[Translation]

December 18, 2019

To whom it may concern,

Name of Listed Company:	Showa Denko K.K.
Code Number:	4004 TSE First Section
Representative:	Kohei Morikawa, President & CEO
Contact:	CSR & General Affairs Department, Director of the Public Relations Kumiko Yuki
	TEL(03)-5470-3235

Name of Company:	HC Holdings K.K.
Name of Representative:	Eishi Wakutsu, Representative Officer
Contact:	Same as above

Announcement Regarding the Planned Commencement of Tender Offer for Shares in Hitachi Chemical Company, Ltd. (Securities Code 4217)

HC Holdings K.K. (a wholly-owned subsidiary of Showa Denko K.K. ("Showa Denko"); the "Tender Offeror"; collectively with Showa Denko, the "Tender Offerors") announces that the Tender Offeror decided today, by the Tender Offeror's representative officer to acquire common shares (the "Target Shares") of Hitachi Chemical Company, Ltd. (the "Target Company" listed on the First Section of Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") under the code number 4217) through a tender offer (meaning a tender offer under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the "Act"); the "Tender Offer") as stated below:

The Tender Offer is subject to the satisfaction (or waiver by the Tender Offeror) of certain conditions precedent; for example, the procedures and actions required under competition laws and other laws and regulations inside and outside Japan (Japan, China, South Korea, the United States, the European Union, and Taiwan) must be completed in order to commence the Tender Offer (for detailed information, please refer to (Note 1) of "(1) Outline of the Tender Offer" in "1. Purpose of the Purchase" below). The Tender Offeror plans to commence the Tender Offer as soon as the conditions precedent are satisfied (or waived by the Tender Offeror), and as of today it aims to commence the Tender Offer by approximately February 2020. However, it is difficult to predict the precise time period required for procedures at domestic and foreign competition authorities; therefore, a schedule for the Tender Offer will be announced promptly after it is decided.

Description

1. Purpose of the Purchase

(1) Outline of the Tender Offer

The Tender Offeror is a wholly-owned subsidiary of Showa Denko, who owns all outstanding shares of the Tender Offeror, and is a stock company incorporated on December 9, 2019 mainly for controlling and managing the business activities of the Target Company by owning the shares or equity interests of the Target Company, and as of today the Tender Offerors do not own the Target Shares. The outline of the Tender Offeror is as follows:

Outline of the Tender Offeror

(i) Location	13-9, Shiba Daimon 1-Chome, Minato-ku, Tokyo
(ii) Title and Name of Representative	Eishi Wakutsu, Representative Officer
(iii) Purpose of Company and Description of Business	The purpose of the company is to engage in the following activities and to control and manage the business activities of companies by owning the shares or equity interests of such companies which engage in the following business activities: 1. Manufacturing and sale of electrical insulating materials and electrical equipment 2. Manufacturing and sale of electronic materials and electronic components; 3. Manufacturing and sale of batteries, capacitors, and their applied products; 4. Manufacturing and sale of synthetic resins, other organic chemical products, their applied and processed products, and environmental equipment; 5. Manufacturing and sale of housing equipment and building materials; 6. Manufacturing and sale of ceramic industrial products, carbon products, other inorganic chemical products, and their applied products; 7. Manufacturing and sale of pharmaceuticals and medical devices; 8. Manufacturing and sale of powdered metallurgy, special metals, and their applied products; 9. Design, execution, supervision, and contracting for electrical works, telecommunication works, equipment installation works, civil engineering works, steel structure works, and other construction works; and 10. Any other business activities related to each of the preceding items.
(iv) Stated Capital	1 yen (As of December 18, 2019 (Note))

(Note): Subject to (I) the submission of the materials for conditions precedent, (II) the absence of reasons for insolvency, (III) the opening and maintenance of certain bank accounts, (IV) the execution and maintenance of related agreements, (V) the absence of any material breach of representations and warranties, (VI) the absence of any material breach of duties, (VII) the absence of certain reasons for purchase demands, (VIII) the confirmation of the successful completion of the Tender Offer and other certain matters regarding the Tender Offer, (IX) the fact that Showa Denko is a wholly-owning parent company of the Tender Offeror, (X) the lack of change of the business plan submitted to investors, (XI) the lack of change of the transaction structure for making the Target Company a wholly-owned subsidiary of the Tender Offeror, (XII) the investment by Showa Denko to be implemented by a certain date, (XIII) the certainty of implementation of the Bank Loan (as defined below), (XIV) the certainty of the absence, repayment, and dissolution of existing borrowings, existing commitment lines, existing security rights, guarantees, etc. in the Target Company Group (other than certain borrowings, etc. Please refer to "(I) Background, purpose, and decision-making process behind the Tender Offerors' decision to implement the Tender Offer" of "(2) Background, Purpose, and Decision-making Process Which Led to the Decision to Implement the Tender Offer As Well As the Management Policy After the Tender Offer". The same applies hereinafter.), (XV) the change of the articles of incorporation of the Tender Offeror and the implementation of other internal procedures necessary for issuing preferred shares, and

(XVI) other matters specified in investment contracts regarding preferred shares, the Tender Offeror is scheduled to obtain investments of up to 185 billion yen from Mizuho Bank, Ltd. ("Mizuho Bank") by the subscription of Class A preferred shares, up to 90 billion yen from Development Bank of Japan Inc. by the subscription of Class A preferred shares, by one or two business days before the settlement commencement date of the Tender Offer (the "Settlement Commencement Date"), and subject to the implementation of a loan of up to 295 billion yen from Mizuho Bank to Showa Denko (the "Loan to Showa Denko"), the Tender Offeror is also scheduled to obtain investments of up to 295 billion yen from Showa Denko by the subscription of common shares by two or three business days before the Settlement Commencement Date, resulting in a total amount of up to 570 billion yen . As a result, the amount of stated capital of the Tender Offeror is estimated to increase by up to 570 billion yen.

The Tender Offeror decided today, by its representative officer to implement the Tender Offer as part of the transaction (the "Transaction") for acquiring all of the Target Shares listed on the First Section of the Tokyo Stock Exchange (excluding treasury shares owned by the Target Company) and making the Target Company a wholly-owned subsidiary of the Tender Offeror, if conditions precedent to commence the Tender Offer (the "Conditions Precedent") (Note 1) are satisfied (or waived by the Tender Offeror).

(Note 1): The Conditions Precedent are (I) a resolution is adopted at the Target Company's board of directors meeting to express its opinion to support the Tender Offer, and the fact is announced pursuant to the laws and regulations, and no resolution is made to withdraw or disagree with such opinion; (II) on and after the execution of the Tender Agreement (as defined below. The same applies in (Note 1) hereinafter), (i) the Target Company and its subsidiaries do not decide any matters set forth in Article 14, paragraph (1), item 1(a) through (i) and (l) through (r) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; the "Enforcement Order"), and (ii) any events set forth in item 3(a) through (h), item 4, and item (5) of the same paragraph do not occurred in the Target Company (for both (i) and (ii) above, excluding matters set forth as being minor in Article 26 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 "Ordinance," (when applying paragraph (4) of the same article, the provisions in parentheses of the same paragraph does not apply.)); (III) there are no decisions, etc. issued by judicial, administrative, or other organs seeking to impose restrictions upon, or prohibit the Tender Offer, or Hitachi, Ltd. ("Hitachi") from tendering the Tender Offer for all Tendered Shares (as defined below) (the "Tender"), and there is no threat thereof; (IV) the obligations that Hitachi must perform or comply with under the Tender Agreement have been performed or complied with in all material respects; (V) the representations and warranties by Hitachi under the Tender Agreement are true and accurate in all material respect; (VI) with respect to necessary permits and licenses, clearance has been obtained under competition laws inside and outside Japan (Japan, China, South Korea, the United States, the European Union, and Taiwan); and (VII) the Target Company confirms in writing that there are no material facts set forth in each item of Article 166, paragraph (2) of the Act, regarding the Target Company which have not been publicized (meaning set forth in Article 166, paragraph (4) of the Act) or facts regarding the implementation and the suspension of the Tender Offer of share certificates of the Target Company (meaning set forth in Article 167, paragraph (2) of the Act).

To implement the Tender Offer, the Tender Offerors have executed a tender agreement today with Hitachi, who is a parent company of the Target Company (the "Tender Agreement"), to tender the Tender Offer for all Target Shares owned by Hitachi (106,699,955 shares, ownership ratio (Note 2): 51.24%; the "Tendered Shares").

For detailed information on the Tender Agreement, please refer to "(6) Material Agreement Related to the Tender Offer" below. If the Tender Offer is successfully completed, the Target Company will cease to be Hitachi's subsidiary, and the capital relationship between the Target Company and Hitachi will no longer exist. However, in order to ensure the smooth continuation of the business activities of the Target Company, the Target Company plans to execute an agreement for the use of the Hitachi brand, and an agreement regarding the contract research with Hitachi, and an agreement regarding the transition of service with Hitachi and the companies of Hitachi group (collectively, the "Transition Service Agreement").

(Note 2): "Ownership ratio" means the ratio (any fraction to be rounded off to two decimal places) of the total number of the outstanding shares (208,219,903 shares), which is obtained by deducting the number of treasury shares (145,010 shares) owned by the Target Company as of September 30, 2019 from the total number of outstanding shares as of the same day (208,364,913 shares), as stated "Consolidated Financial Summary (For the First Half Ended September 30, 2019 (IFRS basis))" announced by the Target Company on October 28, 2019 (the "Target Company Consolidated Financial Summary"), therefore the ratio of 208,364,903 shares is described. However, due to changes over time, the actual ownership ratio, which will be set based on the latest information available at the time of the commencement of the Tender Offer, may differ from the number above. The same applies hereinafter.

In the Tender Offer, the minimum number of shares to be purchased is set at the number equivalent to the two-thirds (any fraction to be rounded up to the nearest single digit) of the number of voting rights in connection with the number of shares, which is obtained by deducting the number of treasury shares owned by the Target Company from the total number of outstanding shares, multiplied by 100 shares, which constitutes one unit of the Target Company (Note 3). If the total number of share certificates, etc. tendered to the Tender Offer (the "Tendered Share Certificates") is less than the minimum number of shares to be purchased, the Tender Offeror will not purchase any of the Tendered Share Certificates. On the other hand, the maximum number of shares to be purchased is not set because the purpose of the Tender Offer is to make the Target Company a wholly-owned subsidiary. If the total number of Tendered Share Certificates is the minimum number of shares to be purchased or more, all of the Tendered Share Certificates will be purchased.

If the Tender Offer has been successfully completed, but the Tender Offeror is unable to acquire all of the Target Shares (excluding treasury shares owned by the Target Company) as a result of the Tender Offer, the Tender Offeror intends to acquire all of the Target Shares (excluding treasury shares owned by the Target Company) and make the Target Company a wholly-owned subsidiary by implementing the procedures described in "(4) Policy for Organizational Restructuring After the Tender Offer (Matters Relating to So-called "Two-Stage Purchase")" below (the "Procedure for Making the Target Company a Wholly-Owned Subsidiary") after the Tender Offer is successfully completed.

If the Tender Offer is successfully completed, as of the Settlement Commencement Date, the Target Company will cease to be Hitachi's subsidiary and will become a consolidated subsidiary (a second-tier subsidiary company) of Showa Denko. In addition, if the Tender Offer is successfully completed, as of the Settlement Commencement Date, the Tender Offeror is expected to become the Target Company's new parent company and largest major shareholder. Furthermore, if the Tender Offer is successfully completed, as of the Settlement Commencement Date, Showa Denko is expected to qualify as the new parent company of the Target Company because it owns more than 50% of the total voting rights of the Tender Offeror.

(Note 3): The minimum number of shares to be purchased is two-thirds (1,388,133 rights; any fraction to be rounded up to the nearest single digit) of the number of voting rights (2,082,199 rights) in connection with the number of shares (208,219,903 shares). The number of voting rights is obtained by deducting the number of treasury shares (145,010 shares) owned by the Target Company as of September 30, 2019 from the total number of outstanding shares as of the same date (208,364,913 shares) as stated in the Target Company Consolidated Financial Summary, multiplied by 100 shares, which constitutes one unit of the Target Company (138,813,300 shares). Therefore, the minimum number is hereinafter stated to be 138,813,300 shares. However, due to changes over time, the actual minimum number of shares to be purchased, which will be set based on the latest information available at the time of the commencement of the Tender Offer, may differ from the number above.

The Tender Offerors's policy is to procure funds required for the settlement of the Tender Offer in order to avoid a decline in capital efficiencies due to the dilution of shares in Showa Denko and maintain its financial soundness.

Specifically, the Tender Offeror plans to procure the funds required for the settlement of the Tender Offer by borrowing up to 400 billion yen from Mizuho Bank (the "Bank Loan"), receiving an investment of up to 275 billion yen from Mizuho Bank and Development Bank of Japan Inc. by the subscription of Class A preferred shares of the Target Company (as the "Preferred Share Investment", and receiving an investment of up to 295 billion yen from Showa Denko by the subscription of common shares of the Tender Offeror (the "Common Share Investment"). Subject to (I) the submission of the materials for conditions precedent, (II) the submission of application forms for borrowing, (III) the absence of reasons making them unable to obtain loans, (IV) the opening and maintenance of certain bank accounts, (V) the execution and maintenance of related agreements, (VI) the establishment of certain security agreements and the fulfillment of the requirements for perfection, (VII) the absence of any material breach of representations and warranties, (VIII) the absence of any material breach of duties, (IX) the absence of certain reasons for forfeiture of the benefit of time, (X) the confirmation of the successful completion of the Tender Offer and other certain matters regarding the Tender Offer, (XI) the fact that Showa Denko is a wholly-owning parent company of the Tender Offeror, (XII) the lack of change of the business plan submitted to Mizuho Bank, (XIII) the lack of change of the transaction structure for making the Target Company a wholly-owned subsidiary of the Tender Offeror, (XIV) the investment by Showa Denko to be implemented by a certain date, (XV) the Preferred Share Investment to be implemented by a certain date, (XVI) the certainty of the absence, repayment, and dissolution of existing borrowings, existing commitment lines, existing security rights, guarantees, etc. in the Target Company Group (other than certain borrowings, etc.), and (XVII) other matters specified in investment contracts, the Tender Offeror intends to obtain the Bank Loan by the business day before the Settlement Commencement Date, the Preferred Share Investment by one or two business days before the settlement commencement day of the Tender Offer subject to the matters from (I) to (XVI) stated in the above Note, and the Common Share Investment by two or three business days before the settlement commencement day of the Tender Offer subject to the implementation of the Loan to Showa Denko, respectively. Detailed loan terms and conditions of the Bank Loan will be provided in the loan agreement in connection with the Bank Loan upon separate consultation with Mizuho Bank. However, under the loan agreement in connection with the Bank Loan, a security interest is scheduled to be established for the Target Shares owned by the Tender Offeror. In addition, after the Tender Offeror becomes the Target Company's only shareholder through the Procedure for Making the Target Company a Wholly-Owned Subsidiary, it is planned that the Target Company will become a joint guarantor of the Tender Offeror and that a security interest will be established for certain assets of the Target Company. For Class A preferred shares, the Tender Offeror plans to receive from a rating agency a capital certification for a certain percentage of the investment. Furthermore, subject to (I) the submission of the materials for conditions precedent, (II) the absence of reasons making them unable to obtain loans, (III) the execution and maintenance of related agreements, (IV) the absence of any breach of representations and warranties, (V) the absence of any breach of duties, (VI) the absence of reasons for forfeiture of the benefit of time, (VII) the confirmation of the successful completion of the Tender Offer and other certain matters regarding the Tender Offer, (VIII) the lack of change of the business plan submitted to Mizuho Bank, (IX) the lack of change of the transaction structure for making the Target Company a wholly-owned subsidiary of the Tender Offeror, and (X) other matters specified in investment contracts, Showa Denko plans to procure funds required for the Common Share Investment by obtaining the Loan to Showa Denko, and does not plan to raise funds by issuing new shares.

According to the "Announcement of Opinion regarding the Planned Commencement of the Tender Offer for the Shares of Hitachi Chemical Company, Ltd. by HC Holdings" published today by the Target Company (the "Target Company Press Release"), the Target Company resolved at its board of directors meeting held today to express its opinion to support the Tender Offer if the Tender Offer is commenced as an opinion of the Target Company at the present time, and to recommend that the Target Company's shareholders tender the Tender Offer.

