline of the Tender Offeror

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|--|---|-------|
| (1) Name | Honda Motor Co., Ltd. | |
| (2) Location | 2-1-1, Minami-Aoyama, Minato-ku, Tokyo | |
| (3) Title and Name of Representative | Takahiro Hachigo, Representative Director & President | |
| (4) Description of Business | Motorcycles, Automobiles, Financial Services, Life Creation Business and Other Businesses | |
| (5) Capital Amount | 86,067 million yen | |
| (6) Date of Incorporation | September 24, 1948 | |
| (7) Major Shareholder and Shareholding | The Master Trust Bank of Japan, Ltd. (Trust Account) | 7.75% |
| | Japan Trustee Services Bank, Ltd. (Trust Account) | 6.61% |

| | | |
|--|--|-------|
| Ratio (as of March 31, 2020) (Note 1) | SSBTC Client Omnibus Account | 3.36% |
| | (Standing proxy: The HongKong and Shanghai Banking Corporation, Limited) | |
| | Moxley & Co. LLC | 3.12% |
| | (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.) | |
| | Meiji Yasuda Life Insurance Company | 2.96% |
| | (Standing proxy: Trust & Custory Services Bank, Ltd.) | 2.70% |
| | Japan Trustee Services Bank, Ltd. (Trust Account 9) | 2.05% |
| | Tokio Marine & Nichido Fire Insurance Co., Ltd. | 1.86% |
| | Japan Trustee Services Bank, Ltd. (Trust Account 5) | |
| JP Morgan Chase Bank 385151 | 1.75% | |
| (Standing proxy: Mizuho Bank, Ltd.) | | |
| Nippon Life Insurance Company | 1.66% | |
| (Standing proxy: The Master Trust Bank of Japan, Ltd.) | | |
| (8) | Relationship between the Company and the Tender Offeror | |
| Capital Relationship | The Tender Offeror owns 22,682,205 shares (ownership ratio (Note 2): 34.86%) of the Company. | |
| Personal Relationship | N/A | |
| Business Relationship | The Company sells automobile parts to the Tender Offeror. | |
| Whether the Company Falls under Related Party | The Company is an equity method affiliate of the Tender Offeror and falls under the related party. | |

(Note 1) “Major Shareholder and Shareholding Ratio” corresponds to the descriptions of “Major Shareholders” in the Tender Offeror’s Annual Securities Report for the 96th term filed on June 19, 2020.

(Note 2) “Ownership ratio” means the fraction representing a certain number of Company Shares (expressed as a percentage rounded to two decimal places; hereinafter the same shall apply in the calculation of ownership ratio) as of today, the numerator of which is such number of shares and the denominator of which is 65,060,501 shares (the total number of issued shares of the Company as of June 30, 2020 (65,452,143 shares), stated in the First Quarterly Securities Report for the 68th Fiscal Year, submitted by the Company as of August 6, 2020 (“Company’s First Quarterly Securities Report”) less the number of treasury shares held by the Company as of June 30, 2020, as stated in the financial summary (IFRS) (consolidated) for the first quarter of the fiscal year ending in March 2021 published on August 5, 2020 by the Company (the “Company’s Financial Summary for the First Quarter of the Fiscal Year Ending in March 2021”) (391,642 shares). The same shall apply hereinafter.

2. Tender Offer Price

2,250 yen per common share (“Tender Offer Price”)

3. Details of and Grounds and Reasons for the Opinion on the Tender Offer

(1) Details of the Opinion on the Tender Offer

The Company resolved, at its board of directors meeting held on October 30, 2019, that, as its opinion as of October 30, 2019, it will express an opinion in support of the Tender Offer when the Tender Offer is commenced based on the grounds and reasons stated in “(2) Grounds and Reasons for the Opinion on the Tender Offer” below and recommend that the Company’s shareholders to tender their shares in the Tender

Offer.

Thereafter, according to the Tender Offeror, since all procedures and activities based on the domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were expected to be completed as of July 30, 2020, the Tender Offeror requested the Company to commence preparation for deciding commencement of the Tender Offer on August 18, 2020, on the condition that such procedures and activities would be completed by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, since all procedures and activities based on the domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed as of August 26, 2020, the Tender Offeror told the Company on August 27, 2020 that it wanted to commence the Tender Offer on the Tender Offer Commencement Date, which would be September 2, 2020, on the condition that other Conditions Precedent set forth in “(2) Grounds and Reasons for the Opinion on the Tender Offer”, “A. Overview of the Tender Offer” below would be satisfied. On August 4, 2020, based on the progress of the procedures and activities based on the said domestic and foreign competition laws, the Company asked the special committee established by the Company to examine whether there are any changes in the opinion submitted to the Company’s board of directors on October 29, 2019 (“Opinion dated on October 29, 2019”), and to state to the Company’s board of directors that there are no changes if there is no change, or to state the opinions after the change if there are any changes, as stated in “C. Establishment of the Special Committee and Acquisition of an Opinion by the Company” in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.

As a result of confirmation with the Company of the factual relationship regarding whether or not any material change of situation that would influence the Transaction set forth in “(2) Grounds and Reasons for the Opinion on the Tender Offer”, “A. Overview of the Tender Offer” below occurred on and after October 30, 2019 and consideration of the above matters, the special committee confirmed that even taking into account the circumstances between October 30, 2019 and August 31, 2020, no circumstances could be found that require the opinions in the Opinion dated on October 29, 2019 to be changed, and on August 31, 2020, upon its unanimous resolution, submitted to the board of directors of the Company the Opinion dated August 31 (the “Opinion dated on August 31, 2020”), 2020, stating there were no changes to the above opinions. Accordingly, the Tender Offeror determined to commence the Tender Offer on September 1, 2020 since all Conditions Precedents set forth in “(2) Grounds and Reasons for the Opinion on the Tender Offer”, “A. Overview of the Tender Offer” below and conditions to commence the Tender Offer are satisfied. In response to this, the Company carefully reconsidered the various conditions regarding the Tender Offer by respecting to the maximum extent the opinions in the Opinion dated on August 31, 2020 submitted by the special committee, and as a result confirmed that between October 30, 2019 and September 1, 2020, no material changes that would require revision of various conditions regarding the Tender Offer could be seen on the business condition of the Company including influence of novel coronavirus (COVID-19) and the environment surrounding the Transactions set forth in “(2) Grounds and Reasons for the Opinion on the Tender Offer”, “A. Overview of the Tender Offer” below, and that no circumstances could be found that would cause a material impact to the Company’s calculation method of the share value, and also determined that as of today there were no factors that would change the decision as of October 30, 2019 regarding the Tender Offer. All six directors of the Company deliberated and unanimously passed a resolution again at the meeting of the board of directors held today that the board of directors would express its opinion to support the Tender Offer, and that it would recommend that the shareholders of the Company tender the Company Shares for the Tender Offer.

The above resolution of the Company's board of directors was made on the precondition that the Tender Offeror aims to make the Company its wholly-owned subsidiary through the Tender Offer and a series of subsequent procedures, and that the Company Shares are scheduled to be delisted.

The above resolution of the Company's board of directors has been made in accordance with the manner stated in "E. Approval by All of the Directors Without Interest and Unanimous Opinion of All of the Company Auditors of the Company" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below.

(2) Grounds and Reasons for the Opinion on the Tender Offer

A. Overview of the Tender Offer

As of today, the Tender Offeror owns 22,682,205 shares (ownership ratio: 34.86%) of the Company Shares listed on the First Section of the Tokyo Stock Exchange ("TSE"), and the Company is a Tender Offeror's equity-method affiliate.

As announced in a press release dated October 30, 2019, "Notice regarding the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation and Nissin Kogyo Co., Ltd." (the "Integration Press Release"), the Company, the Tender Offeror, Hitachi Automotive Systems, Ltd. ("Hitachi Automotive Systems"), Keihin Corporation ("Keihin"), Showa Corporation ("Showa"; collectively with the Company and Keihin, "Three Target Companies") and Hitachi, Ltd. ("Hitachi") entered into the basic contract regarding the management integration (the "Basic Contract") as of October 30, 2019 (the "Basic Contract Conclusion Date"), to conduct the management integration stated in the Integration Press Release (the "Integration") through implementation of the absorption-type merger in which Hitachi Automotive Systems (a wholly-owned subsidiary of Hitachi) will be the surviving company, and the Three Target Companies will be the disappearing companies (the "Absorption-type Merger") after making the Three Target Companies wholly-owned subsidiaries of the Tender Offeror. For details of the Basic Contract, please see "(7) Material agreements regarding the Tender Offer" below.

At the board of directors meeting of the Tender Offeror held on October 30, 2019, the Tender Offeror has determined to conduct the Tender Offer with the Company Shares being the target, where certain conditions precedent (I) such as obtaining permissions from authorities of relevant countries including notifications and permits from competition authorities of relevant countries pertaining to business combination and (II) the Company, pursuant to the Basic Contract, having resolved to support the Tender Offer and to recommend to its shareholders to tender their shares in the Tender Offer, having published the resolution, and not having changed the resolution or passed a contradictory resolution by its board of directors during the period from the date on which the Basic Contract is concluded to the date on which the Tender Offeror decides to commence the Tender Offer (the "Tender Offer Commencement Determination Date") (the "Conditions Precedent") are satisfied, to obtain all of the Company Shares (excluding, however, the Company Shares owned by the Tender Offeror and treasury shares owned by the Company; hereinafter the same shall apply), and to make the Company a wholly-owned subsidiary of the Tender Offeror, as part of the series of transactions for the Integration, pursuant to the Basic Contract. As a result of completion of the procedures and actions required under the competition law of Thailand on August 26, 2020, the Tender Offeror confirmed that all of the Conditions Precedent have been satisfied including obtaining permissions from authorities of relevant countries and the Tender Offer became ready to be commenced, it determined to commence the Tender Offer on September 1, 2020.

As announced in the “Notice regarding the Scheduled Commencement of the Tender Offer to Make Keihin a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation (Securities Code: 7274) and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” and the “Notice regarding the Scheduled Commencement of the Tender Offer to Make Showa Corporation a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation (Securities Code: 7274) and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” announced by the Tender Offeror on October 30, 2019 (collectively, the “Other Press Releases by Two Target Companies”), the Tender Offeror has also determined at the board of directors meeting of the Tender Offeror held on October 30, 2019 that similar to the Tender Offer, and pursuant to the Basic Contract, as part of a series of transactions for the Integration, respective common stocks of Keihin and Showa are to be obtained through the tender offer. Such tender offers (together with the Tender Offer, the “Three Target Companies Tender Offer”) were also scheduled to be conducted after satisfaction of certain conditions precedent such as obtaining permits and licenses, etc. from the respective countries’ relevant authorities including notifications or approvals for business combination to or by the respective countries’ competition authorities, and since, as a result of satisfaction of certain conditions precedent, the Tender Offeror confirmed the conditions to commence the tender offer for Keihin and Showa have also been fulfilled, the Tender Offeror determined to commence the tender offer for Keihin and Showa on September 1, 2020 (for details, please see “Notice regarding the Commencement of the Tender Offer to Make Keihin a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation (Securities Code: 7274) and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” and the “Notice regarding the Commencement of the Tender Offer to Make Showa Corporation a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation (Securities Code: 7274) and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” which were both announced by the Tender Offeror on September 1, 2020).

The Tender Offeror has set the minimum number of shares to be purchased as 20,691,495 shares (Note) (ownership ratio 31.80 %) in the Tender Offer; and if the total of the Company Shares tendered for the Tender Offer (the “Tendered Shares”) falls short of the minimum number of shares to be purchased, the Tender Offeror will purchase none of the Tendered Shares. On the other hand, as the Tender Offeror purports to make the Company its wholly-owned subsidiary through the Tender Offer, the maximum number of shares to be purchased has not been set; and if the total number of the Tendered Shares is the same as or more than the minimum number of shares to be purchased, purchase of all of the Tendered Shares will be conducted. The minimum number of shares to be purchased (20,691,495 shares) is set as the number obtained by the following formula: first, subtract from (a) the total number of issued shares as of June 30, 2020, stated in the Company’s First Quarterly Securities Report (65,452,413 shares), (b) the treasury shares owned by the Company as of June 30, 2020, as stated in the Company’s Financial Summary for the First Quarter of the Fiscal Year Ending in March 2021 (391,642 shares). This amounts to 65,060,501 shares, and the number of voting rights pertaining to such number of shares above (650,605 voting rights), is then multiplied by $\frac{2}{3}$ (433,737 voting rights) (rounded to the nearest whole number). Based on the number obtained by multiplying by 100 shares the share unit number of the Company, deduct the number of the Company Shares owned by the Tender Offeror today (22,682,205 shares).

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

Ltd.” announced by the Tender Offeror on October 30, 2019, stated the minimum number of shares to be purchased being 20,692,195 shares. However, as the treasury shares owned by the Company changed from 390,638 shares to 391,642 shares before June 30, 2020, the minimum number of shares to be purchased was also changed to 20,691,495 shares as a result of such change.

According to the Tender Offeror, as the Tender Offeror purports to make the Company its wholly-owned subsidiary, if the Tender Offeror cannot obtain all of the Company Shares through the Tender Offer after the completion of the Tender Offer, the Tender Offeror schedules to implement a series of procedures to make the Tender Offeror the sole shareholder of the Company (the “Transaction to Make the Company a Wholly-Owned Subsidiary”; collectively with the Tender Offer, the “Transactions”). Also, the Tender Offeror schedules to implement a series of procedures to make Keihin and Showa its wholly-owned subsidiaries through the same method as the Transaction to Make the Company a Wholly-Owned Subsidiary (collectively with the Transaction to Make the Company a Wholly-Owned Subsidiary, “Transaction to Make the Three Target Companies Wholly-Owned Subsidiaries”). The Tender Offeror schedules to implement the Absorption-type Merger after the completion of the Transaction to Make the Three Target Companies Wholly-Owned Subsidiaries. The effective date of the Absorption-type Merger is scheduled to be during the period between (i) around January to February, 2021, if all of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries will be conducted by the Demand for Cash-Out stated in “(5) Matters Relating to So-called “Two Step Acquisition”” below, or (ii) around February to March, 2021, if any of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries will be conducted by the Share Consolidation stated in “(5) Matters Relating to So-called “Two Step Acquisition”” below. For details, please see “C. Structure of the Integration” and “(5) Matters Relating to So-called “Two Step Acquisition”” below.

B. Background to, the purpose of, and decision-making process of, the Tender Offeror’s resolution to conduct the Tender Offer, and the management policy after the Tender Offer

According to the Tender Offeror, the Tender Offeror Group consists of the Tender Offeror, 357 consolidated subsidiaries and 73 equity-method affiliates including the Three Target Companies (collectively with the Tender Offeror, the “Tender Offeror Group”) as of March 31, 2020, and by business category, the Tender Offeror’s businesses consist of motorcycle business, automobile business, financial service business, life creation business (Note 1), and other businesses. The Tender Offeror began with the opening of Honda Technical Research Institute in Hamamatsu-city, Shizuoka Prefecture by Mr. Soichiro Honda in October 1946, and it was established as Honda Motor Co., Ltd. by succession of Honda Technical Research Institute in September 1948. Then, the Tender Offeror was listed on the TSE in December 1957, and it is listed on the TSE 1st Section as of today.

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

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

with all people including shareholders, and strive for enhancement of corporate value.

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

On the other hand, the Company was established in October 1953 for the purpose of manufacture of brake parts for motorcycles and automobiles. Thereafter, the Company Shares were listed on the TSE 2nd section in October 1997, and on the TSE 1st section in March 2002. As of today, the Company’s group is consisted of the Company, 18 subsidiaries and 3 affiliates of the Company (collectively with the Company, the “Company Group”), and engages in main businesses of manufacture and sale of brake systems and parts for motorcycles and automobiles.

The Company has its mission statement “Always stay ahead of changes in the world and provide superior products, technologies and ideas to meet the needs of customers and society,” and has a basic policy to provide products focused on needs of “environment” and “safety” at high quality and at low price based on this statement.

Under this basic policy, the Company promotes development of products, materials and manufacturing processes, etc. to contribute to the weight saving and enhancement of fuel efficiency technology and safety and comfort from global perspectives to respond to the realization of low-carbon society based on brake system for motorcycles and automobiles and aluminum products. In motorcycles, amidst the global spread of making loading of advanced brakes mandatory, combined brake system (CBS) that are low priced and light-weight (Note 2), and optimal anti-lock brake system (ABS) (Note 3) brake enhance ease of handling of completed vehicles, and loaded models are increasing. In automobiles, the Company contributes in reduction of environmental burden such as by expansion of application of brake caliper which are light-weight and with low drag torque (Note 4) and pads in response for copper regulations, and models applying electronic parking brake (EPB) (Note 5) are expanding in connection with electrification of automobiles. Also, in weight saving of automobiles utilizing advanced “aluminum casting/processing technology” to realize weight saving cultivated since establishment, the Company proceeds with commercialization of aluminum calipers (Note 6) and aluminum knuckles (Note 7), etc. and expansion thereof with material quality replacing iron with aluminum, which is rated highly by its customers.

(Note 2) Assistance device for brakes to enable balanced braking on front and rear wheels by causing braking power on other brakes when braking either the front wheel brake or rear wheel brake. CBS is an abbreviation for Combined Brake System.

(Note 3) Abbreviation of Anti-lock Brake System, and device to prevent tires from being locked (rotation suspension) upon abrupt braking. By preventing tires from being locked, it will be possible to maintain the stability of a vehicle’s running direction, and to enhance the possibility of avoiding obstacles by handle operation.

(Note 4) Normally, as friction components (brake pad) constantly make slight contact with disks (brake disks) that are fixed to the axle even during the running of vehicles, such contact will be resistance (drag resistance) and fuel costs deteriorate. However, low drag calipers enable a reduction in drag resistance by alienating the brake pad from the brake disk.

- (Note 5) Device which operates a parking brake by means of an electric motor. As well as enhancement of operability of the parking brake, to enhance convenience by realizing driving support functions such as hill start functions, so that automobiles can disengage the brake automatically when departing and do not roll backward while paused on slopes, and contribute to further enhancing automobile safety. EPB is an abbreviation for Electric Parking Brake.
- (Note 6) One of the component parts of brakes, and equipment to perform the role of pushing the friction component (brake pad) onto the disks (brake disks) fixed to the axle. By manufacturing it with aluminum, aim for weight saving and contribute to fuel efficiency.
- (Note 7) Parts to connect tires and component parts of brakes to the vehicle body. By manufacturing it with aluminum, aim for weight saving and contribute to fuel efficiency.

For the relationship between the Tender Offeror and the Company, they began transactions of automobile brake parts in 1963, and the Tender Offeror acquired 40,000 Company Shares by third-party allotment in June 1971 (the shareholding ratio at the time (the ratio against the total number of issued shares, including treasury shares; any fraction is rounded off to two decimal places; hereinafter the same in this paragraph): 10.00%), and additional Company Shares by shareholder allocation, as follows: 10,000 shares in August 1971; 10,000 shares in June 1973; 10,000 shares in June 1974; 10,000 shares in November 1975; and 10,000 shares in June 1976. As a result, the number of Company Shares held by the Tender Offeror was 90,000 in total (the shareholding ratio at the time: 10.00%). The Tender Offeror also acquired additional Company Shares as follows: 145,000 shares in December 1978 by third-party allotment; 5,000 shares in July 1980 from an existing shareholder; 80,000 shares in December 1981 by shareholder allotment; 54,050 shares in April 1989 from an existing shareholder; 40,150 shares in December 1989 from an existing shareholder; 184,298 shares in December 1989 (that became the Company's treasury shares as a result of an absorption-type merger of Nissin Muroga Seisakujo Co., Ltd. and Naoetsu Keikinzoku Kogyo Co., Ltd. into the Company); 200,000 shares in February 1991 by third-party allotment; and 240,000 shares in September 1991 from an existing shareholder. This increased the number of Company Shares held by the Tender Offeror to 1,038,498 shares (the shareholding ratio at the time: 47.42%). The Tender Offeror further acquired 4,153,992 Company Shares by a share split conducted in January 1994, which made its holding of Company Shares 5,192,490 shares (the shareholding ratio at the time 47.42%). The Tender Offeror transferred 65,000 and 87,000 Company Shares to third parties in March 1994 and March 1997, respectively, which reduced its holding of the Company Shares to 5,040,490 shares (the shareholding ratio at the time 43.27%). The Tender Offeror then acquired 2,520,245 and 15,121,470 Company Shares by share splits respectively conducted in May 2002 and April 2006. Since 2007, the Tender Offeror has owned 22,682,205 Company Shares, which results in the current ownership ratio (34.86%). The Company is an equity-method affiliate of the Tender Offeror now. In respect of the business, brakes manufactured by the Company are the main parts for motorcycle and automobiles, which are the main products of the Tender Offeror. Therefore, the Tender Offeror and the Company have established a close relationship with each other as an important business partner. No employees or officers of the Company are on secondment from the Tender Offeror.

In recent years, various stricter world-wide environmental regulations including CO₂ (carbon dioxide) emission regulations, activation of measures for safety enhancement and computerization to utilize data collected from automobiles, such as vehicle body control, in accordance with the surrounding environment as recognized by in-vehicle sensors and cameras, etc., and road infrastructure and communications with surrounding travelling vehicles, and diversification of market needs, etc. are intertwined in complex ways; and global mobility (Note 8) industry centered on automobiles itself is undergoing significant change. In order to respond to changes in the external environment, domestic and

foreign automobile components manufacturers proceed with alliances through business alliance, capital alliance and business acquisition, etc., and it is expected that the competition environment among the companies in the mobility industry will intensify further in the future.

(Note 8) Collective term for mobile function including motorcycles and automobiles.

In response to stricter environmental regulations, activation of measures for safety enhancement and computerization and diversification of market needs such as the above, the Tender Offeror focuses on responses to environment, safety, and computerization as duties of a mobility manufacturer, and aims to realize a carbon-free society and collision-free society, as well as actively engaging with the most important items, namely, the “introduction of electrification technology” and the “introduction of advanced safety technology” according to the Tender Offeror. However, next-generation technologies required for development of automobiles such as electrification technology to realize electric vehicles such as hybrid cars and electric vehicles, and advanced safety technology to realize a driving safety support system and automated driving system (Note 9) are undergoing sophistication, complexity, and diversification. The Tender Offeror believes that measures will be required which significantly exceed speed, and management resources of technology development and product development previously dealt with by automobile manufacturers alone. Also, according to the Tender Offeror, as new technologies not fully utilized in previous motorcycles and automobiles including information and system technology will be required in such next-generation technology areas, other competing companies are accelerating their efforts, such as entries into the market by various companies in different industries. Under such circumstances, in order to establish a superior position in advance of other companies, the Tender Offeror believes that the Tender Offeror Group is required to distribute management resources into relevant areas in a mobile, concentrated, and efficient manner.

(Note 9) Definition of Driving Safety Support System and Automated Driving System (source: December 7, 2016 “Trend Regarding Definition of Levels of Automated Driving and Future Responses (Draft)” National Strategy Office of Information and Communication Technology, Cabinet Secretariat).

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

In order to survive global competition, it is becoming increasingly important for automobile manufacturers to provide products at low cost; therefore, there is an urgent need to collaborate with automobile parts manufacturers, and to strengthen measures toward modularization of the development system (Note 10) and standardization of chassis and parts among several car models according to the Tender Offeror. Under such circumstances, in order to respond to increased needs for cost reduction and shift to overseas local production, etc. by automobile manufacturers, automobile parts manufacturers are required to lower costs through an economy of scale in connection with the increase in production volume, and construction of a timely supply system at global locations according to the Tender Offeror. In recent years, mega suppliers (Note 11) are expanding their sales volume. The Tender Offeror Group aimed for an optimal product supply system in conformity with market needs upon developing automobiles, and close collaboration took place among the Tender Offeror and parts manufacturers including the Three Target Companies for each area of individual parts. However, under the above circumstances, the Tender Offeror believes that in order to further develop a joint development system among the Tender Offeror and the parts manufacturers within the Tender Offeror Group, and to respond to modularization and parts standardization, it is necessary, in addition to structuring a comprehensive development system with the suppliers owning a vast array of technologies from conventional technology (Note 12) such as machinery and parts to electrification and information technology, to establish an optimal supply chain for the entire Tender Offeror Group. Also, in order to realize a reduction in procurement and production costs in connection with the increase in parts production volume, the Tender Offeror Group believes it is an issue for the Three Target Companies to further strengthen the sales to automobile manufacturers other than the Tender Offeror.

(Note 10) To have a standardized parts structure applicable to other car models upon development of new cars.

(Note 11) Common name for companies with large sales volumes supplying parts to major automobile manufacturers globally.

(Note 12) Technology used for existing components.

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

Under these business conditions, the Tender Offeror has sought a cooperative business relationship with Hitachi Automotive Systems, a wholly-owned subsidiary of Hitachi that provides motors for electric vehicles to domestic and foreign automobile manufacturers, for which it promotes miniaturizing, weight saving, and higher output. More specifically, the Tender Offeror entered into a joint venture agreement with Hitachi Automotive Systems on March 24, 2017, and established Hitachi Automotive Electric Motor Systems, Ltd., whose business is development, manufacture, and sale of motors for electric

vehicles, on July 3, 2017 as a joint venture. The Tender Offeror aims to establish systems that can respond to a globally expanding demand for motors for electric vehicles by each automobile manufacturer, by drawing together the technologies of Hitachi Automotive Systems and the Tender Offeror and proceeding with joint research and development of motors that are core parts for electric vehicles at the joint venture. In addition, while the Tender Offeror is currently engaged in joint research and development with the Three Target Companies and Hitachi Automotive Systems in next-generation technology areas, such as electrification technology and advanced safety systems, it sees the necessity to extend such joint development further in order for the Tender Offeror Group to acquire a dominant position before other companies in those areas where competitors are making large and speedy research and development investments. Particularly, the motorcycle business is also anticipated to require developing next-generation technologies such as electrification technology to realize electric vehicles such as hybrid cars and electric vehicles, and advanced safety technology to realize a driving safety support system and automated driving system. The Tender Offeror therefore expects to be able to acquire a dominant position before other companies and realize superior competitiveness as a motorcycle parts manufacturer if the Three Target Companies utilize, for motorcycle development, Hitachi Automotive Systems' next-generation technologies, such as electrification technology and advanced safety systems for automobiles.

According to the Tender Offeror, as the business environment evolves drastically, the Tender Offeror has come to believe that it is necessary to realize supplying high value-added and cost-competitive products to ensure sustainable growth and enhance the profitability of the Tender Offeror Group, including the Three Target Companies. This will be attained by: promptly establishing competitive technologies (a winning edge) that may be difficult for the Tender Offeror Group (including the Three Target Companies) to obtain alone in next-generation technology areas (such as electrification and automatic driving) by drawing together the technologies of the Tender Offeror, the Company (which possesses superior brake system technology), Keihin (which possesses superior powertrain technology), Showa (which possesses superior suspension and steering technology), and Hitachi Automotive Systems (which possesses superior technology in each of powertrain, chassis, and safety systems), and by building a robust joint research and development structure; and creating an efficient development and production structure in conventional technology areas.

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

Considering the above factors, the Tender Offeror appointed Nomura Securities Co., Ltd. ("Nomura Securities") as a financial advisor and third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, and Nishimura & Asahi as a legal advisor independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, and started initial consideration and discussions regarding the Integration,

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

On the other hand, upon receipt of the Proposal from the Tender Offeror in late May 2019, the Company appointed Deloitte Tohmatsu Financial Advisory LLC (“Deloitte Tohmatsu Financial Advisory”) as a financial advisor and third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems and Hitachi, and Anderson Mori & Tomotsune as a legal advisor independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems and Hitachi, in order to ensure the fairness of the Tender Offer Price and other terms of the Transactions. The Company also established a special committee on July 24, 2019, as an advisory body for its board of directors to consider the Proposal.