For detailed information on the resolutions of the board of directors of the Target Company, please refer to the Target Company Press Release and "(VI) Unanimous Approval of all non-interested directors at the Target Company" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Avoid Conflicts of Interest" below.

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

The background, purpose, and decision-making process which led to the decision to implement the Tender Offer by the Tender Offerors as well as the management policy after the Tender Offer are as follows. Statements regarding the Target Company contained in the following statements are based on explanations provided by the Target Company and information disclosed by the Target Company.

(I) Background, purpose, and decision-making process behind the Tender Offerors' decision to implement the Tender Offer

The Tender Offeror is a wholly-owned subsidiary of Showa Denko, who owns all of its outstanding shares and is a stock company incorporated in December 9, 2019, primarily for the purpose of controlling and managing the business activities of the Target Company by owning the shares or equity interests. Showa Denko, a parent company of the Tender Offeror, was established on June 1, 1939, through the merger of Nihon Electrical Industries K.K. and Showa Fertilizers K.K. Thereafter, Showa Denko listed its shares on stock exchanges in Tokyo, Osaka, Nagoya, Sapporo, and Fukuoka in May 1949. After that, because the transaction volume on the stock exchanges in Osaka, Nagoya, Sapporo and Fukuoka were small, and because it was believed that delisting would cause little impact on the shareholders and investors, Showa Denko applied for delisting on the stock exchanges in Osaka, Nagoya, Sapporo and Fukuoka in June 2003, and were subsequently delisted in July 2003. From July 2003 onwards it centralized its listing on the First Section of the Tokyo Stock Exchange. Showa Denko comprises a corporate group ("Showa Denko Group") consisting of Showa Denko and its 58 consolidated subsidiaries and 11 affiliated companies accounted for using the equity-method (equity-method affiliates) (as of December 31, 2018). The Showa Denko Group engages in the petrochemical, chemicals, electronics, inorganics (Note 1), and aluminum businesses in Japan and overseas.

Showa Denko Group's management philosophy is to "provide products and services that are socially useful and safe and exceed our customers' expectations, thereby enhancing the corporate value, giving satisfaction to our shareholders, and contributing to the sound growth of international society as a responsible corporate citizen." In order to realize this management philosophy, we have established a Mission (the meaning of our existence) of "satisfying all stakeholders" and a Vision (our goal) of "KOSEIHA Company" (individualized company). Furthermore, it is essential for us to anticipate major changes in the external environment, such as the markets and social structures faced by Showa Denko Group's customers; for example, the progress of the digitalization of society, the spread of lightweight and composite materials in automobiles, the improvement of quality of life, and the expansion of specialty semiconductors (Note 2), in order to grow in the future. Accordingly, the Value (a means to realize "KOSEIHA Company") is defined as "Maximization of CUSTOMER Experience," and we are pursuing business model innovation in order to become a "solution provider beyond the manufacturing industry."

"KOSEIHA Company", which Showa Denko aims for, is an "aggregate of KOSEIHA Businesses (individualized businesses) which can maintain high levels of profitability and stability." "KOSEIHA Businesses" are defined as "businesses in which we have a global top market share in the market of appropriate scale. Although the market of appropriate scale depends on attributions of each business area or business circumstance, we consider that the market of 50 billion yen to 500 billion yen is a influential target as an indication. Showa Denko believes that it already has distinctive KOSEIHA Businesses in such fields as high-purity gases for electronic materials (Note 3), hard disks, and graphite electrodes. More than half of the sales of Showa Denko are made from the aluminum business and non-organic and inorganic chemicals business, including ceramics. In a chemical industry where business portfolios are mostly occupied by the organic chemical business, Showa Denko's business portfolio above is unique in that although Showa Denko is chemical manufacturer, more than half of its sales are made from the non-organic and inorganic chemicals business. Pursuant to the three year medium-term business plan, which was announced on December 2018 and launched in 2019 ("Showa Denko TOP 2021"), we are working to establish a new KOSEIHA Business group that follows KOSEIHA Businesses. Our medium-to long-term management goal is to make at least half of our existing businesses KOSEIHA Businesses by 2025. In order to realize this management strategy, we have decided to invest a total of 400 billion yen, including 150 billion yen in M&A, and we have proceeded combination with other companies and alliance measures as a means to enhance competitiveness as KOSEIHA Company.

(Note 1): Specifically, “inorganics business” deals with ceramics products such as polishing agent, abrasive material, and fire-resistant material, graphite electrodes for electric steel furnace, high performance carbon products, and the like.

(Note 2): “Specialty semiconductor” is utilized for energy saving, renewable energy, censors, IoT, etc., and refers to SiC epi-wafers for power semiconductors and optical semiconductor products.

(Note 3): “High-purity gases for electronic materials” refer to gases used for the manufacturing process of semiconductor materials, such as etching gases and cleaning gases, and other purposes.

On the other hand, the Target Company started researching insulating varnishes for motors as part of Hitachi in August 1912, and Hitachi Chemical Co., Ltd. (the current Hitachi Chemical Company, Ltd.) was established after separating from Hitachi in October 1962. Although originally, the Target Company’s business was mainly based on electrical insulating materials and synthetic resin chemicals , the ratio occupied by the electronics-related business gradually increased, and its business expanded to various other areas such as automotive parts, life science, and industrial batteries. Accordingly, due to, among other things, deviation between the contents of the Target Company’s business activities and the image of the word “industry”, which was included in its trade name, the Target Company changed its trade name to “Hitachi Chemical Company, Ltd” in January 2013.

The Target Company forms a corporate group comprising the Target Company and 89 subsidiaries and 2 equity-method affiliates (as of March 31, 2019) (the “Target Company Group”), and its main business is manufacturing, processing, and sale of functional materials (Note 4) as well as advanced components and systems. The Target Shares were listed on the Second Section of both the Tokyo and Osaka Stock Exchanges in October 1970, and on the First Section of the Tokyo and Osaka Stock Exchanges in August 1971. In July 2013, the cash equity markets of the Tokyo Stock Exchange and the Osaka Securities Exchange were integrated, and the Target Shares are now listed on the First Section of the Tokyo Stock Exchange.

Since the commencement of operations in April 1963, the Target Company has created new products by combining, fusing, and utilizing a wide range of basic technologies, developed from four mainstream products: insulating varnishes (Note 5), industrial laminates (Note 6), porcelain insulators (Note 7), and carbon brushes (Note 8). Furthermore, the Target Company has developed a wide range of businesses based on market trends and customer needs.

The Target Company’s current corporate mission is to “contribute to society through the development of superior technologies and products,” and the Target Company strives to provide optimal solutions to customers in four key business areas (Information and Communication, Mobility, Energy, Life Science), which are expected to grow in the future, and are where the Target Company’s technological strengths can be shown.

Details of each of the key business areas are as follows.

Information and Communication	Manufacturing and sale of materials for interface devices and systems that support an advanced information-oriented society, such as wiring boards and the materials for semiconductors, displays, and wiring boards.
Mobility	Manufacturing and sale of materials and components for automobiles and transportation infrastructures, such as resin molded products, friction materials, powdered metallurgy products, and anode materials.
Energy	Manufacturing and sale of products that contribute to new energy and environmental trends, such as lead-storage batteries and capacitors for industrial and automotive applications.

Life Science	Development, manufacturing, and sale of diagnostic products utilizing material technologies, and contract manufacturing services of regenerative medicine products.

(Note 4): "Functional materials" refer to products mainly in the Target Company's Information and Communication-related area, such as electronic materials, wiring board materials, and electronic components. On the other hand, "high functional materials" refer to products that consist of a wide range of organic and inorganic material technologies and create high "function" to solve customers' tasks (functional material, and advanced components and systems).

(Note 5): "Insulating varnishes" refer to resins for blocking a flow of electricity, and products used for coating copper wires when making enameled wires.

(Note 6): "Industrial laminates" refer to electrical insulating phenol resin laminates for copper-clad laminates.

(Note 7): "Porcelain insulators" refer to products used for insulating and fixing electric wires and other conductors.

(Note 8): "Carbon brushes" refer to components used inside motors and generators, and products which conduct electricity while contacting rotors.

In the markets for high performance products which the Target Company is involved in, the functions demanded by the customers change within a short term due to the complicated processes caused by the performance of die shrink and multi-layering of semiconductors (for example, heat conductivity required for materials, including sealing materials, increased by two or three times), and existing products and technologies face more intensifying competition.

Under these circumstances, the Target Company aims to transform itself into a "global top-class, high-functionality material manufacturer" by creating "functions" that resolve customers' problems based on not only material technologies related to both organic and inorganic chemistry (Note 9, Note 10) but also based on process and evaluation technologies, challenging growing areas while responding to market changes, and providing solutions.

The current situation of each business department and proposed future measures are as follows.

Information and Communication	Demand is expanding in areas requiring advanced technologies due to the complicated processes caused by the performance of die shrink and multi-layering of semiconductors, and advances in 5G high-speed communications, and display technologies. The Target Company aims to achieve continuous growth by developing measures with both the niche strategy, and the cluster strategy which utilizes the "Packaging Solution Center" (Note 11).
Mobility	Although the number of automobile sales is sluggish, demand for high functional material is steadily expanding due to the development of Electrified Vehicle (xEV), as a result of environmental regulations, and the improvement of vehicle performance such as weight reduction, miniaturization, and connection (Note 12). The Target Company has strengths in a wide range of material technologies and module technologies, and aims to achieve continuous growth by developing new materials, and the like, in growing areas.
Energy	For automotive batteries, demand for Idling Stop and Start (ISS) vehicles and environmentally friendly vehicles is steadily

	changing, and demand for industrial batteries is expanding due to the spread of data centers and renewable energy. The Target Company aims to improve the business efficiency and promote its business development in growing areas.
Life Science	The market for diagnostic products is expanding due to expanded needs for preventive medicine and rapid diagnostics. The Target Company will work to develop and expand sales of new products, and expand and improve overseas sales channels. Furthermore, the market for regenerative medicine products is expected to grow substantially in the medium-term and long-term. The Target Company will promote the launch of related businesses such as culture medium (Note 13) and consumables, in addition to contract manufacturing of regenerative medicine products. Due to this, the Target Company will make the Life Science Business the future core business.

(Note 9): "Organic materials" is a generic term for substances which are composed of carbon as the main element, and other elements such as oxygen, hydrogen, and nitrogen, representing petrochemical products.

(Note 10): "Inorganic materials" is a general term for items which are mainly composed of inorganic non-metallic substances.

(Note 11): "Packaging Solution Center" means an open laboratory established in Kawasaki City, Kanagawa Prefecture, which promotes open innovation in semiconductor packaging materials and processes, in cooperation with customers, equipment manufacturers, material manufacturers, etc.

(Note 12): "Connection" means that automobiles have the function as ICT terminal, which obtains various types of data such as conditions of the automobiles and surrounding road conditions through censors, as well as collected and analyzed via networks, which is expected to create new value.

(Note 13): "Culture medium" is a liquid or solid substance that includes the nutrients, etc. necessary for cultivating micro-organisms and cells.

Showa Denko believes that the Target Company has been challenging growing areas while historically and consistently having the DNA of a "technological innovation company" as symbolized by their corporate slogan, "Working On Wonders," and has achieved sustainable growth by creating high value-added "performance products" based on the basic technology consisting of materials technology, process technology, and evaluation technology. In addition, the Target Company aims to become a "global top highly-functional material manufacturer with a strong presence" that creates "functions" which solve customer issues by combining a wide range of organic and inorganic materials technologies, while challenging growing areas in response to market changes, and offering "solutions". In order to realize this ideal image, the Target Company is aiming to build a highly complementary business portfolio that will support sustained growth. The main pillars of this business portfolio which support the medium-to long-term growth are: the Information and Communication Business Headquarters centered on semiconductor-related products with high market shares such as CMP slurries (Note 14) and copper-clad laminates (Note 15); the Energy Storage Business Headquarters which aims for business growth and improved efficiency mainly in highly profitable and high-growth areas, using overseas offices obtained in the past few years as a foothold, and diversification of stable sources of revenue by expanding the battery monitoring system service in and outside Japan in the medium- to long-term; the Mobility Business Headquarters centered on plastic backdoor modules, which are compatible to the black box technology of an original equipment manufacturer (OEM) (Note 16) by leveraging the Target Company's strength (Note 17), and carbon anode material for lithium ion batteries, which have strengths in high-quality segments; and the Life Science Business Headquarters which aims to establish businesses through the use of the materials technology of the Target Company in the field of regenerative medicine and diagnostic products, whose markets are expected to grow.

In recent years, Chinese material manufacturers have developed a business that takes advantage of the economies of scale against the backdrop of the size of their home market, and Middle East material manufacturers have also been increasing cost competitiveness by building a consistent value chain from upstream resource procurement. In this environment, where moves to increase competitiveness in the global market accelerate, we thought that it was important to “accelerate business growth as a global leader with the top market share in an appropriate market size” in order for Japanese material manufacturers to remain as the global top manufacturers in the future, and to “provide solutions that combine a wide range of materials and technologies” in order to flexibly respond to diversified and sophisticated customer needs.

Based on Showa Denko’s thoughts concerning the state of the Target Company and material manufacturers as above, under the Showa Denko TOP 2021, Showa Denko determined an investment of a total of 400 billion yen, including 150 billion yen in M&A for three years beginning in 2019, and are considering combination and alliance measures as a means to enhance competitiveness as KOSEIHA Company. Under these circumstances, after an observational news report about Hitachi’s selling of the Target Company was announced in early December 2018, and in early February 2019, Showa Denko began to consider the possibility of acquiring the Target Shares, as part of the aforementioned management strategy. After that, Showa Denko considered the significance and feasibility of the Transaction based on disclosed information from business and financial perspectives. As a result, considering that the Target Company aims to become a “global top high functional material manufacturer with a strong presence by creating functions and providing solutions,” and Showa Denko aims to become a “solution provider beyond the manufacturing industry,” the two companies have consistent goals and the “niche and cluster strategy” (Note 18) of the Target Company has a commonality with Showa Denko’s “KOSEIHA Business Strategy” in the sense that it is solution-oriented and is a growth strategy for many global top share businesses. By early July 2019, Showa Denko determined that Showa Denko making the Target Company a wholly-owned subsidiary will meet the management policies of Showa Denko and the Target Company.

Then Showa Denko determined that it would be able to create, along with the Target Company, such a new entity as would change the industrial structure, in the next-generation material industry which was expected to continue to change due to intensified global competition and changes in the market structure. In early July 2019, Showa Denko decided to participate in the first bidding process, for which Hitachi and the Target Company approached Showa Denko, in order to obtain undisclosed information, including the Business Plan, and carry out further consideration of possible impact of the Transaction, the buy-out structure, the feasibility of the Transaction, and the governance and management policies following the Transaction , based on these information through participation in the bidding process pertaining to sale of the Target Shares. In the first bidding process, as a result of the analysis and consideration, based on information disclosed by the Target Company and information that was publicly-available, Showa Denko determined that Showa Denko making the Target Company a wholly-owned subsidiary would enable Showa Denko to quickly and flexibly propose solutions to the sophisticated and diverse demands of the end users (Note 19). Then, Showa Denko submitted its first letter of intent in early August 2019.

After that, Showa Denko was notified that it was allowed to participate in the second bidding process in late September 2019. During the course of the second bidding process, between the beginning of October 2019 and the middle of November 2019, Showa Denko conducted due diligence on the business, finance, tax, and legal affairs, etc. of the Target Company Group for approximately seven weeks and interviews with the management of the Target Company and proceeded with further analysis and consideration of possible impact of the Transaction, the buy-out structure, the feasibility of the Transaction the governance after the Transaction and management policies, based on these information. As a result of such analysis and consideration, Showa Denko determined that by making the Target Company Showa Denko’s wholly-owned subsidiary, the business synergies are expected and the strategies and action plans that were being considered by Showa Denko would become feasible.

(Note 14): “CMP slurry” is a material composed of grains and liquid that grinds down and planarizes unevenness in the semiconductor circuit manufacturing process.

(Note 15): "Copper-clad laminate" is a material that is laminated with copper foil on the surface of a base material which blocks electricity and is used for printed circuit boards and semiconductor package substrates.
(Note 16): "Compatible to the black box technology" is a measure to resist a fall in market prices by responding to customers' detailed technical requirements with product development technology that OEMs (To manufacture other brand products) cannot assess the costs of.
(Note 17): "Plastic backdoor module" is a plastic backdoor for automobiles and a product that assembles each component of a backdoor.
(Note 18): The "niche and cluster strategy" is a business strategy combining the strategies of using high value-added products to aim for high profitability (niche) and product and business groups aiming for the global top position in the market (cluster), which provides total solutions to customers and the market by grouping each product, business, technology and service.
(Note 19): "The sophisticated and diverse demands of the end users" means that the end customer, who is a technology company, demands sophisticated and diverse material performance from material manufacturers to meet the sophisticated performance needs of the product. Specifically, it includes, among other things, 5G high-speed and high-frequency compatible performance in the 5G communication area, die shrinking of copper-clad laminates, improvement of heat resistance and low dielectric characteristics, miniaturization of packages in the semiconductor area, and the use of different types of lightweight materials and heat management in the automotive motorization area.

As a result of analysis and consideration based on information obtained though the due diligence and interviews with the management of the Target Company during the course of the second bidding process, in the middle of November 2019, Showa Denko determined that the business synergies below would be expected and the strategies and action plans for each business areas of the Target Company would be realized through making the Target Company a wholly-owned subsidiary. Showa Denko believes that in order to maximize the business synergies and realize strategies and action plans the rapid decision-making of the Target Company will be necessary and that in order to realize the foregoing, it is essential to make the Target Company a wholly-owned subsidiary, opposed to a business or capital alliance that keeps the Target Company listed and maintains its independence as a listed company, so that the risk of conflicts of interest with the minority shareholders will be eliminated.

Description

Traditionally, the industry value chain was structured in a way that information was sequentially transmitted from end customers to upstream. At present, however, GAFA (Note 20) and other technology companies, which have has a strong impact on the end market, are increasing their presence, and we recognize that the traditional hierarchical structure of the value chain, in which demand of the end users goes from downstream to upstream is shifting to a structure where required characteristics are directly transmitted to the appropriate people. In particular, in terms of digital, 5G (Note 21), and next-generation mobility areas (Note 22), which are expected to grow significantly in the future, we believe that these technology companies will strengthen their direct involvement in creating not only terminal (hardware) designs, but also technological requirements at the component and material levels, as well as the required characteristics of production technology, and that the structure will be shifting to one in which they attempt to directly access each company in the value chain, including material manufacturers. We believe that from now on, the material manufacturers will need to change their business models from the traditional business model where there is a response to the demands of component suppliers, who in stages, and indirectly, receive the needs of end customers, to business models where there is a flexible response to the direct demands of end customers, and become more capable of proposing total solutions that satisfy the required characteristics demanded by the end market.

The Target Company's strengths are advanced technological platforms in the following areas: "materials technology," which allows for creation of basic materials functions; "process technology," which allows for efficient manufacturing of products without waste and derives optimal characteristics; "evaluation technology," which is essential for deepening potential customer demand, including accurate data analysis; and "design technology," which realizes required functions. In addition to possessing a wide range of expertise, materials technology, and advanced evaluation technology in the field in relation to organic and inorganic materials as stated above, we believe that the Packaging Solution Center is able to propose optimal solutions by utilizing open innovation, which develops products that meet the latest needs together with customers.

We believe that we can vertically integrate the value chain from material development to product module design and evaluation by combining Showa Denko's strengths in a wide range of "material design technology" and "material analysis technology," covering aspects from organic materials such as resins, to inorganic materials, such as aluminum and carbon, and "adhesion technology between different materials" which connects multiple materials that we offer, with the Target Company's strengths in "material design technology utilizing characteristics of raw materials," "ability to evaluate functions" for customer marketing, and "ability to design functions leading to process technology, including module segmentation" that realizes functions demanded by customers. We believe that the Transaction will enable us to quickly and flexibly propose solutions to the sophisticated and diverse demands of end users, thereby solidifying our position as a "one-stop, advanced materials partner".

(Note 20): "GAFA" refers to Google, Apple, Facebook, and Amazon, which are IT companies in the United States.

(Note 21): "5G" refers to the next generation communication standard following 4G.

(Note 22): "Next-generation mobility area" refers to a technical area compatible to electrification, lightweight, and connection of vehicles.

In addition, the Tender Offerors have considered the business synergies, the strategies and the post-acquisition positioning for each business area of the Target Company as follows:

(a) Information and Communication Business Headquarters

The Information and Communication Business Headquarters seeks to grow by combining its niche and cluster strategies, and aims to become a comprehensive materials manufacturer with a strong industry presence over the medium to long term. Showa Denko believes that in this business area, the two companies should seize growth opportunities such as in "die shrinking of semiconductors" and "5G high-speed communications," and pursue joint synergies, and make focused investments, in order to realize the Target Company's niche and cluster strategies. We believe, that for synergies in the area of "die shrinking of semiconductors," if we combine the strong business foundations of the CMP slurry business of the Target Company, which is strong in high performance fields, and the high-purity gas business for electronic materials of Showa Denko, we will be able to strengthen our competitiveness in the market for materials used in front-end processes of semiconductor processes (Note 23), which is essential to have unique strengths in. Specifically, Showa Denko believes that it will contribute to the expanding sale of CMP slurries by utilizing Showa Denko's relationship with leading global customers in the semiconductor industry and that it will accelerate development of next-generation products by obtaining the latest development information. This is in line with the Target Company's strategy looking to strengthen its front-end materials, which are highly critical in die shrinking in the semiconductor process. Furthermore, in the area of "5G high-speed communications," we will aim for the number one for RF (high-frequency) devices for 5G by combining the Target Company's resin materials and core technologies, such as design and analysis technologies, with Showa Denko's SiC wafer (Note 24), aluminum materials, and bonding technology. We will also accelerate the development of high-speed and high-frequency solutions by combining the Target Company's copper-clad laminate business, and its verification technology of PCB (Note 25), with Showa Denko's metal foil processing technology and adhesion technology. The Target Company intends to bolster investments in wiring board materials for 5G, and we believe that synergies with Showa Denko described above will further accelerate growth in this area.

(Note 23): "Materials used in front-end processes" are materials used in one of the semiconductor manufacturing processes where designed electronic circuits are formed on surfaces of semiconductor wafers (front-end process).

(Note 24): "SiC wafer" is a material constituting SiC power semiconductors and others.

(Note 25): “PCB” refers to a printed circuit board.

(b) Mobility Business Headquarters

The Mobility Business Headquarters is aiming for medium-to long-term growth by offering a wide range of organic and inorganic material solutions in response to the expansion of the electric vehicle (EV) market, and rising technological needs due to environmental regulations. We believe that this is strategically compatible with Showa Denko’s vision of establishing, jointly with the Target Company, our position as a “one-stop, advanced materials partner” to respond flexibly to the needs of end-users by vertically integrating value chains; the Mobility Business Headquarters is positioned well in order to pursue growth together by maximizing the synergies of its technology. Specifically, by combining the Target Company’s resin products, component design, analysis, and production technologies with Showa Denko’s technology for combining and bonding dissimilar materials, such as aluminum and polypropylene (Note 26), we aim to realize a wide range of multi-material solutions (Note 27) that respond to the required characteristics, such as weight reduction and increased strength, in automotive structural components. We believe that this is in line with the Target Company’s goal of establishing a superior position for customers in the Mobility area by developing products that are “unique to high functional material”, and our strategy of achieving high profitability by designing the systems from the material level without OEM knowledge in order to respond to new technological needs.

(Note 26): “Polypropylene” is a crystalline polymer compound where propylene is arrayed with regularity.

(Note 27): “Multi-material solutions” refers to solutions that combine multiple materials and technologies.

(c) Energy Storage Business Headquarters

The Energy Storage Business Headquarters is making selective investments and reviewing its product portfolios, with the aim of expanding its business, centered around highly profitable and fast-growing lead-storage batteries, and improving efficiencies and profitability. While certain businesses boast stable profitability backed by high added value, such as lead-storage batteries for industrial use, competition with major global manufacturers is intensifying for traditional lead-storage batteries for automobiles, we believe that some businesses need to strengthen their business foundations in terms of market share and scale. Based on the circumstances and characteristics of each business, Showa Denko will pursue strategies that will maximize the business value by expanding to a global scale in specific regions and business areas.

(d) Life Science Business Headquarters

The Life Science Business Headquarters is an area where the Target Company has been aggressively expanding its business through M&A and other activities, as there is high growth potential in areas such as regenerative medicine and diagnostic products. Expanding in the area of diagnostic products was not decided indiscriminately. Based on a strategy that targets fields and markets where the Target Company can leverage its strengths, such as its ability to provide solutions through biotechnologies for enzymes and antibodies as well as the integrated development of reagents and instruments, we aim to become a company with a global presence in the immunity POCT (Note 28) field, and based on a strategy aiming to differentiate us in material development and production analysis technologies as a chemical manufacturer, by leveraging our superior position as a company that entered into the regenerative medicine market ahead of other companies, we aim to obtain the global top share in the regenerative medicine CDMO (Note 29) by 2025. We intend to aggressively invest in long-term sustainable growth. Recently, upfront investments have been increasing. However, Showa Denko understands that the Target Company’s policy of business expansion based on long-term market cultivation and differentiation through their strengths and core technologies is rational. In addition, it is consistent with Showa Denko’s “KOSEIHA Businesses” strategy. Therefore, we believe that the Life Science business will be a medium-to long-term growth driver even after Showa Denko making the Target Company a wholly-owned subsidiary, and we will provide maximum support, including funding. In addition, Showa Denko has put this business area in charge of R&D (Note 30) and innovation for Showa Denko and the Target Company. Showa Denko has the Institute for Integrated Product Development with a mission to create new value by integrating customer needs and Showa Denko's technologies; however, we are aiming to integrate R&D at Showa Denko and the Target Company from a long-term perspective on a variety of themes, including the regenerative medicine business of the Target Company that is expected to have high growth potential in the future.

In addition, after the acquisition of the Target Company, the Tender Offerors will execute the following action plan for Showa Denko Group including the Target Company, in order to become a global top in high functional material:

One of Shows Denko's solutions for the "Maximization of CUSTOMER Experience," is strengthening proposals and developments for new uses of materials that satisfy the required characteristics demanded by customers at high level, such as automotive parts combining its aluminum products and synthetic resins. Specifically, we have established a marketing team comprised of approximately 20 people in the Strategic Planning Department. For example, in the automobile field, among the automotive parts that are certain to be required by "CASE" (Note 31), we have narrowed it down to about ten technological themes where we can expect the use of our materials. We are working closely with the R&D and other departments to verify parts design and combinations of optimal materials, and promote activities in order to commercialize and mass produce them. As automobiles become more electrified, lighter, and use more electronic components, the performance demanded will become even more sophisticated. Showa Denko will develop products that meet the increasingly sophisticated market needs by combining a wide range of materials and technologies, including organic chemicals, aluminum product design technologies, and inorganic chemicals, which Showa Denko has been accumulating over many years, with basic research in computational science and physical analysis. One of our achievements is our announcement of a next-generation cooling device that combines aluminum laminates (Note 32) with the design technology of heat exchanger (Note 33). Going forward, we plan to increase the number of similar proposals, not only for automobiles, but also for 5G compliant base stations and mobile devices.

By integrating Showa Denko and the Target Company, we believe that we can establish a position as a one-stop, advanced materials partner by being a company that handles a wide range of materials from organic materials such as resins to inorganic materials such as aluminum and carbon, and has the ability to consistently realize everything from materials to design and evaluation in the high functional material field. By quickly repeating a series of process verifications of materials, blending, molding, and design evaluation within the company, we will be able quickly respond to OEM needs by utilizing our solutions. We also believe that we will be able to add even more value by enhancing the functionality demanded by customers in the use, blending, and design of multiple materials such as aluminum and resin. For the Target Company, we believe that the utilization of Showa Denko Group's diverse product lineups and materials technologies, such as organic, inorganic, and aluminum, will lead to the improvement of their ability to propose solutions that leverage our expertise in a broader range of materials than ever before.

Particularly in the area of "Information and Communication," which is the key business area in three-year medium-term business plan that the Target Company launched in April 2019, we aim to strengthen our ability to propose one-stop solutions in the areas of semiconductors and electronic materials by expanding the lineup of materials of Showa Denko, such as high-purity gases for electronic materials, SiC power semiconductors (Note 34), and high purity titanium oxide for MLCC (Note 35). In addition, by expanding the scale of our business and improving our profitability, we believe that we will be able to devote more management resources to growing areas more than ever.

For semiconductor packaging materials, we plan to accelerate the development of optimal adhesives for EV and 5G by combining the Target Company's materials, such as die bonding films (Note 36), and epoxy resin sealing materials(Note 37, Note 38), with Showa Denko's materials, such as isocyanate (Note 39), which has flexibility in designs, and molding resins for high heat resistance (Note 40). For copper-clad laminates, we plan to achieve the performances which will be required in the future, such as decreasing the dielectric constant (Note 41), thinning, and high throughput (Note 42) of copper-clad laminates, and improve productivity by introducing dissimilar materials joining technologies, used in joining metals and resins, which is developed and promoted by Showa Denko, into the manufacturing process of copper-clad laminates of the Target Company.

Furthermore, we plan to advance and expand our R&D for advanced materials after Showa Denko making the Target Company a wholly-owned subsidiary, such as improving the high functionality of lithium-ion batteries and anode materials for lithium-ion batteries by integrating Showa Denko's composite, high-capacity, and high-endurance anode materials (Note 43), with the technological knowledge of high-performance and high-quality anode materials for lithium-ion batteries (Note 44) and industrial lithium-ion batteries, which is a strength of the Target Company.

(Note 28): "POCT" is an abbreviation for "Point of Care Testing" and is an inspection that can be carried out in home and neighboring clinics in addition to large hospitals, and whose result can be obtained on the spot.

(Note 29): "CDMO" is an abbreviation for "Contract Development and Manufacturing Organization," which is an institution which engages in development of manufacturing methods and contract manufacturing of regenerative medical products and others.

(Note 30): "R&D" is an abbreviation for "Research & Development."

(Note 31): "CASE" means Connectivity, Autonomous, Shared & Service, Electric.

(Note 32): "Aluminum Laminates" are laminates consisting of aluminum foils and resins.

(Note 33): "Heat exchanger" is equipment used for moving heat from high-temperature fluid to low-temperature fluid.

(Note 34): "SiC power semiconductors" is the next-generation of power semiconductor materials that can be expected to produce lighter, smaller, and more efficient modules used in electric power control, and save energy.

(Note 35): "MLCC" is an abbreviation for "Multi-Layer Ceramic Capacitor" and is multilayer ceramic capacitors (multilayered capacitors with alternating ceramic derivatives and internal electrodes).

(Note 36): "Die bonding film" is a film adhesive that attaches IC chips to circuit boards, or to each other.

(Note 37): "Epoxy resin" is a type of raw material used in semiconductor materials.

(Note 38): "Sealing material" is a material that covers semiconductor chips in order to protect them from light, heat, moisture, dust, physical impacts, etc.

(Note 39): "Isocyanate" is a cyanate or cyanate ester and is a widely used raw material for electronic materials, medical care, automobiles, etc.

(Note 40): "Molding resins for high heat resistance" are high heat-resistant resins for protecting semiconductor chips.

(Note 41): "Decreasing the dielectric constant" means lowering dielectric constant.

(Note 42): "High throughput" means high productivity.

(Note 43): "Composite, high-capacity, and high-endurance anode materials" are high-endurance anode materials that contribute to high-capacity of lithium batteries.

(Note 44): "Anode materials for lithium-ion batteries" are anode materials for lithium-ion batteries whose safety, characteristic stability, and ability to respond to required characteristics are high, and which have high added values.

On November 15, 2019, based on the results of the analysis and consideration, Showa Denko, following the resolution of its board of directors on November 12, 2019, submitted their final letter of intent to Hitachi and the Target Company concerning the acquisition of all Target Shares owned by Hitachi and the terms and conditions, including the purchase price in the event of the Tender Offer (the "Tender Offer Price"). Showa Denko proposed the Tender Offer Price of 4,534 yen in its final letter of intent.