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

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

confirmed satisfaction of the Conditions Precedent and determined to commence the Tender Offer from September 2, 2020.

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

Thereafter, although it took some time to complete procedures and activities required for commencement of the Tender Offer based on the domestic and foreign competition laws because such procedures and activities were required to be completed in many countries and regions, the related parties are six companies, and the competition authorities’ examinations required a long time in some of these countries due to the influence of the novel coronavirus (COVID-19), according to the Tender Offeror, all procedures and activities based on the domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were expected to be completed as of July 30, 2020; therefore, the Tender Offeror requested the Company to commence preparation for deciding commencement of the Tender Offer on August 18, 2020, on the condition that such procedures and activities would be completed by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, as it has completed all the procedures and actions required under domestic and foreign competition laws for commencement of the Tender Offer on August 26, 2020, it notified the Company on August 27, 2020, of its intention to commence the Tender Offer on September 2, 2020 as the Tender Offer Commencement Date on the condition that the other Conditions Precedent are satisfied. Based on the progress of the above-mentioned procedures and actions required under the domestic and foreign competition laws, the Tender Offeror requested, on August 4, 2020, the special committee established by the Company to examine whether there is any change or not in the Opinion dated on October 29, 2019 and to notify the Company’s board of directors that there is no change if so or express changed opinion if there is any change in accordance with “C. Establishment of the Special Committee and Acquisition of an Opinion by the Company” in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.

As a result of examination of the submitted issues above, the special committee confirmed with the Company of the factual relationship regarding whether or not any material change of situation that would influence the Transaction occurred on and after October 30, 2019 and confirmed that there is no reason to change the Opinion dated on October 29, 2019 even with circumstances on and after October 30, 2019 until August 31, 2020 taken into account and submitted to the Company’s board of directors, on August 31, 2020, an Opinion dated on August 31, 2020 notifying it of no change in the Opinion dated on October 29, 2019 by a resolution with the unanimous agreement. Accordingly, the Tender Offeror determined to commence the Tender Offer on September 1, 2020 since the Tender Offeror confirmed that all Conditions Precedent have been satisfied. As a result of careful examination of the terms and conditions of the Tender Offer while fully respecting the Opinion dated on August 31, 2020 submitted by the special committee, the Company also confirmed that there has been no material change that would require revision of various conditions regarding the Tender Offer in the business condition of the Company and

environment surrounding the Transaction including influence of novel coronavirus (COVID-19) on and after October 30, 2019 until September 1, 2020 and that there has been no circumstance which has a material impact on valuation of the Company's Shares, and the Company determined that there is no factor as of today which requires a change of the judgment on the Tender Offer on October 30, 2019. At a board of directors meeting held today where all the six directors participated, the Company resolved, with the unanimous agreement, that the Company would express its opinion in favor of the Tender Offer and would recommend to its shareholders to tender their shares in the Tender Offer.

The above resolution of the Company's board of directors was made on the precondition that the Tender Offeror aims to make the Company its wholly-owned subsidiary through the Tender Offer and a series of subsequent procedures, and that the Company Shares are scheduled to be delisted.

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

- (i) Streamlining development and production structure and enhancing development of the next-generation technology

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

- (ii) Reducing procurement and production costs through increased component sales to automobile manufacturers other than the Tender Offeror

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

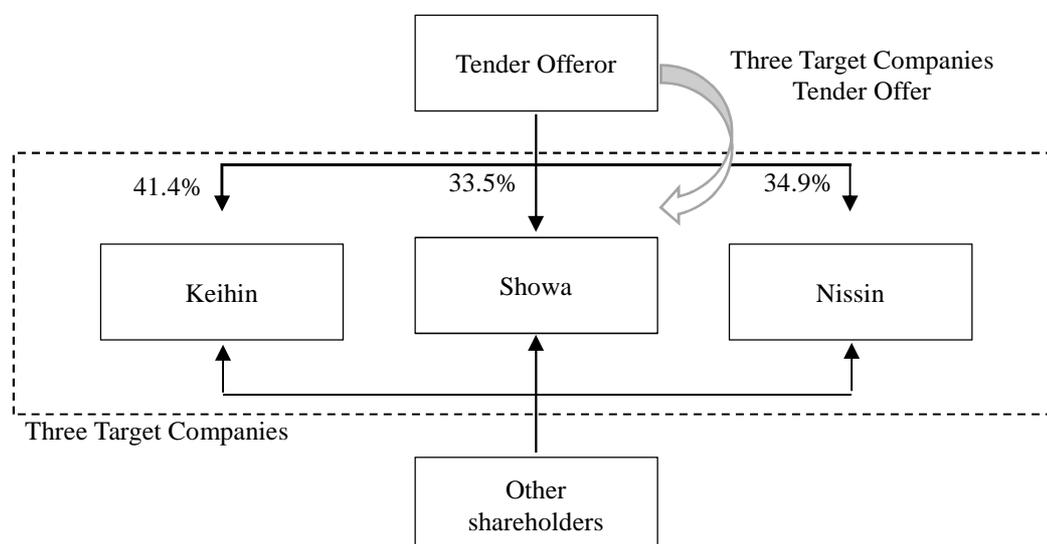
C. Structure of the Integration

According to the "Notice regarding the Commencement of the Tender Offer to Make Nissin Kogyo Co., Ltd. (Securities Code: 7230) a Wholly-Owned Subsidiary in connection with the Management Integration of

Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd.” announced by the Tender Offeror today (“Tender Offeror’s Press Release”), the structure of the Integration is as stated below.

(i) Implementation of the Three Target Companies Tender Offer by the Tender Offeror

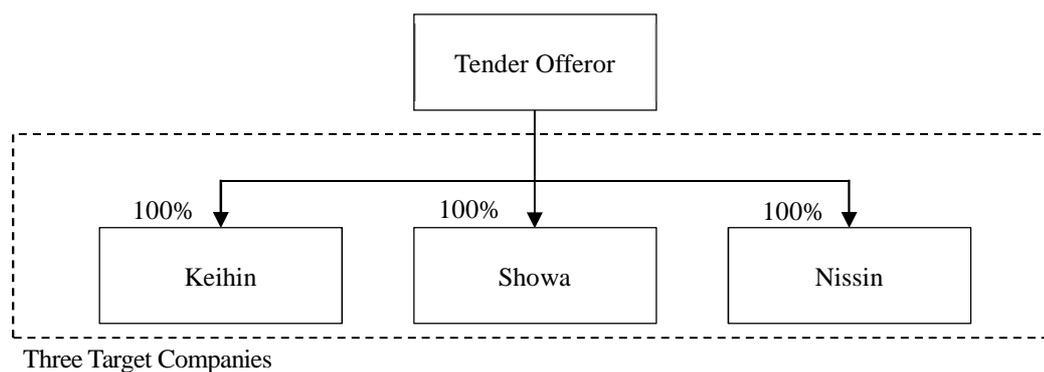
According to the Tender Offeror’s Press Release, subject to the Conditions Precedent to the commencement that certain matters such as obtaining permits and licenses, etc. from the respective countries’ relevant authorities, such as notifications or approvals for business combination to or by the respective countries’ competition authorities (for details, please see “(7) Material Agreements Regarding the Tender Offer” below and the Other Press Releases by Two Target Companies), are satisfied, the Tender Offeror planned to implement the Three Target Companies Tender Offer, respectively. Recently, those particular matters have been satisfied, and thus the Three Target Companies Tender Offer will be implemented from September 2, 2020.



(Note) According to the Tender Offeror’s Press Release, percentage (%) in the above chart indicates the ratio of voting rights held by the relevant shareholders to voting rights held by all shareholders; the same shall apply in this section.

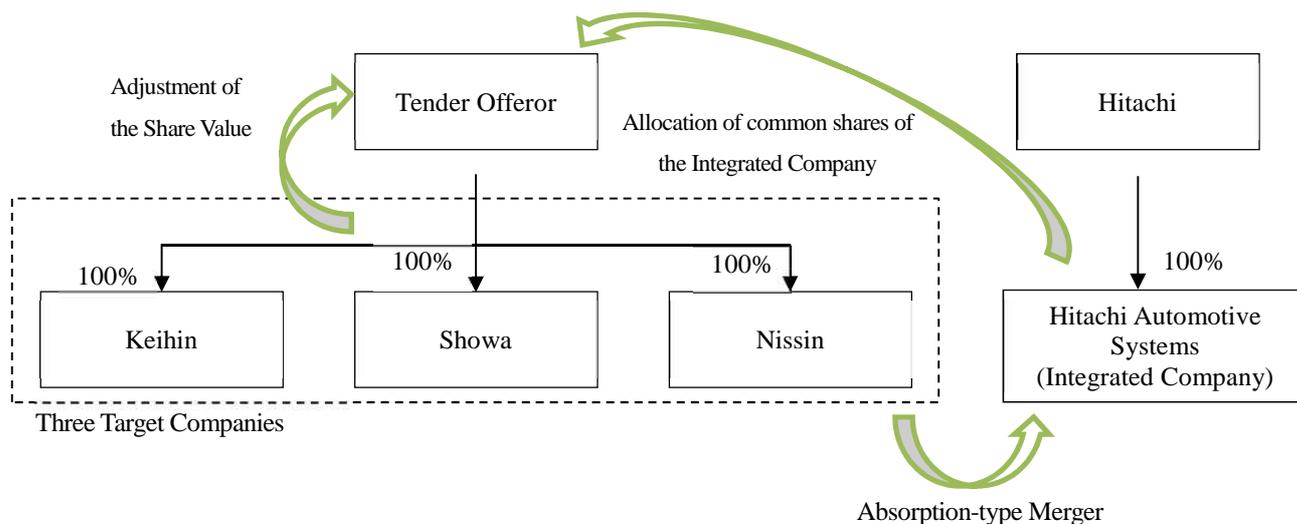
(ii) Implementation of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries by the Tender Offeror

According to the Tender Offeror’s Press Release, if the respective Three Target Companies Tender Offer is successfully completed, but the Tender Offeror fails to acquire all of the common shares of the Three Target Companies through the Three Target Companies Tender Offer, a series of procedures to make the Tender Offeror the only shareholder of the Three Target Companies will be implemented. For details of the Transaction to Make the Company a Wholly-Owned Subsidiary, please see “(5) Matters Relating to So-called “Two Step Acquisition”” below. For Keihin and Showa, the Transaction to Make the Three Target Companies Wholly-Owned Subsidiaries, which is a series of procedures will be also implemented to make them wholly-owned subsidiaries of the Tender Offeror through the same method as in the Transaction to Make the Company a Wholly-Owned Subsidiary.



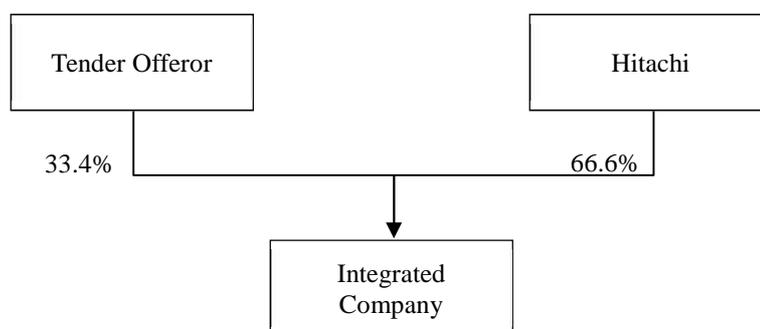
(iii) Implementation of the Absorption-type Merger

According to the Tender Offeror’s Press Release, after the completion of the Three Target Companies Tender Offer stated in (i) above and the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries stated in (ii) above, the Absorption-type Merger between Hitachi Automotive Systems (a wholly-owned subsidiary of Hitachi) as the surviving company, and the Three Target Companies as the disappearing companies will be implemented. As stated in “(7) Material Agreements regarding the Tender Offer” below, the Tender Offeror and Hitachi have agreed in the Basic Contract that in the Absorption-type Merger, common shares of the Integrated Company will be allotted to the Tender Offeror as the consideration for merger, in a merger ratio where the number of voting rights of the Integrated Company held by the Tender Offeror will account for 33.4% of the number of the voting rights held by all shareholders of the Integrated Company. If any of the tender offers targeting the Three Target Companies is not successfully completed, or if a substantial delay is expected in making any one or two companies among the Three Target Companies wholly-owned subsidiaries, Hitachi and the Tender Offeror is planning to conduct the Absorption-type Merger between Hitachi Automotive Systems and the company(ies) among the Three Target Companies that has successfully become wholly-owned subsidiary(ies) of the Tender Offeror. Furthermore, the ratio of the total share value of the Three Target Companies as of the effective time of the Absorption-type Merger to Hitachi Automotive Systems’ share value does not necessarily correspond to the above merger ratio. Given the above, sometime between completion of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries and the effective time of the Absorption-type Merger, in order to have the ratio of the total share value of the Three Target Companies to Hitachi Automotive Systems’ share value correspond to the above merger ratio, adjustment of the Three Target Companies’ share value by the Three Target Companies obtaining treasury shares will be implemented. The effective date of the Absorption-type Merger is scheduled to be during the period between (i) around January to February, 2021, if all of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries will be conducted by the Demand for Cash-Out stated in “(5) Matters Relating to So-called “Two Step Acquisition”” below, or (ii) around February to March, 2021, if any of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries will be conducted by the Share Consolidation stated in “(5) Matters Relating to So-called “Two Step Acquisition”” below.



(iv) After Completion of the Integration

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



D. Business Restructuring associated with the Integration

According to the Tender Offeror’s Press Release, Keihin’s air conditioning business is different from businesses in the Integrated Company, the business will be transferred to a third party by the effective time of the Absorption-type Merger. According to the “Notice of Position Statement regarding the Commencement of the Tender Offer for the Company’s Shares by Honda Motor Co., Ltd., an Affiliate, for the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” announced on September 1, 2020 by Keihin, as announced by Keihin in the “Notice of Memorandum on Conclusion Concerning Cooperation in Air Conditioning Business” on March 24, 2020, Keihin concluded a memorandum of understanding regarding its air conditioning business in Japan, South East Asia, and North America (the “Business to Be Transferred”),

and as announced by Keihin in the “Notice of Transfer of Equity Interests in Our Consolidated Subsidiary (Second-tier Subsidiary)” on June 4, 2020, Keihin agreed to transfer all of its equity interests, which account for approximately 55% of the total ownership, in Keihin-Grand Ocean Thermal Technology, a Chinese consolidated subsidiary (second-tier subsidiary) of Keihin Thermal Technology Corporation (“KTT”), a wholly-owned subsidiary of Keihin, to a third party. Among these, regarding the Business to Be Transferred, on August 4, 2020, Keihin received a legally non-binding proposal that the business value of the Business to Be Transferred was evaluated as being the memorandum value, subject to the following primary conditions: (i) the Tender Offeror shall conclude a certain agreement to support the Business to Be Transferred as a customer after completion of transfer of the Business to Be Transferred; (ii) the reorganization of the Business to Be Transferred shall be conducted at Keihin’s expense; (iii) Keihin shall contribute additional funds, amounting to approximately 6.2 billion yen (calculated at the time of the proposal), to KTT as a business operation fund; and (iv) various risks related to the Business to Be Transferred shall be borne by Keihin. Upon receiving this proposal, Keihin intends to continue discussions with the Tender Offeror toward the conclusion of a definitive agreement.

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

In addition, as described in “F. Decision-Making Process and Reason Behind the Company’s Support of the Tender Offer”, the Tender Offeror and the Company have entered into a share purchase agreement dated October 30, 2019 with Veoneer AB, the wholly-owned subsidiary of Veoneer, Inc. (formally a joint venture partner of the Company) (“Veoneer”), where the Tender Offeror and the Company will jointly acquire all shares of Veoneer Nissin Brake Systems Japan Co., Ltd. (trade name changed to “Nissin Brake Systems Co., Ltd.” on February 3, 2020; “NBSJ”) and Veoneer Nissin Brake Systems (Zhongshan) Co., Ltd. (trade name changed to “Nissin Brake Systems Zhongshan Co., Ltd.” on February 3, 2020; “NBSZ”) which are held by Veoneer AB, and the Tender Offeror and the Company jointly acquired all shares of NBSJ and NBSZ held by Veoneer AB on February 3, 2020. Given the strict environmental regulations on exhaust gas and fuel consumption as well as the growing demand for electric and hybrid vehicles capable of driving long distances in recent years, the market for regenerative brakes, which are the core products of NBSJ and NBSZ, is expected to continue to expand in the future. With this in mind, the Company and the Tender Offeror made careful consideration from the viewpoint of enhancing the corporate value of the entire Tender Offeror Group, including the Company, and as a result, decided that it would be appropriate to jointly purchase all shares of NBSJ and NBSZ. For details, please see the Press Release dated October 30, 2019 “Notice Regarding Dissolution of Joint Venture Companies (Equity Method Affiliates) and Share Acquisition (Making Such Companies Subsidiaries)” and the Press Release dated January 31, 2020 “Notice Regarding Date of Execution of Share Purchase of Joint Venture Companies”. When considering the Tender Offer Price, the Company considered the impact of the acquisition of NBSJ shares and NBSZ shares from Veoneer AB (the Company’s total acquisition value: 9,403 million Japanese yen, which is an amount based on the exchange rate as of October 29, 2019).

E. Management Policies after the Tender Offer

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

The Tender Offeror, the Three Target Companies, Hitachi Automotive Systems and Hitachi (collectively, “All Parties”) have discussed the details of specific management policies for the Integrated Company after the Integration, aiming to establish a structure maximizing the synergy effect as the Tender Offeror Group through the Integration. Until today, All Parties have considered, through the integration preparation committee and other considerations and discussions regarding the Integration, the Integrated Company’s company policies, officer structure, and organizational form, in relation to specific matters regarding the operation of the Integrated Company, from the viewpoint of maximizing the Integrated Company’s corporate value.

F. Decision-Making Process and Reason Behind the Company’s Support of the Tender Offer

In late May 2019, the Company received the Proposal from the Tender Offeror and after taking each of the measures set forth in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below and taking into consideration the content of the share valuation report it obtained from the third-party valuation institution Deloitte Tohmatsu Financial Advisory who is its financial advisor (the “Share Valuation Report”) and the legal advice it received from Anderson Mori & Tomotsune who is its legal adviser, and also giving utmost deference to the content of the Opinion dated on October 29, 2019 that was submitted by the special committee established on July 24, 2019 as the advisory body of the Company for consideration of proposal concerning the Transaction (for the member structure and other details on the commissioned matters, please see “C. Establishment of the Special Committee and Acquisition of an Opinion by the Company” in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below), it engaged in thorough discussion and review of the terms and conditions of the Transaction from the viewpoint of enhancing its corporate value as explained below.

As a result, the Company arrived at the conclusion that the Integration including the Transaction would be beneficial to the enhancement of its corporate value.

The business environment surrounding the Company will be significantly affected by trends in the four-wheel vehicle and two-wheel vehicle industries. In recent years, while the sales volume in developed countries remains flat, against the backdrop of catering to the demand for next-generation technology required in the development of completed vehicles such as electrification technology and the advanced safety technology that enables realization of the safe driving support system, the self-driving system and the like, the functions that are expected in automobile parts are becoming increasingly sophisticated, complex and diverse. As such, the Company believes that it must take steps that would enable it to go far beyond the previous speed and management resources of conventional technology development and product development. Furthermore,

because these areas of next-generation technologies require new technology such as information system technology that had not been fully utilized in existing two-wheel vehicles and four-wheel vehicles, various companies from different industries are entering the market and competitors are accelerating their efforts. Additionally, in the two-wheel vehicle industry, where market growth is led by the demand in developing countries mainly in Asia, the mandatory installation of advanced brakes is spreading worldwide and in order to win out the global competition in the growth market where competition is escalating, the Company must quickly respond to the diversifying market needs and provide cost-competitive products in a timely manner. While the Company is conducting a variety of research and development in order to respond to these new customer needs and technological innovations, the Company is also aware that the human and physical resources of the Company alone will inevitably limit its response. Moreover, in order to survive the global competition among suppliers, the Company believes that it is essential to establish at an early stage competitive technologies that would be difficult for the Company to achieve alone, and build an efficient development and production system in conventional technology areas such as machine parts and realize the supply of high-value-added and cost-competitive products.

Under such circumstances, in order for the Company to continue to achieve sustainable growth, by becoming a wholly-owned subsidiary of the Tender Offeror and realizing the Integration, the above-mentioned challenges that would be difficult for the Company to solve alone will become solvable through flexible and quick decision-making and the Company believes that the emergence of the synergies in (i) and (ii) below as set forth in “B. Background to, the purpose of, and decision-making process of, the Tender Offeror’s resolution to conduct the Tender Offer, and the management policy after the Tender Offer” above will become more effectively realizable. As a result, the Tender Offeror Group, including the Company, expects that the competitiveness and revenue base of its business will be further strengthened and it is possible to enhance its corporate value.

- (i) Streamlining development and production structure and enhancing development of the next-generation technology

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

- (ii) Reducing procurement and production costs through increased component sales to automobile manufacturers other than the Tender Offeror

Based on the industry’s latest technologies in a wide range of areas from conventional technologies such as machine components to electrification and information technologies, the Integrated Company will be able to establish a comprehensive development structure with automobile manufacturers and, as one of the global mega suppliers, to expand its sales to automobile

manufacturers other than the Tender Offeror. With the increase in component production resulting from the above, the Integrated Company will be able to reduce procurement and production costs through the scale effect and thus expects to realize excellent profitability and competitiveness based on the international competitive advantage.

Since becoming a joint venture partner with Veoneer in April 2016, the Company has operated a joint venture business for the development, design, manufacture and sales of the brake control (mechatronics) system (Note 1) and the brake apply (sprung mass) system (Note 2) for four-wheel vehicles and related parts (“NBS Business”). Amidst such circumstances, in June 2019, as a result of discussions between the Company and Veoneer regarding further growth of the NBS Business’s North American business and in order to optimize the business strategies of both companies concerning the NBS Business’s North American business, all shares owned by the Company of VEONEER NISSIN BRAKE SYSTEMS AMERICA LLC (“VNBA”), which is the American joint venture company of the NBS Business (49.0% of the total number of issued shares), were transferred to Veoneer Roadscape Automotive, Inc. which is a wholly-owned subsidiary of Veoneer which leads the North American business of the NBS Business.

On the other hand, the main products of the NBS Business’s Japanese joint venture company NBSJ, and Chinese joint venture company NBSZ are regenerative brakes for four-wheel vehicles. Regenerative brakes, which are used in electric and hybrid vehicles, convert kinetic energy into electrical energy by turning a generator during braking and store it in the batteries. They play a role in improving vehicle fuel efficiency and reducing greenhouse gas emissions to below specified levels. Given the strict environmental regulations on exhaust gas and fuel consumption as well as the growing demand for electric and hybrid vehicles capable of driving long distances in recent years, the market for regenerative brakes is expected to continue to expand in the future.

Under such circumstances, considering that the Tender Offeror receives regenerative brakes from NBSJ and NBSZ, based on careful consideration by the Company and the Tender Offeror from the viewpoint of enhancing the corporate value of the entire Tender Offeror Group, including the Company, it was decided that it would be appropriate to dissolve the joint venture between the Company and Veoneer in the NBS Business and jointly purchase all shares of NBSJ and NBSZ owned by Veoneer AB, which is a wholly-owned subsidiary of Veoneer by the Company and the Tender Offeror. As of October 30, 2019, the Company, the Tender Offeror and Veoneer AB have entered into share transfer agreements to the effect that with respect to all shares of NBSJ and all shares of NBSZ held by Veoneer AB (51.0% of the total number of issued shares, respectively), the Company will acquire 25.0% of the total number of issued shares of NBSJ and NBSZ respectively and the Tender Offeror will acquire 26.0% of the total number of issued shares of NBSJ and NBSZ respectively. On February 3, 2020, the Tender Offeror and the Company jointly acquired all shares of NBSJ and NBSZ held by Veoneer AB. For details, please see the Press Release dated October 30, 2019 “Notice Regarding Dissolution of Joint Venture Companies (Equity Method Affiliates) and Share Acquisition (Making Such Companies Subsidiaries)” and the Press Release dated January 31, 2020 “Notice Regarding Date of Execution of Share Purchase of Joint Venture Companies”.

(Note 1) A brake control system using electricity (mechatronics is compound word consisting of mechanics (mechanical engineering) and electronics (electronic engineering)). The regeneration of energy is realized by not only mechanically controlling the brakes using friction material (brake pads), but also electronically controlling them which contributes to improving fuel efficiency.

(Note 2) A part of the brake. Because it is installed on a spring (suspension) of a four-wheeled vehicle, it is called a sprung mass. By controlling the ratio of mechanical control to electronic control, it

contributes to improving fuel efficiency together with the brake control (mechatronics) system.

The Company and the Tender Offeror have discussed and negotiated the purchase price per Company Share in the Tender Offer on several occasions. In the course of the discussions and negotiations, the Company received from the Tender Offeror a proposal of 1,790 yen per share for the Tender Offer Price on October 4, 2019. After examining this proposal by considering the past share price movements of the Company, the premium level of the past tender offers aimed at going private, and the results of the trial calculation concerning the value of the Company Share based on advice from Deloitte Tohmatsu Financial Advisory, the Company concluded that it is desirable to increase the Tender Offer Price and accordingly requested the Tender Offeror to reconsider the Tender Offer Price and continued the discussion and negotiation with the Tender Offeror on October 9, 2019, October 22, 2019, October 23, 2019, October 24, 2019 and October 28, 2019. In the course of these negotiations, the Company received from the Tender Offeror a proposal of 2,250 yen per share for the Tender Offer Price. The Company then carefully considered and evaluated it in accord with the advice from Deloitte Tohmatsu Financial Advisory and also discussed with the special committee, whereby concluding that the Tender Offer Price carries a reasonable premium for the shareholders of the Company. In particular, (i) the Tender Offer Price is higher than the range of the valuation results based on market price analysis and within the range of the valuation results based on comparable peer company analysis and discounted cash flow analysis (the “DCF Analysis”) in Deloitte Tohmatsu Financial Advisory’s valuation results as set forth in “B. Overview of Calculation” of “(3) Matters Concerning Calculation” below; (ii) the Tender Offer Price represents a premium of 25.49% to 1,793 yen, which is the closing price of Company Shares on the First Section of the TSE on October 29, 2019 (rounded off to two decimal places; the same method was applied to the calculation of premiums (%)), the Business Day before the announcement of the scheduled commencement of the Tender Offer, a premium of 43.13% to 1,572 yen, which is the simple average closing price for the past one month preceding the same day (from September 30, 2019 through October 29, 2019) (rounded to the nearest Japanese yen; the same method was applied to the calculation of the simple average of the closing price), a premium of 53.48% to 1,466 yen, which is the simple average closing price for the past three months preceding the same day (from July 30, 2019 through October 29, 2019), and a premium of 54.32% to 1,458 yen, which is the simple average closing price for the past six months preceding the same day (from May 7, 2019 through October 29, 2019), and so is considered to include a substantial premium compared to the premium level in other tender offer cases which aim at 100% acquisition; (iii) in the determination of the Tender Offer Price, the measures to ensure the fairness of the Tender Offer Price as set forth in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below have been adopted, and accordingly, the determination is deemed to show consideration for minority shareholders; and (iv) the Tender Offer Price was proposed as a result of adopting the above-described measures for elimination of conflicts of interest and then conducting, between the Company and the Tender Offeror, discussions and negotiations that are equivalent to those held for transactions between independent parties. In view of these and other facts, the Company board of directors determined that the Tender Offer will provide the Company shareholders with a reasonable opportunity to sell shares at a price with a substantial premium.