After that, Showa Denko, referring to the results of the evaluation of the share value of the Target Company, considered the specific details of the measures to improve corporate value, and management policies after obtaining the shares, policies for holding shares after obtaining the shares, the current performance and future business plan of the Target Company, results of the due diligence above that Showa Denko carried out against the Target Company Group from early October 2019 to middle November, trends of the Target Shares' market prices, the economic conditions, trends of the share market and the basis for evaluating share value, and comprehensively considered existence or non-existence of support for the Tender Offer by the Target Company's board of directors and the estimated number of shares to be tendered in the Tender Offer; and other factors. In late November 2019, Showa Denko submitted an additional final proposal stating that the Tender Offer Price would be 4,630 yen per share in order to obtain preferential negotiation rights and was notified that it was selected as the party with whom they would preferentially negotiate. After that, the Target Company, Hitachi, and Showa Denko proceeded with discussions and negotiations on the terms and conditions of the Transaction, and in the middle of December 2019 they reached an agreement. Today, the Tender Offerors concluded the Tender Agreement with Hitachi. Furthermore, today, the Tender Offeror's representative officer determined that the Tender Offeror will implement the Tender Offer in order to obtain all of the Tendered Shares held by Hitachi and make the Target Company a wholly-owned subsidiary of the Tender Offeror when all the Conditions Precedent have been satisfied (or such conditions have been waived by the Tender Offeror), and that the Tender Offer Price will be 4,630 yen.

(II) Decision-making process and reasons of the Target Company

According to the Target Company Press Release, the decision-making process leading to, and reasons for, the support of the Tender Offer are as follows.

In early September 2018, the Target Company was notified by Hitachi that it should consider various possible candidates, without limitation by the current capital structure, from the perspective of enhancing the Target Company's competitiveness and improve the Target Company's corporate value. In light of this, in the middle of January 2019 the Target Company selected Goldman Sachs Japan Co., Ltd. ("Goldman Sachs") as its financial advisor and Shiomizaka as its legal advisor since the middle of March 2019, and began consideration aimed at establishing a position that will lead to industry reorganization in the future through changes and restructuring of the shareholder structure. The Target Company also confirmed Hitachi's intentions, and carefully considered a variety of options, including business alliances with operating companies through organizational restructuring, and the sale of the shares owned by Hitachi through tender offers. Hitachi selected Merrill Lynch Japan Securities Co., Ltd. as its financial advisor from early May 2019. As a result, in late May 2019, the Target Company decided that it would be desirable to implement a bidding process targeting multiple candidates with a strong interest in the Target Company's business in order to aim to be the global top-class, high-functionality material manufacturer. The Target Company and Hitachi approached approximately 20 companies and funds in and outside Japan as candidates, including Showa Denko, from early July 2019, and commenced the first bidding process. In early August 2019, more than ten candidates, including Showa Denko, submitted their first letter of intent. In response to this, the Target Company and Hitachi conducted interviews with each candidate and carefully compared and considered the contents of their first letter of intention. In late September 2019, they selected multiple candidates, including Showa Denko, that would be allowed to participate in the second bidding process.

After that, from early October 2019, until mid-November, the Target Company and Hitachi conducted the second bidding process. During the course of the second bidding process, the Target Company and the candidates selected by Hitachi conducted a 7-week due diligence on the Target Company Group's business, finance, tax, and legal affairs, etc. During this period, the Target Company met with each candidate to hear their opinions on the possibility of improving the corporate value of the Target Company, and the measures that each candidate is considering. The Target Company and Hitachi received the final letters of intent from the candidates, including Showa Denko, in mid-November 2019, and subsequently conducted interviews with the respective candidates to confirm the contents of their final letter of intent.

Based on the final letter of intent of the candidates, and the results of the subsequent interviews with the candidates, the Target Company comprehensively examined the issues from the perspectives of evaluated value of shares, transaction structure, fundraising capacity and conditions precedent of fund raising, direction of strategies following the Transaction, synergy effects and dis-synergy effects, additional investment capacity, ability to implement global management, business development and business management, management policies after the Transaction including treatment of employees and governance system, risk factors that will hinder growth, ability of global PMI concerning M&A, as well as the procedures and measures under competition laws and other applicable laws and regulations and necessary duration thereof, and from the perspective of maximizing the interests of minority shareholders. In late November 2019, after discussions with Hitachi, the Target Company selected Showa Denko as the party with whom they would preferentially negotiate (hereinafter, the bidding process carried out by the Target Company and Hitachi from early July 2019 will collectively be referred to as the "Bidding Process"). Subsequently, the Target Company, Hitachi, and Showa Denko conducted discussions and examinations with Showa Denko while taking into account the current performance and future business plans of the Target Company, results of the due diligence that Showa Denko carried out against the Target Company Group, trends of the Target Shares' market prices, the economic conditions, and trends of the share market. As a result, in the middle of December 2019, the Target Company, Hitachi, and Showa Denko reached an agreement that the Tender Offeror would carry out the Tender Offer and set the Tender Offer Price at 4,630 yen when all the Conditions Precedent have been satisfied (or such conditions have been waived by the Tender Offeror).

Taking into account the fact that the interests of Hitachi and those of the minority shareholders of the Target Company may not be necessarily the same because there was a possibility that some candidates that will ultimately be selected as a purchaser would conclude the Tender Agreement with Hitachi, the controlling shareholder (parent company) of the Target Company, which provides, among others, that the Target Shares held by Hitachi will be tendered, the Target Company established an independent committee on July 25, 2019, during the first bidding process, to eliminate arbitrary decision-making by the Target Company concerning the Transaction and to ensure the fairness, transparency, and objectivity of the decision-making process, as described in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Avoid Conflicts of Interest" below. Additionally, the Target Company consulted with an independent committee concerning, among other things, the fairness and appropriateness of the procedures of the Transaction including the Bidding Process. (For the composition of the members, details of the matters to be consulted with and others, please see "(V) Establishment of the independent committee and acquisition of opinions by the Target Company" of "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Avoid Conflicts of Interest" below.) In addition, the Target Company took the measures to described in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Avoid Conflicts of Interest" below, and, based on the contents of the share valuation report acquired from Goldman Sachs, the financial advisor, and the legal advice received from the legal advisor, Shiomizaka, carefully discussed and examined the selection of the candidates and the terms and conditions regarding the Transaction, while fully respecting the content of the report submitted by the independent committee on December Day, 2019 (the "Written Report").

In terms of corporate value improvement measures, the Target Company comprehensively examined the issues from the perspectives of the evaluated value of shares, transaction structure, fundraising capacity and conditions precedent of fund raising, direction of strategies following the Transaction, synergy effects and dis-synergy effects, additional investment capacity, ability to implement global management, business development and business management, management policies after the Transaction including treatment of employees and governance system, risk factors that will hinder growth, ability of global PMI concerning M&A, as well as the necessity of obtaining clearance and the like under competition laws and other applicable laws and regulations and necessary duration thereof, and from the perspective of maximizing the interests of minority shareholders. As a result, the Target Company concluded that Showa Denko would be the best partner for Target Company to aim to be the global-top-class, high-functionality material manufacturer, and that the transaction with the Tender Offeror will contribute to further growth and corporate value improvement of the Target Company in the future. More specifically, It was determined that the proposal presented by Showa Denko will be the best for the Target Company's shareholders because (i) the evaluated value of the shares of the Target Company presented by Showa Denko was the highest among the evaluated values of the shares presented by each candidate who participated in the second bidding process, (ii) the conditions precedent for fundraising presented by Showa Denko was the most advantageous among the conditions precedent for fundraising presented by each candidate who participated in the second bidding process, (iii) the direction of strategies following the Transaction is the same as the direction that the Target Company aims for, (iv) it was determined that the synergy effects of Showa Denko and the Target Company will be superior to that of any other candidate who participated in the second bidding process from the perspective of short-term, and medium-term, and long-term effects, and (v) Showa Denko presented more specific measures for procedures including acquisition of clearance under the competition laws and other applicable laws and regulations, and Showa Denko's proposal is superior in terms of certainty of the execution of the Transaction.

It was determined that the Tender Offer would provide the Target Company's shareholders with a reasonable opportunity to sell their shares, considering (a) that as stated above, with respect to the Tender Offer Price, the evaluated value of the shares presented by Showa Denko was the highest among the evaluated values of the shares presented by each candidate who participated in the second bidding process; (b) that among the results of the evaluation of the Target Shares by Goldman Sachs as described in "(III) Acquisition by the Target Company of a share valuation report from an financial advisor" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Avoid Conflicts of Interest" below, the Tender Offer Price exceeds the maximum amount of the evaluation result through the market price method and the median of the range of the evaluation result of the discount cash flow method ("DCF Method"); (c) that the Tender Offer Price is the amount obtained by respectively adding the premium of 13.48% for 4,080 yen of the Target Shares' closing price on the Tokyo Stock Exchange as of December 17, 2019, which is the business day prior to the announcement date of the Tender Offer (December 18, 2019) (rounded to the nearest third decimal place; the same shall apply in calculation of rates of premiums), 19.39% for the simple average closing price of 3,878 yen of the most recent one month (rounded to a whole number; the same shall apply in the calculation of simple average closing prices), 27.20% for the simple average closing price of 3,640 yen of the most recent three months and 37.47% for the simple average closing price of 3,368 yen of the most recent six months, and considering that reasonable premiums are added compared with examples of tender offers that were carried out by persons other than the issuer, for the purpose of making a company a wholly-owned subsidiary, in the past; and (d) each measure to secure the fairness of the Tender Offer as described in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Avoid Conflicts of Interest" below were made and attention was paid to the interest of the minor shareholders.

Based on the above, at the board of directors meeting held today, the Target Company, as the opinion of the Target Company at this point in time, decided that if the Tender Offer is implemented, the Target Company will support the Tender Offer and will recommend that Target Company's shareholders subscribe to the Tender Offer.

Furthermore, the plan is to implement the Tender Offer as soon as the Conditions Precedent are satisfied (or waived by the Tender Offeror), and, as of today, the Tender Offeror aims to commence the Tender Offer by approximately February 2020. However, it is difficult to predict the precise time period required for procedures at domestic and foreign competition authorities. Therefore, at the above board of directors meeting, the Target Company also resolved that when the Tender Offer commences, the independent committee established by the Target Company will review whether the opinion, expressed as of today by the independent committee to the Target Company's board of directors, has changed, and consult with the Target Company's board of directors; if there is no change that fact will be advised, and if there is a change the changed opinion will be expressed, and based on the opinion, the Target Company will express a new opinion on the Tender Offer.

Please refer to "(VI) Unanimous approval of all non-interested directors at the Target Company" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Avoid Conflicts of Interest" below for detailed information on the resolution of the Target Company's board of directors.

(III) Management policies following the Tender Offer

Tender Offerors are considering the following management policies following the Tender Offer.

In order to steadily realize the business synergies, strategies, action plans, and others described in "(I) Background, purpose, and decision-making process behind the Tender Offerors' decision to implement the Tender Offer" above, it is expected that management of the Target Company will continue to play a leading role in the management of the business, and that Mr. Hisashi Maruyama, the President and Chief Executive Officer of the Target Company, and some others will assume the office of director or executive officer of Showa Denko in order to manage the business. At the same time, with the purpose of smoothly integrating the Target Company as the Showa Denko Group, it is expected that Showa Denko will dispatch human resources with extensive management experience as directors of the Target Company. Ultimately, Showa Denko intends to place the right officers and employees of Showa Denko and Target Company in the right place regardless of which company they come from, in order to build the best governance system for post-acquisition Showa Denko Group, including the Target Company. In addition, a plan to organize a steering committee for the purposes of decision-making pertaining to business portfolio management, investment plans, budgets, and fund raising, as well as management and supervision of the progress of the integration works, is under consideration. The details are planned to be discussed with the Target Company.

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

Taking into account the fact that the interests of Hitachi and those of the minority shareholders of the Target Company may not be necessarily the same because there was possibility that the Tender Offerors would conclude the Tender Agreement with Hitachi, the Tender Offerors and the Target Company took the following measures in order to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest.

The Tender Offeror believed that performing subscription through the so-called "Majority of Minority" as the condition for successful completion of the Tender Offer may cause issues for successful completion and may not reflect the interests of the minority shareholders wishing to subscribe to the Tender Offer. Accordingly, subscriptions by Majority of Minority is not a condition for the successful completion of the Tender Offer. However, the Tender Offerors believe that due consideration has been given to the interests of the Target Company's minority shareholders given that the Tender Offerors and the Target Company implemented the following measures to secure the fairness of the Tender Offer Price and to avoid conflicts of interest.

(I) Acquisition by the Tender Offerors of a share valuation report and fairness opinion from an independent third-party evaluator

In determining the Tender Offer Price, the Tender Offerors asked Mizuho Securities Co., Ltd. ("Mizuho Securities"), a financial advisor acting as a third-party evaluator independent from the Tender Offerors and the Target Company, to evaluate the share value of the Target Company, and obtained, and referred to, the share valuation report as of December 18, 2019. Mizuho Securities is not a related party of the Tender Offerors, the Target Company, or Hitachi, and has no material interest with respect to the Transaction. Furthermore, although Mizuho Bank, a sister company of Mizuho Securities, engages activities such as loan transactions, Mizuho Bank has no material interests that may causes conflicts of interest with the Tender Offerors with respect to the Transaction. Mizuho Securities also has established, and is operating, the appropriate systems to manage conflicts of interest including explaining the conflict of interest situation and obtaining consent from the Tender Offerors if there is a possibility of a conflict of interest in accordance with applicable laws and regulations, such as the Financial Instruments and Exchange Act (Article 36, paragraph 2) and the Cabinet Office Order on Financial Instruments Business, etc. (Article 70-4), and Mizuho Securities evaluates the share value of the Target Company from a position independent from Mizuho Bank's position as a lender. The Tender Offerors judged that Mizuho Securities has established, and is operating, the appropriate systems to manage conflicts of interest in order to evaluate the share value of the Target Company, and selected Mizuho Securities as a third-party evaluator. In addition, the Tender Offerors have not received a written opinion (fairness opinion) from Mizuho Securities stating that the Tender Offer Price is fair for the Tender Offeror from a financial perspective.

Additionally, the Tender Offerors requested Deloitte Tohmatsu Financial Advisory LLC ("Deloitte Tohmatsu"), a third-party evaluator independent from the Tender Offerors and the Target Company, to submit a written opinion (fairness opinion) on the fairness of the Tender Offer Price for Showa Denko from a financial standpoint (the "Fairness Opinion"). The Tender Offerors obtained the written opinion as of December 17, 2019. Deloitte Tohmatsu is not a related party of the Tender Offerors, the Target Company, or Hitachi, and has no material interest with respect to the Transaction. In addition, the Tender Offerors did not request Deloitte Tohmatsu to evaluate the share value of Target Company and have not obtained share valuation report from them.

For detailed information, please refer to the sections "(I) Basis of valuation" and "(II) Background of valuation" of "(5) Basis of Valuation of Price for Purchase" in "2. Outline of Purchase" below.

(II) Implementation of the bidding process

According to the Target Company Press Release, as described in "(II) Decision-making process and reasons of the Target Company" of "(2) Background, Purpose, and Decision-making Process Which Led to the Decision to Implement the Tender Offer As Well As the Management Policy After the Tender Offer" above, the Target Company implemented the Bidding Process, targeting multiple candidates, starting early July 2019, gave opportunities for multiple candidates to perform due diligence, from early October 2019 to mid-November of the same year, and received the final letter of intent from said candidates, including Showa Denko. Furthermore, according to the Target Company Press Release, the evaluated value of shares presented by Showa Denko was the highest among the evaluated values of shares presented by each candidate who participated in the second bidding process. In addition, Showa Denko's proposal was superior in terms of certainty of the execution of the Transaction given that, among other things, Showa Denko proposed more specific measures for procedures and measures necessary under the competition laws and other applicable laws and regulations, and Showa Denko's proposal was the most favorable in terms of the terms and conditions of the Transaction given that, among other things, the conditions of fundraising of Showa Denko was the most advantageous compared to the other candidates. There were no candidates who presented more favorable terms for the Target Company's shareholders than the proposal presented by Showa Denko.

(III) Analysis Report Obtained by the Target Company from Its Financial Advisor

According to the Target Company Press Release, in arriving at the Target Company's opinion, the Target Company requested Goldman Sachs Japan Co., Ltd. ("Goldman Sachs"), its financial advisor, to perform financial analyses of the Target Company's equity value, and subsequently received the financial analysis report on the equity value (*kabushiki kachi santei-sho*) dated on December 17, 2019 (the "Analysis Report"). Goldman Sachs is not a related party of the Target Company, Hitachi, or the Tender Offerors, and does not have any material interest in the Transaction. Further, the Target Company has not obtained from Goldman Sachs, and Goldman Sachs has not expressed, any opinion concerning the fairness of the Tender Offer Price or the Tender Offer (Fairness Opinion).