In consideration of the foregoing, at a board of directors meeting held on October 30, 2019 where all the eight directors participated, the Company resolved, with the unanimous agreement, that if the Tender Offer is started, the Company will express its opinion in favor of the Tender Offer and recommend to its shareholders to tender their shares in the Tender Offer, as its opinion as of October 30, 2019. All the four Company auditors participated in the above meeting and stated their opinion that they do not object to the Company board’s resolution above.

According to the Tender Offeror, the Tender Offer was planned to be promptly commenced upon a satisfaction

of the Conditions Precedent. However, it is difficult to accurately estimate a period of time required for obtaining permissions for notifications regarding the business combination from competition authorities of the relevant countries and permissions from concerned authorities of the relevant countries. Therefore, at the meeting of the above board of directors, it was also resolved that the Company will ask the special committee established by the Company before the commencement of the Tender Offer to examine whether there are any changes in the Opinion dated on October 29, 2019 and to state to the Company's board of directors that there are no changes if there is no change, or to submit its opinion after the change if there are any changes, and to express its opinion regarding the Tender Offer again, based on that opinion, when the Tender Offer commences.

Subsequently, according to the Tender Offeror, since all procedures and activities based on the domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were expected to be completed as of July 30, 2020, the Tender Offeror requested the Company to commence preparation for deciding commencement of the Tender Offer on August 18, 2020, on the condition that such procedures and activities would be completed by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, since all procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed as of August 26, 2020, the Tender Offeror told the Company on August 27, 2020, that it wants to commence the Tender Offer on September 2, 2020, on the premise that other Conditions Precedent would be satisfied. On August 4, 2020, considering the progress in the procedures and activities based on domestic and foreign competition laws as mentioned above, the Company asked the special committee established by the Company to examine whether there are any changes in the Opinion dated on October 29, 2019, and to state to the Company's board of directors that there are no changes if there is no change, or to submit its opinion after the change if there are any changes as stated in "C. Establishment of the Special Committee and Acquisition of an Opinion by the Company" of "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below.

As a result of consideration of the above matters, the special committee confirmed with the Company of the factual relationship regarding whether or not any material change of situation that would influence the Transaction occurred on and after October 30, 2019 and confirmed that in view of the circumstances between October 30, 2019 and August 31, 2020, no circumstances can be found that require the content of the Opinion dated on October 29, 2019 be changed, and on August 31, 2020, upon its unanimous resolution, submitted to the board of directors of the Company the Opinion dated on August 31, 2020, stating there were no changes to the above opinions. Separately, the Tender Offeror determined to commence the Tender Offer on September 1, 2020 since the Tender Offeror confirmed that all Conditions Precedent have been satisfied. The Company carefully reviewed the various conditions regarding the Tender Offer by respecting to the maximum extent the content of the Opinion dated on August 31, 2020 submitted by the special committee. As a result, the Company confirmed that there were no material changes to the business condition of the Company that would require revision of various conditions regarding the Tender Offer or the environment surrounding the Transactions including influence of novel coronavirus (COVID-19), and that no circumstances occurred that would cause an important impact to the calculation method of the share value of the Company between October 30, 2019 and September 1, 2020, and concluded that there were no factors as of today that would change the decision of the Company as of October 30, 2019 regarding the Tender Offer.

Accordingly, at the meeting of the board of directors held today, all six directors of the Company deliberated

and unanimously passed a resolution that the board of directors would once again express its opinion to support the Tender Offer and that it would recommend the shareholders of the Company to tender the Company Shares for the Tender Offer. The meeting of the board of directors was attended by all four company auditors of the Company, who all expressed the opinion that they would not object to the board of directors of the Company passing the resolution.

Finally, among the directors of the Company, Mr. Yasushi Kawaguchi had been an employee of the Tender Offeror until March 2018, Mr. Kazuya Sato until March 2013 and Mr. Aiji Yamanaka until March 2018, but all of them transferred to the Company at the above-mentioned timing, and they do not concurrently serve as officers or employees of the Tender Offeror or are in the position to receive instructions from the Tender Offeror as the management of the Company. Therefore, as of October 30, 2019 and of today, there is no conflict of interest or potential conflict of interest between the Company and them.

The above resolution of the Company's board of directors has been made in accordance with the manner stated in "E. Approval by All of the Directors Without Interest and Unanimous Opinion of All of the Company Auditors of the Company" in "(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below.

(3) Matters Concerning Calculation

A. Name of Valuation Institution and its Relationship with the Tender Offeror, Three Target Companies, Hitachi Automotive Systems, and Hitachi

The Company requested a financial advisor, Deloitte Tohmatsu Financial Advisory, as a third-party valuation institution independent from the Tender Offeror, Three Target Companies, Hitachi Automotive Systems, and Hitachi to evaluate the value of the Company Shares in order to eliminate arbitrariness in the Company's process of determining the Tender Offer Price indicated by the Tender Offeror and to ensure fairness of the Tender Offer Price. The Company subsequently received the Share Valuation Report on October 29, 2019. Please note that Deloitte Tohmatsu Financial Advisory does not constitute a related party of the Tender Offeror, Three Target Companies, Hitachi Automotive Systems, and Hitachi and does not have any material interests in relation to the Integration including the Tender Offer.

Based on a request from the Company, Deloitte Tohmatsu Financial Advisory has received information on the current situation of the Company's business, future business plans, etc. as well as explanations regarding these matters, and calculated the value of the Company Shares based on these information. The Company has not received a written opinion regarding the fairness of the Tender Offer Price (a Fairness Opinion) from Deloitte Tohmatsu Financial Advisory.

B. Overview of Calculation

After considering the methods that should be adopted to calculate the value of the Company Shares among various share value calculation methods available, and assuming that the Company is a going concern and based on a judgment that it is appropriate to evaluate the value of the Company Shares from various perspectives, Deloitte Tohmatsu Financial Advisory evaluated the value of the Company Shares by using (i) market price analysis, considering that the Company Shares are listed on the First Section of the TSE and thus a market share price is available, (ii) comparable peer company analysis, considering that there are several listed companies that are engaged in business that is relatively similar to the Company's and thus a share value can be obtained analogically by comparing with similar companies, and (iii) DCF Analysis, in order to reflect future business activities into the valuation. The ranges of the share value per Company Share calculated based upon each of the methods set out above are as follows:

Market price analysis: 1,458 yen – 1,793 yen

Comparable peer company analysis: 1,959 yen – 2,457 yen

DCF Analysis: 1,987 yen – 2,492 yen

The market price analysis evaluates the range of the share value per Company Share to be 1,458 to 1,793 yen, based on 1,793 yen of the closing price of the Company Shares on the First Section of the Tokyo Stock Exchange as of the base date, with the base calculation date being October 29, 2019, which is the business day immediately preceding the date of the announcement of the scheduled commencement of the Tender Offer, 1,572 yen of the simple average of the closing prices in the last one month, 1,466 yen of the simple average of the closing prices in the last three months, and 1,458 yen of the simple average of the closing prices in the last six months.

The comparable peer company analysis evaluates the value of the Company Shares by analyzing the Company's business value through comparison with financial measures, indicating market prices and profitability, of listed companies that are engaged in business that is relatively similar to the Company's and then reflecting against such business value the effect of the transaction in which NBSJ Shares and NBSZ Shares are acquired from Veoneer AB (9,403 million yen of total acquisition cost to the Company, which is an amount based on the exchange rate as of October 29, 2019). As a result, the range of the share value per Company Share is analyzed as 1,958 – 2,457 yen.

The DCF Analysis evaluates the range of the share value per Company Share to be 1,987 to 2,492 yen, by analyzing the Company's enterprise value and equity value upon discounting free cash flows expected to be generated by the Company after third quarter of the year ended March 2020, based on the business plan prepared by the Company for the year ended March 2020 to the year ended March 2023, to a present value at a certain discount rate and then reflecting against such discounted free cash flow the effect of the transaction in which NBSJ Shares and NBSZ Shares are acquired from Veoneer AB (9,403 million yen of total acquisition cost to the Company, which is an amount based on the exchange rate as of October 29, 2019). Please note that the business plan prepared by the Company which was used by Deloitte Tohmatsu Financial Advisory for the analysis based on the DCF Analysis does not anticipate any substantial gains or losses. Also, the effects of synergy that are expected to be achieved through the execution of the Integration including the Tender Offer are not added to the business plan because it is difficult to estimate them at the time of the calculation.

(4) Possibility of Delisting and Reasons Therefor

As of today, the Company Shares are listed on the First Section of the TSE. However, since the Tender Offeror has not set a maximum number of the prospective tendered shares in the Tender Offer, the Company Shares may be delisted, depending on the result of the Tender Offer, pursuant to the procedures prescribed by the TSE in accordance with the TSE's criteria for delisting. In addition, even if the Company Shares do not fall under those criteria at the time of the completion of the Tender Offer, the Tender Offeror intends to implement a transaction aimed at acquiring all of the Company Shares in accordance with the applicable laws after the Tender Offer is completed as set forth in "(5) Matters Relating to So-called "Two Step Acquisition"" below, and in such case, the Company Shares will fall under the TSE's delisting criteria and will be delisted pursuant to the prescribed procedures. The Company Shares will no longer be traded on the First Section of the TSE after delisting.

(5) Matters Relating to So-called "Two Step Acquisition"

As stated in "A. Overview of the Tender Offer" under "(2) Grounds and Reasons for the Opinion on the Tender Offer" above, the Tender Offeror plans to make the Company its wholly-owned subsidiary. If the

Tender Offer is successfully completed, and the Tender Offeror has not succeeded in acquiring all of the Company Shares, then the Tender Offeror intends to take procedures to make the Tender Offeror the only shareholder of the Company by the methods described below.

More specifically, after the successful completion of the Tender Offer, if the total number of voting rights owned by the Tender Offeror in the Company is equal to or exceeds 90% of the number of voting rights of all shareholders of the Company, and the Tender Offeror is thus a Special Controlling Shareholder as defined in Article 179, paragraph (1) of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same shall apply), then promptly after the completion of settlement for the Tender Offer, the Tender Offeror intends to demand that all the shareholders of the Company (excluding the Company and the Tender Offeror) who did not tender Company Shares in the Tender Offer (“Shareholders Subject to Cash-Out”) sell all of their Company Shares pursuant to the provisions in Section 4-2, Chapter II, Part II of the Companies Act (“Demand for Cash-Out”).

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

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

On the other hand, after the successful completion of the Tender Offer, if the total number of voting rights owned by the Tender Offeror in the Company is less than 90% of the number of voting rights of all shareholders of the Company, the Tender Offeror intends to request, promptly after the completion of settlement for the Tender Offer, that the Company hold an extraordinary shareholders meeting (the “Extraordinary Shareholders Meeting”) that includes the following proposals in its agenda: (i) a proposal to consolidate the Company Shares pursuant to Article 180 of the Companies Act (the “Share Consolidation”); and (ii) a proposal to partially amend the Articles of Incorporation, including abolishing the unit share clause, on condition that the Share Consolidation becomes effective. The Tender Offeror intends to agree to each of those proposals at the Extraordinary Shareholders Meeting. If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders Meeting, the Company’s shareholders will own the number of Company Shares reflecting the share consolidation ratio that was approved at the Extraordinary Shareholders Meeting, on the day when the Share Consolidation takes effect. If fractions less than one share are included in the number of shares as a result of the Share Consolidation, then pursuant to the procedures provided in Article 235 of the Companies Act and other relevant laws and regulations, the amount of money obtained by

the sale of the Company Shares corresponding to the total of such fractions (any fraction of less than one share in the total number shall be rounded off; hereinafter the same shall apply) to the Company or the Tender Offeror will be delivered to each shareholder of the Company (excluding the Tender Offeror) having such fractional Company Shares. The Tender Offeror intends to request that the Company (a) calculate the sales price of the Company Shares corresponding to the total of such fractions so that the amount of money to be delivered, as a result of the sale, to each shareholder of the Company (excluding the Tender Offeror and the Company) who did not tender Company Shares in the Tender Offer equals the Tender Offer Price multiplied by the number of Company Shares owned by each such shareholder, and (b) file a petition with a court to permit such voluntary sale. The Share Consolidation ratio has not been determined as of today; however, it will be determined in such a way that the number of Company Shares owned by the Company's shareholders (excluding the Tender Offeror and the Company) who did not tender Company Shares in the Tender Offer will be a fraction of less than one share and the Tender Offeror will solely own all the Company Shares.

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

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

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

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

As of today, the Company is not a subsidiary of the Tender Offeror, and the Tender Offer does not constitute a tender offer by a controlling shareholder. However, as of today, the Tender Offeror corresponds to a major

shareholder and the largest shareholder, and other affiliated company of the Company, holding the Company Shares of 22,682,205 shares (ownership ratio: 34.86%). In addition, considering that the Tender Offeror intends to make the Company a wholly-owned subsidiary, the Company and the Tender Offeror have respectively implemented the following measures from a perspective of eliminating the arbitrariness of the decision-making process of determining the execution of the Tender Offer and avoiding conflicts of interest while concurrently ensuring the fairness of the Tender Offer Price. Descriptions below regarding the measures implemented by the Tender Offeror are based on the explanations from the Tender Offeror.

In this Tender Offer, the Tender Offeror does not make the so-called tenders from the “Majority of Minority” as a condition to effect the Tender Offer. However, according to the Tender Offeror, the Tender Offeror believes that due consideration is given to the interest of minority shareholders of the Company through measures described in A to F below.

A. The Company’s Acquisition of a Share Valuation Report from an Independent Third-Party Valuation Institution

In order to eliminate the arbitrariness of the Company’s decision-making process regarding the Tender Offer Price presented by the Tender Offeror and to ensure the fairness of the Tender Offer Price, the Company requested Deloitte Tohmatsu Financial Advisory, a financial advisor being a third party valuation institution independent from the Tender Offeror, Three Target Companies, Hitachi Automotive Systems and Hitachi, to calculate the share value of the Company Shares, and acquired a Share Valuation Report as of October 29, 2019. Please refer to “B. Overview of Calculation” in “(3) Matters Concerning Calculation” above for an overview of the Share Valuation Report.

B. The Tender Offeror’s Acquisition of a Share Valuation Report from an Independent Third-Party Valuation Institution

According to the Tender Offeror’s press release, with the aim of ensuring the fairness of the Tender Offer Price, the Tender Offeror asked a financial advisor, Nomura Securities, to calculate the value of the Company Shares as a third-party valuation organization independent of the Tender Offeror, Three Target Companies, Hitachi Automotive Systems, and Hitachi, in determining the Tender Offer Price. Nomura Securities is neither a related party of the Tender Offeror, Three Target Companies, Hitachi Automotive Systems or Hitachi, nor does it have a material interest in the Integration, including the Tender Offer.

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

The results of calculation by Nomura Securities of the per-share value of the Company Shares are as follows:

Market share price analysis: 1,458 Japanese yen to 1,793 Japanese yen

Comparable company analysis: 732 Japanese yen to 1,159 Japanese yen
DCF Analysis: 1,945 Japanese yen to 2,568 Japanese yen

Under the market share price analysis, where October 29, 2019, which is the business day immediately preceding the date of the announcement of the scheduled commencement of the Tender Offer, was the reference date, the per-share value of the Company Shares was calculated to range from 1,458 Japanese yen to 1,793 Japanese yen, based on the following prices of Company Shares on the TSE 1st Section: the closing price on the reference date (1,793 Japanese yen); the simple average of the closing price for the five business days immediately preceding the reference date (1,715 Japanese yen); the simple average of the closing price for the one month immediately preceding the reference date (1,572 Japanese yen); the simple average of the closing price for the three months immediately preceding the reference date (1,466 Japanese yen); and the simple average of the closing price for the six months immediately preceding the reference date (1,458 Japanese yen).

Under the comparable company analysis, the value of the Company Shares was calculated through comparison with the market share price and financial indicators (e.g., profitability, etc.) of listed companies that engage in businesses comparatively similar to those of the Company. Using this methodology, the per-share value of the Company Shares was calculated to range from 732 Japanese yen to 1,159 Japanese yen.

Under the DCF Analysis, the Company's enterprise value and share value were calculated by discounting the free cash flow that is expected to be generated in the future by the Company in and after the fiscal year ending in March 2020 at a certain discount rate to the present value, based on the relevant factors including the profitability and investment plans in the Company's business plan for 4 fiscal years from the fiscal year ending in March 2020 to the fiscal year ending in March 2023 as well as other publicly available information. Using this methodology, the per-share value of the Company Shares was calculated to range from 1,945 Japanese yen to 2,568 Japanese yen. In the business plan which served as a basis for the DCF Analysis, no significant increases or decreases in profits are expected. The synergistic effects expected to be achieved by implementing the Integration, including the Tender Offer, have not been counted. This is because it is difficult to specifically estimate the impact on earnings as of October 29, 2019.

By a resolution at the Tender Offeror's board of directors meeting held on October 30, 2019, the Tender Offeror ultimately determined that the Tender Offer Price would be 2,250 Japanese yen per share, comprehensively taking into account: (i) the valuation results in the Tender Offeror's Share Valuation Report obtained from Nomura Securities; (ii) the results of the due diligence on the Company by the Tender Offeror; (iii) real-world examples of premiums granted when the purchase price was determined in the case of previous tender offers for shares (the case of tender offers to make target companies wholly-owned subsidiaries) by persons other than issuers similar to the Tender Offer; (iv) whether the board of directors of the Company would support the Tender Offer; (v) fluctuations in the market price of the Company Shares; and (vi) anticipated levels of tendering in the Tender Offer, and based on the results of discussions and negotiations with the Company. After considering the influence of novel coronavirus (COVID-19) and other business conditions of the Company and the environment surrounding the Tender Offer between October 30, 2019, which is the date of the announcement of the scheduled commencement of the Tender Offer, and September 1, 2020, the Tender Offeror believes that there is no circumstance resulting in a change of the Tender Offer Price.

The Tender Offer Price of 2,250 Japanese yen per share represents the following premiums: 25.49% on

the closing price of the Company Shares of 1,793 Japanese yen on the TSE 1st Section as of October 29, 2019, which is the business day immediately preceding the date of announcement of the scheduled commencement of the Tender Offer; 43.13% on the simple average of the closing price of 1,572 Japanese yen for the one month immediately preceding October 29, 2019; 53.48% on the simple average of the closing price of 1,466 Japanese yen for the three months immediately preceding October 29, 2019; and 54.32% on the simple average of the closing price of 1,458 Japanese yen for the six months immediately preceding October 29, 2019.

In addition, the Tender Offer Price of 2,250 Japanese yen per share represents the following premiums: 0.85% on the closing price of the Company Shares of 2,231 Japanese yen on the TSE 1st Section as of August 31, 2020, which is the business day immediately preceding the date of announcement of the commencement of the Tender Offer; 1.40% on the simple average of the closing price of 2,219 Japanese yen for the one month immediately preceding August 31, 2020; 1.99% on the simple average of the closing price of 2,206 Japanese yen for the three months immediately preceding August 31, 2020; and 2.13% on the simple average of the closing price of 2,203 Japanese yen for the six months immediately preceding August 31, 2020.

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

C. Establishment of the Special Committee and Acquisition of an Opinion by the Company

For the purpose of eliminating the arbitrariness of the Company's decision-making regarding the Transaction and ensuring the fairness, transparency and objectivity thereof, the Company made a resolution on July 24, 2019 to establish a special committee comprised of four members including Mr. Akito Takahashi (attorney-at-law at Takahashi and Katayama Law Office) and Mr. Yoshihiko Terada (certified public accountant at Trustees Consulting LLP), who are outside experts independent from the Tender Offeror, Three Target Companies, Hitachi Automotive Systems and Hitachi, and Mr. Masataka Fukui and Mr. Takaaki Taguchi, who are the outside directors and independent officers of the Company. Incidentally, members of the special committee have not been changed since its establishment.

The Company asked the special committee whether (i) the Transaction contributes to improving the corporate value of the Company and its purpose stands to reason, (ii) due consideration is given in the Transaction to the interest of the minority shareholders of the Company through fair procedures, (iii) terms and conditions of the Transaction are appropriate, (iv) the Transaction does not cause disadvantages to the minority shareholders of the Company given (i) to (iii) above, and (v) in a case where the Transaction is conducted through the Tender Offer, whether it is appropriate for the Company's

board of directors meeting to express an opinion in support of the Tender Offer and recommend to tender in the Tender Offer to the shareholders of the Company given (i) to (iv) above (hereinafter, collectively referred to as the “Submitted Issues”), and commissioned the special committee to submit its opinion on these respects to the Company’s board of directors meeting.

The special committee has been held 8 times in total from July 29, 2019 to October 24, 2019 and carefully discussed and examined the Submitted Issues. Specifically, upon such examination, the special committee was given explanations from the Company regarding the background of receiving the proposal of the Transaction, the purpose of the Transaction, the condition and future outlook of the Company’s business, specific details on various factors of the Transaction that may affect the Company’s business plan, the Tender Offeror’s involvement in the Company’s operation to date, the progress of negotiation regarding the terms and conditions of the Transaction, the business plan, etc. with Q&A sessions. Following this, the Committee was given explanations from the Tender Offeror regarding the background of proposing the Transaction, the purpose, background and necessity of the Transaction, an overview of the business, its involvement in the Company’s operation and the business development expected after the Transaction with Q&A sessions. The special committee had been reported from the Company of the progress of discussion and negotiation between the Company and the Tender Offeror regarding the Transaction, and it was also given explanations regarding the calculation of the value of the Company Shares from Deloitte Tohmatsu Financial Advisory with Q&A sessions on this regard. The Company was given explanations from Deloitte Tohmatsu Financial Advisory on this occasion that the equity value of the Company Shares was calculated in consideration of the transaction to acquire NBSJ shares and NBSZ shares from Veoneer AB (trade value for the Company:9.403 million Japanese yen) . In addition, the special committee was given explanations from Anderson Mori & Tomotsune regarding the content of measures to ensure the fairness in terms of the procedures of the Transaction and to avoid conflicts of interest with Q&A sessions on this regard.

After taking these procedures and as a result of careful and continuous discussions and examinations of the Submitted Issues, the special committee submitted the following Opinion dated on October 29, 2019 to the Company’s board of directors meeting with a unanimous resolution of its members on October 29, 2019:

- (i) whether the Transaction contributes to improving the corporate value of the Company and its purpose stands to reason;
 - “(a) Objective, necessity and background of the Transaction” and “(b) Advantages of the Transaction conducted through the Tender Offer” explained by the Company, are considered specific with the assumption of the Company’s current business and financial condition and are consistent with the general explanation of the environment of the industry and market where the Company belongs. Moreover, (i) the explanations were considered realistic in terms of enhancing the future competitiveness of the Company, (ii) necessity and advantages of the Transaction were reviewed between the Company and the Tender Offeror taking into account the environment and future prediction of the market where the Company belongs, (iii) future prospect of the Company’s business and growth, and the measures which are due to be implemented after the Transaction, each of which was explained by the Company are based on the Company’s business and financial condition and regarded as including the Tender Offeror’s management policy, all of which were not regarded as unreasonable. Furthermore, considering “(a) Objective, necessity and background of the Transaction” and “(b) Advantages of the Transaction conducted through the Tender Offer” above which are described in “ F. Decision-Making Process and Reason Behind the Company’s Support of the Tender Offer” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” in particular, the

management environment surrounding the Company, issues the Company faces and becoming a wholly-owned subsidiary of the Tender Offeror and realizing the Integration which will enable the Company to handle, based on flexible and quick decision-making, issues which are difficult to handle by itself and to effectively realize synergy, the special committee believes that the Transaction will contribute to the improvement of the corporate value of the Company and the objective thereof can be regarded as reasonable.

- (ii) whether due consideration is given in the Transaction to the interest of the minority shareholders of the Company through fair procedures;

In consideration of how to handle the Transaction, in order to ensure the fairness of the conditions of the Tender Offer, especially the Tender Offer Price, the Company requested Deloitte Tohmatsu Financial Advisory, a financial advisor being a third party valuation institution independent from the Company and the Tender Offeror, to calculate the equity value of the Company Shares and obtained the Share Valuation Report. In addition, in order to obtain legal advice on the Transaction, the Company retained Anderson Mori & Tomotsune as a legal advisor independent from the Company and the Tender Offeror. Because the Transaction including the Transaction to Make the Company a Wholly-Owned Subsidiary is carried out with the Tender Offeror which has the Company as an equity method affiliate and relative conflict of interest may occur depending on the situation, the Company was aware of the necessity to carefully ensure the appropriateness and fairness of the terms and conditions of the Transaction with its advisors and has requested the Tender Offeror from the early stage of the discussion to propose transaction conditions that gives due consideration to the interest of the minority shareholders. In addition to the above, the Company has conducted comprehensive validation of appropriateness and fairness of the conditions, and actuality, and made final arrangement on the price expected to be resolved in the board of directors meeting with respect to the Tender Offer Price through discussion with the Tender Offeror. Thereafter, the Company and the Tender Offeror eventually have reached an agreement on the terms and conditions of the Transaction including the Tender Offer Price, and in the Company, such agreed price became the Tender Offer Price expected to be resolved in the board of directors meeting. Further, the Company has made an effort to ensure an opportunity for the Company's shareholders to make proper decisions on the two-step acquisition through early and detailed disclosure and explanation. The Company has made an effort to eliminate arbitrariness in the decision-making process by considering whether there is any directors with conflict of interest, more specifically, whether the Company's directors may participate in the review of the Transaction, and in the future examination and resolution of the board of directors meeting to be held in relation to the Transaction. In the Transaction, the minimum number of shares to be acquired is due to be established as described in "A. Overview of the Tender Offer" in "(2) Grounds and Reasons for the Opinion on the Tender Offer" above. In this respect, due to establishment of such minimum number, if the number of tenders in the Tender Offer is small, the purchase of the Company Shares through the Tender Offer will not be carried out. Through this measure, the Company respects the intention of the general and minority shareholders of the Company to the maximum and possible extent. It is deemed that specific measures are taken against various points including ensuring the objective situation for securing fairness of the terms and conditions of the Transaction to Make the Company a Wholly-Owned Subsidiary and that due consideration is given to the Company's shareholders' interest through fair procedures. Considering these factors, in the Transaction, due consideration is given to the interest of the minority shareholders of the Company through fair procedures.

- (iii) whether terms and conditions of the Transaction are appropriate;

In order to ensure the fairness and appropriateness of the terms and conditions of the Transaction,

especially the tender offer price of the Company's shares in the Tender Offer, in consideration and determination thereof, the Company elected an independent third party valuation institution for calculation of the value of the Company Shares and refers to the Share Valuation Report which is obtained from such third party valuation institution. In the process of calculation to reach the conclusion of the Share Valuation Report, the calculation method is considered general and reasonable in light of the current practice. The detail of the calculation is also considered reasonable in light of the current practice. Based on the above, it is considered that the Share Valuation Report contains no unreasonable points or significant issues. The Company has also considered the Tender Offer Price taking into account circumstances comprehensively such as necessity and advantages of the Transaction, and its effect on the future business of the Company based on the Share Valuation Report. An experienced financial advisor (a third party valuation institution) is retained and the terms and conditions of the Transaction have been comprehensively negotiated including the Tender Offer Price. The Tender Offer Price expected to be resolved in the Company's board of directors meeting is considered as price including proper premium. These actions by the Company are considered reasonable and adequate to ensure fairness and appropriateness of the terms and conditions of the Transaction (including the Tender Offer), the Tender Offer Price in particular, and to eliminate arbitrariness from the process of determination and decision-making with respect to the foregoing. In addition, according to the explanation by the Company, unless there is any exceptional circumstance in the future, the terms and conditions of the Transaction to Make the Company a Wholly-Owned Subsidiary are also expected to be calculated and decided based on the same price as the Tender Offer Price. Also, since the Transaction to Make the Company a Wholly-Owned Subsidiary is expected to be carried out after the Tender Offer as the procedures immediately following the Tender Offer (so-called the procedures as the two-step acquisition), it is considered reasonable to set the same the terms and conditions for both procedures which are close in terms of timeline. Considering these factors, the terms and conditions of the Tender Offer (including price of purchase in the Tender Offer) are considered to be appropriate.

- (iv) whether the Transaction does not cause disadvantages to the minority shareholders of the Company given (i) to (iii) above;

With respect to matters other than those considered in (i) through (iii) above, the special committee has not found, at this moment, any circumstances which the special committee considers the Transaction including the Tender Offer Price is disadvantageous to the minority shareholders of the Company; therefore, the Transaction is considered not disadvantageous to the minority shareholders of the Company.

- (v) in a case where the Transaction is conducted through the Tender Offer, whether it is appropriate for the Company's board of directors meeting to express an opinion in support of the Tender Offer and recommend to tender the shares in the Tender Offer to the shareholders of the Company given (i) to (iv) above.

Based on that fact that (i) the Transaction contributes to the improvement of the corporate value of the Company and the objective thereof can be regarded as reasonable, (ii) in the Transaction, due consideration is given to the interest of the minority shareholders of the Company through fair procedures, (iii) the terms and conditions of the Transaction are considered to be appropriate, and (iv) based on (i) through (iii) above, the Transaction is regarded as not disadvantageous to the minority shareholders of the Company, it is reasonable for the board of directors meeting of the Company to express an opinion in support of the Tender Offer and to recommend to the shareholders of the Company to tender their shares in the Tender Offer and no reasons against this have not been found at this moment.

Subsequently, according to the Tender Offeror, since all procedures and activities based on the domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were expected to be completed as of July 30, 2020, the Tender Offeror requested the Company to commence preparation for deciding commencement of the Tender Offer on August 18, 2020, on the condition that such procedures and activities would be completed by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, since all procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed as of August 26, 2020, the Tender Offeror told the Company on August 27, 2020 that it wants to commence the Tender Offer on September 2, 2020, on the premise that other Conditions Precedent would be satisfied. On August 4, 2020, considering the progress in the procedures and activities based on domestic and foreign competition laws as mentioned above, the Company asked the special committee established by the Company to examine whether there are any changes in the Opinion dated on October 29, 2019, and to state to the Company's board of directors that there are no changes if there is no change, or to express its opinion after the change if there are any changes.

As a result of confirmation with the Company of the factual relationship regarding whether or not any material change of situation that would influence the Transaction occurred on and after October 30, 2019 and consideration of the above matters, the special committee confirmed that in view of the circumstances between October 30, 2019 and August 31, 2020, no circumstances can be found that require the content of the Opinion dated on October 29, 2019 be changed, and on August 31, 2020, upon its unanimous resolution, submitted to the board of directors of the Company the Opinion dated on August 31, 2020, stating there were no changes to the above opinions.

D. Advice to the Company from an Independent Law Firm

In order to ensure the fairness and appropriateness of the decision-making process of the Transaction, the Company appointed Anderson Mori & Tomotsune as a legal advisor independent from the Tender Offeror, Three Target Companies, Hitachi Automotive Systems and Hitachi, and it has been given legal advice necessary therefrom regarding the decision-making process and method related with, and other points to be noted in making decisions related with, the Transaction.

Anderson Mori & Tomotsune is not a related party of the Tender Offeror, Three Target Companies, Hitachi Automotive Systems and Hitachi, and has no significant interest with respect to the Integration including the Tender Offer.

E. Approval by All of the Directors Without Interest and Unanimous Opinion of All of the Company Auditors

The Company's board of directors has carefully discussed and examined a series of procedures of the Transaction as well as the terms and conditions of the Tender Offer based on the Share Valuation Report acquired from Deloitte Tohmatsu Financial Advisory and the legal advice from Anderson Mori & Tomotsune while giving maximum consideration to the content of the Opinion dated on October 29, 2019 acquired from the special committee.

Based on that, the Company's board of directors concluded that in order for the Company to realize

further improvement of its corporate value in the difficult business environment surrounding the Company, it is necessary, by implementing measures stated in “F. Decision-Making Process and Reason Behind the Company’s Support of the Tender Offer” in “(2) Grounds and Reason for the Opinion on the Tender Offer” above, not only to realize a strong partnership with the Tender Offeror Group and facilitate the execution of various measures required for the Company’s operation but to realize the mutual use of management resources, know-hows, etc. with the Tender Offeror Group despite its difficulty in terms of maintaining independency and autonomy as a listed company. This conclusion has led to the determination by the Company’s board of directors that the Integration including this Transaction will contribute to improving the corporate value of the Company.

In addition, (i) the Tender Offer Price is higher than the range of the valuation results based on the market price analysis and within the range of the valuation results based on comparable peer company analysis and DCF Analysis in Deloitte Tohmatsu Financial Advisory’s valuation results as set forth in “B. Overview of Calculation” of “(3) Matters Concerning Calculation” above; (ii) the Tender Offer Price represents a premium of 25.49% to 1,793 yen, which is the closing price of Company Shares on the First Section of the TSE on October 29, 2019, the Business Day immediately preceding the announcement date of the implementation of the Tender Offer, a premium of 43.13% to 1,572 yen, which is the simple average closing price for the past one month preceding the same day (from September 30, 2019 through October 29, 2019), a premium of 53.48% to 1,466 yen, which is the simple average closing price for the past three months preceding the same day (from July 30, 2019 through October 29, 2019), and a premium of 54.32% to 1,458 yen, which is the simple average closing price for the past six months preceding the same day (from May 7, 2019 through October 29, 2019), and so is considered to include a substantial premium compared to the premium level in other tender offer cases which aim at 100% acquisition; (iii) in the determination of the Tender Offer Price, the measures to ensure the fairness of the Tender Offer Price as set forth in “(6) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” have been adopted, and accordingly, the determination is deemed to show consideration for minority shareholders; and (iv) the Tender Offer Price was proposed as a result of adopting the above-described measures for elimination of conflicts of interest and then conducting, between the Company and the Tender Offeror, discussions and negotiations that are equivalent to those held for transactions between the independent parties. In view of these and other facts, the Company board of directors determined that the Tender Offer will provide the Company shareholders with a reasonable opportunity to sell shares at a price with a substantial premium.

In consideration of the foregoing, at the Company’s board of directors meeting held on October 30, 2019 where all the eight directors participated, the Company resolved, with the unanimous agreement, that if the Tender Offer is started, the Company will express its opinion in favor of the Tender Offer and recommend to its shareholders to tender their shares in the Tender Offer, as its opinion as of October 30, 2019. All the four Company auditors participated in the above meeting and stated their opinion that they do not object to the Company board’s resolution above.

Subsequently, according to the Tender Offeror, since all procedures and activities based on the domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were expected to be completed as of July 30, 2020, the Tender Offeror requested the Company to commence preparation for deciding commencement of the Tender Offer on August 18, 2020, on the condition that such procedures and activities would be completed by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Company on the same date that it will not make a

decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, since all procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed as of August 26, 2020, the Tender Offeror told the Company on August 27, 2020 that it wants to commence the Tender Offer on September 2, 2020, on the premise that other Conditions Precedent would be satisfied. On September 1, 2020, considering the progress in the procedures and activities based on domestic and foreign competition laws as mentioned above, the Company once again carefully reviewed the various conditions regarding the Tender Offer by respecting to the maximum extent the content of the Opinion dated on August 31, 2020 submitted by the special committee. As a result, the Company confirmed that there were no material changes that would require revision of various conditions regarding the Tender Offer to the business condition of the Company or the environment surrounding the Transactions including influence of novel coronavirus (COVID-19) and that no circumstances occurred that would cause an important impact to the calculation method of the share value of the Company between October 30, 2019 and September 1, 2020, and concluded that there were no factors as of today that would change the decision of the Company as of October 30, 2019 regarding the Tender Offer. Accordingly, at the meeting of the board of directors held today, all six directors of the Company deliberated and unanimously passed a resolution that the board of directors would once again express its opinion to support the Tender Offer, and that it would recommend the shareholders of the Company to tender the Company Shares for the Tender Offer. The meeting of the board of directors was attended by all four company auditors of the Company, who all expressed the opinion that they would not object to the board of directors of the Company passing the resolution.

Finally, among the directors of the Company, Mr. Yasushi Kawaguchi had been an employee of the Tender Offeror until March 2018, Mr. Kazuya Sato until March 2013 and Mr. Aiji Yamanaka until March 2018, but all of them transferred to the Company at the above-mentioned timing, and they do not concurrently serve as officers or employees of the Tender Offeror or are in the position to receive instructions from the Tender Offeror as the management of the Company. Therefore, as of October 30, 2019 and of today, there is no conflicts of interest or potential conflicts of interest between the Company and them.

F. Measures to Secure Opportunities for Others to Make Any Competing Offers

The Tender Offeror believes that a reasonable period has passed since the announcement of the scheduled commencement of the Tender Offer until the commencement; therefore, an opportunity for potential purchasers other than the Tender Offeror to purchase the Company Shares had been ensured.

In addition, the Tender Offeror has set the offering period for the Tender Offer at 30 Business Days, which is longer than the statutory minimum tender offer period of 20 Business Days, aiming to secure an appropriate opportunity for the Company shareholders to make decisions whether to tender their shares in the Tender Offer and an opportunity for any person other than the Tender Offeror to make competing purchases of the Company Shares, thereby ensuring the appropriateness of the Tender Offer Price.

Further, the Company has not entered into any agreement with the Tender Offeror that will restrict the Company from contacting persons proposing any competing offer, including any agreement providing a transaction protection clause that may forbid the Company from contacting persons proposing a competing offer.

(7) Material Agreements regarding the Tender Offer

The Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi have concluded the Basic Contract as of the Basic Contract Conclusion Date, as outlined below (Please note that the Basic Contract was amended by the Agreement on the Amendment of the Basic Contract Regarding Business Integration, dated June 1, 2020, and the Agreement (2) on the Amendment of the Basic Contract Regarding Business Integration, dated August 13, 2020. These Agreements on the Amendment amend the matters requiring prior approval regarding business of the Three Target Companies and Hitachi Automotive Systems and a part of contents of reorganization of Keihin's air conditioning business; however, the matters stated in (I) to (IV) below are not changed).

- (I) The Tender Offer conducted by the Tender Offeror

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

- (a) The Company has resolved to support the Tender Offer and to recommend to its shareholders to tender in the Tender Offer, has published the resolution, and has not changed the resolution or passed a contradictory resolution by its board of directors during the period from the Basic Contract Conclusion Date to the Tender Offer Commencement Determination Date;
- (b) The Company has obtained a third party's opinion (Note) that a tender offer for its shares is not disadvantageous to its minority shareholders, and the opinion has been upheld;

(Note) A third party's opinion means an opinion of the special committee established by the Company; hereinafter the same shall apply.

- (c) The Company's representations and warranties pursuant to the Basic Contract are true and correct in material respects;
- (d) All obligations due to be performed or complied with by Hitachi, Hitachi Automotive Systems and the Company under the Basic Contract have been performed or complied with in material respects;
- (e) The Tender Offeror and the Company have completed acquiring all NBSJ and NBSZ shares held by Veoneer AB;
- (f) The Japan Fair Trade Commission has issued a notice regarding the Transactions that it will not issue a notice under Article 50, paragraph (1) of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended; the "Anti-monopoly Act");
- (g) Notification to any foreign competition law authority has been completed, or the waiting period after the notification has matured or terminated early; or an approval has been obtained from, and other procedures have been completed with, any foreign competition law authority, as required for the Transactions under any competition law of a non-Japanese jurisdiction agreed to between All Parties;
- (h) There are no laws or regulations, or decisions by any competent authority, that limit or prohibit any of the Transactions;
- (i) No cause or event has occurred that has a material adverse effect on the Company's or Hitachi Automotive Systems' business, assets, liabilities, financial status, business performance, cash flow or future profit plan on a consolidated basis; and no other event has occurred to any company in the

Company Group or any of Hitachi Automotive Systems and its subsidiaries and affiliates (collectively with Hitachi Automotive Systems, the “Hitachi Automotive Systems Group”) that materially affects the decision to conduct the Tender Offer;

- (j) There has been no impact of any natural disaster or other cause not attributable to the Tender Offeror where it is impossible to commence the Tender Offer in light of socially accepted norms;
- (k) There are no material non-public information related to the Company or any of its subsidiaries;
- (l) The Company has submitted to the Tender Offeror a letter of confirmation of material information (a letter that represents and warrants that there is no material non-public information or facts related to the Company or any of its subsidiaries as of the Tender Offer Commencement Determination Date);
- (m) The conditions to the Tender Offeror commencing tender offers against Keihin and Showa are reasonably anticipated to be satisfied or waived;
- (n) The “Basic Agreement for Subsidiaries’ Management Integration” dated October 30, 2019, concluded between Hitachi and the Tender Offeror is continuing in effect; and
- (o) Hitachi has not issued a notice to the Tender Offeror requesting not to commence the Tender Offer, or the conditions contained in such notice, if made, by Hitachi to the Tender Offeror have been satisfied or waived.

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

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

- (a) The Company has obtained a third party’s opinion that the Tender Offer is not disadvantageous to its minority shareholders, and the opinion has been upheld;
- (b) The key terms of the Tender Offer are in line with the terms and conditions agreed pursuant to the Basic Contract;
- (c) Tender offers by the Tender Offeror against Keihin and Showa are reasonably anticipated to be commenced;
- (d) Hitachi’s, Hitachi Automotive Systems’ and the Tender Offeror’s representations and warranties pursuant to the Basic Contract are true and correct in material respects;
- (e) All obligations due to be performed or complied with by Hitachi, Hitachi Automotive Systems and the Tender Offeror under the Basic Contract have been performed or complied with in material respects;
- (f) The Japan Fair Trade Commission has issued a notice regarding the Transactions that it will not issue a notice under Article 50, paragraph (1) of the Anti-monopoly Act;

- (g) By the Tender Offer Commencement Determination Date, notification to any foreign competition law authority has been completed, or the waiting period after the notification has matured or terminated early; or an approval has been obtained from, and other procedures have been completed with, any foreign competition law authority, as required for the Transactions under any competition law of a non-Japanese jurisdiction agreed to between All Parties;
- (h) There are no laws or regulations, or decisions by any competent authority, that limit or prohibit the Tender Offer; and
- (i) No cause or event has occurred that has a material adverse effect on Hitachi Automotive Systems' business, assets, liabilities, financial status, business performance, cash flow or future profit plan on a consolidated basis; and no other event has occurred to any of Hitachi Automotive Systems' group companies that materially affects the Company's decision to pass a resolution to support the Tender Offer and to recommend to its shareholders to tender in the Tender Offer.

(III) Making the Company a wholly-owned subsidiary

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

(IV) Absorption-type merger

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

If any of the tender offers targeting the Company, Keihin, or Showa is not successfully completed, or if a substantial delay is expected in making any one or two companies among the Company, Keihin, and Showa the Tender Offeror's wholly-owned subsidiaries, then Hitachi and the Tender Offeror shall implement the Absorption-type Merger between Hitachi Automotive Systems and the company(ies) from among the Company, Keihin, and Showa that has successfully become wholly-owned subsidiary(ies) of the Tender Offeror. Conditions of the absorption-type merger between Hitachi Automotive Systems and such wholly-owned subsidiary(ies) shall be determined upon good-faith consultation based on the enterprise values of Hitachi Automotive Systems, the Company, Keihin, and Showa agreed upon with Hitachi and the Tender Offeror.

4. Matters Concerning Material Agreement between the Tender Offeror and the Company's Shareholders Regarding the Tender of Shares in the Tender Offer
Not applicable.

5. Details of the Provision of Benefits by the Tender Offeror or its Specially Related Parties
Not applicable.

6. Response Policies in Terms of Basic Policies on the Control of the Company

Not applicable.

7. Questions to the Tender Offeror

Not applicable.

8. Request for Extension of the Tender Offer Period

Not applicable.

9. Future Prospects

(1) Policy after the Tender Offer

With regards to the policy after the Tender Offer, please refer to “E. Management Policy after the Tender Offer” of “(2) Grounds and Reason for the Opinion on the Tender Offer” of “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” above, and “(4) Possibility of Delisting and Reasons therefor” of “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” above.

(2) Future Business Prospects

If the Tender Offer proves to have a material impact towards the Company’s business results, the Company will publicize the impact on a timely basis.

(End)

(Reference) Overview of the Tender Offer

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

[Restriction on Solicitation]

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

[Prediction of the Future]

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

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

[U.S. Regulations]

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

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

[Other Countries]

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

[Translation]
September 1, 2020

To: Shareholders of Honda Motor Co., Ltd.
From: Honda Motor Co., Ltd.
1-1, Minami-Aoyama 2-chome,
Minato-ku, Tokyo, 107-8556
Takahiro Hachigo
President and Representative Director

Notice regarding the Commencement of the Tender Offer to Make Nissin Kogyo Co., Ltd. (Securities Code: 7230) a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd.

As announced by Honda Motor Co., Ltd. (the “Tender Offeror”) in the “Notice regarding the Scheduled Commencement of the Tender Offer to Make Nissin Kogyo Co., Ltd. (Securities Code: 7230) a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd.” dated October 30, 2019 (the “October 30 Press Release by the Tender Offeror”) and the “Notice regarding the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation, and Nissin Kogyo Co., Ltd.” also dated October 30, 2019 (the “Integration Press Release”), the Tender Offeror, Hitachi Automotive Systems, Ltd. (“Hitachi Automotive Systems”), Keihin Corporation (First Section of the Tokyo Stock Exchange Inc. (“TSE”) (the “TSE 1st Section”), securities code: 7251, “Keihin”), Showa Corporation (TSE 1st Section, securities code: 7274, “Showa”), Nissin Kogyo Co., Ltd. (TSE 1st Section, securities code: 7230, “Nissin” or the “Target Company”; collectively with Keihin and Showa, the “Three Target Companies”) and Hitachi Ltd. (TSE 1st Section, securities code: 6501, “Hitachi”) entered into the basic contract regarding a management integration (the “Basic Contract”) on October 30, 2019 (the “Basic Contract Conclusion Date”), to conduct the management integration (the “Integration”) through implementation of the absorption-type merger in which Hitachi Automotive Systems (a wholly-owned subsidiary of Hitachi) will be the surviving company, and the Three Target Companies will be the disappearing companies (the “Absorption-type Merger”) after making the Three Target Companies wholly-owned subsidiaries of the Tender Offeror. For details of the Basic Contract, please see “(3) Material Agreements Regarding the Tender Offer” of “1. Purpose of the Purchase” below.

As stated in the October 30 Press Release by the Tender Offeror, at the board of directors meeting held on October 30, 2019, the Tender Offeror has determined to conduct a tender offer based on the Basic Contract (the “Tender Offer”) with the common shares of the Target Company (the “Target Company Shares”) being the target after satisfaction of certain conditions precedent (the “Conditions Precedent”) such as (I) obtaining permits and licenses, etc. from the respective countries’ relevant authorities, including notifications or approvals for business combination to or by the respective countries’ competition authorities and (II) the Target Company having resolved to support the Tender Offer with the Target Company Shares and to recommend to its shareholders to tender in such Tender Offer, having published the resolution, and not having changed the resolution or passed a contradictory resolution by its board of directors during the period from the date on which the Basic Contract is concluded to the date on which the Tender Offeror decides to commence the Tender Offer (the “Tender Offer Commencement Determination Date”), to obtain all of the Target Company Shares (excluding, however, the Target Company Shares owned by the Tender Offeror and treasury shares owned by the Target Company; hereinafter the same shall apply), and to make the Target Company a wholly-owned subsidiary of the Tender Offeror, as part of the series of transactions for the Integration, pursuant to the

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

1. Purpose of the Purchase

(1) Overview of the Tender Offer

As of today, the Tender Offeror owns 22,682,205 shares (ownership ratio (Note 1) 34.86%) of the Target Company Shares listed on the TSE 1st Section, and the Target Company is a Tender Offeror equity-method affiliate.

As announced in the October 30 Press Release by the Tender Offeror and the Integration Press Release, the Tender Offeror, Hitachi Automotive Systems, Keihin, Showa, the Target Company, and Hitachi entered into the Basic Contract on October 30, 2019, to conduct the Integration through implementation of the Absorption-type Merger after making the Three Target Companies wholly-owned subsidiaries of the Tender Offeror. For details of the Basic Contract, please see “(3) Material Agreements Regarding the Tender Offer” below.

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

As announced in the “Notice regarding the Scheduled Commencement of the Tender Offer to Make Keihin Corporation (Securities Code: 7251) a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” and the “Notice regarding the Scheduled Commencement of the Tender Offer to Make Showa Corporation (Securities Code: 7274) a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation, and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” dated October 30, 2019 and announced by the Tender Offeror (collectively, the “Other Press Releases by Two Target Companies”), the Tender Offeror also determined at the board of directors meeting held on October 30, 2019 that similar to the Tender Offer, and pursuant to the Basic Contract, as part of a series of transactions for the Integration, respective common stocks of Keihin and Showa are to be obtained through tender offers to make Keihin and Showa wholly-owned subsidiaries of the Tender Offeror. Such tender offers (collectively with the Tender Offer, the “Three Target Companies Tender Offer”) are also scheduled to be conducted after satisfaction of certain conditions precedent such as obtaining permits and licenses, etc. from the respective countries' relevant authorities, including notifications or approvals for business combination to or by the respective countries' competition authorities. Recently, the Tender Offeror confirmed that those conditions precedent have been satisfied, and that the conditions to commence the tender offers for Keihin and Showa have also been fulfilled. Therefore, the Tender Offeror also determined to commence the tender offers for Keihin and Showa on September 1, 2020 (for details, please see the “Notice regarding the Commencement of the Tender Offer to Make Keihin Corporation (Securities Code: 7251) a Wholly-Owned Subsidiary in connection

with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” and the “Notice regarding the Commencement of the Tender Offer to Make Showa Corporation (Securities Code: 7274) a Wholly-Owned Subsidiary in connection with the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation (Securities Code: 7251), Showa Corporation, and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” dated September 1, 2020 and announced by the Tender Offeror).

The Tender Offeror has set the minimum number of shares to be purchased as 20,691,495 shares (Note 2) (ownership ratio 31.80%) in the Tender Offer; and if the total of the Target Company Shares tendered for the Tender Offer (the “Tendered Shares”) falls short of the minimum number of shares to be purchased, the Tender Offeror will purchase none of the Tendered Shares. On the other hand, as the Tender Offeror purports to make the Target Company its wholly-owned subsidiary through the Tender Offer, the maximum number of shares to be purchased has not been set; and if the total number of the Tendered Shares is the same as or more than the minimum number of shares to be purchased, purchase of all of the Tendered Shares will be conducted. The minimum number of shares to be purchased (20,691,495 shares) is set as the number obtained by the following formula: first, subtract from (a) the total number of issued shares as of June 30, 2020, as stated in the First Quarterly Report for the 68th Fiscal Year submitted on August 6, 2020 by the Target Company (the “Target Company’s First Quarterly Report for the 68th Fiscal Year”) (65,452,143 shares), (b) the number of treasury shares owned by the Target Company as of June 30, 2020, as stated in the financial summary (IFRS) (consolidated) for the first quarter of the fiscal year ending in March 2021 published on August 5, 2020 by the Target Company (the “Target Company’s Financial Summary for the First Quarter of the Fiscal Year Ending in March 2021”) (391,642 shares). This amounts to 65,060,501 shares, which corresponds to 650,605 voting rights. Such number of voting rights is then multiplied by 2/3 (433,737 voting rights) (rounded up to the nearest whole number). Based on the number obtained by multiplying by 100 shares the share unit number of the Target Company, deduct the number of the Target Company Shares owned by the Tender Offeror as of today (22,682,205 shares).

(Note 1) “Ownership ratio” refers to the ratio against the number of shares (65,060,501 shares) obtained by deduction of the number of treasury shares owned by the Target Company as of June 30, 2020, as stated in the Target Company’s Financial Summary for the First Quarter of the Fiscal Year Ending in March 2021 (391,642 shares) out of the total number of issued shares as of June 30, 2020, as stated in the Target Company’s First Quarterly Report for the 68th Fiscal Year (65,452,143 shares) (any fraction is rounded off to two decimal places; hereinafter the same shall apply in the calculation of ownership ratio).

(Note 2) In the October 30 Press Release by the Tender Offeror, the minimum number of shares to be purchased was stated as 20,692,195 shares. However, by June 30, 2020, the number of treasury shares owned by the Target Company has changed from 390,638 shares to 391,642 shares, and therefore the minimum number of shares to be purchased is changed to 20,691,495 shares.

As the Tender Offeror purports to make the Target Company its wholly-owned subsidiary, if the Tender Offeror cannot obtain all of the Target Company Shares through the Tender Offer, after the completion of the Tender Offer, the Tender Offeror schedules to implement a series of procedures to make the Tender Offeror the sole shareholder of the Target Company (the “Transaction to Make the Target Company a Wholly-Owned Subsidiary”; collectively with the Tender Offer, the “Transactions”). Furthermore, the Tender Offeror also plans to implement, respectively, a series of procedures to make Keihin and Showa wholly-owned subsidiaries of the Tender Offeror through the same method as in the Transaction to Make the Target Company a Wholly-Owned Subsidiary (collectively with the Transaction to Make the Target Company a Wholly-Owned Subsidiary, the “Transaction to Make the Three Target Companies Wholly-Owned Subsidiaries”). Upon completion of the Transaction to Make the Three Target Companies Wholly-Owned Subsidiaries, the Tender Offeror plans to implement the Absorption-type Merger, and the effective date of the Absorption-type

Merger is scheduled to be during the period (i) between January and February, 2021, if all of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries will be conducted by the Demand for Cash-Out stated in “(5) Policies Regarding Reorganization, among others, after the Tender Offer (Matters Regarding the So-Called Two-Stage Purchase)” below, or (ii) between February and March, 2021, if any of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries will be conducted by the Share Consolidation stated in “(5) Policies Regarding Reorganization, among Others, after the Tender Offer (Matters Regarding the So-Called Two-Stage Purchase)” below. For details, please see “(II) Structure of the Integration” of “(2) Background to Decision to Implement Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy,” and “(5) Policies Regarding Reorganization, among Others, after the Tender Offer (Matters Regarding the So-Called Two-Stage Purchase)” below.

On the other hand, according to the “Expression of Opinion Regarding Plan to Commence Tender Offer for Company Shares by Honda Motor Co., Ltd. and Notice of Closing of Basic Contract Regarding Management Integration” dated October 30, 2019 and announced by the Target Company (the “October 30 Press Release by the Target Company”), at the meeting of the Target Company’s board of directors held on October 30, 2019, the Target Company resolved, as the Target Company’s opinion as of the same date, to express its opinion to support the Tender Offer at the commencement of the Tender Offer, and to recommend to the Target Company’s shareholders to tender in the Tender Offer.