Goldman Sachs, as part of preparing the Analysis Report, performed a market price analysis since the Target Shares is listed on the First Section of the Tokyo Stock Exchange and has a market price and the DCF Analysis so as to imply an equity value based on the Target Company's forecast of its future cash flows. The DCF Analysis was based on the business plan of the Target Company prepared by the management of the Target Company, as approved for Goldman Sachs' use by the Target Company (the "Business Plan"), and publicly available information. The analyses resulted in a range of implied per-share equity values for the Target Company shown below.

Market Price Analysis	3,368 yen	–	3,878 yen
DCF Analysis	2,978yen	–	5,417 yen

In performing the market price analysis, using December 17, 2019 as the base date and publicly available information, Goldman Sachs reviewed the simple average closing price for the most recent one month (3,878 yen), the simple average closing price for the most recent three months (3,640 yen) and the simple average closing price for the most recent six months (3,368 yen) of the Target Shares on the Tokyo Stock Exchange. Based on this review, Goldman Sachs derived the implied per-share equity values for the Target Company to range from 3,368 yen to 3,878 yen.

In performing the DCF Analysis, Goldman Sachs used the Business Plan and the Target Company's consolidated balance sheet data as of September 30, 2019 included in the Target Company's financial results for the second quarter announced by the Target Company on October 28, 2019. Goldman Sachs calculated an illustrative range of implied per-share equity values for the Target Company based on a discounting of future unlevered free cash flow of the Target Company for the projected six years set forth in the Business Plan (the fiscal years ending March 31, 2020 through March 31, 2025) using a range of discount rates from 5.5% to 7.5%, reflecting an estimate of the Target Company's weighted average cost of capital. Goldman Sachs calculated illustrative terminal values by applying a range of perpetuity growth rates from 0.0% to 2.0% to the final projected year of the Business Plan. These illustrative terminal values were then discounted to calculate implied present equity values of the Target Company using the same range of discount rates. Goldman Sachs derived a range of illustrative enterprise values for the Target Company by adding the ranges of present values it derived above. Goldman Sachs then subtracted from the range of illustrative enterprise values it derived for the Target Company the amount of the Target Company's net debt as of September 30, 2019 as provided by the management of the Target Company. Goldman Sachs then divided the range of illustrative equity values it derived by the number of shares outstanding (excluding treasury stock) of the Target Company, as provided by the management of the Target Company, to derive a range of illustrative per-share present equity values for the Target Company from 2,978 yen to 5,417 yen.

The Business Plan, which was used by Goldman Sachs with the consent of the Target Company to derive the illustrative range of implied per share equity values for the Target Company under the DCF Analysis, includes fiscal years in which a substantial increase/decrease in profits and losses is expected. Specifically, the Target Company's operating income for the fiscal years ending March 2021 and March 2022 are forecasted by the management of the Target Company to increase approximately 70% and 30% compared to the previous fiscal year due mainly to several reasons including Target Company management's view of the recovery of the semiconductor industry, securing of newly created opportunities to receive orders in the mobility sector, improvements in profitability in the energy sector and the launch of the regenerative medicine business. While financials for the fiscal year ending March 2020 in the Business Plan are based on the amended figures in "The Notice Concerning Revision of Consolidated Financial Forecast" announced by the Target Company on October 28, 2019, figures for the fiscal year ending March 2021 or later have not been revised even after the revision of the financial forecast for the fiscal year ending March 2020. The Business Plan was prepared for the Target Company on a stand-alone basis and was not prepared on the premise of the implementation of the Transaction because it is difficult to estimate synergies expected to be realized upon consummation of the Transaction.

(Note): Goldman Sachs provided its advisory services and the Analysis Report solely for the information and assistance of the Board of Directors and the Independent Committee of the Target Company in connection with its consideration of the Transaction. The Analysis Report does not constitute a recommendation as to whether or not any holder of the Target Shares should tender such Target Shares in connection with the Tender Offer or any other matter. Goldman Sachs did not recommend any specific tender offer prices to the Target Company, or that any specific tender offer prices constituted the only appropriate tender offer prices.

The Analysis Report is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of December 17, 2019, and Goldman Sachs assumes no responsibility for updating, revising or reaffirming the Analysis Report based on circumstances, developments or events occurring after the date thereof. No such updating, revising or reaffirming has been conducted and therefore the Analysis Report should be evaluated in the context only of the circumstances and market conditions existing as of December 17, 2019. Goldman Sachs assumed with the Target Company's consent that the Business Plan has been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Target Company. Except as otherwise noted, the quantitative information used in the Analysis Report, to the extent it is based on market data, is based on market data as it existed on or before December 17, 2019 and is not necessarily indicative of current market conditions.

The following is additional information on the assumptions made, procedures followed, matters considered and limitations on the work undertaken in connection with preparing the Analysis Report.

Goldman Sachs and its affiliates (collectively, "Goldman Sachs Group") are engaged in advisory, underwriting and financing, principal investing, sales and trading, research, investment management and other financial and non-financial activities and services for various persons and entities. Goldman Sachs Group and its employees, and funds or other entities they manage or in which they invest or have other economic interests or with which they co-invest, may at any time purchase, sell, hold or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments of the Target Company, the Tender Offerors, any of their respective affiliates and third parties, or any currency or commodity that may be involved in the Transaction. Goldman Sachs has acted as financial advisor to the Target Company in connection with, and has participated in certain of the negotiations leading to, the Transaction. Goldman Sachs expects to receive fees for its services in connection with the Transaction, the principal portion of which is contingent upon consummation of the Transaction, and the Target Company has agreed to reimburse certain of Goldman Sachs' expenses arising, and indemnify Goldman Sachs against certain liabilities that may arise, out of Goldman Sachs' engagement. Goldman Sachs Group has provided, may currently be providing, and may also in the future provide financial advisory and/or underwriting services to the Target Company, the Tender Offerors and their respective affiliates for which the Investment Banking Division of the Goldman Sachs Group has received and may receive compensation.

In connection with preparing the Analysis Report, Goldman Sachs has reviewed, among other things, the Annual Securities Reports (*Yuka Shoken Hokoku-sho*) of the Target Company for the five fiscal years ended March 31, 2019; financial statements of the Target Company for the ten fiscal years ended March 31, 2019; certain other communications from the Target Company to its stockholders; and the Business Plan. Goldman Sachs has also held discussions with members of the senior management of the Target Company regarding their assessment and the past and current business operations, financial condition and future prospects of the Target Company; compared certain financial and stock market information for the Target Company with similar information for certain other companies the securities of which are publicly traded; reviewed the financial terms of certain recent acquisitions in the global chemical industry; and performed such other studies and analyses, and considered such other factors, as Goldman Sachs deemed appropriate.

For purposes of performing its financial analyses and preparing the Analysis Report, Goldman Sachs has, with the Target Company's consent, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by, Goldman Sachs, without assuming any responsibility for independent verification thereof. In that regard, Goldman Sachs has assumed with the Target Company's consent that the Business Plan has been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Target Company. Goldman Sachs has not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or other off-balance-sheet assets and liabilities) of the Target Company or any of its subsidiaries and Goldman Sachs has not been furnished with any such evaluation or appraisal. Goldman Sachs has assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the expected benefits of the Transaction in any way meaningful to Goldman Sachs' analysis.

The Analysis Report does not address the underlying business decision of the Target Company to engage in the Transaction, or the relative merits of the Transaction as compared to any strategic alternatives that may be available to the Target Company; nor does it address any legal, regulatory, tax or accounting matters. Goldman Sachs was not requested to solicit and did not solicit interest from other parties with respect to an acquisition of or other business combination with the Target Company. Goldman Sachs does not express any view on, any term or aspect of the Transaction or any term or aspect of any other agreement or instrument contemplated by the Transaction or entered into or amended in connection with the Transaction, including the fairness of the Transaction to, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of the Target Company; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of the Target Company, or class of such persons, in connection with the Transaction. Goldman Sachs is not expressing any opinion as to the prices at which the Target Shares will trade at any time or as to the impact of the Transaction on the solvency or viability of the Target Company or the Tender Offerors or the ability of the Target Company or the Tender Offerors to pay their respective obligations when they come due. The Analysis Report is not necessarily susceptible to partial analysis or summary description. Selecting portions of the Analysis Report or the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying the Analysis Report. Goldman Sachs did not attribute any particular weight to any factor or any analysis it performed.

(IV) Advice of an independent law firm to the Target Company

According to the Target Company Press Release, in order to ensure fairness and appropriateness in the decision-making process of the board of directors with regard to the Transaction, including the

Tender Offer, the Target Company selected Shiomizaka as the legal advisor independent from the Target Company, Hitachi, and the Tender Offerors. The Target Company has received legal advice from the law firm regarding procedures for the Transaction, including the Tender Offer, the method and process of decision-making by the board of directors, and other points to be noted in the decision-making on the Transaction (including, but not limited to, the scope of the Target Company's directors with interests, establishment of the independent committee and the time thereof, and the desirability of decision-making with maximum respect to the content of reports from the independent committee). Shiomizaka is not a related party of the Target Company, Hitachi, and the Tender Offerors, and has no material interest regarding the Transaction.

(V) Establishment of the independent committee and acquisition of opinions by the Target Company

According to the Target Company Press Release, taking into account the fact that the interests of Hitachi and those of the minority shareholders of the Target Company may not be necessarily the same because a candidate who will eventually be selected as a purchaser and Hitachi, the controlling shareholder (parent company) of the Target Company, would execute a tender agreement for the tender offer prescribing that the candidate tenders to the tender offer for the Target Shares owned by Hitachi, the Target Company established an independent committee composed of Mr. Masayuki Sarumaru, who was independent from the Target Company, Hitachi, and the Tender Offerrors (outside directors and independent officers of the Target Company) as well as Mr. Hidetaka Nishina (attorney at law, member of Nakamura, Tsunoda & Matsumoto) and Mr. Shinsuke Hasegawa (certified public accountant, certified public tax accountant, member of Hasegawa CPA office), both of whom are outside experts with extensive experience as independent committee members in the transaction type similar to the Transaction on July 25, 2019, during the first bidding process, in order to eliminate arbitrary decision-making by the Target Company concerning the Transaction, and to ensure the fairness, transparency, and objectivity of the decision-making process. The members of the independent committee have not changed since its establishment. In addition, Mr. Hidetaka Nishina was elected as the chairman of the independent committee from among the independent committee members. The compensation for the duties of the independent committee for two outside experts will be calculated by multiplying the working hours by the time unit price. Such compensation is not an incentive conditional to the successful completion of the Transaction. Furthermore, Mr. Masayuki Sarumaru is the Target Company's outside director, and his duties also include the duties of an independent committee member. Accordingly, the compensation committee will consider payment of compensation for his duties as an independent committee member.

For the purpose of gaining an neutral perspective on the content of the opinion to be expressed by the Target Company, the Target Company consulted with the independent committee concerning (i) the rationality of the purposes of the Transaction (including whether the Transaction contributes to enhancing the corporate value of the Target Company), (ii) fairness and appropriateness of the procedures in the Transaction (including the process of selecting the partner), (iii) fairness and appropriateness of the terms and conditions of the Transaction, (iv) the appropriateness of the support of the Transaction by the Target Company's board of directors, and (v) whether the Target Company making the decision regarding the Transaction on the basis of (i) to (iv) above is disadvantageous to the Target Company's minority shareholders or not (the "Matters to Be Consulted With"). In addition, the Target Company gave the independent committee the authority to independently select an advisor if the independent committee deems it necessary in order to analyze and to give an opinion on, the Matters to Be Consulted With, and the authority to request that the Target Company and the Target Company's advisors provide information necessary for such analysis. However, the independent committee has not exercised its authority to independently select an advisor given impartiality of the Target Company's financial advisor, Goldman Sachs and the Target Company's legal advisor, Shiomizaka. The Target Company also confirmed while selecting the independent committee members, taking into account the specific circumstances of the Transaction, that its board of directors paid attention to ensure the independent committee could have a substantial impact on the process of selecting the candidates and the negotiation process of the terms and conditions of the transaction.

The independent committee meetings were held a total of 9 times, and for a total of approximately 19 hours, between August 14, 2019 and December 17, 2019, and on each day of the meetings, the independent committee carefully discussed and considered the Matters to Be Consulted With by way of discussion and decision-making, etc. through emails.

Specifically, the independent committee conducted collection and analysis of materials to be considered, which were submitted by the Tender Offerors and the Target Company, and other necessary information and materials, as well as interviews with Goldman Sachs, the Target Company's financial advisor, Shiomizaka, the legal advisor, and the officers and employees of the Target Company, and submitted questions in writing to the Target Company, Hitachi, and the Tender Offerors. Furthermore, the independent committee received explanations, and asked questions, concerning the outline of the process to select Showa Denko, selection method, and confirmation of the selection process; the history, background, details, meaning, purposes, and impact on the Target Company's corporate value, of the Transaction including the Tender Offer; the relationship between the Tender Offerors and Hitachi, and the details of the current alliance; the independence of each advisor; the rationality of the method to evaluate the Tender Offer Price; the appropriateness of the premises for the analysis; the existence of unjust interference by interested parties; the status of the Tender Offerors, Hitach, and the Target Company, and the appropriateness of the details leading to the decision-making of each company and details of consideration; the appropriateness of disclosure; and other matters relating to the Transaction. In addition, the independent committee received explanations, and asked questions, concerning the Target Company's Business Plan with the officers and employees of the Target Company, confirmed whether the Business Plan is reasonable, and received explanations concerning the Share Valuation Report of the Target Shares with Goldman Sachs, the financial advisor of the Target Company, and then conducted an interview survey on the assumptions for the value evaluation and others. The independent committee also was given explanations concerning the details of the legal advice given to the Target Company from the Target Company's legal advisor, Shiomizaka concerning the decision-making process by the Target Company on the Transaction including the Tender Offer, the decision-making method, and other notable points in decision making related to the Transaction including the Tender Offer by the Target Company, and reviewed the details of this legal advice. Each time the Target Company received a price proposal from a candidate, including Showa Denko, during the Bidding Process, the independent committee timely received the report from the Target Company concerning the details of the proposals, discussed and considered the details of the proposals after hearing the Target Company's opinions based on advice from Goldman Sachs from a financial perspective, and gave opinions concerning the terms and conditions of the potential transaction, including a tender offer price, in important phases such as the selection of candidates. Thus, the independent committee has been substantially involved in the process of selecting candidates and negotiating terms and conditions of the Transaction.

After going through the above processes, the independent committee carefully considered the Matters to Be Consulted With based on the details of the explanations and Q&A. As a result, on December 18, 2019, the independent committee submitted a written report to the board of directors of the Target Company, on the assumption that, among other things, all information disclosed or explained to the independent committee was true and accurate, with unanimous agreement of all the members. The outline of the written report is as follows.

(i) Rationality of the Transaction purposes (including whether the Transaction contributes to the improvement of the corporate value of Target Company)

The purpose of the Transaction, to select a partner that aims to become a global top-class, high-functionality materials manufacturer, is also beneficial from the perspective of improving the corporate value of the Target Company.

In addition, since the Target Company and the Tender Offerors have the same direction for their business strategies in the four business areas, the Information and Communication Business Headquarters, the Mobility Business Headquarters, the Energy Storage Business Headquarters, and the Life Science Business Headquarters, we can conclude that the Transaction is expected to further accelerate the business model of the Target Company while further strengthening the Target Company's technical capabilities and improving profitability. While the Target Company has an advantage in the packaging business, the Tender Offerors have strengths in materials technology; therefore, the strengths of both parties are complementary, and the Transaction allow for a level of vertical integration. Considering this, we can expect synergy corresponding to the Transaction (in addition, there are no contradictions or big recognition gaps between the explanation by the Target

Company and the explanation by the Tender Offerors). For these reasons, the Transaction is expected to further accelerate the business model of the Target Company.

In addition, the Transaction is considered more efficient than using other methods in order to improve the corporate value of Target Company, compared to the implementation of a comprehensive Bidding Process covering all possible candidates for the improving the corporate value of the Target Company, or aiming for organic growth on their own.