After that, as of July 30, 2020, it was possible to anticipate the completion of all procedures and activities based on domestic and foreign competition laws, which are required for the commencement of the Tender Offer; therefore, the Tender Offeror requested that the Target Company commence the preparations for the decision to commence the tender offer on August 18, 2020, subject to the completion of such procedures and activities by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Target Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, all procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed on August 26, 2020; therefore, on August 27, 2020, the Tender Offeror told the Target Company that it wants to commence the Tender Offer on September 2, 2020 (“Tender Offer Commencement Date”), on the premise that other Conditions Precedent would be satisfied. According to the “Notice regarding Expression of Opinion Regarding the Tender Offer for Company Shares by Honda Motor Co., Ltd.” announced by the Target Company on September 1 (the “September 1 Press Release by the Target Company;” collectively with the October 30 Press Release by the Target Company, the “Target Company Press Releases”), on August 4, 2020, based on the progress of the procedures and activities above, required by domestic and foreign competition laws, the Target Company asked the special committee established by the Target Company to examine whether there are any changes in the opinion of the written report submitted to the Target Company’s board of directors on October 29, 2019 (“Written Report on October 29, 2019”), and to state to the Target Company’s board of directors that there are no changes if there is no change, or to state the opinions after the change if there are any changes, as stated in “(III) Independent Special Committee Established, and a Written Report Obtained, by the Target Company” of “(4) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest, and Measures to Ensure the Fairness of the Tender Offer.” The special committee confirmed the relevant facts, e.g., whether any material change has occurred on and after October 30, 2019 that may influence the Transaction, with the Target Company, and as a result of consideration of the above matters, the special committee confirmed that even taking into account the circumstances between October 30, 2019 and August 31, 2020, no circumstances could be found that require the opinions in the Written Report on October 29, 2019 to be changed, and on August 31, 2020, submitted to the board of directors of the Target Company, by an unanimous resolution of the members of the special committee, the written report stating there were no changes to the opinions above (the “Written Report on August 31, 2020”).

Under these circumstances, recently, the Tender Offeror confirmed that the Conditions Precedent have been satisfied, and that the conditions to commence the Tender Offer have been fulfilled. Therefore, the Tender Offeror decided to commence the Tender Offer on September 1, 2020.

With regard to this decision, the Target Company carefully reconsidered the various conditions regarding the Tender Offer by respecting to the maximum extent the opinions in the Written Report on August 31, 2020 submitted by the special committee, and as a result confirmed that between October 30, 2019 and September 1, 2020, no material changes that would require changes to the various terms and conditions of the Tender Offer could be seen on the business condition of the Target Company, including the influence of the spread of the novel coronavirus (COVID-19), and the environment surrounding the Transactions, and that no circumstances could be found that would cause a material impact to the Target Company's calculation method of the share value, and also determined that as of September 1, 2020, there were no factors that would change the decision as of October 30, 2019 regarding the Tender Offer. All six directors of the Target Company deliberated and unanimously passed a resolution again at the meeting of the board of directors held on September 1, 2020 that the board of directors would express its opinion to support the Tender Offer, and that it would recommend that the shareholders of the Target Company tender the Target Company Shares for the Tender Offer.

According to the Target Company Press Releases, the resolution of the Target Company's board of directors above was made on the precondition that the Tender Offeror aims to make the Target Company its wholly-owned subsidiary through the Tender Offer and a series of subsequent procedures, and the Target Company Shares are scheduled to be delisted.

- (2) Background to Decision to Implement Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy
- (1) Background to, Purpose of, and Decision-Making Process of, the Resolution to Conduct the Tender Offer

The Tender Offeror Group consists of the Tender Offeror, 357 consolidated subsidiaries and 73 equity-method affiliates including the Three Target Companies (collectively with the Tender Offeror, the "Tender Offeror Group") as of March 31, 2020, and by business category, the Tender Offeror's businesses consist of motorcycle business, automobile business, financial service business, life creation (Note 1) and other businesses. The Tender Offeror began with the opening of Honda Technical Research Institute in Hamamatsu-city, Shizuoka Prefecture by Mr. Soichiro Honda in October 1946, and it was established as Honda Motor Co., Ltd. by succession of Honda Technical Research Institute in September 1948. Then, the Tender Offeror was listed on the Tokyo Stock Exchange in December 1957, and it is listed on the TSE 1st Section as of today.

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

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

Also, in the "2030 Vision" established in June 2017, vision statement of "serve people worldwide with the 'joy of expanding their life's potential'" and "lead the advancement of

mobility and people's daily lives," was established. In order to realize this statement, direction of initiatives with three viewpoints of "creating value for 'mobility' and 'daily lives'," "accommodate the different characteristics of people and society," and "toward a clean and safe/secure society" have been set.

On the other hand, according to the Target Company, it was established in October 1953 to manufacture brake parts for motorcycles and automobiles. Thereafter, the Target Company's shares were listed on the second section of the Tokyo Stock Exchange in October 1997, and on the TSE 1st Section in March 2002. As of today, the target company group is consisted of the Target Company, 18 subsidiaries and three affiliates of the Target Company (collectively with the Target Company, the "Target Company Group"), and engages in main businesses of manufacture and sale of brake systems and parts for motorcycles and automobiles.

According to the Target Company, its basic policy is to provide products focused on needs of "environment" and "safety" at high quality and at low price, based on its mission statement "Always stay ahead of changes in the world and provide superior products, technologies and ideas to meet the needs of customers and society."

According to the Target Company, following this basic policy, to contribute to realization of low-carbon society, the Target Company promotes development of products, materials and manufacturing processes, etc. that contribute to the weight saving and enhancement of fuel efficiency technology and safety and comfort from global perspectives while maintaining its focus on brake system for motorcycles and automobiles and aluminum products. In motorcycles, amidst the global trend of making installation of advanced brakes mandatory, the models with combined brake system (CBS) that are low priced and light-weight (Note 2) and optimal anti-lock brake system (ABS) (Note 3) brake, which make completed vehicles easier to handle, are increasing in number. In automobiles, the Target Company contributes to reduction of environmental burden by measures such as expansion of application of brake caliper that are light-weight and with low drag torque (Note 4) and pads in response to copper regulations, and models applying electronic parking brake (EPB) (Note 5) are expanding in connection with electrification of automobiles. Also, utilizing advanced "aluminum casting/processing technology" that the Target Company has cultivated since its establishment to realize weight saving of automobiles, the Target Company continues to commercialize and expand replacement of iron and aluminum with aluminum calipers (Note 6) and aluminum knuckles (Note 7), etc., which is received favorably by its customers.

(Note 2) Assistance device for brakes to enable balanced braking on front and rear wheels by causing braking power on other brakes when braking either the front wheel brake or rear wheel brake. CBS is an abbreviation for Combined Brake System.

(Note 3) Abbreviation of Anti-lock Brake System, and device to prevent tires from being locked (rotation suspension) upon abrupt braking. By preventing tires from being locked, it will be possible to maintain the stability of a vehicle's running direction, and to enhance the possibility of avoiding obstacles by handle operation.

(Note 4) Normally, as friction components (brake pad) constantly make slight contact with disks (brake disks) that are fixed to the axle even while vehicles are running, such contact will cause resistance (drag resistance) and exacerbate fuel costs. However, low drag calipers enable a reduction in drag resistance by alienating the brake pad from the brake disk.

(Note 5) Device which operates a parking brake through an electric motor. It contributes to further enhancement of automobile safety by enhancing operability of the parking brake while also enhancing convenience by realizing driving support functions such as hill start functions, so that automobiles can disengage the brake automatically

when departing and do not roll backward while paused on slopes. EPB is an abbreviation for Electric Parking Brake.

(Note 6) One of the component parts of brakes, and equipment to perform the role of pushing the friction component (brake pad) onto the disks (brake disks) fixed to the axle. By manufacturing it with aluminum, aim for weight saving and contribute to fuel efficiency.

(Note 7) Parts to connect tires and component parts of brakes to the vehicle body. By manufacturing it with aluminum, aim for weight saving and contribute to fuel efficiency.

As for the relationship between the Tender Offeror and the Target Company, they began transactions of automobile brake parts in 1963, and the Tender Offeror acquired 40,000 Target Company Shares by third-party allotment in June 1971 (the shareholding ratio at the time (the ratio against the total number of issued shares, including treasury shares; any fraction is rounded off to two decimal places; hereinafter the same in this paragraph): 10.00%), and additional Target Company Shares by shareholder allocation, as follows: 10,000 shares in August 1971; 10,000 shares in June 1973; 10,000 shares in June 1974; 10,000 shares in November 1975; and 10,000 shares in June 1976. As a result, the number of Target Company Shares held by the Tender Offeror was 90,000 in total (the shareholding ratio at the time: 10.00%). The Tender Offeror also acquired additional Target Company Shares as follows: 145,000 shares in December 1978 by third-party allotment; 5,000 shares in July 1980 from an existing shareholder; 80,000 shares in December 1981 by shareholder allotment; 54,050 shares in April 1989 from an existing shareholder; 40,150 shares in December 1989 from an existing shareholder; 184,298 shares in December 1989 (which became the Target Company's treasury shares as a result of an absorption-type merger of Nissin Muroga Seisakujo Co., Ltd. and Naoetsu Keikinzoku Kogyo Co., Ltd. into the Target Company); 200,000 shares in February 1991 by third-party allotment; and 240,000 shares in September 1991 from an existing shareholder. This increased the number of Target Company Shares held by the Tender Offeror to 1,038,498 shares (the shareholding ratio at the time: 47.42%). The Tender Offeror further acquired 4,153,992 Target Company Shares by a share split conducted in January 1994, which made its holding of Target Company Shares 5,192,490 shares (the shareholding ratio at the time: 47.42%). The Tender Offeror transferred 65,000 and 87,000 Target Company Shares to third parties in March 1994 and March 1997, respectively, which reduced its holding of the Target Company Shares to 5,040,490 shares (the shareholding ratio at the time: 43.27%). The Tender Offeror then acquired 2,520,245 and 15,121,470 Target Company Shares by share splits respectively conducted in May 2002 and April 2006. Since 2007, the Tender Offeror has owned 22,682,205 Target Company Shares, which results in the current ownership ratio (34.86%). The Target Company is an equity-method affiliate of the Tender Offeror now. In respect of the business, brakes manufactured by the Target Company are the main parts for motorcycle and automobiles, which are the main products of the Tender Offeror. Therefore, the Tender Offeror and the Target Company have established a close relationship with each other as an important business partner. No employees or officers of the Target Company are on secondment from the Tender Offeror.

In recent years, various stricter world-wide environmental regulations including CO₂ (carbon dioxide) emission regulations, activation of measures for safety enhancement and computerization to utilize data collected from automobiles, such as vehicle body control, in accordance with the surrounding environment as recognized by in-vehicle sensors and cameras, etc., and road infrastructure and communications with surrounding travelling vehicles and diversification of market needs, etc. are intertwined in complex ways; and global mobility (Note 8) industry centered on automobiles itself is undergoing significant change. In order to respond to changes in the external environment, domestic and foreign automobile components manufacturers conduct business alliance, capital alliance and business acquisition,

etc., and it is expected that the competition environment among the companies in the mobility industry will intensify further in the future.

(Note 8) Collective term for mobile function including motorcycles and automobiles

In response to stricter environmental regulations, activation of measures for safety enhancement and computerization and diversification of market needs such as the above, the Tender Offeror focuses on responses to environment, safety, and computerization as duties of a mobility manufacturer, and aims to realize a carbon-free society and collision-free society, as well as actively engaging with the most important items, namely, the “introduction of electrification technology” and the “introduction of advanced safety technology”. However, next-generation technologies required for development of automobiles such as electrification technology to realize electric vehicles such as hybrid cars and electric vehicles, and advanced safety technology to realize a driving safety support system and automated driving system (Note 9) are undergoing sophistication, complexity, and diversification. The Tender Offeror believes that measures will be required which significantly exceed speed and management resources of technology development and product development previously dealt with by automobile manufacturers alone. Also, as new technologies not fully utilized in previous motorcycles and automobiles including information and system technology will be required in such next-generation technology areas, other competing companies are accelerating their efforts, such as entries into the market by various companies in different industries. Under such circumstances, in order to establish a superior position in advance of other companies, the Tender Offeror believes that the Tender Offeror Group is required to distribute management resources into relevant areas in a mobile, concentrated, and efficient manner.

(Note 9) Definition of Driving Safety Support System and Automated Driving System (source: December 7, 2016 “Trend Regarding Definition of Levels of Automated Driving and Future Responses (Draft)” National Strategy Office of Information and Communication Technology, Cabinet Secretariat)

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

In order to survive global competition, it is becoming increasingly important for automobile manufacturers to provide products at low cost; therefore, there is an urgent need to collaborate with automobile parts manufacturers, and to strengthen measures toward modularization of the development system (Note 10) and standardization of chassis and parts among several car

models. Under such circumstances, in order to respond to increased needs for cost reduction and shift to overseas local production, etc. by automobile manufacturers, automobile parts manufacturers are required to lower costs through an economy of scale in connection with the increase in production volume, and construction of a timely supply system at global locations. In recent years, mega suppliers (Note 11) are expanding their sales volume. The Tender Offeror Group aimed for an optimal product supply system in conformity with market needs upon developing automobiles, and close collaboration took place among the Tender Offeror and parts manufacturers including the Three Target Companies for each area of individual parts. However, under the above circumstances, the Tender Offeror believes that in order to further develop a joint development system among the Tender Offeror and the parts manufacturers within the Tender Offeror Group, and to respond to modularization and parts standardization, it is necessary, in addition to structuring a comprehensive development system with the suppliers owning a vast array of technologies from conventional technology (Note 12) such as machinery and parts to electrification and information technology, to establish an optimal supply chain for the entire Tender Offeror Group. Also, in order to realize a reduction in procurement and production costs in connection with the increase in parts production volume, the Tender Offeror Group believes it is an issue for the Three Target Companies to further strengthen the sales to automobile manufacturers other than the Tender Offeror.

(Note 10) To have a standardized parts structure applicable to other car models upon development of new cars

(Note 11) Common name for companies with large sales volumes supplying parts to major automobile manufacturers globally.

(Note 12) Technology used for existing components

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

Under these business conditions, the Tender Offeror has sought a cooperative business relationship with Hitachi Automotive Systems, a wholly-owned subsidiary of Hitachi that provides motors for electric vehicles to domestic and foreign automobile manufacturers, for which it promotes miniaturizing, weight saving, and higher output. More specifically, the Tender Offeror entered into a joint venture agreement with Hitachi Automotive Systems on March 24, 2017, and established Hitachi Automotive Electric Motor Systems, Ltd., whose business is development, manufacture, and sale of motors for electric vehicles, on July 3, 2017 as a joint venture. The Tender Offeror aims to establish systems that can respond to a globally expanding demand for motors for electric vehicles by each automobile manufacturer, by drawing together the technologies of Hitachi Automotive Systems and the Tender Offeror and proceeding with joint research and development of motors that are core parts for electric vehicles at the joint venture. In addition, while the Tender Offeror is currently engaged in

joint research and development with the Three Target Companies and Hitachi Automotive Systems in next-generation technology areas, such as electrification technology and advanced safety systems, it sees the necessity to extend such joint development further in order for the Tender Offeror Group to acquire a dominant position before other companies in those areas where competitors are making large and speedy research and development investments. Particularly, the motorcycle business is also anticipated to require developing next-generation technologies such as electrification technology to realize electric vehicles such as hybrid cars and electric vehicles, and advanced safety technology to realize a driving safety support system and automated driving system. The Tender Offeror therefore expects to be able to acquire a dominant position before other companies and realize superior competitiveness as a motorcycle parts manufacturer if the Three Target Companies utilize, for motorcycle development, Hitachi Automotive Systems' next-generation technologies, such as electrification technology and advanced safety systems for automobiles.

As the business environment evolves drastically, the Tender Offeror has come to believe that it is necessary to be able to supply high value-added and cost-competitive products to ensure sustainable growth and enhance the profitability of the Tender Offeror Group, including the Three Target Companies. This will be attained by: promptly establishing competitive technologies (a winning edge) that may be difficult for the Tender Offeror Group (including the Three Target Companies) to obtain alone in next-generation technology areas (such as electrification and automatic driving) by drawing together the technologies of the Tender Offeror, the Target Company (which possesses superior brake system technology), Keihin (which possesses superior powertrain technology), Showa (which possesses superior suspension and steering technology), and Hitachi Automotive Systems (which possesses superior technology in each of powertrain, chassis, and safety systems), and by building a robust joint research and development structure; and creating an efficient development and production structure in conventional technology areas.

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

Considering the above factors, the Tender Offeror appointed Nomura Securities Co., Ltd. ("Nomura Securities") as a financial advisor and third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, and Nishimura & Asahi as a legal advisor independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, and started initial consideration and discussions regarding the Integration, including the Tender Offer, with Hitachi Automotive Systems and Hitachi. Thereafter, based on the results of the considerations and discussions, the Tender Offeror concluded in late May 2019 that it would be the best option for the Tender Offeror Group to implement the Absorption-type Merger in which Hitachi Automotive Systems will be the surviving company, with the purpose of building a structure where management initiatives that are likely required to boost the medium- to long-term competitiveness of the Tender Offeror Group, including the Target Company, can be swiftly executed, after making the Three Target Companies, including the

Target Company, wholly-owned subsidiaries of the Tender Offeror by obtaining all shares of common stock of the Three Target Companies (the “Three Target Company Shares”) (excluding, however, the Three Target Company Shares owned by the Tender Offeror and treasury shares owned by the Three Target Companies; hereinafter the same shall apply). In late May 2019, the Tender Offeror, Hitachi Automotive Systems and Hitachi made an initial proposal for the Integration (the “Proposal”) to the Target Company. The Proposal states that the Tender Offeror would acquire the Three Target Company Shares through procedures such as a tender offer and make the Three Target Companies its wholly-owned subsidiaries; thereafter, Hitachi Automotive Systems and the Three Target Companies would integrate through an absorption-type merger in which Hitachi Automotive Systems would be the surviving company, or through other methods, and as a result of the integration, the surviving company after Absorption-type Merger (the “Integrated Company”) would become a consolidated subsidiary of Hitachi that holds 66.6% of its voting rights and an equity-method affiliate of the Tender Offeror that holds 33.4% of its voting rights.

On the other hand, upon receipt of the Proposal from the Tender Offeror in late May 2019, the Target Company appointed Deloitte Tohmatsu Financial Advisory LLC (“Deloitte Tohmatsu Financial Advisory”) as a financial advisor and third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, and Anderson Mori & Tomotsune as a legal advisor independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, in order to ensure the fairness of the purchase price in the Tender Offer (the “Tender Offer Price”) and other terms of the Transactions. The Target Company also established a special committee on July 24, 2019, as an advisory body for its board of directors to consider the Proposal (for details of the special committee, please see “(III) Independent Special Committee Established, and a Written Report Obtained, by the Target Company” of “(4) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest, and Measures to Ensure the Fairness of the Tender Offer” below).

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

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

As announced in the Other Press Releases by Two Target Companies, the Tender Offeror also discussed and negotiated the implementation of the Integration with Keihin and Showa on several occasions; as a result, it has also determined at the board of directors meeting held on October 30, 2019 that as part of a series of transactions for the Integration, respective common

stocks of Keihin and Showa are to be obtained through tender offers. As stated in “(1) Overview of the Tender Offer” above, such tender offers are also scheduled to be conducted after satisfaction of certain conditions precedent such as obtaining permits and licenses, etc. from the respective countries’ relevant authorities, including notifications or approvals for business combination to or by the respective countries’ competition authorities.

After that, although it took a reasonable time to complete all of the procedures and activities for the commencement of the Tender Offer based on domestic and foreign competition laws because there are many countries and regions in which such processes were required, there are six different companies that are related parties, and the competition authorities’ examinations required a long time in some of these countries due to the influence of the novel coronavirus (COVID-19), as of July 30, 2020, it became possible to anticipate the completion of all procedures and activities based on domestic and foreign competition laws, which are required for the commencement of the Tender Offer; therefore, the Tender Offeror requested the Target Company commence preparations for the decision to commence the tender offer on August 18, 2020, subject to the completion of such procedures and activities by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Target Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, on August 26, 2020, all procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed; therefore, on August 27, 2020, the Tender Offeror told the Target Company that it wants to commence the Tender Offer on September 2, 2020, on the premise that other Conditions Precedent would be satisfied. According to the September 1 Press Release by the Target Company, on August 4, 2020, based on the progress of the procedures and activities above, required by domestic and foreign competition laws, the Target Company asked the special committee established by the Target Company to examine whether there are any changes in the opinion of the Written Report on October 29, 2019, and to state to the Target Company’s board of directors that there are no changes if there is no change, or to state the opinions after the change if there are any changes, as stated in “(III) Independent Special Committee Established, and a Written Report Obtained, by the Target Company” of “(4) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest, and Measures to Ensure the Fairness of the Tender Offer.” The special committee confirmed the relevant facts, e.g., whether any material change has occurred on and after October 30, 2019 that may influence the Transaction, with the Target Company, and as a result of consideration of such matters, the special committee confirmed that even taking into account the circumstances between October 30, 2019 and August 31, 2020, no circumstances could be found that requires the opinions in the Written Report on October 29, 2019 to be changed, and on August 31, 2020, submitted to the board of directors of the Target Company the Written Report on August 31, 2020 by an unanimous resolution of the members of the special committee, stating there were no changes to the opinions above.

Under these circumstances, recently, the Tender Offer confirmed that the Conditions Precedent have been satisfied, and that the conditions to commence the Tender Offer have been fulfilled. Therefore, the Tender Offeror decided to commence the Tender Offer on September 1, 2020.

With regard to this decision, the Target Company carefully reconsidered the various conditions regarding the Tender Offer by respecting to the maximum extent the opinions in the Written Report on August 31, 2020 submitted by the special committee, and as a result confirmed that from October 30, 2019 until September 1, 2020, no material changes that would require changes to the various terms and conditions of the Tender Offer could be seen on the business condition of the Target Company including the influence of the spread of the novel coronavirus (COVID-19), and the environment surrounding the Transactions, and that no circumstances could be found that would cause a material impact on the Target Company’s calculation method of the share value, and also determined as of September 1, 2020 that there

were no factors that would change the decision as of October 30, 2019 regarding the Tender Offer. All six directors of the Target Company deliberated and unanimously passed a resolution again at the meeting of the board of directors held on September 1, 2020 that the board of directors would express its opinion to support the Tender Offer, and that it would recommend that the shareholders of the Target Company tender the Target Company Shares for the Tender Offer.

According to the Target Company Press Release, the resolution of the Target Company's board of directors above was made on the precondition that the Tender Offeror aims to make the Target Company its wholly-owned subsidiary through the Tender Offer and a series of subsequent procedures, and the Target Company Shares are scheduled to be delisted.

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

- (i) Streamlining development and production structure and enhancing development of the next-generation technology

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

- (ii) Reducing procurement and production costs through increased component sales to automobile manufacturers other than the Tender Offeror

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

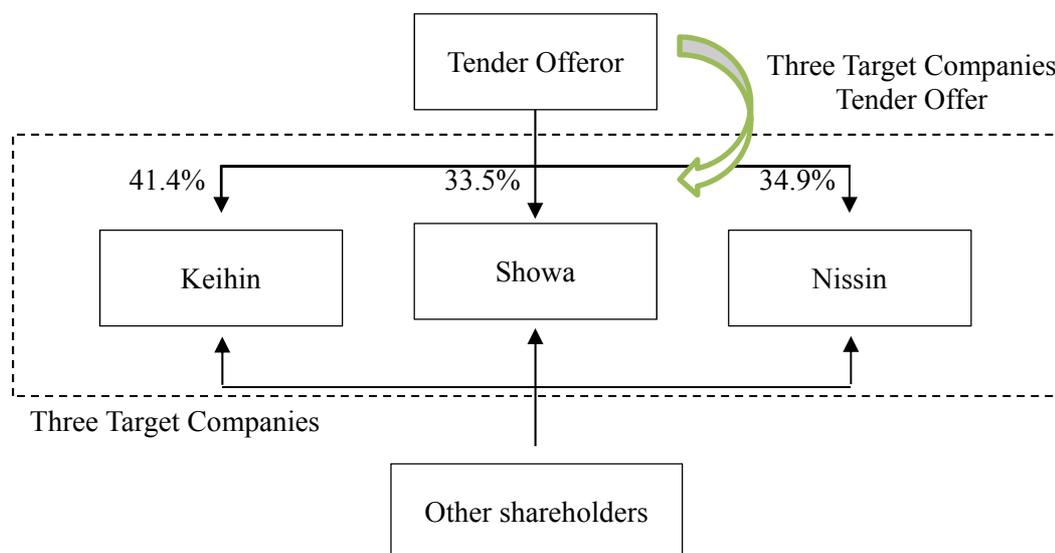
(II) Structure of the Integration

The structure of the Integration is as stated below.

- (i) Implementation of the Three Target Companies Tender Offer

Subject to the Conditions Precedent to the commencement that certain matters such as obtaining permits and licenses, etc. from the respective countries' relevant authorities, such as notifications or approvals for business combination to or by the respective countries' competition authorities (for details, please see "(3) Material Agreements Regarding the Tender Offer" below and the Other Press Releases by Two Target Companies), are satisfied, the

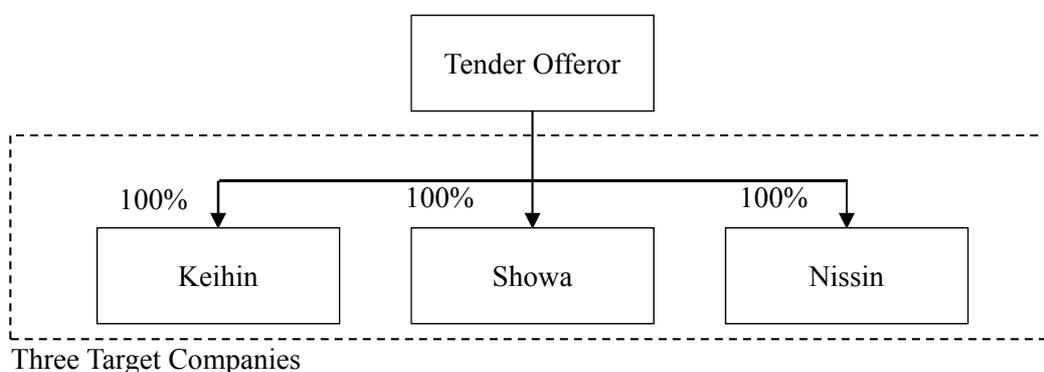
Tender Offeror planned to implement the Three Target Companies Tender Offer, respectively. Recently, those particular matters have been satisfied, and thus the Three Target Companies Tender Offer will be implemented from September 2, 2020.