On the other hand, the disadvantages of the Transaction are expected to be clearance of the competition laws, the possibility that the burden of interest payments on loans may squeeze the Target Company's financial condition, and the need to reapply for permits and licenses. However, no major disadvantage has been found in any of these cases because appropriate measures have been taken.

From the above, we can conclude that the Transaction contributes to improving the corporate value of the Target Company, and that the purpose of the Transaction is reasonable.

(ii) Fairness and appropriateness of the procedures of the Transaction (including the process to select the partner)

In the Transaction, the following measures to ensure fairness have been taken:

The independent committee (a) was established long prior to determination of the terms and conditions of the Transaction between the Tender Offerors and the Target Company, and is composed of outside directors who are considered to be the most qualified for the role of independent committee members; (b) has been sought their opinion in advance both when the Target Company selected candidates to advance from the first bidding process to the second bidding process, and when the Target Company selected a final candidate from the second bidding process, and based on their opinion, has timely received reports on the details of the bidding and the status of negotiation with the candidate in the Bidding Process, provided comments, instructions, and requests in crucial phases, and ensured the independent committee could have a substantial impact on the process of negotiation regarding the terms and conditions of the Transaction; (c) is authorized to appoint their own advisor if it deems necessary for the consideration of the advisory matters and its judgments, and is authorized to seek the information necessary for consideration from both the Target Company and the Target Company's advisor; (d) has obtained material information on the Transaction, including draft agreements that the Target Company plans to execute, on behalf of general shareholders, and has made judgments based on the information; and (e) is considered to function effectively to ensure fairness because the Target Company received advice from the Target Company's legal advisor, when the Target Company's board of directors made a resolution regarding the Transaction, which fully took into consideration the opinions of the independent committee.

Among the Target Company's directors, Mr. Mamoru Morita serves concurrently as an executive officer of the Target Company's parent company, and Mr. Richard Dyck serves concurrently as a director of another company; therefore, in order to avoid potential conflicts of interest and ensure fairness in the Transaction, they have not attended the previous board of directors' meetings to examine and discuss the Tender Offer during the Target Company's decision-making process, and have not participated, in their capacity as the Target Company, in the previous examination of the Transaction, or in discussions and negotiations regarding the Transaction with the candidates for the bidding process, including the Tender Offerors and the Target Company's parent company, regarding the Tender Offer. The same measures will be taken for the resolution of the board of directors, and related examination, when the Transaction is announced, when the Tender Offer is commenced, and at the time of the Procedure for Making the Target Company a Wholly-Owned Subsidiary which will be implemented after the Tender Offer is successfully completed. The Board of Directors' resolution, and the consideration of such resolution, will be taken in the same manner. The Board of Directors" resolution will be resolved at the time of the Procedure for Making the Target Company a Wholly-Owned Subsidiary.

The Target Company has obtained advice and share valuation report from an independent legal advisor and financial advisor.

In the Transaction, the conditions where aggressive market checks were undertaken prior to the publication of the Transaction and where other potential bidders can make counter-proposals after the publication of the Transaction have been established. In the Bidding Process, the Target Company focused only on rational factors such as improvement of corporate value of the Target Company and appropriateness of terms and conditions of the Transaction when selecting a candidate. For example, there is no evidence of actions such as rejecting proposals that would bring significant economic benefits to minority shareholders, or rejecting proposals due to "differences in corporate cultures," which are not necessarily specific reasons. In addition, the Target Company asked the independent committee to confirm their approval in advance both when (a) the Target Company selects candidates to advance from the first bidding process to the second bidding process and (b) the Target Company selects a final candidate from the second bidding process, and the independent committee reviewed the fairness and appropriateness of the process on a case-by-case basis. As a result, the independent committee confirmed that the Tender Offerors presented the highest amount of money in the Bidding Process and was recognized as the best candidate for the direction of the business strategies and the possible synergy with the Target Company. It is reasonable from the perspectives of both the Target Company and the Target Company's minority shareholders that the Tender Offerors were selected as the final candidate as a result of the Bidding Process.

In the Transaction, information on the independent committee, information regarding the share valuation report, and other information are stated in the disclosure materials, and the commitment to improving the transparency of its processes through better information delivery to the public shareholders is recognized. In addition, the Procedure for Making the Target Company a Wholly-Owned Subsidiary that will be implemented after the Tender Offer is successfully completed in the Transaction is also disclosed, and measures are being taken to eliminate the strong pressure of the Tender Offer.

In light of the conflicts of interest that may be identified in the Transaction, we can evaluate these as adequate measures to ensure fairness in the Transaction, both in terms of (a) ensuring the determination of terms and conditions of the Transaction that are considered the equivalent of arm's length transactions and (b) ensuring opportunities for general shareholders to make appropriate judgments based on adequate information, at any part of the selection process of partners up to the Transaction and the Transaction decision-making phase. In addition, the measures to ensure fairness are effectively operated.

Accordingly, it is acknowledged that due consideration to the interests of the Target Company's general shareholders has been given throughout the Transaction.

(iii) Fairness and appropriateness of the terms and conditions of the Transaction

In the Transaction, the Tender Offerors presented the highest price in the Bidding Process after aggressive market checks were undertaken, no circumstances which could cause doubt as to the transparency or fairness were found in the Bidding Process, and there was no doubt about the negotiation status of the Transaction.

Because the business plans which formed the basis for the evaluation of the share value are figures which were prepared before the proposal for the Transaction and are business plans in which high growth is expected, and the parent of the Target Company, in addition to the Tender Offerors, did not engage in the formulation of the plans in any way, no arbitrariness was found.

Further, because there was no unreasonableness in the selection of the evaluation measures for the share value and the details of the evaluation, the evaluation materials are credible. Further, the Tender Offer Price is within an appropriate range taking into account the results of the evaluation of the share value in the evaluation materials. Additionally, the share value of the Target Company achieved through the synergy brought by the Transaction has been reasonably reflected on the level of the premium because (a) the Tender Offer Price exceeds the upper end of the share value per Target Share evaluated using the market price method, (b) the Tender Offer Price exceeds the median of the range of the evaluation results using the DCF Method, (c) it is ensured that a premium comparable to premiums in other recent tender offers will be paid, and (d) the Tender Offer Price exceeds the highest price since the Target Company was listed. In particular, (a) (the Tender Offer Price exceeds the upper end of the evaluation results using the market price method, although unlike in normal cases, expectation for the acquisition to be completed has been incorporated into the share price to a certain degree, partially because the Transaction was leaked by the news at the initial stage,) and (b) (the Tender Offer Price exceeds the median of the DCF evaluation range which represents the Target Company's intrinsic value) are important circumstances which support the appropriateness of the Tender Offer Price.

Further, when looking at the scheme for the Tender Offer, and taking into account the fact that any scheme for the Transaction other than the scheme in which all the shares in the Target Company will be acquired by the Tender Offerors through the scheme for a tender offer (cash consideration) is unachievable, and the fact that the Target Company's minority shareholders will be given an appropriate opportunity to recover their investment, the scheme for the Tender Offer is reasonable.

Further, in the Transaction, it is ensured that even if the minority shareholders obtain consideration through either the Tender Offer, or the procedure for making the Target Company a wholly-owned subsidiary, which will be carried out after the successful completion of the Tender Offer, the amount of consideration equal to the Tender Offer Price will be obtained.

Therefore, the entirety of the Transaction, including the Tender Offer Price, ensures appropriateness of terms and conditions for the Target Company's minority shareholders.

However, because it is expected that a significant period of time will be required for the commencement of the Tender Offer after an announcement thereof, if any change, such as a case where the market share price exceeds the Tender Offer Price, occurs before the commencement of the Tender Offer, additional thought may be required.

(iv) Appropriateness of an opinion to support the Tender Offer expressed by the Target Company's board of directors and appropriateness of recommending the Target Company's shareholders tender the Tender Offer

Because there is no issue with any of the matters to be confirmed, (i) through (iii), it is appropriate that the Target Company's board of directors express its opinion to support the Tender Offer at the time of the announcement of the Tender Offer, and that the Target Company's board of directors resolve to recommend the Target Company's shareholders tender the Tender Offer.

However, because it is expected that a significant period of time will be required for the commencement of the Tender Offer after an announcement thereof, if any change, such as a case where the market share price exceeds the Tender Offer Price, occurs before the commencement of the Tender Offer, additional thought may be required. Therefore, a report as to the independent committee's matter to be confirmed (iv) is based on the situation at the time of the preparation of the Written Report.

(v) whether the Target Company making a decision regarding the Transaction on the basis of (i) to (iv) above is disadvantageous to the Target Company's minority shareholders or not

Because there is no issue with any of the matters to be confirmed, (i) through (iii), the Target Company making a decision regarding the Transaction is not disadvantageous to the Target Company's minority shareholders.

(VI) Unanimous approval of all non-interested directors at the Target Company

According to the Target Company Press Release, based on the contents of the Share Valuation Report of the Target Shares acquired from the financial advisor, Goldman Sachs, and the legal advice received from the legal advisor, Shiomizaka, the Target Company carefully discussed and examined the selection of candidates, and the terms and conditions regarding the Transaction, while fully respecting the content of the Written Report submitted by the independent commission on December 18, 2019.

Based on the above, at the board of directors held on today, the Target Company, as the opinion of the Target Company at this point in time, decided by the unanimous agreement of all non-interested directors present, that the Target Company will support the Tender Offer and will recommend that Target Company's shareholders subscribe to the Tender Offer, as stated in in "(II) Decision-making process and reasons of the Target Company" of "(2) Background, Purpose, and Decision-making Process Which Led to the Decision to Implement the Tender Offer As Well As the Management Policy After the Tender Offer" above.

Furthermore, as described in "(II) Decision-making process and reasons of the Target Company" in "(2) Background, Purpose, and Decision-making Process Which Led to the Decision to Implement the Tender Offer As Well As the Management Policy After the Tender Offer" above, the plan is to implement the Tender Offer as soon as the Conditions Precedent are satisfied (or waived by the Tender Offeror), and, as of today, the Tender Offeror aims to commence the Tender Offer by approximately February 2020. However, it is difficult to predict the precise time period required for procedures at domestic and foreign competition authorities. Therefore, at the above board of directors meeting, the Target Company also resolved that when the Tender Offer commences, the independent committee established by the Target Company will review whether the opinion, expressed as of today by the independent committee to the Target Company's board of directors, has changed, and consult with the Target Company's board of directors; if there is no change that fact will be advised, and if there is a change the changed opinion will be expressed, and based on the opinion, the Target Company will express a new opinion on the Tender Offer.

Among the Target Company's directors, Mr. Mamoru Morita serves concurrently as an executive officer of Hitachi, and Mr. Richard Dyck serves concurrently as a director of another company, which could potentially cause conflicts of interest. Due to this, they did not attend the board of directors meetings to examine and discuss the Transaction in order to avoid suspicions of conflicts of interest and ensuring the fairness of the Transaction. They also did not participate in consideration of the Transaction, or participate as representatives of the Target Company in the discussions and negotiations with the candidates of the Bidding Process, including Showa Denko, and Hitachi concerning the Transaction. Some of the Target Company's directors came from Hitachi or used to be Hitachi officers. Unlike with a management buyout or acquisition of a subordinate company by a controlling shareholder, which are transactions with a conflicts of interest due to its transaction structure, the Transaction is unlikely to cause a relationship with structural conflicts of interest. Also, the independent committee was established for this transaction on July 25, 2019, during the first biding process, and the committee is working effectively. The Target Company's directors need to analyze the Transaction using knowledge about business activities of the Target Company that were obtained through performing duties as the Target Company's director. Based on this, the above measures were taken to consider only Mr. Mamoru Morita and Mr. Richard Dyck as directors with potential conflicts of interest.

(VII) Measures for securing purchase opportunities from other buyers

The Tender Offeror aims to commence the Tender Offer in around February 2020, making the period before commencing the Tender Offer long, and allowing for appropriate opportunity for general shareholders of the Target Company to decide on whether to tender to the Tender Offer, allow for and opportunities for persons other than the tender offeror to purchase the Target Shares.

In addition, as described in "(II) Decision-making process and reasons of the Target Company", the Target Company implemented the Bidding Process, and the Tender Offeror was selected by comparing them to the other multiple potential purchasers in a competitive situation. Therefore, we believe that there has already been sufficient opportunities for persons other than the Tender Offeror to purchases of the Target Shares.

(4) Policy for Organizational Restructuring After the Tender Offer (Matters Relating to So-called "Two-Stage Purchase")

As described in "(1) Outline of the Tender Offer" above, in the event that the Tender Offer fails to acquire all of the Target Shares (excluding treasury shares owned by the Target Company) in the Tender Offer, the Tender Offeror will conduct the Procedure for Making the Target Company a Wholly-Owned Subsidiary with the aim of acquiring all of the Target Shares (excluding treasury shares owned by the Target Company) in the following manner after the Tender Offer has been completed.

(I) Demand for Cash-Out

Upon the successful completion of the Tender Offer, the Tender Offeror will demand that all of the Target Company's shareholders (excluding the Tender Offeror and the Target Company) (the "Shareholders Subject to Cash-Out") sell all of the Target Shares they hold (the "Demand for Cash-Out") promptly after the completion of settlement of the Tender Offer in the event the Tender Offeror becomes a special controlling shareholder as defined in Article 179, Paragraph 1 of the Companies Act (Act No. 86 of 2005; as amended; the "Companies Act") and will hold at least 90% of the voting rights of all shareholders of the Target Company. In the Demand for Cash-Out, the Tender Offeror plans to deliver to the Shareholders Subject to Cash-Out an amount equal to the Tender Offer Price as consideration per Target Share. In such a case, the Tender Offeror will notify the Target Company of such fact and request the Target Company to approve the Demand for Cash-Out. In the event the Target Company approves the Demand for Cash-Out by resolution of its board of directors, the Tender

Offeror will acquire all the Target Shares in accordance with the procedures stipulated by the relevant laws and regulations, and without the individual approval of Target Company's shareholders, at the acquisition date stipulated in the Demand for Cash-Out. In return for the Target Shares owned by each of the Shareholders Subject to Cash-Out, the Tender Offeror will deliver to each shareholder an amount equal to the Tender Offer Price per Target Shares Share. According to the Target Company Press Release, if the Demand for Cash-Out is made by the Tender Offeror, the Target Company's board of directors will approve the Demand for Cash-Out by Tender Offeror.

In order to protect the right of minority shareholders in connection with the above procedures, it is stipulated that the Shareholders Subject to Cash-Out may, in accordance with Article 179-8 of the Companies Act and other relevant laws and regulations, file a petition against the court to determine the trading price of the owned Target Shares. In the event of such a petition, the court will ultimately determine the trading price of the Target Shares.

(II) Reverse Share Split

Upon successful completion of the Tender Offer, the Tender Offeror intends to request that the Target Company hold an extraordinary shareholders' meeting whose agenda items will include carrying out a reverse share split of Target Shares (the "Reverse Share Split") and partial amendments to the Articles of Incorporation in order to abolish a provision of the share unit number subject to effectuation of the Reverse Share Split, in cases where the Tender Offeror holds less than 90% of the voting rights of all shareholders of the Target Company (the "Extraordinary Shareholders' Meeting"). The Tender Offeror will support the above agenda items at the Extraordinary Shareholders' Meeting. If the agenda of the Reverse Share Split is approved in the Extraordinary Shareholders' Meeting, as of the date when the Reverse Share Split takes effect, the Target Company's shareholders will hold the Target Shares in the number based on the ratio of Reverse Share Split approved in the Extraordinary Shareholders' Meeting. If a fraction of less than 1 share arises due to the Reverse Share Split, the proceeds from the sale to the Target Company or the Tender Offeror of the Target Shares equivalent to the sum of the fractions (if the sum includes a fraction less than 1 share, the fraction is rounded down) will be given to the Target Company's shareholder for whom he fraction is generated, in accordance with the procedures stipulated by Article 235 of the Companies Act and other relevant laws and regulations. With respect to the sales price of the Target Shares corresponding to the sum of such fractions, the Tender Offeror will request that the Target Company file a petition for permission of voluntary sales with the court, after calculating the amount of money to be delivered to each shareholder of the Target Company (excluding the Tender Offeror and the Target Company) who have not subscribed to the Tender Offer as a result of the sale in order to make it the same as the Tender Offer Price multiplied by the number of the Target Shares owned by each shareholder. The ratio of the Reverse Share Split has not been decided as of today, but will be determined in the manner so that the number of the Target Shares owned by Target Company's shareholders who have not subscribed to the Tender Offer (excluding the Tender Offeror and the Target Company) is less than 1 share, so that the Tender Offeror holds all of the Target Company's issued shares (excluding treasury shares owned by the Target Company).

In order to protect the rights of the minority shareholders in connection with the above procedures, it is provided that if a fraction of less than 1 share arises due to the Reverse Share Split, in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations, Target Company's shareholders may request the Target Company purchase all fractions of less than one share among the shares owned by them at a fair price, and may file a petition to the court for pricing the Target Shares. In the event that such petitions are filed, the court will ultimately determine the purchase price of the Target Shares.

The Tender Offer does not encourage the support of the Target Company's shareholders in Extraordinary Shareholders' Meeting.

The method and timing of the procedure of (I) and (II) above may change depending on the revision, enforcement, interpretations, etc. of the relevant laws and regulations. However, even in that case, money will be delivered to each of the Target Company's shareholders who have not subscribed to the Tender Offer (excluding the Tender Offeror and the Target Company), and the amount of money to be delivered to each shareholder in such case will be calculated to make it the same as the Tender Offer Price multiplied by the number of Target Shares owned by each shareholder.

Specific procedures and timing of implementation in the above cases are planned to be discussed with the Target Company and be promptly announced by the Target Company as soon as decisions are made. However, if the Extraordinary Shareholders' Meeting is held, the Tender Offerors plan to request that the Target Company promptly hold the Extraordinary Shareholders' Meeting, and the Target Company plans to comply therewith. In addition, Target Company's shareholders are asked to confirm with an expert, including certified tax accountants, concerning subscription to the Tender Offer or the tax treatment in the above procedures at their own responsibility.

(5) Possibility of Delisting and Reasons Therefor

Although the Target Shares are listed on the First Section of the Tokyo Stock Exchange as of today, the Tender Offeror does not set an upper limit on the number of shares to be purchased in this Tender Offer. Therefore, depending on the results of this Tender Offer, the Target Shares may be delisted following the prescribed procedures in accordance with the Delisting Standard of the Tokyo Stock Exchange.

Even if the Target Shares do not satisfy the Standard at the time of successful completion of the Tender Offer, the Tender Offeror plans to acquire all of the Target Shares (excluding treasury shares owned by the Target Company) after successful completion of the Tender Offer in accordance with the procedures described in "(4) Policy for Organizational Restructuring After the Tender Offer (Matters Relating to So-called "Two-Stage Purchase")" above. In such a case, the Target Shares will be delisted following the prescribed procedures in accordance with the Delisting Standard of the Tokyo Stock Exchange. The Target Shares cannot be traded in the First Section of the Tokyo Stock Exchange after delisting.

(6) Material Agreement Related to the Tender Offer

The Tender Offerors concluded the Tender Agreement with Hitachi as of today, and agreed to tender the Tender Offer concerning the Tendered Shares (106,699,955 shares, ownership ratio: 51.24%). The Tender Agreement includes the following conditions precedent for Hitachi to tender the Tender Offer as of the commencement date of the Tender Offer: (i) all procedures necessary for the commencement of the Tender Offer have been completed in accordance with the Act and other applicable laws and regulations, the Tender Offer has been commenced in accordance with the Tender Agreement, and thereafter the Tender Offer has not been withdrawn; (ii) a resolution is adopted at the Target Company's board of directors meeting to express its opinion to support the Tender Offer, and the fact is announced pursuant to the laws and regulations, and no resolution is made to withdraw or disagree with such opinion; (iii) there are no decisions, etc. issued by judicial, administrative, or other organs seeking to impose restrictions upon, or prohibit, the Tender Offer or the Tender, and there is no threat thereof; (iv) the obligations that the Tender Offeror must perform or comply with under the Tender Agreement (Note 1) have been performed or complied with in all material aspects; (v) the representations and warranties by the Tender Offeror (Note 2) and the representations and warranties by Showa Denko (Note 3) are true and accurate in all material aspects; (vi) with respect to necessary permits and licenses, clearance has been obtained under competition laws inside and outside Japan (Japan, China, South Korea, the United States, the European Union, and Taiwan). Even if part or all of the above conditions precedent are not satisfied, Hitachi is not restricted from waiving them at its own discretion and tendering the Tender Offer. Furthermore, if a shareholders' meeting of the Target Company, where the record day of determining the shareholders to exercise their rights is on or before the day prior to the Settlement Commencement Date, is held on and after the Settlement Commencement Date, in order to exercise Hitachi's voting right concerning the tendered target shares at the shareholders' meeting and other related rights, Hitachi is liable to (i) grant comprehensive power of attorney to the Tender Offeror or a person designated by the Tender Offeror, or (ii) exercise the rights in accordance with the instructions of the Tender Offeror, at the choice of the Tender Offeror.

(Note 1): Under the Tender Agreement, the Tender Offeror is liable to (i) cooperate in good faith in order to commence the Tender Offer and satisfy all conditions precedent to the Tender, (ii) cooperate in good faith in order to execute the Transition Service Agreements promptly after the execution date of the Tender Agreement (at latest by the day prior to the commencement date of the Tender Offer), (iii) endeavor to obtain clearance as soon as possible after the Tender Agreement is executed, (iv) take measures or means necessary to resolve the issues and promptly implement the Tender Offer by five business days before the last day (the "Expiry Date of Tender Offer Period") of the period of the Tender Offer (the "Tender Offer Period"), if judicial, administrative, or other organs make an indication, guidance, request, or order (including informal indication, guidance, request, or order communicated through prior consultation or other methods) regarding issues under applicable laws and regulations in connection with the Tender Offer, (v) ensure each company of the Target Company Group changes their trade name to a name that does not include "Hitachi", or other similar characters, and is not likely to be misidentified or confused as Hitachi's affiliate, and immediately take registration or other procedures necessary for the change, by April 1, 2021, (vi) ensure each company of the Target Company Group does not to use trademarks, marks, service marks, logos, URLs, domain names, or other products, services, and sales that are likely to be misidentified or confused as those of the Hitachi group, excluding those set forth in the Transition Service Agreements, after the Settlement Commencement Date, (vii) keep confidentiality, (viii) bear costs, etc. incurred in connection with the Tender Agreement, and (ix) prohibit the transfer of contractual rights and obligations.

(Note 2): The representations and warranties by the Tender Offeror under the Tender Agreement, includes: (i) ensuring effectiveness of its incorporation and existence, (ii) having the legal capacity to hold rights to execute the Tender Agreement and implement necessary procedures, (iii) ensuring the validity and enforceability of the Tender Agreement, (iv) ensuring no conflict with laws and regulations, (v) obtaining and implementing necessary permits and licenses, (vi) performing no transactions with anti-social forces, and (vii) ensuring there are sufficient funds for settling the Tender Offer on the Settlement Commencement Date, or having a high likelihood to procure the funds which are required by the Settlement Commencement Date, on the execution date of the Tender Agreement, the commencement date of the Tender Offer, and the Expiry Date of Tender Offer Period, and ensuring that the commitment letter (LBO), commitment letter (back finance), and commitment letter (preferred shares) which are dated November 11, 2019 and were submitted by Mizuho Bank and the commitment letter (preferred shares) which is dated November 14, 2019 and was submitted by Development Bank of Japan Inc. are lawfully and validly in existence and have not been amended, withdrawn, or cancelled, and that there is no specific threat thereof.

(Note 3): The representations and warranties by Showa Denko under the Tender Agreement include: (i) ensuring the effectiveness of its incorporation and existence, (ii) having the legal capacity to hold rights to execute the Tender Agreement and implement necessary procedures, (iii) ensuring the validity and enforceability of the Tender Agreement, (iv) ensuring no conflict with laws and regulations, and (v) performing no transactions with anti-social forces.

In addition, Hitachi is not to withdraw the Tender under the Tender Agreement; however, if any person other than the Tender Offeror commences a tender offer to acquire the Target Shares at a purchase price that exceeds the Tender Offer Price (limited to a tender offer for which the maximum number to be purchased is not set; the "Counter-Tender Offer") by the Expiry Date of Tender Offer Period, Hitachi can offer to discuss with the Tender Offeror to change of the Tender Offer Price, and if the Tender Offeror does not change the Tender Offer Price to a price that exceeds the purchase price of the Counter-Tender Offer by the date of 7 business days after the date of the offer or the day before the expiration date of the Tender Offer, whichever comes first, or Hitachi gives prior written notice to the Tender Offeror, after obtaining the advice of a lawyer that Hitachi's making the Tender, or not withdrawing the Tender that has been already made, may result in a breach of due care of a prudent manager as directors of the tendering shareholders, Hitachi is not liable to tender the Tender Offer; and even if Hitachi has already made the Tender, Hitachi is able to cancel agreements made in connection with purchase that was successfully completed by the Tender without paying any fees, regardless of compensation for damages, penalties, and other payments, and without imposing any obligations, burdens, or conditions.

If the Tender Offer is successfully completed, the Target Company will cease to be Hitachi's subsidiary, and the capital relationship between the Target Company and Hitachi will no longer exist. However, in order to ensure smooth continuation of the business activities of the Target Company, the Target Company plans to respectively execute an agreement for the use of the Hitachi brand, and an agreement regarding the contract research with Hitachi, and an agreement regarding transition service agreement with Hitachi and the companies of Hitachi group.

No agreements regarding the tender to the Tender Offer exist between the Tender Offerors and directors of the Target Company.

2. Outline of Purchase

(1) Outline of the Target Company

<table>
<tr><td>(I)</td><td>Name</td><td colspan="2">Hitachi Chemical Company, Ltd.</td></tr>
<tr><td>(II)</td><td>Location</td><td colspan="2">1-9-2, Marunouchi, Chiyoda-ku, Tokyo</td></tr>
<tr><td>(III)</td><td>Title and Name of Representative</td><td colspan="2">Hisashi Maruyama, President and CEO</td></tr>
<tr><td>(IV)</td><td>Description of Business</td><td colspan="2">Manufacturing, processing, and sales of functional materials and advanced components and systems</td></tr>
<tr><td>(V)</td><td>Stated Capital</td><td colspan="2">15,454,363 thousand yen (as of September 30, 2019)</td></tr>
<tr><td>(VI)</td><td>Date of Incorporation</td><td colspan="2">October 10, 1962</td></tr>
<tr><td rowspan="10">(VII)</td><td rowspan="10">Major Shareholders and Shareholding Ratio (as of September 30, 2019) (Note)</td><td>Hitachi, Ltd.</td><td>51.24%</td></tr>
<tr><td>Goldman Sachs and Company (regular account)
(standing proxy: Goldman Sachs Japan Co., Ltd.)</td><td>5.89%</td></tr>
<tr><td>Credit Suisse Securities (Japan), Ltd.</td><td>3.74%</td></tr>
<tr><td>Japan Trustee Services Bank, Ltd. (trust account)</td><td>2.65%</td></tr>
<tr><td>Goldman Sachs International
(standing proxy: Goldman Sachs Japan Co., Ltd.)</td><td>2.08%</td></tr>
<tr><td>The Master Trust Bank of Japan, Ltd. (trust account)</td><td>1.94%</td></tr>
<tr><td>State Street Bank and Trust Company 510312
(standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)</td><td>1.78%</td></tr>
<tr><td>State Street Bank and Trust Company 510311
(standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)</td><td>1.50%</td></tr>
<tr><td>The Bank of New York GCM Client Account JPRD ISG (FE-AC)
(standing proxy: MUFG Bank, Ltd.)</td><td>1.37%</td></tr>
<tr><td>Japan Trustee Services Bank, Ltd. (trust account 7)</td><td>1.02%</td></tr>
<tr><td rowspan="4">(VIII)</td><td rowspan="4">Relationships Between the Tender Offeror and the Target Company</td><td>Capital Relationship</td><td>N/A</td></tr>
<tr><td>Personnel Relationship</td><td>N/A</td></tr>
<tr><td>Business Relationship</td><td>Showa Denko, who is a parent company of the Tender Offeror sells functional chemicals, ceramics products, and electronic chemicals to the Target Company. Further, the Target Company purchases materials from, and provides analysis services to, Showa Denko.</td></tr>
<tr><td>Status as Related Party</td><td>N/A</td></tr>
</table>

(Note): "(VII) Major Shareholders and Shareholding Ratio (as of September 30, 2019)" is based on "Status of Major Shareholder(s)" in the 71st Second Quarterly Report submitted by the Target Company on November 12, 2019 ("Target Company Second Quarterly Report").

(2) Type of Share Certificates to be Purchased

Common share

(3) Schedule

With regard to the commencement of the Tender Offer, the Tender Offer is planned to commence promptly once the Conditions Precedent are satisfied (or waived by the Tender Offeror), and as of today, the Tender Offeror aims to commence the Tender Offer by around February 2020. However, it is difficult to predict the precise time period required for procedures at domestic and foreign competition authorities; therefore, a detailed schedule will be announced promptly after it is decided. The Tender Offer Period is scheduled to be 20 business days.

(4) Price for Purchase

4,630 yen per common share

(5) Basis of Valuation of Price for Purchase

(I) Basis of valuation

In determining the Tender Offer Price, the Tender Offerors referred to the share valuation report obtained from Mizuho Securities, a financial advisor acting as a third-party evaluator independent from the Tender Offerors and the Target Company, as of December 17, 2019. Mizuho Securities is not a related party of the Tender Offerors, the Target Company, or Hitachi, and has no material interest with respect to the Tender Offer. In addition, the Tender Offerors have not received a written opinion (fairness opinion) from Mizuho Securities stating that the Tender Offer Price is fair for the Tender Offerors from a financial perspective.

Additionally, the Tender Offerors requested Deloitte Tohmatsu, a third-party evaluator independent from the Tender Offerors and the Target Company, to submit a written opinion (fairness opinion) on the fairness of the Tender Offer Price for Showa Denko from a financial standpoint. The Tender Offerors obtained the written opinion as of December 17, 2019. Deloitte Tohmatsu is not a related party of the Tender Offerors, the Target Company, or Hitachi, and has no material interest with respect to the Tender Offer. Further, the Tender Offerors did not request Deloitte Tohmatsu to evaluate the share value of the Target Company and have not obtained share valuation report from them.

Mizuho Securities evaluated the value of the Target Shares using the market share price method, comparable multiple valuation method, and DCF Method. The share value range per Target Share evaluated using each method above is as follows:

Market share price method:	from 3,368 yen to 4,080 yen
Comparable multiple valuation method:	from 2,871 yen to 3,943 yen
DCF Method:	from 4,060 yen to 5,640 yen

In the market share price method, with December 17, 2019 as the reference date, which is the business day before the announcement date of the planned commencement of the Tender Offer, analysis shows that the share value range per Target Share is from 3,368 yen to 4,080 yen. This was based on the following figures: the closing price of the Target Share on the First Section of the Tokyo Stock Exchange as of the reference date (4,080 yen); the simple average closing price for the period from one month before the same date up to the same date (from November 18, 2019 to December 17, 2019) (3,878 yen); the simple average closing price for the period from three months before the same date up to the same date (from September 18, 2019 to December 17, 2019) (3,640 yen); and the simple average closing price for the period from six months before the same date up to the same date (from June 18, 2019 to December 17, 2019) (3,368 yen).

In the comparable multiple valuation method, analysis shows that the share value range per Target Share is from 2,871 yen to 3,943 yen. This was determined by evaluating the share value of the Target Company by comparing the market share price and financial indexes on profitability of listed companies engaged in business similar to that of the Target Company.

In the DCF Method, analysis shows that the share value range per Target Share is from 4,060 yen to 5,640 yen. This was determined by analyzing the share value of the Target Company, which was calculated by discounting the free cash flow that the Target Company is expected to generate in and after the fiscal year ending on March 2020 at a certain rate in order to find its present value based on the presumed business plans of the Target Company for the period from the fiscal year ending on March 2020 to the fiscal year ending on March 2022 and financial projections for subsequent periods, and based on other various presumed factors, such as publicly disclosed information. The Target

Company's future financial forecasts, which were used as a premise for the DCF Method, do not include business years in which, in comparison with the previous fiscal year, significant fluctuations in earnings are anticipated. The Target Company's business plans and financial projections for subsequent periods are based on the premise that the Transaction will be implemented.