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

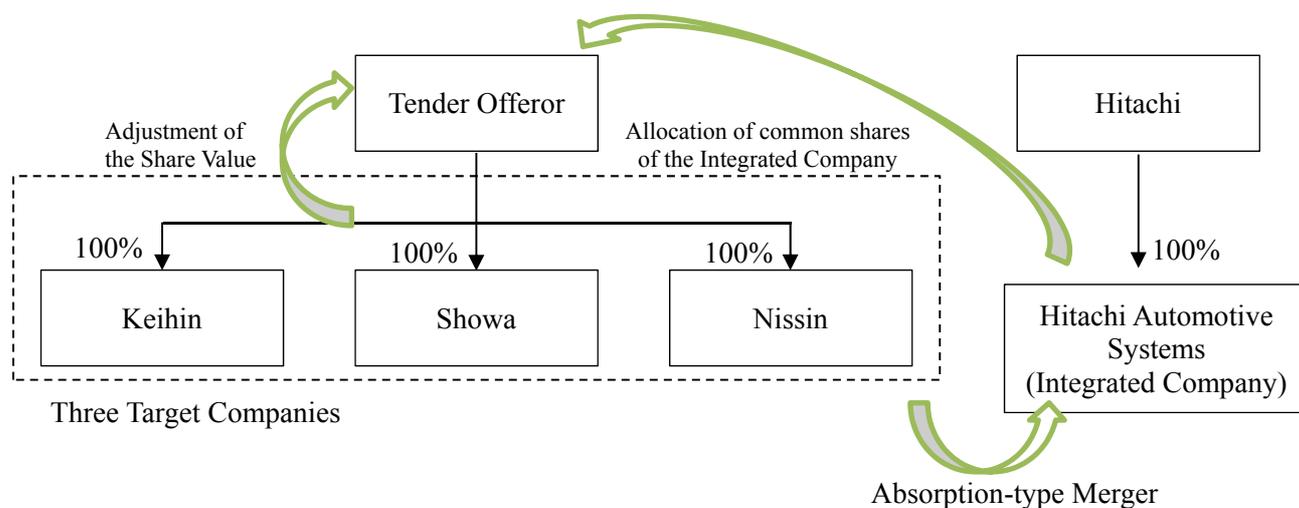
(ii) Implementation of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries

If each of the Three Target Companies Tender Offer is successfully completed, and the Tender Offeror fails to acquire all of the common shares of the Three Target Companies for which the Three Target Companies Tender Offer is successfully completed, a series of procedures to make the Tender Offeror the only shareholder of the Three Target Companies will be implemented. For details of the Transaction to Make the Target Company a Wholly-Owned Subsidiary, please see “(5) Policies Regarding Reorganization, among Others, after the Tender Offer (Matters Regarding the So-Called Two-Stage Purchase)” below. For Keihin and Showa, the Transaction to Make the Three Target Companies Wholly-Owned Subsidiaries, which is a series of procedures to make them wholly-owned subsidiaries of the Tender Offeror, will be also implemented through the same method as in the Transaction to Make the Target Company a Wholly-Owned Subsidiary.



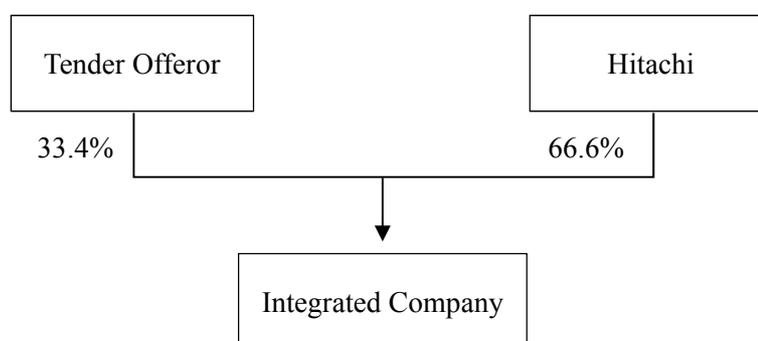
(iii) Implementation of the Absorption-type Merger

After the completion of the Three Target Companies Tender Offer stated in (i) above and the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries stated in (ii) above, the Absorption-type Merger between Hitachi Automotive Systems (a wholly-owned subsidiary of Hitachi) as the surviving company, and the Three Target Companies as the disappearing companies will be implemented. As stated in “(3) Material Agreements Regarding the Tender Offer” below, the Tender Offeror and Hitachi have agreed in the Basic Contract that in the Absorption-type Merger, common shares of the Integrated Company will be allotted to the Tender Offeror as the consideration for merger, in a merger ratio where the number of voting rights of the Integrated Company held by the Tender Offeror will account for 33.4% of the number of the voting rights held by all shareholders of the Integrated Company. If any of the tender offers targeting the Three Target Companies is not successfully completed, or if a substantial delay is expected in making any one or two companies among the Three Target Companies wholly-owned subsidiaries, Hitachi and the Tender Offeror are planning to conduct the Absorption-type Merger between Hitachi Automotive Systems and the company(ies) among the Three Target Companies that has successfully become wholly-owned subsidiary(ies) of the Tender Offeror. Furthermore, the ratio of the total share value of the Three Target Companies as of the effective time of the Absorption-type Merger to Hitachi Automotive Systems’ share value does not necessarily correspond to the above merger ratio. Given the above, sometime between completion of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries and the effective time of the Absorption-type Merger, in order to have the ratio of the total share value of the Three Target Companies to Hitachi Automotive Systems’ share value correspond to the above merger ratio, adjustment of the Three Target Companies’ share value by the Three Target Companies obtaining treasury shares will be implemented. The effective date of the Absorption-type Merger is scheduled to be during the period (i) between January and February, 2021, if all of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries will be conducted by the Demand for Cash-Out stated in “(5) Policies Regarding Reorganization, among Others, after the Tender Offer (Matters Regarding the So-Called Two-Stage Purchase)” below, or (ii) between February and March, 2021, if any of the Transactions to Make the Three Target Companies Wholly-Owned Subsidiaries will be conducted by the Share Consolidation stated in “(5) Policies Regarding Reorganization, among Others, after the Tender Offer (Matters Regarding the So-Called Two-Stage Purchase)” below.



(iv) After completion of the Integration

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



(III) Business Restructuring Associated with the Integration

According to Keihin, since its air conditioning business is different from businesses in the Integrated Company, this business will be transferred to a third party by the effective time of the Absorption-type Merger. According to the “Notice of Position Statement regarding the Commencement of the Tender Offer for the Company’s Shares by Honda Motor Co., Ltd., an Affiliate, for the Management Integration of Hitachi Automotive Systems, Ltd., Keihin Corporation, Showa Corporation (Securities Code: 7274), and Nissin Kogyo Co., Ltd. (Securities Code: 7230)” announced on September 1, 2020 by Keihin, as announced by Keihin in the “Notice of Memorandum on Conclusion Concerning Cooperation in Air Conditioning Business” on March 24, 2020, Keihin concluded a memorandum of understanding regarding its air conditioning business in Japan, South East Asia, and North America (the “Business to Be Transferred”), and as announced by Keihin in the “Notice of Transfer of Equity Interests in Our Consolidated Subsidiary (Second-tier Subsidiary)” on June 4, 2020, Keihin agreed to transfer all of its equity interests, which account for approximately 55% of the total ownership, in Keihin-Grand Ocean Thermal Technology, a Chinese consolidated subsidiary (second-tier subsidiary) of Keihin Thermal Technology Corporation (“KTT”), a wholly-owned subsidiary of Keihin, to a third party. Among these, regarding the Business to Be Transferred, on August 4, 2020, Keihin received a legally non-binding proposal that the business value of the Business to Be Transferred was evaluated as being the memorandum value, subject to the following primary conditions: (i) the Tender Offeror shall conclude a certain agreement to support the Business to Be Transferred as a customer after completion of transfer of the Business to Be Transferred; (ii) the reorganization of the Business to Be Transferred shall be conducted at Keihin’s expense; (iii) Keihin shall contribute additional funds, amounting to approximately 6.2 billion yen (calculated at the time of the proposal), to KTT as a business operation fund; and (iv) various risks related to the Business to Be Transferred shall be borne by Keihin. Upon receiving this proposal, Keihin intends to continue discussions with the Tender Offeror toward the conclusion of a definitive agreement.

According to Showa, since its car dealer business operated through its wholly-owned subsidiary Honda Cars SAITAMAKITA Co. Ltd. (“Honda Cars SAITAMAKITA”) is different from businesses in the Integrated Company, it planned to transfer Honda Cars SAITAMAKITA’s shares to a third party before the effective date of the Absorption-type Merger; and on March 25, 2020, Showa executed a share purchase agreement with TS TECH Co., Ltd. regarding such share transfer, and completed the share transfer on May 15, 2020.

For details, please see the “Notice Regarding Transfer of Consolidated Subsidiary (Share Transfer)” announced by Showa on March 25, 2020 and “Notice regarding Expressing Opinion to Support the Tender Offer for the Company’s Shares by Honda Motor Co., Ltd. (Securities Code: 7267) and Recommendation of the Tender thereto” announced by Showa on September 1, 2020.

In addition, as announced by the Target Company in the “Notice Regarding Dissolution and Share Acquisition of Joint Venture (Equity-Method Affiliates) (Making Them Subsidiaries)” dated October 30, 2019 and the “Notice Regarding Date of Execution of Share Purchase of Joint Venture Companies” dated January 31, 2020, the Tender Offeror and the Target Company have entered into a share purchase agreement dated October 30, 2019 with Veoneer AB (a wholly-owned subsidiary of Veoneer, Inc. (formerly the joint venture partner of the Target Company; “Veoneer”)) where the Tender Offeror and the Target Company will jointly acquire all shares of Veoneer Nissin Brake Systems Japan Co., Ltd. (trade name changed to “Nissin Brake Systems Co., Ltd.” on February 3, 2020; “NBSJ”) and Veoneer Nissin Brake Systems (Zhongshan) Co., Ltd. (trade name changed to “Nissin Brake Systems Zhongshan Co., Ltd.” on February 3, 2020; “NBSZ”) held by Veoneer AB, and the Tender Offeror and the Target Company jointly acquired all shares of NBSJ and NBSZ held by Veoneer AB on February 3, 2020. In response to strict environmental regulations on exhaust gas and fuel efficiency in recent years and increasing demands for electric vehicles and hybrid cars that can operate over long distances, the market size of regenerative brakes, which is the primary product of NBSJ and NBSZ, is expected to continue to expand in the future. After the Tender Offeror and the Target Company performed repeated, careful examinations from the perspective of enhancing the enterprise value of the Tender Offeror Group as a whole, including the Target Company, they determined that it is appropriate for them to jointly acquire all shares of NBSJ and NBSZ. According to the Target Company, when considering the Tender Offer Price, it considered the impact accompanying the transaction of NBSJ shares and NBSZ shares being acquired from Veoneer AB (the Target Company’s total acquisition value: 9,403 million Japanese yen, based on the exchange rate on October 29, 2019).

(IV) Management Policies after the Tender Offer

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

The Tender Offeror, the Three Target Companies, Hitachi Automotive Systems and Hitachi (collectively, “All Parties”) have discussed the details of specific management policies for the Integrated Company after the Integration, aiming to establish a structure maximizing the synergy effect as the Tender Offeror Group through the Integration. Until today, All Parties have considered, through the integration preparation committee and other considerations and discussions regarding the Integration, the Integrated Company’s company policies, officer structure, and organizational form, in relation to specific matters regarding the operation of the Integrated Company, from the viewpoint of maximizing the Integrated Company’s corporate value.

(V) Process of and Reasons for Decision-Making by the Target Company

According to the Target Company Press Releases, the Target Company received the Proposal from the Tender Offeror in late May 2019 and took the measures stated in “(4) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest, and Measures to Ensure the Fairness of the Tender Offer” below. Then, the Target Company carefully discussed and examined the terms of the Transactions, including the Tender Offer, from the perspective of enhancing its enterprise value, taking into account (i) the content of the share value evaluation report obtained from Deloitte Tohmatsu Financial Advisory, a financial advisor and third-party valuation organization (the “Deloitte Tohmatsu Valuation Report”), and (ii) the legal advice of Anderson Mori & Tomotsune as legal counsel, and by respecting to the maximum extent the content of the Written Report on October 29, 2019 provided by the special committee established on July 24, 2019, as the Target Company’s advisory body to consider the proposal for the Transactions, including the Tender Offer.

As a result, the Target Company concluded that the Integration including the Transactions would be in the interest of enhancing its enterprise value, as explained below.

According to the Target Company, its business environment will be significantly affected by the movements in the automobile and motorcycle industries. In the recent automobile industry, the number of vehicle sales in developed countries has plateaued, while the functions required for auto parts have become more sophisticated, complex and diverse as automobile manufacturers are required to respond to the next generation technology to develop automobiles, such as electrification technologies, and advanced safety technologies to realize safe driving assistance, automatic driving, and other systems. As such, the Target Company recognizes the necessity to take measures far beyond the speed and business resources required for conventional technology and product development. These next generation technology areas call for information and systems technologies, and other new technologies that have not been fully utilized for conventional motorcycles and automobiles. This has caused a variety of companies from different industries to enter the market, and competitors to accelerate their efforts. Furthermore, the motorcycle industry has seen a global trend of making the installation of advanced brakes mandatory as market growth is spearheaded by the demand from Asia and other emerging countries. To survive global competition in a growing market where competition is becoming increasingly intense, automobile manufacturers are required to swiftly cater to the diversified market needs and offer highly cost-competitive products in a timely manner. The Target Company also engages in an array of research and development activities to respond to those new customer demands and technical innovation, but it is aware that its human and material resources alone are not sufficient to preclude its efforts from being limited. The Target Company also believes it imperative to realize supplying high value-added and cost-competitive products to survive global competition among suppliers. This will be attained by promptly establishing those competitive technologies that may be difficult for the Target Company to obtain alone, and by creating an efficient development and production structure in the conventional technology areas, such as machine components.

The Target Company believes that under the above circumstances, it would be able to respond with flexible and speedy decision-making to the aforementioned challenges that it cannot easily address alone, and the synergy effects in (i) and (ii) below will be attained more effectively by it becoming the Tender Offeror’s wholly-owned subsidiary and by realizing the Integration, in order for the Target Company to continue its sustainable growth in the future. As a result, the Target Company expects that the Tender Offeror Group, with the addition of the Target Company, will be able to further boost its business competitiveness and profit base and enhance its enterprise value.

- (i) Streamlining development and production structure and enhancing development of the next-generation technology

According to the Target Company, the alliance among the Three Target Companies and Hitachi Automotive Systems will enable them to enhance their development structure in next-generation technology areas expected to see growing demands in the future, such as electrification technologies and advanced safety technologies. Simultaneously, it will also enable the Tender Offeror Group, including the Target Company, to obtain Hitachi Automotive Systems' technologies in the system and IT field, which the Tender Offeror Group had to develop alone without choice, and thereby to achieve selected and concentrated development investment. The Target Company expects that this will realize the optimal allocation of business resources for the Tender Offeror Group, including the Target Company, as a whole. In addition, by accelerating mutual complementation between technology areas and regional bases in the Integrated Company's development and production fields, the Integrated Company will be able to supply more high value-added and cost-competitive products and to establish a supply structure to swiftly and flexibly respond to changes in demands of automobile manufacturers including the Tender Offeror.

- (ii) Reducing procurement and production costs through increased component sales to automobile manufacturers other than the Tender Offeror

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

The Target Company has been engaged in a joint venture business with Veoneer as a joint venture partner since April 2016 in automobile brake control (mechatro) systems (Note 1), brake application (sprung part) systems (Note 2), and the development, design, manufacture and sale of parts of the foregoing (the "NBS Business"). After continuing discussions for further growth of the NBS Business in North America, and to optimize their business strategies for the NBS Business in North America, the Target Company and Veoneer transferred in June 2019 all shares in Veoneer Nissin Brake Systems America LLC (a U.S. joint venture in the NBS Business; "VNBA") held by the Target Company (49.0% of all issued shares) to Veoneer Roadscape Automotive, Inc. (Veoneer's wholly-owned subsidiary that leads the NBS Business in North America).

On the other hand, NBSJ and NBSZ (joint ventures in Japan and China, respectively, in the NBS Business) handle regenerative brakes for automobiles as their primary products. Regenerative brakes transform motion energy into power energy by activating a power generator when controlling the brake and charge batteries, and are used for electric vehicles and hybrid cars. They improve automobile fuel efficiency and contain greenhouse gasses within the prescribed limit. In response to strict environmental regulations on exhaust gas and fuel efficiency in recent years and increasing demands for electric vehicles and hybrid cars that can operate over long distances, the market size of regenerative brakes is expected to continue to expand in the future.

Under these circumstances, and partly because the Tender Offeror receives regenerative brakes from NBSJ and NBSZ, the Target Company and the Tender Offeror performed repeated, careful examinations from the perspective of enhancing the enterprise value of the Tender Offeror Group as a whole, including the Target Company, and they determined that it is

appropriate to cancel the Target Company's and Veoneer's joint venture in the NBS Business and for the Target Company and the Tender Offeror to jointly acquire all shares of NBSJ and NBSZ held by Veoneer AB (Veoneer's wholly-owned subsidiary). Accordingly, the Tender Offeror and the Target Company entered into a share purchase agreement with Veoneer AB on October 30, 2019 for all shares in NBSJ and NBSZ held by Veoneer AB (51.0%, respectively, of the total number of their issued shares), where the Target Company will acquire 25.0% each of the total number of NBSJ's and NBSZ's issued shares, and the Tender Offeror will acquire 26.0% each of the total number of NBSJ's and NBSZ's issued shares. On February 3, 2020, the Tender Offeror and the Target Company jointly acquired all shares in NBSJ and NBSZ held by Veoneer AB. For details, please see "Notice Regarding Dissolution and Share Acquisition of Joint Ventures (Equity Method Affiliates) (Making Them Subsidiaries)" and "Notice Regarding Date of Execution of Share Purchase of Joint Venture Companies" separately released by the Target Company on October 30, 2019 and January 31, 2020, respectively.

(Note 1) A brake control system using electricity ("mechatro" is a compound term of mechatronics (machine engineering) and electronics (electronic engineering)). It enhances fuel efficiency by realizing the regeneration of energy, not only by mechanically controlling the brake using a friction material (brake pad) but also by controlling the brake electronically.

(Note 2) One of the parts comprising a brake is called a sprung part, as it is located above an automobile's springs (suspension). Together with the brake control (mechatro) system, it enhances fuel efficiency by controlling the ratio between mechanical and electronic control.

According to the Target Company, it has discussed and negotiated with the Tender Offeror the purchase price per Target Company Share in the Tender Offer on multiple occasions. For the specific background to those discussions and negotiations, please see "(I) Background to, Purpose of, and Decision-Making Process of, the Resolution to Conduct the Tender Offer" of "(2) Background to Decision to Implement Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy" above.

As a result of the above discussions and negotiations, the board of directors of the Target Company has decided that the Tender Offer will provide its shareholders with a reasonable opportunity to sell their shares at a price including an appropriate premium, due to factors including the following: (i) among the calculation results by Deloitte Tohmatsu Financial Advisory, the Tender Offer Price is above the scope of results of calculation by the market share price analysis and is within the scope of results of calculation by the comparable company analysis and discounted cash flow analysis (the "DCF Analysis"); (ii) the Tender Offer Price is considered to include an appropriate premium in comparison with the level of premiums in other tender offer cases that are aimed to make an entity a wholly-owned subsidiary, as the Tender Offer Price is the amount obtained by adding a premium of 25.49% (rounded off to two decimal places; the same method was applied to the calculation of premiums (%) in this paragraph) to 1,793 Japanese yen, which is the closing price of the Target Company Shares on the TSE 1st Section on October 29, 2019 (the business day before the announcement of the scheduled commencement of the Tender Offer), 43.13% to 1,572 Japanese yen (rounded off to the nearest whole number; the same method was applied to the calculation of the simple average of the closing prices in this paragraph), which is the simple average of the closing prices in the one month before that date (from September 30, 2019 to October 29, 2019), 53.48% to 1,466 Japanese yen, which is the simple average of the closing prices in the three months before that date (from July 30, 2019 to October 29, 2019), and 54.32% to 1,458 Japanese yen, which is the simple average of the closing prices in the six months before that date (from May 7, 2019 to October 29, 2019); (iii) the Target Company considers that the interests of its minority shareholders have been sufficiently considered, as it

has taken the measures to ensure the fairness of the Tender Offer Price set forth in “(4) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest, and Measures to Ensure the Fairness of the Tender Offer” below in deciding the Tender Offer Price; and (iv) the Tender Offer Price has been proposed after the above measures to be taken to resolve conflicts of interest were taken, and as a result of the Target Company and the Tender Offeror having discussions and negotiations comparable to those that are conducted in an arm’s-length transaction.

Accordingly, all eight directors of the Target Company deliberated and unanimously passed a resolution at the meeting of the board of directors held on October 30, 2019 that, as the Target Company’s opinion as of October 30, 2019, the board of directors would express its opinion to support the Tender Offer, and that it would recommend that the shareholders of the Target Company tender the Target Company Shares for the Tender Offer if it were commenced. The meeting of the board of directors was attended by all four company auditors of the Target Company, who all expressed the opinion that they would not object to the board of directors of the Target Company passing the resolution.

Upon a satisfaction of the Conditions Precedent, the Tender Offer will be promptly commenced. However, it is difficult to accurately estimate a period of time required for obtaining permissions for notifications regarding the business combination from competition authorities of the relevant countries and permissions from concerned authorities of the relevant countries. Therefore, at the meeting of the above board of directors, it was also resolved that, in connection with the commencement of the Tender Offer, the Target Company asked the special committee established by the Target Company to examine whether there are any changes in the opinion of the Written Report on October 29, 2019 and to state to the Target Company’s board of directors that there are no changes if there is no change, or to submit the opinions after the change if there are any changes, and to express its opinion regarding the Tender Offer again, based on that opinion, when the Tender Offer commences.

Subsequently, as of July 30, 2020, it was possible to anticipate the completion of all procedures and activities based on domestic and foreign competition laws, which are required for the commencement of the Tender Offer; therefore, the Tender Offeror requested that the Target Company commence preparations for the decision to commence the tender offer on August 18, 2020, subject to the completion of such procedures and activities by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Target Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, on August 26, 2020, all procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed; therefore, on August 27, 2020, the Tender Offeror told the Target Company that it wants to commence the Tender Offer on September 2, 2020, on the premise that other Conditions Precedent would be satisfied. According to the September 1 Press Release by the Target Company, on August 4, 2020, based on the progress of the procedures and activities above, required by based on domestic and foreign competition laws, the Target Company asked the special committee established by the Target Company to examine whether there are any changes in the opinion of the Written Report on October 29, 2019, and to state to the Target Company’s board of directors that there are no changes if there is no change, or to express its opinion after the change if there are any changes as stated in “(III) Independent Special Committee Established, and a Written Report Obtained, by the Target Company” of “(4) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest, and Measures to Ensure the Fairness of the Tender Offer.”

The special committee confirmed the relevant facts, e.g., whether any material change has occurred on and after October 30, 2019 that may influence the Transaction, with the Target

Company, and as a result of consideration of the above matters, the special committee confirmed that in view of the circumstances between October 30, 2019 and August 31, 2020, no circumstances can be seen that require the content of the Written Report on October 29, 2019, be changed, and on August 31, 2020, upon its unanimous resolution, submitted to the board of directors of the Target Company the Written Report on August 31, 2020, stating there were no changes to the above opinions.

Under these circumstances, recently, the Tender Offeror confirmed that the Conditions Precedent have been satisfied, and that the conditions to commence the Tender Offer have been fulfilled. Therefore, the Tender Offeror decided to commence the Tender Offer on September 1, 2020.

With regard to this decision, the Target Company carefully reconsidered the various conditions regarding the Tender Offer by respecting to the maximum extent the content of the Written Report on August 31, 2020 submitted by the special committee. As a result, the Target Company confirmed that there were no material changes that would require changes to the various terms and conditions of Tender Offer to the business condition of the Target Company including the influence of the spread of the novel coronavirus (COVID-19), or the environment surrounding the Transactions, and that no circumstances occurred that would cause an important impact to the calculation method of the share value of the Target Company between October 30, 2019 and September 1, 2020, and decided that there were no factors as of September 1, 2020 that would change the decision of the Target Company regarding the Tender Offer.

Accordingly, at the meeting of the board of directors held on September 1, 2020, all six directors of the Target Company deliberated and unanimously passed a resolution again that the board of directors would express its opinion to support the Tender Offer, and that it would recommend that the shareholders of the Target Company tender the Target Company Shares for the Tender Offer. The meeting of the board of directors was attended by all four company auditors of the Target Company, who all expressed the opinion that they would not object to the board of directors of the Target Company passing the resolution.

The Target Company directors—Messrs. Yasushi Kawaguchi, Kazuya Sato and Aiji Yamanaka, were employees of the Tender Offeror until March 2018, March 2013, and March 2018, respectively. However, they all transferred to the Target Company at the respective months and neither concurrently serve as officers or employees of the Tender Offeror, nor are in a position to receive instructions from the Tender Offeror as managers of the Target Company. Therefore, there are no circumstances where they have or may have a conflict of interest with the Target Company as of October 30, 2019 and September 1, 2020.

The resolution of the Target Company's board of directors above was made by the method set forth in "(V) Approval of All Directors of the Target Company with No Interest in the Transactions, and No Objection from All Company Auditors of the Target Company with No Interest in the Transactions" of "(4) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest, and Measures to Ensure the Fairness of the Tender Offer below."

(3) Material Agreements Regarding the Tender Offer

The Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi have concluded the Basic Contract as of the Basic Contract Conclusion Date, as outlined below (please note that the Basic Contract was amended by the Agreement on the Amendment of the Basic Contract Regarding Business Integration, dated June 1, 2020, and the Agreement (2) on the Amendment of the Basic Contract Regarding Business Integration, dated August 13, 2020. These Amendment Agreements amend a part of the prior acceptance matters regarding the business of the Three Target

Companies and Hitachi Automotive Systems, and the restructuring of Keihin's air conditioning business; however, the matters stated in (I) to (IV) below are not changed).

(I) The Tender Offer Conducted by the Tender Offeror

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

- (a) The Target Company has resolved to support the Tender Offer and to recommend to its shareholders to tender in the Tender Offer, has published the resolution, and has not changed the resolution or passed a contradictory resolution by its board of directors during the period from the Basic Contract Conclusion Date to the Tender Offer Commencement Determination Date;
- (b) The Target Company has obtained a third party's opinion (Note 1) that a tender offer for its shares is not disadvantageous to its minority shareholders, and the opinion has been upheld;

(Note 1) A third party's opinion means an opinion of the special committee established by the Target Company; hereinafter the same shall apply.
- (c) The Target Company's representations and warranties pursuant to the Basic Contract are true and correct in material respects;
- (d) All obligations due to be performed or complied with by Hitachi, Hitachi Automotive Systems and the Target Company under the Basic Contract have been performed or complied with in material respects;
- (e) The acquisition by the Tender Offeror and the Target Company of all shares in NBSJ and NBSZ held by Veoneer AB has been completed;
- (f) The Japan Fair Trade Commission has issued a notice regarding the Transactions that it will not issue a notice under Article 50, paragraph (1) of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended; the "Anti-monopoly Act");
- (g) Notification to any foreign competition law authority has been completed, or the waiting period after the notification has matured or terminated early; or an approval has been obtained from, and other procedures have been completed with, any foreign competition law authority, as required for the Transactions under any competition law of a non-Japanese jurisdiction agreed to between All Parties;
- (h) There are no laws or regulations, or decisions by any competent authority, that limit or prohibit any of the Transactions;
- (i) No cause or event has occurred that has a material adverse effect on the Target Company's or Hitachi Automotive Systems' business, assets, liabilities, financial status, business performance, cash flow or future profit plan on a consolidated basis; and no other event has occurred to any company in the Target Company Group or any of Hitachi Automotive Systems and its subsidiaries and affiliates (collectively with Hitachi Automotive Systems, the "Hitachi Automotive Systems Group") that materially affects the decision to conduct the Tender Offer;

- (j) There has been no impact of any natural disaster or other cause not attributable to the Tender Offeror where it is impossible to commence the Tender Offer in light of socially accepted norms;
- (k) There are no material non-public information related to the Target Company or any of its subsidiaries;
- (l) The Target Company has submitted to the Tender Offeror a letter of confirmation of material information (a letter that represents and warrants that there is no material non-public information or facts related to the Target Company or any of its subsidiaries as of the Tender Offer Commencement Determination Date);
- (m) The conditions to the Tender Offeror commencing tender offers against Keihin and Showa are reasonably anticipated to be satisfied or waived;
- (n) The “Basic Agreement for Subsidiaries’ Management Integration” dated October 30, 2019, concluded between Hitachi and the Tender Offeror is continuing in effect; and
- (o) Hitachi has not issued a notice to the Tender Offeror requesting not to commence the Tender Offer, or the conditions contained in such notice, if made, by Hitachi to the Tender Offeror have been satisfied or waived.

(II) The Target Company’s Support for the Tender Offer

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

- (a) The Target Company has obtained a third party’s opinion that the Tender Offer is not disadvantageous to its minority shareholders, and the opinion has been upheld;
- (b) The key terms of the Tender Offer are in line with the terms and conditions agreed pursuant to the Basic Contract;
- (c) Tender offers by the Tender Offeror against Keihin and Showa are reasonably anticipated to be commenced;
- (d) Hitachi’s, Hitachi Automotive Systems’ and the Tender Offeror’s representations and warranties pursuant to the Basic Contract are true and correct in material respects;
- (e) All obligations due to be performed or complied with by Hitachi, Hitachi Automotive Systems and the Tender Offeror under the Basic Contract have been performed or complied with in material respects;
- (f) The Japan Fair Trade Commission has issued a notice regarding the Transactions that it will not issue a notice under Article 50, paragraph (1) of the Anti-monopoly Act;
- (g) By the Tender Offer Commencement Determination Date, notification to any foreign competition law authority has been completed, or the waiting period after the notification has matured or terminated early; or an approval has been obtained from, and other procedures have been completed with, any foreign competition law authority, as required for the Transactions under any competition law of a non-Japanese jurisdiction agreed to between All Parties;

- (h) There are no laws or regulations, or decisions by any competent authority, that limit or prohibit the Tender Offer; and
- (i) No cause or event has occurred that has a material adverse effect on Hitachi Automotive Systems' business, assets, liabilities, financial status, business performance, cash flow or future profit plan on a consolidated basis; and no other event has occurred to any of Hitachi Automotive Systems Group that materially affects the Target Company's decision to pass a resolution to support the Tender Offer and to recommend to its shareholders to tender in the Tender Offer.

(III) Making the Target Company a Wholly-Owned Subsidiary

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

(IV) Absorption-type Merger

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

If any of the tender offers targeting the Target Company, Keihin, or Showa is not successfully completed, or if a substantial delay is expected in making any one or two companies among the Target Company, Keihin, and Showa the Tender Offeror's wholly-owned subsidiaries, then Hitachi and the Tender Offeror shall implement the Absorption-type Merger between Hitachi Automotive Systems and the company(ies) from among the Target Company, Keihin, and Showa that has successfully become wholly-owned subsidiary(ies) of the Tender Offeror. Conditions of the absorption-type merger between Hitachi Automotive Systems and such wholly-owned subsidiary(ies) shall be determined upon good-faith consultation based on the enterprise values of Hitachi Automotive Systems, the Target Company, Keihin, and Showa agreed upon between Hitachi and the Tender Offeror.

(4) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest, and Measures to Ensure the Fairness of the Tender Offer

Given that the Target Company is not a subsidiary of the Tender Offeror as of today, the Tender Offer does not constitute a tender offer by a controlling shareholder. However, the Tender Offeror is the Target Company's largest shareholder among its major shareholders, and is its other associated company, and owns 22,682,205 shares (ownership ratio: 34.86%) of the Target Company Shares as of today. The Tender Offeror aims to make the Target Company its wholly-owned subsidiary. By considering the above and other relevant factors, the Tender Offeror and the Target Company have taken the measures described below to ensure the fairness of the Tender Offer Price, eliminate any arbitrariness in the decision-making process to decide to implement the Tender Offer, and avoid any conflicts of interest.

Even though the Tender Offeror has not had the successful completion of the Tender Offer conditioned on the tender by the so-called "majority of the minority" in the Tender Offer, the Tender Offeror believes that the interests of the Target Company's minority shareholders have been sufficiently considered by taking the measures (I) to (VI) below.

(I) Valuation Report Obtained by the Tender Offeror from an Independent Third-Party Valuation Organization

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

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

For an overview of the Valuation Report obtained by the Tender Offeror from Nomura Securities, please see “(I) Basis for the Calculation” and “(II) Background of the Calculation” of “(4) Basis for the Calculation of the Purchase Price” of “2. Overview of the Purchase” below.

(II) Valuation Report Obtained by the Target Company from an Independent Third-Party Valuation Organization

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

According to the Target Company Press Releases, the Target Company asked a financial advisor, Deloitte Tohmatsu Financial Advisory, to calculate the value of the Target Company Shares as a third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, in expressing its opinion to support the Tender Offer, in order to eliminate any arbitrariness in the Target Company’s decision-making process regarding the Tender Offer Price offered by the Tender Offeror and to ensure the fairness of the Tender Offer Price. The Target Company obtained the Deloitte Tohmatsu Valuation Report on October 29, 2019. Deloitte Tohmatsu Financial Advisory is neither a related party of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, or Hitachi, nor does it have a material interest in the Integration, including the Tender Offer. The Target Company has not obtained any written opinion regarding the fairness of the Tender Offer Price (i.e., a fairness opinion) from Deloitte Tohmatsu Financial Advisory.

(ii) Overview of calculation

Based on the determination that it is appropriate to evaluate the value of the Target Company Shares multilaterally after reviewing the calculation method to be adopted in calculating the value of the Target Company Shares from amongst multiple share valuation methods, and on the assumption that the Target Company is a going concern, Deloitte Tohmatsu Financial Advisory

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

| | |
|------------------------------|--|
| Market share price analysis: | 1,458 Japanese yen to 1,793 Japanese yen |
| Comparable company analysis: | 1,959 Japanese yen to 2,457 Japanese yen |
| DCF Analysis: | 1,987 Japanese yen to 2,492 Japanese yen |

Under the market share price analysis, where October 29, 2019, which is the business day immediately preceding the date of the announcement of the scheduled commencement of the Tender Offer, was the reference date, the per-share value of the Target Company Shares was analyzed to range from 1,458 Japanese yen to 1,793 Japanese yen, based on the following prices of Target Company Shares on the TSE 1st Section: the closing price on the reference date (1,793 Japanese yen); the simple average of the closing price for the one month immediately preceding the reference date (1,572 Japanese yen) (any fraction is rounded off to the nearest Japanese yen; hereinafter, the same shall apply to the calculation of the simple average of closing prices in this paragraph); the simple average of the closing price for the three months immediately preceding the reference date (1,466 Japanese yen); and the simple average of the closing price for the six months immediately preceding the reference date (1,458 Japanese yen).

Under the comparable company analysis, the Target Company's business value was analyzed through comparison with the market share price and financial indicators (e.g., profitability) of listed companies that engage in businesses comparatively similar to those of the Target Company, and then the value of the Target Company Shares was analyzed by considering the impact accompanying the transaction of NBSJ shares and NBSZ shares being acquired from Veoneer AB (the Target Company's total acquisition value: 9,403 million Japanese yen, based on the exchange rate on October 29, 2019). As a result, the per-share value of the Target Company Shares was analyzed to range from 1,959 Japanese yen to 2,457 Japanese yen.

Under the DCF Analysis, the Target Company's enterprise value and share value were analyzed by discounting the free cash flow that is expected to be generated by the Target Company in and after the third quarter of the fiscal year ending in March 2020 at a certain discount rate to the present value, based on the Target Company's business plan for the fiscal year ending in March 2020 through the fiscal year ending in March 2023, by considering the impact accompanying the transaction of NBSJ shares and NBSZ shares being acquired from Veoneer AB (the Target Company's total acquisition value: 9,403 million Japanese yen, based on the exchange rate on October 29, 2019). Using this methodology, the per-share value of the Target Company Shares was analyzed to range from 1,987 Japanese yen to 2,492 Japanese yen. In the Target Company's business plan used by Deloitte Tohmatsu Financial Advisory for the DCF Analysis, no significant increases or decreases in profits are expected. The synergistic effects expected to be achieved by implementing the Integration, including the Tender Offer, have not been factored into the business plan because it is difficult to estimate them at the time of the calculation.

(III) Independent Special Committee Established, and a Written Report Obtained, by the Target Company

According to the Target Company Press Releases, the Target Company passed a resolution on July 24, 2019, to establish a special committee comprised of the following four members in order to eliminate any arbitrariness in the Target Company's decision-making regarding the

Transactions, and to ensure the fairness, transparency and objectivity of the decision-making: Mr. Akito Takahashi (attorney-at-law, Takahashi & Katayama Law Office), Mr. Yoshihiko Terada (certified public accountant, Trustees Consulting LLP), and Messrs. Masataka Fukui and Kimiaki Taguchi (outside directors and independent officers of the Target Company), who are all external knowledgeable persons and independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi. There has been no change in the initial special committee members since its establishment.

The Target Company consulted the special committee on the following matters (collectively, the “Matters of Inquiry”) and commissioned it to submit the Written Report for those matters to the board of directors of the Target Company: (i) whether the Transactions by the Tender Offeror are expected to enhance the enterprise value of the Target Company, and the purpose thereof is considered reasonable; (ii) whether the interests of the Target Company’s minority shareholders have been sufficiently considered through fair procedures in the Transactions; (iii) whether the terms of the Transactions are considered appropriate; (iv) whether the Transactions are not expected to be disadvantageous to the Target Company’s minority shareholders in light of (i) through (iii) above; and (v) if the Transactions are implemented by the Tender Offer, whether it is considered appropriate for the board of directors of the Target Company to express an opinion to support the Tender Offer and to recommend that the Target Company shareholders tender their shares in the Tender Offer, in light of (i) through (iv) above.

The special committee met 8 times in total between July 29, 2019 and October 24, 2019 to discuss and carefully consider the Matters of Inquiry. Specifically, before considering those matters, the special committee received information on the matters including the following from the Target Company and conducted a question-and-answer session regarding these matters: the circumstances where the Target Company received the proposal for the Transactions; the purpose of the Transactions; the Target Company’s business status and future outlook; the specific factors of the Transactions that may affect the Target Company’s business plan; the Tender Offeror’s involvement to date in the Target Company’s business management; negotiation status regarding the terms of the Transactions; and the business plan. Then, the special committee received information on the following matters from the Tender Offeror and conducted a question-and-answer session regarding these matters: the circumstances where the Tender Offeror proposed the Transactions; the purpose, background, and necessity of the Transactions; the business overview; its involvement in the Target Company’s business management; and the business development contemplated after the Transactions. The special committee also received reports from the Target Company on the status of discussions and negotiations between the Target Company and the Tender Offeror regarding the Transactions. Furthermore, the special committee received the results of calculation of the value of the Target Company Shares by Deloitte Tohmatsu Financial Advisory, conducted a question-and-answer session regarding the results, and was informed by Deloitte Tohmatsu Financial Advisory that it had calculated the value of the Target Company Shares by considering the impact accompanying the transaction of NBSJ shares and NBSZ shares being acquired from Veoneer AB (the Target Company’s total acquisition value: 9,403 million Japanese yen, based on the exchange rate on October 29, 2019). In addition, the special committee received information from Anderson Mori & Tomotsune on the measures to ensure the fairness of the procedures of the Transactions and to avoid conflicts of interest, and conducted a question-and-answer session regarding this matter.

After repeating careful discussions and consideration over the Matters of Inquiry through the above procedure, the special committee provided the board of directors of the Target Company with the Written Report on October 29, 2019 as outlined below on October 29, 2019, upon unanimous resolution by all committee members.

- (i) Whether the Transactions are expected to enhance the enterprise value of the Target Company, and the purpose thereof is considered reasonable

The Transactions are expected to enhance the enterprise value of the Target Company, and the purpose thereof is considered reasonable due to the following reasons: (a) “(a) Objective, necessity and background of the Transactions” and “(b) Advantages of the Transactions conducted through the Tender Offer” explained by the Target Company are specific and based on the Target Company’s current business and financial condition, and they are consistent with the general explanation of the industry and market environment to which the Target Company belongs, and they are considered realistic in terms of enhancing the future competitiveness of the Target Company; (b) necessity and advantages of the Transactions are reviewed between the Target Company and the Tender Offeror, taking into account the environment and future prediction of the market to which the Target Company belongs; (c) future prospects for the Target Company’s business and growth, and the measures considered for implementation after the Transactions, each of which was explained by the Target Company are based on the Target Company’s business and financial condition and regarded as including the Tender Offeror’s management policy, and all are not regarded as unreasonable; and (d) “(a) Objective, necessity and background of the Transactions” and “(b) Advantages of the Transactions conducted through the Tender Offer” are as stated in “(V) Process of and Reasons for Decision-Making by the Target Company” of “(2) Background to Decision to Implement Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy” above in particular, and realizing the management environment surrounding the Target Company as well as issues that the Target Company faces, becoming a wholly-owned subsidiary of the Tender Offeror and the Integration will all enable the Target Company to handle, based on flexible and quick decision-making, issues that are difficult to handle by itself and to effectively realize synergy.

- (ii) Whether the interests of the Target Company’s minority shareholders have been sufficiently considered through fair procedures in the Transactions

The interests of the Target Company’s minority shareholders have been sufficiently considered through fair procedures in the Transactions, as explained below: (a) in consideration of how to handle the Transactions, in order to ensure the fairness of the conditions of the Tender Offer, especially the Tender Offer Price, the Target Company requested Deloitte Tohmatsu Financial Advisory, a third-party valuation organization independent of the Target Company and the Tender Offeror, to calculate the value of the Target Company Shares and obtained the Deloitte Tohmatsu Valuation Report; (b) in order to obtain legal advice on the Transactions, the Target Company appointed Anderson Mori & Tomotsune as a legal advisor independent of the Target Company and the Tender Offeror; (c) because the Transactions including the Transaction to Make the Target Company a Wholly-Owned Subsidiary are carried out with the Tender Offeror that has made the Target Company an equity-method affiliate, and a relative conflict of interest may occur depending on the situation, the Target Company has become aware of the necessity to carefully ensure the appropriateness and fairness of the terms and conditions of the Transactions and has requested that the Tender Offeror provide the transaction conditions giving due consideration to the interest of the minority shareholders from the early stage of the discussion; (d) the Target Company has validated the appropriateness and fairness of the conditions, and the feasibility several times and made final arrangements concerning the price expected to be resolved in the board meeting with respect to the tender offer price in the Tender Offer through discussion with the Tender Offeror; (e) thereafter, the Target Company and the Tender Offeror eventually reached an agreement on the terms and conditions of the Transactions including the Tender Offer Price, and in the Target Company, the agreed price became the Tender Offer Price expected to be resolved in the board meeting; (f) the Target Company has made an effort to ensure an opportunity for the Target Company shareholders to make proper decisions on the two-step acquisition through early and detailed disclosure and explanation; (g) the Target Company has made an effort to eliminate any arbitrariness in the

decision-making process by considering the existence of its directors with interests, specifically, whether the Target Company's directors participate in the review of the Transactions, and whether to participate in the future examination and resolution of the board meeting to be held on the Transactions; (h) in the Tender Offer, the minimum number of shares to be acquired will be established as described in "(1) Overview of the Tender Offer" above, and due to establishing the minimum number, if the number of shares tendered for the Tender Offer is small, the purchase of the Target Company's shares through the Tender Offer will not be carried out; by doing this, the Target Company respects the intention of its general and minority shareholders to the maximum possible extent; and (i) it is deemed that specific measures are taken to address various points including ensuring an objective situation to secure the fairness of the terms and conditions of the Transaction to Make the Target Company a Wholly-Owned Subsidiary and that due consideration is given to the interest of the Target Company's shareholders through fair procedures.

(iii) Whether the terms of the Transactions are considered appropriate

The terms of the Transactions (including the purchase price of the Tender Offer Shares in the Tender Offer) are considered appropriate, due to the following reasons: (a) In order to ensure the fairness and appropriateness of the terms and conditions of the Transactions, especially the tender offer price of the Target Company's common shares in the Tender Offer, in consideration and determination thereof, the Target Company appointed an independent third-party valuation organization for calculation of the value of the Target Company Shares and refers to the Deloitte Tohmatsu Valuation Report that is obtained from such third-party valuation organization; (b) in the process of calculation to reach the conclusion in the Deloitte Tohmatsu Valuation Report, the calculation method is considered general and reasonable in light of current practice; (c) the details of the calculation are also considered reasonable in light of current practice; (d) based on the above, it is considered that the Deloitte Tohmatsu Valuation Report contains no unreasonable points or significant issues; (e) the Company has also considered the Tender Offer Price comprehensively taking into account circumstances such as the necessity and advantages of the Transactions, and their effect on the future business of the Target Company based on the Deloitte Tohmatsu Valuation Report; (f) an experienced financial advisor (a third-party valuation organization) is employed and the terms and conditions of the Transactions have been comprehensively negotiated including the Tender Offer Price; (g) the Tender Offer Price expected to be conclusively resolved in the Target Company's board meeting is considered a price including a proper premium; (h) these actions by the Target Company are considered reasonable and appropriate to ensure fairness and appropriateness of the terms and conditions of the Transactions (including the Tender Offer), the Tender Offer Price in particular, and to eliminate any arbitrariness in the process of determination and decision-making with respect to the foregoing; (i) according to the explanation by the Target Company, absent specific circumstances in the future, the terms and conditions of the Transaction to Make the Target Company a Wholly-Owned Subsidiary are also expected to be calculated and decided on the same basis as the Tender Offer Price; (j) and the Transaction to Make the Target Company a Wholly-Owned Subsidiary is expected to be carried out after the Tender Offer as the procedures following the Tender Offer (the procedures for two-step acquisition), and it is reasonable to streamline the terms and conditions of the transactions of both procedures that have similar timelines.

(iv) Whether the Transactions are not expected to be disadvantageous to the Target Company's minority shareholders in light of (i) through (iii) above

With respect to matters other than those considered in (i) through (iii) above, the special committee has not presently found any circumstances that make the Transactions including the Tender Offer appear disadvantageous to the minority shareholders of the Target Company; therefore, the Transactions are considered not disadvantageous to the minority shareholders of the Target Company.

- (v) If the Transactions are implemented by the Tender Offer, whether it is considered appropriate for the board of directors of the Target Company to express an opinion to support the Tender Offer and to recommend that the Target Company shareholders tender their shares in the Tender Offer, in light of (i) through (iv) above

Based on the above facts, it is reasonable for the board of directors of the Target Company to express an opinion in support of the Tender Offer and to recommend to its shareholders to tender shares in the Tender Offer, and no reasons against this have presently been found: (i) the Transactions are expected to enhance the enterprise value of the Target Company and the purpose thereof is considered reasonable, (ii) in the Transactions, due consideration is given to the interest of the minority shareholders of the Target Company through fair procedures, (iii) the terms of the Transactions are considered appropriate, and (iv) considering (i) through (iii) above, the Transactions are regarded as not disadvantageous to the minority shareholders of the Target Company.

After that, as of July 30, 2020, it was possible to anticipate the completion of all procedures and activities based on domestic and foreign competition laws, which are required for the commencement of the Tender Offer; therefore, the Tender Offeror requested that the Target Company commence preparations for the decision to commence the tender offer on August 18, 2020, subject to the completion of such procedures and activities by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Target Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, on August 26, 2020, all procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed; therefore, on August 27, 2020, the Tender Offeror told the Target Company that it wants to commence the Tender Offer on September 2, 2020, on the premise that other Conditions Precedent would be satisfied. According to the September 1 Press Release by the Target Company, on August 4, 2020, based on the progress of the procedures and activities above, required by domestic and foreign competition laws, the Target Company asked the special committee established by the Target Company to examine whether there are any changes in the opinion of the Written Report on October 29, 2019, and to state to the Target Company's board of directors that there are no changes if there is no change, or to submit the opinions after the change if there are any changes.

The special committee confirmed the relevant facts, e.g., whether any material change has occurred on and after October 30, 2019 that may influence the Transaction, with the Target Company, and as a result of consideration of the above matters, the special committee confirmed that there are no circumstances that may result in changes to the Written Report on October 29, 2019, even taking into consideration of circumstances occurred between October 30, 2019 and August 31, 2020. On August 31, 2020, upon an unanimous resolution, the special committee submitted to the board of directors of the Target Company the Written Report on August 31, 2020, stating there were no changes to the above opinions.

(IV) Advice from Independent Law Firm to the Target Company

According to the Target Company Press Releases, the Target Company appointed Anderson Mori & Tomotsune as its legal advisor independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, in order to ensure the fairness and propriety of the decision-making process of the Transactions and has received therefrom legal advice required for the matters to note concerning the decision-making process and methods for the Transactions, and other decision-making regarding the Transactions. Anderson Mori

& Tomotsune is not a related party to the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, or Hitachi, and does not have any significant interest in the Transactions.

(V) Approval of All Directors of the Target Company with No Interest in the Transactions , and No Objection from All Company Auditors of the Target Company with No Interest in the Transactions

According to the Target Company Press Releases, the board of directors of the Target Company carefully discussed and examined the series of procedures of the Transactions and the terms of the Tender Offer, based on the Deloitte Tohmatsu Valuation Report obtained from Deloitte Tohmatsu Financial Advisory and the legal advice of Anderson Mori & Tomotsune, and by respecting to the maximum extent the content of the Written Report on October 29, 2019 obtained from the special committee.

As a result, under the grounds and reasons described in “(V) Process of and Reasons for Decision-Making by the Target Company” in “(2) Background to Decision to Implement Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy” above, all eight directors of the Target Company deliberated and unanimously passed a resolution at the meeting of the board of directors held on October 30, 2019 that, as the Target Company’s opinion as of the same date, the board of directors would express its opinion to support the Tender Offer, and that it would recommend that the shareholders of the Target Company tender the Target Company Shares for the Tender Offer if it were commenced. The meeting of the board of directors was attended by all four company auditors of the Target Company, who all expressed an opinion that they would not object to the board of directors of the Target Company passing the resolution.

After that, as of July 30, 2020, it was possible to anticipate the completion of all procedures and activities based on domestic and foreign competition laws, which are required for the commencement of the Tender Offer; therefore, the Tender Offeror requested that the Target Company commence preparations for the decision to commence the tender offer on August 18, 2020, subject to the completion of such procedures and activities by August 14, 2020. However, because the procedures and activities based on the competition law of Thailand were not completed as of August 14, 2020, the Tender Offeror notified the Target Company on the same date that it will not make a decision in relation to the commencement of the Tender Offer on August 18, 2020. After that, on August 26, 2020, all procedures and activities based on domestic and foreign competition laws, the completion of which had been required for the commencement of the Tender Offer, were completed; therefore, on August 27, 2020, the Tender Offeror told the Target Company that it wants to commence the Tender Offer on September 2, 2020, on the premise that other Conditions Precedent would be satisfied. According to the September 1 Press Release by the Target Company, on September 1, 2020, the Target Company carefully reconsidered the various conditions regarding the Tender Offer by respecting to the maximum extent the content of the Written Report on August 31, 2020 submitted by the special committee, and as a result confirmed that between October 30, 2019 and September 1, 2020, no material changes that would require changes to the various terms and conditions of the Tender Offer could be seen on the business condition of the Target Company including the influence of the spread of the novel coronavirus (COVID-19), and the environment surrounding the Transactions, and that no circumstances could be found that would cause a material impact to the Target Company’s calculation method of the share value, and also determined that as of September 1, 2020, there were no factors that would change the decision as of October 30, 2019 regarding the Tender Offer. As a result, at the board of directors meeting held on September 1, 2020, all six directors of the Target Company deliberated and unanimously passed a resolution to express its opinion to support the Tender Offer again and to recommend that the shareholders of the Target Company tender Target Company Shares for the Tender Offer. The meeting of the board of directors was attended by

all four company auditors of the Target Company who all expressed an opinion that they would not object to the board of directors of the Target Company passing the resolution.

The Target Company directors—Messrs. Yasushi Kawaguchi, Kazuya Sato and Aiji Yamanaka, were employees of the Tender Offeror until March 2018, March 2013, and March 2018, respectively. However, they all transferred to the Target Company at the respective months and neither concurrently serve as officers or employees of the Tender Offeror, nor are in a position to receive instructions from the Tender Offeror as managers of the Target Company. Therefore, there are no circumstances where they have or may have a conflict of interest with the Target Company as of October 30, 2019 and September 1, 2020.

(VI) Measures to Ensure Opportunities for Other Purchasers to Purchase

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

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

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

(5) Policies Regarding Reorganization, among Others, after the Tender Offer (Matters Regarding the So-Called Two-Stage Purchase)

As stated in “(1) Overview of the Tender Offer” above, the Tender Offeror plans to make the Target Company its wholly-owned subsidiary. If the Tender Offer is successfully completed, and the Tender Offeror has not succeeded in acquiring all of the Target Company Shares, then the Tender Offeror intends to take procedures to make the Tender Offeror the only shareholder of the Target Company by the methods described below.

More specifically, after the successful completion of the Tender Offer, if the total number of voting rights owned by the Tender Offeror in the Target Company is equal to or exceeds 90% of the number of voting rights of all shareholders of the Target Company, and the Tender Offeror is thus a Special Controlling Shareholder as defined in Article 179, paragraph (1) of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same shall apply), then promptly after the completion of settlement for the Tender Offer, the Tender Offeror intends to demand that all the shareholders of the Target Company (excluding the Tender Offeror and the Target Company) who did not tender Target Company Shares in the Tender Offer (the “Shareholders Subject to Cash-Out”) sell all of their Target Company Shares pursuant to the provisions in Section 4-2, Chapter II, Part II of the Companies Act (the “Demand for Cash-Out”).

In the Demand for Cash-Out, the Tender Offeror intends to decide on delivering, as the per-share value of Target Company Shares, the same amount of money as the Tender Offer Price to the Shareholders Subject to Cash-Out. In this case, the Tender Offeror will provide the Target Company with notice to that effect and seek approval of the Target Company for the Demand for Cash-Out. If the Target

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

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

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

According to the provisions of the Companies Act that aim to protect the rights of minority shareholders to which the Share Consolidation relates, if fractions less than one share are included in the number of shares as a result of the Share Consolidation, the Target Company's shareholders (excluding the Tender Offeror and the Target Company) will be entitled, in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations, to (a) demand that the

Target Company purchase, at a fair price, all of the fractions of less than one share from among shares of common stock that they hold and (b) file a petition with a court to determine the sales price for their Target Company Shares. As stated above, in the Share Consolidation, the number of Target Company Shares owned by the Target Company's shareholders (excluding the Tender Offeror and the Target Company) who did not tender Target Company Shares in the Tender Offer will be a fraction of less than one share. Thus, the Target Company's shareholders (excluding the Tender Offeror and the Target Company) who dissent from the Share Consolidation will be able to file a petition to determine the sales price. If the petition mentioned above is filed, the purchase price will be finally determined by the court.

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

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

(6) Likelihood of Delisting and Reasons Therefor

As of today, the Target Company Shares are listed on the TSE 1st Section. However, since the Tender Offeror has not set a maximum limit on the number of shares to be purchased in the Tender Offer, the Target Company Shares may be delisted through prescribed procedures in accordance with the delisting criteria of the Tokyo Stock Exchange, depending on the results of the Tender Offer. Additionally, even if the delisting criteria are not met upon the completion of the Tender Offer, the Tender Offeror intends to conduct transactions pursuant to the applicable laws and regulations in order to acquire all Target Company Shares as stated in "(5) Policies Regarding Reorganization, among Others, after the Tender Offer (Matters Regarding the So-Called Two-Stage Purchase)" above after the successful completion of the Tender Offer. In such a case, the Target Company Shares will be delisted through the prescribed procedures in accordance with the delisting criteria of the Tokyo Stock Exchange. After delisting, the Target Company Shares will no longer be traded on the Tokyo Stock Exchange.

2. Overview of the Purchase

(1) Overview of the Target Company

| | | |
|-------|------------------------------------|---|
| (i) | Name | Nissin Kogyo Co., Ltd. |
| (ii) | Location | 801 Kazawa, Tomi City, Nagano Japan |
| (iii) | Name and Title of Representative | Yasushi Kawaguchi, Representative Director and President |
| (iv) | Description of Business Activities | Manufacture and sale of brake equipment for motorcycles and automobiles and aluminum products, etc. |
| (v) | Capital | 3,694 million Japanese yen (as of March 31, 2020) |
| (vi) | Date of Establishment | October 27, 1953 |

| | | | |
|--------|--|---|--------|
| (vii) | Major Shareholders and Ownership Percentage (as of March 31, 2020) | Honda Motor Co., Ltd. | 34.86% |
| | | Daishin Sangyo Co., Ltd. | 5.22% |
| | | J.P. MORGAN BANK LUXEMBOURG S.A. 1300000 (standing agency, Settlement & Clearing Services Department, Mizuho Bank, Ltd.) | 5.04% |
| | | The Master Trust Bank of Japan, Ltd. (Trust Account) | 3.46% |
| | | Naoya Miyashita | 3.21% |
| | | Mizuho Securities Co., Ltd. | 3.16% |
| | | J.P. Morgan Securities Japan Co., Ltd. | 2.66% |
| | | Japan Trustee Services Bank, Ltd. (Trust Account) | 1.92% |
| | | GOLDMAN, SACHS & CO. REG (standing agency: Goldman Sachs Japan Co., Ltd.) | 1.89% |
| | | GOVERNMENT OF NORWAY-CFD (standing agency: Tokyo Branch, Citibank, N.A.) | 1.50% |
| (viii) | Relationship between the Tender Offeror and Target Company | | |
| | Capital Relationship | The Tender Offeror owns 22,682,205 Target Company Shares (ownership ratio 34.86%). | |
| | Personnel Relationship | N/A | |
| | Business Relationship | The Target Company sells automotive components to the Tender Offeror. | |
| | Status as Related Parties | The Target Company is an equity-method affiliate of the Tender Offeror and thus is a related party. | |

(Note) The “Major Shareholders and Ownership Percentage” contains the same statements as the “Major Shareholders” in the annual securities report for the 67th fiscal year submitted by the Target Company on June 30, 2020.

(2) Schedule, etc.

(I) Schedule

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|--|---|
| Date of Public Notice for Commencement of Tender Offer | September 2, 2020 (Wednesday) Electronic public notice is issued and the notice to that effect is posted in the Nihon Keizai Shimbun. (URL of electronic public notice: https://disclosure.edinet-fsa.go.jp/) |
| Submission Date of Tender Offer Registration Statement | September 2, 2020 (Wednesday) |

(II) Tender Offer Period Originally Specified in the Registration Statement

From September 2, 2020 (Wednesday) to October 15, 2020 (Thursday) (30 business days)

(III) Possibility of Extension Upon Request of the Target Company

Not applicable.

(3) Purchase Price

2,250 Japanese yen per 1 share of common stock

(4) Basis for the Calculation of the Purchase Price

(I) Basis for the Calculation

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

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

The results of calculation by Nomura Securities of the per-share value of the Target Company Shares are as follows:

| | |
|------------------------------|--|
| Market share price analysis: | 1,458 Japanese yen to 1,793 Japanese yen |
| Comparable company analysis: | 732 Japanese yen to 1,159 Japanese yen |
| DCF Analysis: | 1,945 Japanese yen to 2,568 Japanese yen |

Under the market share price analysis, where October 29, 2019, which is the business day immediately preceding the date of the announcement of the scheduled commencement of the Tender Offer, was the reference date, the per-share value of the Target Company Shares was calculated to range from 1,458 Japanese yen to 1,793 Japanese yen, based on the following prices of Target Company Shares on the TSE 1st Section: the closing price on the reference date (1,793 Japanese yen); the simple average of the closing price for the five business days immediately preceding the reference date (1,715 Japanese yen) (rounded to the nearest Japanese yen; the same method was applied to the calculation of the simple average of the closing price in this section); the simple average of the closing price for the one month immediately preceding the reference date (1,572 Japanese yen); the simple average of the closing price for the three months immediately preceding the reference date (1,466 Japanese yen); and the simple average of the closing price for the six months immediately preceding the reference date (1,458 Japanese yen).

Under the comparable company analysis, the value of the Target Company Shares was calculated through comparison with the market share price and financial indicators (e.g., profitability, etc.) of listed companies that engage in businesses comparatively similar to those of the Target Company. Using this methodology, the per-share value of the Target Company Shares was calculated to range from 732 Japanese yen to 1,159 Japanese yen.

Under the DCF Analysis, the Target Company's enterprise value and share value were calculated by discounting the free cash flow that is expected to be generated in the future by the Target Company in and after the fiscal year ending in March 2020 at a certain discount

rate to the present value, based on the relevant factors including the profitability and investment plans in the Target Company's business plan for 4 fiscal years from the fiscal year ending in March 2020 to the fiscal year ending in March 2023 as well as other publicly available information. Using this methodology, the per-share value of the Target Company Shares was calculated to range from 1,945 Japanese yen to 2,568 Japanese yen. In the business plan which served as a basis for the DCF Analysis, no significant increases or decreases in profits are expected. The synergistic effects expected to be achieved by implementing the Integration, including the Tender Offer, have not been counted. This is because it is difficult to specifically estimate the impact on earnings as of October 29, 2019.

By a resolution at the board of directors meeting held on October 30, 2019, the Tender Offeror ultimately determined that the Tender Offer Price would be 2,250 Japanese yen per share, comprehensively taking into account: (i) the valuation results in the Valuation Report obtained from Nomura Securities; (ii) the results of the due diligence on the Target Company by the Tender Offeror; (iii) real-world examples of premiums granted when the purchase price was determined in the case of previous tender offers for Shares (the case of tender offers to make target companies wholly-owned subsidiaries) by persons other than issuers similar to the Tender Offer; (iv) whether the board of directors of the Target Company would support the Tender Offer; (v) fluctuations in the market price of the Target Company Shares; and (vi) anticipated levels of tendering in the Tender Offer, and based on the results of discussions and negotiations with the Target Company.

The Tender Offer Price of 2,250 Japanese yen per share represents the following premiums: 25.49% (rounded off to two decimal places; the same method was applied to the calculation of premiums (%) in this section) on the closing price of the Target Company Shares of 1,793 Japanese yen on the TSE 1st Section as of October 29, 2019, which is the business day immediately preceding the date of announcement of the scheduled commencement of the Tender Offer; 43.13% on the simple average of the closing price of 1,572 Japanese yen for the one month immediately preceding October 29, 2019; 53.48% on the simple average of the closing price of 1,466 Japanese yen for the three months immediately preceding October 29, 2019; and 54.32% on the simple average of the closing price of 1,458 Japanese yen for the six months immediately preceding October 29, 2019.

The Tender Offer Price of 2,250 Japanese yen per share represents the following premiums: 0.85% on the closing price of the Target Company Shares of 2,231 Japanese yen on the TSE 1st Section as of August 31, 2020, which is the business day immediately preceding the date of announcement of the commencement of the Tender Offer; 1.40% on the simple average of the closing price of 2,219 Japanese yen for the one month immediately preceding August 31, 2020; 1.99% on the simple average of the closing price of 2,206 Japanese yen for the three months immediately preceding August 31, 2020; and 2.13% on the simple average of the closing price of 2,203 Japanese yen for the six months immediately preceding August 31, 2020.

(Note) In calculating the Target Company Share value, Nomura Securities assumed that all public information and information provided to it are accurate and complete, and it has not independently verified the accuracy or completeness thereof. Also, Nomura Securities neither has independently evaluated, appraised or assessed, nor has requested that any third-party organization appraise or assess, any assets or liabilities (including financial derivatives, off-balance sheet assets and liabilities, and other contingent liabilities) of the Target Company or its affiliated companies (including analyzing and evaluating their individual assets and liabilities). The Target Company's financial forecast (including profit plans and other information) is assumed to have been reasonably examined or prepared based on the best, bona-fide forecast and decision-making that are presently available to the Target Company's management as of October 29, 2019. Calculations by Nomura Securities reflect the

information obtained and economic conditions learned by Nomura Securities up to and including October 29, 2019. Calculations by Nomura Securities are solely for reference purposes for the Tender Offeror's board of directors to consider the Target Company Share value.

(II) Background of the Calculation

(Background leading to the determination of the Tender Offer Price)

The Tender Offeror started considering the Integration in the middle of February 2018. It appointed Nomura Securities as its financial advisor and third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, and appointed Nishimura & Asahi as its legal advisor. The Tender Offeror started initial consideration and discussions regarding the Integration, including the Tender Offer, and in late May 2019, made the Proposal to the Target Company.

According to the Target Company, in response to the Proposal made by the Tender Offeror in late May 2019, the Target Company appointed Deloitte Tohmatsu Financial Advisory as its financial advisor and third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, and appointed Anderson Mori & Tomotsune as its legal advisor independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, in order to ensure the fairness of the Transactions including the Tender Offer Price. According to the Target Company, on July 24, 2019, it established a special committee as an advisory body for the Target Company's board of directors to consider the Proposal.

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

Consequently, as of October 30, 2019, the Tender Offeror determined to conduct the Tender Offer for the Target Company Shares as part of the Transactions if the Conditions Precedent are satisfied. The Tender Offeror also determined the Tender Offer Price against the background described below. For details of the background that led to the Tender Offeror's determination to conduct the Tender Offer, please see "(2) Background to Decision to Implement Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy" of "1. Purpose of the Purchase" above.

(i) Name of the third party from whom the Tender Offeror obtained opinions in calculation

In determining the Tender Offer Price, the Tender Offeror asked Nomura Securities, a financial advisor and third-party valuation organization independent of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi, to calculate the value of the Target Company Shares. The Tender Offeror obtained the Valuation Report dated October 29, 2019, from Nomura Securities. Nomura Securities is neither a related party of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems or Hitachi, nor does it have a material interest in the Integration, including the Tender Offer.

(ii) Overview of the opinions

According to the Valuation Report, the methods adopted and the ranges of per-share value of the Target Company Shares calculated by using those methods are as follows:

Market share price analysis: 1,458 Japanese yen to 1,793 Japanese yen
Comparable company analysis: 732 Japanese yen to 1,159 Japanese yen
DCF Analysis: 1,945 Japanese yen to 2,568 Japanese yen

(iii) Background leading to the determination of the Tender Offer Price taking into consideration the opinions

By a resolution at the board of directors meeting held on October 30, 2019, the Tender Offeror ultimately determined that the Tender Offer Price would be 2,250 Japanese yen per share, comprehensively taking into account: (i) the valuation results in the Valuation Report obtained from Nomura Securities; (ii) the results of the due diligence on the Target Company by the Tender Offeror; (iii) real-world examples of premiums granted when the purchase price was determined in the case of previous tender offers for Shares (the case of tender offers to make target companies wholly-owned subsidiaries) by persons other than issuers similar to the Tender Offer; (iv) whether the board of directors of the Target Company would support the Tender Offer; (v) fluctuations in the market price of the Target Company Shares; and (vi) anticipated levels of tendering in the Tender Offer, and based on the results of discussions and negotiations with the Target Company.

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

(III) Relationship with the Valuation Organization

Nomura Securities, which is the Tender Offeror's financial advisor and third-party valuation organization, is neither a related party of the Tender Offeror, the Three Target Companies, Hitachi Automotive Systems or Hitachi, nor does it have a material interest in the Integration, including the Tender Offer.

(5) Number of Shares to be Purchased

| Number of Shares to be Purchased | Minimum Number of Shares to be Purchased | Maximum Number of Shares to be Purchased |
|----------------------------------|--|--|
| 42,378,296 shares | 20,691,495 shares | — shares |

(Note 1) Since the Tender Offeror intends to make the Target Company a wholly-owned subsidiary, if the aggregate number of the Tendered Shares does not reach the minimum number of shares to be purchased (20,691,495 shares), none of the Tendered Shares will be purchased. If the aggregate number of the Tendered Shares is equal to or exceeds the minimum number of shares to be purchased (20,691,495 shares), all the Tendered Shares will be purchased.

(Note 2) Shares in quantities of less than one unit are also subject to the Tender Offer. If a right to demand the purchase of shares in quantities of less than one unit is exercised by a shareholder pursuant to the Companies Act, the Target Company may purchase those shares during the Tender Offer Period in accordance with the procedures under the laws and regulations.

(Note 3) The Tender Offeror does not intend to acquire treasury shares owned by the Target Company through the Tender Offer.

(Note 4) Because no maximum number of shares to be purchased has been set in the Tender Offer, the “Number of Shares to be Purchased” is the possible maximum number of Target Company Shares (42,378,296 shares) to be obtained by the Tender Offeror through the Tender Offer. This maximum number of shares (42,378,296 shares) is obtained by deducting (a) from (b), wherein (a) is the number of Target Company Shares owned by the Tender Offeror as of today (22,682,205 shares), and the number of treasury shares owned by the Target Company as of June 30, 2020, as stated in the Target Company’s Financial Summary for the First Quarter of the Fiscal Year Ending in March 2021 (391,642 shares), and (b) is the total number of issued shares as of June 30, 2020, as stated in the Target Company’s First Quarterly Report for the 68th Fiscal Year (65,452,143 shares).

(6) Changes in the Ownership Ratio of Shares as a Result of the Purchase

| | | |
|---|-----------------------|---|
| Number of voting rights pertaining to Shares owned by the Tender Offeror before the purchase | 226,822 voting rights | (Ownership ratio of Shares before the purchase: 34.86%) |
| Number of voting rights pertaining to Shares owned by specially related parties before the purchase | 0 voting rights | (Ownership ratio of Shares before the purchase: 0.00%) |
| Number of voting rights pertaining to Shares owned by the Tender Offeror after the purchase | 650,605 voting rights | (Ownership ratio of Shares after the purchase: 100.00%) |
| Number of voting rights pertaining to Shares owned by specially related parties after the purchase | 0 voting rights | (Ownership ratio of Shares after the purchase: 0.00%) |
| Number of voting rights of all shareholders of the Target Company | 650,408 voting rights | |

(Note 1) The “number of voting rights pertaining to Shares owned by the Tender Offeror before the purchase” is the number of voting rights (226,822 voting rights) pertaining to Shares owned by the Tender Offeror as of today (22,682,205 shares).

(Note 2) The “number of voting rights pertaining to Shares owned by specially related parties before the purchase” is the total number of the voting rights pertaining to Shares owned by specially related parties (excluding those specially related parties who are excluded from being a specially related party under Article 3(2)(i) of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates by Persons Other Than Issuers (Ministry of Finance Order No. 38 of 1990, as amended; the “Cabinet Office Order”) for the purpose of calculating the ownership ratio of Shares under Article 27-2(1) of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”). The “number of voting rights pertaining to Shares owned by specially related parties after the purchase” is stated as zero, because the Shares owned by specially related parties (excluding treasury shares owned by the Target Company) are also subject to the Tender Offer.

(Note 3) The “number of voting rights of all shareholders of the Target Company” is the number of the voting rights of all shareholders as of June 30, 2020, as stated in the Target Company’s First Quarterly Report for the 68th Fiscal Year (one unit of shares is stated to consist of 100 shares). However, since all of the Target Company Shares issued by the Target Company, including shares in quantities of less than one unit, are subject to the Tender Offer, for the

purpose of calculating the “ownership ratio of Shares before the purchase” and the “ownership ratio of Shares after the purchase,” the number of voting rights (650,605 voting rights) pertaining to the number of shares (65,060,501 shares) obtained by deducting (a) from (b) was used as the denominator, wherein (a) is the number of treasury shares owned by the Target Company as of June 30, 2020, as stated in the Target Company’s Financial Summary for the First Quarter of the Fiscal Year Ending in March 2021 (391,642 shares), and (b) is the total number of issued shares as of the same date, as stated in the Target Company’s First Quarterly Report for the 68th Fiscal Year (65,452,143 shares).

(Note 4) With regard to the “ownership ratio of Shares before the purchase” and the “ownership ratio of Shares after the purchase,” any fraction is rounded off to two decimal places.

(7) Purchase Price 95,351,166,000 Japanese yen

(Note) “Purchase price” is the amount obtained by multiplying the number of shares to be purchased through the Tender Offer (42,378,296 shares) by the Tender Offer Price (2,250 yen).

(8) Settlement Method

(I) Name and Head Office Location of Financial Instruments Business Operator, Bank, and Any Other Institution Conducting Settlement of Purchase

Nomura Securities Co., Ltd. 1-9-1 Nihonbashi, Chuo-ku, Tokyo
(The location of the head office of Nomura Securities Co., Ltd. will be 1-13-1 Nihonbashi, Chuo-ku, Tokyo on October 1, 2020.)

(II) Commencement Date of Settlement

October 22, 2020 (Thursday)

(III) Settlement Method

Without delay following the conclusion of the Tender Offer Period, a notice of purchase through the Tender Offer will be mailed to the addresses of the Tendering Shareholders (or standing proxies for Foreign Shareholders).

Purchase will be made by cash. A Tendering Shareholder may receive the proceeds from selling the shares through the Tender Offer without delay on and after the commencement date of settlement in a manner designated by the Tendering Shareholder, such as through money transfer (transfer fees may apply).

(IV) Method of Return of Shares

If none of the Tendered Shares is purchased in accordance with the conditions described in “(I) Existence and Details of Conditions Set Forth in Each Item of Article 27-13, Paragraph (4) of the Act” and “(II) Existence of Conditions of Withdrawal of the Tender Offer, Details Thereof, and Method of Disclosure of Withdrawal” of “(9) Other Terms and Conditions and Methods of Purchase” below, the Shares to be returned shall be returned by restoring the record in the Tendering Shareholder Account opened with the tender offer agent to the record immediately prior to the point of time they were tendered, promptly on and after the second business day after the last day of the Tender Offer Period (or, if the Tender Offer is withdrawn, the date of withdrawal). (If transferring the Shares to the Tendering Shareholder’s account opened with a different financial instruments business operator, please confirm with the head office or the domestic branch of the tender offer agent where your tender was accepted.)

*In connection with the measures for preventing the spread of the novel coronavirus (COVID-19), special measures such as temporarily suspending our in-store services may be taken during the Tender Offer Period. For details, please contact the head office or each domestic branch of the tender offer agent. Also, for a list of the affected stores and special measures taken by such stores, please see the tender offer agent's website (<https://www.nomura.co.jp/>).

(9) Other Terms and Conditions and Methods of Purchase

(I) Existence and Details of Conditions Set Forth in Each Item of Article 27-13, Paragraph (4) of the Act

If the total number of the Tendered Shares is less than the minimum number of shares to be purchased (20,691,495 shares), none of the Tendered Shares will be purchased. If the total number of the Tendered Shares is equal to or above the minimum number of shares to be purchased (20,691,495 shares), all of the Tendered Shares will be purchased.

(II) Existence of Conditions of Withdrawal of the Tender Offer, Details Thereof, and Method of Disclosure of Withdrawal

In the event that any of the facts set forth in Article 14, paragraph (1), item(i), (a) through (i) as well as (l) through (r), Article 14, paragraph (1), item (iii), (a) through (h), as well as Article 14, paragraph (2), item (iii) through (vi) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; the "Order") occurs, the Tender Offer may be withdrawn. If the Tender Offer is intended to be withdrawn, an electronic public notice will be made, and a notice to that effect will be published in the Nihon Keizai Shimbun. However, if issuing the public notice by the last day of the Tender Offer Period proves difficult, the announcement will be made via the methods set forth in Article 20 of the Cabinet Office Order, and a public notice shall be issued immediately thereafter.

(III) Existence of Conditions for Reduction in Purchase Price, Details Thereof, and Method of Disclosure of Reduction

In accordance with the provisions of Article 27-6, paragraph (1), item (i) of the Act, in the event that the Target Company engages in any of the actions set forth in Article 13, paragraph (1) of the Order during the Tender Offer Period, the purchase price may be reduced in accordance with the standards set forth in Article 19, paragraph (1) of the Cabinet Office Order. If the purchase price is intended to be reduced, an electronic public notice will be made, and a notice to that effect will be published in the Nihon Keizai Shimbun. However, if issuing the public notice by the last day of the Tender Offer Period proves difficult, the announcement will be made via the methods set forth Article 20 of the Cabinet Office Order, and a public notice shall be issued immediately thereafter. If the purchase price has been reduced, the Tendered Shares on or before the day on which such public notice was made will be purchased at the reduced purchase price.

(IV) Matters Relating to the Tendering Shareholders' Right to Cancel Contract

A Tendering Shareholder may cancel a contract regarding the Tender Offer at any time during the Tender Offer Period. When canceling the contract, please deliver or send a document indicating the intention of canceling the contract regarding the Tender Offer (the "Cancellation Document") to the head office or the domestic branch of the person designated below where your tender was accepted no later than 3:30 PM on the last day of the Tender Offer Period. However, if sending the Cancellation Document, the document must arrive by 3:30 PM on the last day of the Tender Offer Period.

When canceling a contract regarding your tender made through the online service, please cancel the contract via the online service (<https://hometrader.nomura.co.jp/>), or by delivering or sending the Cancellation Document. If canceling the contract via the online service, please follow the instructions provided on the online service screen, and complete cancellation procedures no later than 3:30 PM on the last day of the Tender Offer Period. Any contract regarding your tender made at a transaction branch cannot be cancelled via the online service. When delivering or sending the Cancellation Document, please first request a Cancellation Document form from your transaction branch and then deliver or send the Cancellation Document to the same transaction branch no later than 3:30 PM on the last day of the Tender Offer Period. However, if sending the Cancellation Document, the document must arrive by 3:30 PM on the last day of the Tender Offer Period.

*In connection with the measures for preventing the spread of the novel coronavirus (COVID-19), special measures such as temporarily suspending our in-store services may be taken during the Tender Offer Period. For details, please contact the head office or each domestic branch of the tender offer agent. Also, for a list of the affected stores and special measures taken by such store, please see the tender offer agent's website (<https://www.nomura.co.jp/>).

Party authorized to receive the Cancellation Document

Nomura Securities Co., Ltd. 1-9-1 Nihonbashi, Chuo-ku, Tokyo
(The location of the head office of Nomura Securities Co., Ltd. will be 1-13-1 Nihonbashi, Chuo-ku, Tokyo on October 1, 2020.)
(Other domestic branches of Nomura Securities Co., Ltd.)

The Tender Offeror will not seek payment of damages or penalties from any Tendering Shareholder who canceled their contract. Furthermore, any expenses associated with returning the Tendered Shares shall be borne by the Tender Offeror.

(V) Method of Disclosure Where Terms and Conditions of Purchase are Changed

Unless prohibited in Article 27-6, paragraph (1) of the Act and Article 13 of the Order, the Tender Offeror may change the terms and conditions of purchase during the Tender Offer Period. If the purchase conditions are intended to be changed, an electronic public notice will be made regarding such changes, and a notice to that effect will be published in the Nihon Keizai Shimbun. However, if issuing the public notice by the last day of the Tender Offer Period proves difficult, the announcement will be made via the methods set forth in Article 20 of the Cabinet Office Order, and a public notice shall be issued immediately thereafter. If the purchase conditions have been changed, the Tendered Shares on or before the day on which such public notice was made will be purchased on the changed purchase conditions.

(VI) Method of Disclosure Where an Amended Statement is Submitted

If an amended statement is submitted to the Director-General of the Kanto Local Finance Bureau (excluding cases set forth in the proviso to Article 27-8, paragraph (11) of the Act), the details recorded in the amended statement relating to the details recorded in the public notice announcing the commencement of the Tender Offer will be publicly announced via the methods set forth in Article 20 of the Cabinet Office Order immediately. Furthermore, the tender offer explanation shall be immediately amended, and the Tendering Shareholders who have already received a before-amendment version of the tender offer explanation shall be provided with an amended version. However, if the scope of amendment is small, a document containing the reasons for amendment, the amended items, and the content following the amendment will be prepared, and the document will be delivered to the Tendering Shareholders for the purpose of amending the previously provided explanation.

(VII) Method of Disclosure of the Results of the Tender Offer

The results of the Tender Offer will be publicly announced on the day following the last day of the Tender Offer Period via the methods set forth in Article 9-4 of the Order and Article 30-2 of the Cabinet Office Order.

(10) Date of Public Notice of Tender Offer

September 2, 2020 (Wednesday)

(11) Tender Offer Agent

Nomura Securities Co., Ltd. 1-9-1 Nihonbashi, Chuo-ku, Tokyo
(The location of the head office of Nomura Securities Co., Ltd. will be 1-13-1 Nihonbashi, Chuo-ku, Tokyo on October 1, 2020.)

3. Policies after the Tender Offer and Future Prospects

For the policies after the Tender Offer, please see “(2) Background to, the Purpose of, and Decision-Making Process of, the Resolution to Conduct the Tender Offer, and the Management Policy after the Tender Offer,” “(5) Policies Regarding Reorganization, among Others, after the Tender Offer (Matters Regarding the So-Called Two-Stage Purchase),” and “(6) Likelihood of Delisting and Reasons Therefor” under “1. Purpose of the Purchase” above.

4. Others

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

(I) Support for the Tender Offer and Recommendation for Tendering

According to the Target Company Press Releases, based on the considerations and negotiations as stated in “(V) Process of and Reasons for Decision-Making by the Target Company” of “(2) Background to Decision to Implement Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy” of “1. Purpose of the Purchase” above, at the meeting of the Target Company’s board of directors held on October 30, 2019, the Target Company expressed its opinion in support of the Tender Offer and resolved to recommend that the Target Company’s shareholders tender shares in the Tender Offer.

In addition, according to the September 1 Press Release by the Target Company, at the meeting of the Target Company’s board of directors held on September 1, 2020, the Target Company expressed its opinion in support of the Tender Offer and resolved to recommend that the Target Company’s shareholders tender shares in the Tender Offer.

For details, please see of “(V) Approval of All Directors of the Target Company with No Interest in the Transactions, and No Objection from All Company Auditors of the Target Company with No Interest in the Transactions” of “(4) Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest, and Measures to Ensure the Fairness of the Tender Offer” of “1. Purpose of the Purchase” above.

(II) Execution of the Basic Contract

The Tender Offeror, the Three Target Companies, Hitachi Automotive Systems, and Hitachi entered into the Basic Contract on October 30, 2019 concerning the structure of the Integration

and other related matters. For an overview of the Basic Contract, please see “(3) Material Agreements Regarding the Tender Offer” of “1. Purpose of the Purchase” above.

(2) Other Information That Is Considered to Be Necessary When Investors Determine Whether to Tender Shares in an Offer to Purchase

According to the Target Company, at the board of directors meeting held on September 1, 2020, the Target Company resolved not to pay interim dividends for the fiscal year ending in March 2021, subject to the completion of the Tender Offer.

For details, please see the “Notice regarding Dividend of Surplus (Non-payment of Dividends for the Second Quarter of the Fiscal Year Ending in March 2021)” announced by the Target Company on September 1, 2020.

End.

[Restriction on Solicitation]

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

[Prediction of the Future]

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

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

[U.S. Regulations]

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

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

[Other Countries]

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