Being within the range of the evaluation of the share value using the DCF Method in the results of the evaluation of the share value of the Target Company stated in the share valuation report obtained from Mizuho Securities as of November 8, 2019, the Tender Offerors comprehensively took into account: the results of the due diligence of the Target Company Group conducted by Showa Denko from early October 2019 to mid-November 2019; examples of the premiums paid in tender offers that were carried out by persons other than the issuer, for the purpose of making a company a wholly-owned subsidiary, in the past; trends in the market price of the Target Shares in the past 6 months and trends in the most recent market price of the Target Shares; and other factors. Subsequently, on November 15, 2019, the Tender Offerors submitted a proposal to the Target Company stating that the Tender Offer Price would be 4,534 yen. After that, Showa Denko considered the specific details of the measures to improve corporate value, and management policies after obtaining the shares, policies for holding shares after obtaining the shares, the current performance and future business plan of the Target Company, results of the due diligence above that Showa Denko carried out against the Target Company Group, trends of the Target Shares' market prices, the economic conditions, trends of the share market, the basis for evaluating share value, and other factors, and comprehensively considered existence or non-existence of support for the Tender Offer by the Target Company's board of directors, the estimated number of shares to be tendered in the Tender Offer, within the range of the above evaluation of the share value, and other factors. In late November 2019, Showa Denko submitted an additional final proposal stating that the Tender Offer Price would be 4,630 yen per share in order to obtain preferential negotiation rights. After the submission, in late November 2019, Showa Denko was notified that it was selected as the party with whom negotiations would be preferentially held, and proceeded with discussions and negotiations with the Target Company and Hitachi on the terms and conditions of the Transaction. As a result, because in the middle of December 2019 they agreed that the Tender Offer Price would be 4,630 yen, being within the range of the evaluation of the share value using the DCF Method in the results of the evaluation of the share value of the Target Company stated in the share valuation report obtained from Mizuho Securities as of November 8, 2019, the Tender Offeror's representative officer decided to set the Tender Offer Price at 4,630 yen today.

The Tender Offer Price of 4,630 yen is the amount obtained by respectively adding the premium of 133.13% for 1,986 yen of the Target Shares' closing price on the First Section of the Tokyo Stock Exchange as of March 8, 2019, which is the business day before the day on which Hitachi's transfer of the Target Shares was reported (March 9, 2019); 127.30% for the simple average closing price of 2,037 yen for the period from one month before the same date up to the same date; 154.96% for the simple average closing price of 1,816 yen for the period from three months before the same date up to the same date; and 146.54% for the simple average closing price of 1,878 yen for the period from six months before the same date up to the same date.

Further, the Tender Offer Price of 4,630 yen is the amount obtained by respectively adding the premium of 33.62% for 3,465 yen of the Target Shares' closing price on the First Section of the Tokyo Stock Exchange as of November 25, 2019, which is the business day before the day on which the Transaction was reported (November 26, 2019); 33.74% for the simple average closing price of 3,462 yen for the period from one month before the same date up to the same date; 33.62% for the simple average closing price of 3,465 yen for the period from three months before the same date up to the same date; and 43.25% for the simple average closing price of 3,232 yen for the period from six months before the same date up to the same date.

On the other hand, the Tender Offer Price of 4,630 yen is the amount obtained by respectively adding the premium of 13.48% for 4,080 yen of the Target Shares' closing price on the First Section of the Tokyo Stock Exchange as of December 17, 2019, which is the business day before the announcement date of the planned commencement of the Tender Offer; 19.39% for the simple average closing price of 3,878 yen for the period from one month before the same date up to the same date; 27.20% for the simple average closing price of 3,640 yen for the period from three months before the same date up to the same date; and 37.47% for the simple average closing price of 3,368 yen for the period from six months before the same date up to the same date.

(II) Background of valuation

(Background of the decisions on the Tender Offer Price)

Under the Showa Denko TOP 2021, Showa Denko is working to establish a new KOSEIHA Business group that follows KOSEIHA Businesses. Our medium-to long-term management goal is to make at least half of our existing businesses KOSEIHA Businesses by 2025. In order to realize this management strategy, we determined an investment of a total of 400 billion yen, including 150 billion yen in M&A, and were considering combination and alliance measures as a means to enhance competitiveness as KOSEIHA Company. Under these circumstances, as an observational news report about Hitachi's selling of the Target Company was announced in early December 2018, from early February 2019, Showa Denko began to consider the possibility of acquiring the Target Shares, as part of the management strategy. Under these circumstances, in early July 2019, Showa Denko was asked by Hitachi and the Target Company whether Showa Denko was interested in acquisition of the Target Shares owned by Hitachi, and considered the feasibility of the Transaction based on disclosed information from business and financial perspective. As a result of these consideration, Showa Denko intended to obtain undisclosed information, including the Business Plan, and carry out full-fledged consideration of the possible impact of the Transaction, the buy-out structure, the feasibility of the Transaction, and the governance and management policies following the Transaction through participation in the bidding process, and then participated in the bidding process conducted by Hitachi and the Target Company. Subsequently, Showa Denko passed the first bidding process at the end of September 2019, and because Showa Denko was selected as a candidate that would be allowed to participate in the second bidding process, between the beginning of October 2019 and the middle of November 2019, Showa Denko conducted due diligence on the business, finance, tax, and legal affairs, etc. of the Target Company Group for approximately seven weeks and interviews with the management of the Target Company and proceeded with further analysis and consideration of, among others, the possible impact of the Transaction, the buy-out structure, the feasibility of the Transaction, and the governance and management policies following the Transaction. As a result of such analysis and consideration, Showa Denko determined that by making the Target Company Showa Denko's wholly-owned subsidiary, the wanted business synergies are expected and the strategies and action plans that were being considered by Showa Denko would be feasible.

Based on the analysis and consideration, Showa Denko submitted its final letter of intent to Hitachi and the Target Company concerning the acquisition of all Target Shares owned by Hitachi and the terms and conditions, including the Tender Offer Price. Additionally, Showa Denko proposed 4,534 yen as the Tender Offer Price in the final letter of intent.

After that, the Target Company, Hitachi, and Showa Denko proceeded with discussion and negotiation on the terms and conditions of the Transaction based on, among other things, the specific details of the measures to improve corporate value, and management policies after obtaining the shares, policies for holding shares after obtaining the shares, the current performance and future business plan of the Target Company, results of the due diligence above that Showa Denko carried out against the Target Company Group, trends of the Target Shares' market prices, the economic conditions, and trends of the share market, and the basis for evaluating share value. In late November 2019, Showa Denko submitted an additional final proposal stating that the Tender Offer Price would be 4,630 yen per share in order to obtain preferential negotiation rights and was notified that it was selected as the party with whom they would preferentially negotiate. After that, the Target Company, Hitachi, and Showa Denko proceeded with discussions and negotiations on the terms and conditions of the Transaction, and the Target Company, Hitachi, and Tender Offerors reached an agreement on the terms and conditions of the Transaction. In response to this, today, the Tender Offerors concluded the Tender Agreement with Hitachi. In addition, today, the Tender Offeror's representative officer decided to carry out the Tender Offer and set the Tender Offer Price at 4,630 yen based on the background below, with the view to acquire all of the Tendered Shares owned by Hitachi and make the Target Company a wholly-owned subsidiary of the Tender Offeror when Conditions Precedent have been satisfied (or such conditions have been waived by the Tender Offeror).

(i) Name of the third parties from whom opinions were obtained upon valuation

In determining the Tender Offer Price, the Tender Offerors referred to the share valuation report obtained from Mizuho Securities, a financial advisor acting as a third-party evaluator independent from the Tender Offerors and the Target Company, as of December 17, 2019. Mizuho Securities is not a related party of the Tender Offerors, the Target Company, or Hitachi, and has no material interest with respect to the Transaction. In addition, the Tender Offerors have not received a written opinion (fairness opinion) from Mizuho Securities stating that the Tender Offer Price is fair for the Tender Offerors from a financial perspective.

Additionally, the Tender Offerors requested Deloitte Tohmatsu, a third-party evaluator independent from the Tender Offerors and the Target Company, to submit a written opinion (fairness opinion) on the fairness of the Tender Offer Price for Showa Denko from a financial standpoint. The Tender Offerors obtained the written opinion as of December 18, 2019. Deloitte Tohmatsu is not a related party of the Tender Offerors, the Target Company, or Hitachi, and has no material interest with respect to the Transaction. Further, the Tender Offerors did not request Deloitte Tohmatsu to evaluate the share value of the Target Company and have not obtained share valuation report from them.

(ii) Summary of the opinions

The share value range per Target Share evaluated by Mizuho Securities using each method above is as follows:

Market share price method:	from 3,368 yen to 4,080 yen
Comparable multiple valuation method:	from 2,871 yen to 3,943 yen
DCF Method:	from 4,060 yen to 5,640 yen

(iii) Background of the decision on the purchase price based on the opinions

Being within the range of the evaluation of the share value using the DCF Method in the results of the evaluation of the share value of the Target Company stated in the share valuation report obtained from Mizuho Securities as of November 8, 2019, the Tender Offerors comprehensively took into account: the results of the due diligence of the Target Company Group conducted by Showa Denko from early October 2019 to mid-November 2019; examples of the premiums paid in tender offers that were carried out by persons other than the issuer, for the purpose of making a company a wholly-owned subsidiary, in the past; trends in the market price of the Target Shares in the past 6 months and trends in the most recent market price of the Target Shares; and other factors, on November 15, 2019, the Tender Offerors submitted a proposal to the Target Company stating that the Tender Offer Price would be 4,534 yen. After that, Showa Denko proceeded with the specific details of the measures to improve corporate value, and management policies after obtaining the shares, policies for holding shares after obtaining the shares, the current performance and future business plan of the Target Company, results of the due diligence above that Showa Denko carried out against the Target Company Group, trends of the Target Shares' market prices, the economic conditions, and trends of the share market and the basis for evaluating share value. Additionally, Showa Denko comprehensively considered existence or non-existence of support for the Tender Offer by the Target Company's board of directors and the estimated number of shares to be tendered in the Tender Offer; within the range of the above evaluation of the share value, and other factors, in late November 2019, Showa Denko submitted an additional final proposal stating that the Tender Offer Price would be 4,630 yen per share in order to obtain preferential negotiation rights.

After that, in late November 2019, Showa Denko was notified that it was selected as the party with whom they would preferentially negotiate, and proceeded with discussions and negotiations with the Target Company and Hitachi on the terms and conditions of the Transaction. As a result, because in the middle of December 2019 they agreed that the Tender Offer Price would be 4,630 yen, being within the range of the evaluation of the share value using the DCF Method in the results of the evaluation of the share value of the Target Company stated in the share valuation report obtained from Mizuho Securities as of November 8, 2019, the Tender Offeror's representative officer ultimately decided to set the Tender Offer Price at 4,630 yen today.

(III) Relationship with the evaluator

Mizuho Securities, the Tender Offeror's financial advisor (evaluator), is not a related party of the

Tender Offerors, the Target Company, or Hitachi, and has no material interest with respect to the Transaction. Further, Deloitte Tohmatsu, the Tender Offeror's third-party evaluator, is not a related party of the Tender Offerors, the Target Company, or Hitachi, and has no material interest with respect to the Transaction.

(IV) Summary of the fairness opinion

On December 17, 2019, Showa Denko obtained the Fairness Opinion from Deloitte Tohmatsu stating that the terms and conditions of the Transaction are fair for Showa Denko from a financial perspective, based on the details mentioned below and the presumption that there was no significant unreasonableness in Showa Denko's investigation procedure or decision-making process for the Transaction.

The Fairness Opinion has been approved by Deloitte Tohmatsu's fairness opinion committee, and is in effect as of December 17, 2019.

Deloitte Tohmatsu plans to receive, for its services related to the Transaction, fixed compensation to be paid regardless of whether the Transaction will be successfully completed. Further, Deloitte Tohmatsu plans to receive reimbursement for expenses incurred due to Deloitte Tohmatsu's provision of its services. In the agreement between Showa Denko and Deloitte Tohmatsu, Showa Denko and Deloitte Tohmatsu agreed that Deloitte Tohmatsu is held harmless against certain responsibilities arising from Deloitte Tohmatsu's business, and that Showa Denko indemnifies Deloitte Tohmatsu against certain responsibilities.

Deloitte Tohmatsu or its related companies provide various services, such as auditing, consulting, and financial advisory services. As a result, there is a possibility that Deloitte Tohmatsu, or any of its related companies, are currently providing services to Showa Denko, the Target Company, Hitachi, or any of their related companies. Further, Deloitte Tohmatsu, or any of its related companies, may in the future provide services to Showa Denko, the Target Company, Hitachi, or any of their related companies.

Deloitte Tohmatsu analyzed and considered, among other things, the following matters in connection with writing the Fairness Opinion:

1) Showa Denko's explanation of the details of the Transaction;
2) market prices and market transactions regarding shares in the Target Company;
3) comparison of financial data, market share prices, and other factors of the Target Company, and those of public companies whose business description is similar to that of the Target Company;
4) various investigation reports regarding the Target Company dated November 6, 2019 that were received through Showa Denko; and
5) any other information that Deloitte Tohmatsu deemed necessary or appropriate and obtained through inquiry to Showa Denko or by generally investigating.

In writing the Fairness Opinion, Deloitte Tohmatsu presumed that all the financial information it referred to, and other announced information or information provided by Showa Denko, the Target Company, or Hitachi were true, accurate, and complete, and relied upon such information. Deloitte Tohmatsu did not independently verified the truthfulness, accuracy, or completeness of such information, and does not assume any responsibility therefor. Further, in preparing and submitting the Fairness Opinion, Deloitte Tohmatsu did not conduct an audit of, or provide any other guarantee for, any assets or liabilities (including financial derivatives, assets off the book and liabilities off the book, and any other contingent liabilities), and did not request any third party conduct such an audit or provide any such guarantee. Furthermore, the Target Company's, and the Tender Offeror's, credit under laws and regulations regarding insolvency, suspension of payments, or any other matters similar thereto were not evaluated. Further, in writing the Fairness Opinion, with the consent of Showa Denko, Deloitte Tohmatsu presumed that the Target Company's future business plans it referred to were reasonably prepared by incorporating the optimal and best forecasts and judgments available to Showa Denko. Further, in writing the Fairness Opinion, Deloitte Tohmatsu did not independently investigate the Target Company's future business plans it referred to, and relied upon these plans and materials related thereto.

In writing the Fairness Opinion, Deloitte Tohmatsu relied upon Showa Denko's management confirmation letter, with respect to the fact that any significant event which was not disclosed to Deloitte Tohmatsu had not happened to Showa Denko as of the date of the Fairness Opinion, and with respect to any other matter to be confirmed.

In writing the Fairness Opinion, Deloitte Tohmatsu presumed that all consent and approval of the government, supervisory authority, and any other body necessary for successful completion of the Transaction would be acquired by Showa Denko or the Target Company without any impact on the expected benefits of the Transaction. Further, Deloitte Tohmatsu presumed that the Transaction would be lawfully and validly implemented in accordance with the terms and conditions set forth in the agreement related to the Transaction disclosed to Deloitte Tohmatsu and that the effects on the accounting and tax matters of the Transaction did not differ from the assumptions or presumptions presented to Deloitte Tohmatsu.

Deloitte Tohmatsu has no obligation to Showa Denko or Showa Denko's board of directors to solicit any third party's decision-making related to the Transaction, and has not conducted such solicitation in the past, and will not conduct such solicitation in the future.

The Fairness Opinion is based on business, economy, market, and other situations existing as of December 17, 2019, or as of the date of the information provided to Deloitte Tohmatsu. In submitting the Fairness Opinion, Deloitte Tohmatsu did not analyze or consider the business decisions underlying the implementation of the Transaction, or whether transaction terms and conditions planned in this case were the feasible best price, and is not obligated to analyze or consider such matters. The Fairness Opinion does not express any opinion on Showa Denko's solvency before, in, or after the Transaction.

The Fairness Opinion only provides reference information to Showa Denko's board of directors for its managerial decision-making, and does not recommend that Showa Denko's shareholders exercise their voting rights with respect to the Transaction. The Fairness Opinion is not for any third party other than Showa Denko, and third parties may not trust or rely upon the Fairness Opinion for any purposes. Therefore, Deloitte Tohmatsu does not assume any responsibility to any third party (including Showa Denko's shareholders) other than Showa Denko for any reasons whatsoever.

Showa Denko has accepted that, even if changes in situations arising on or after December 17, 2019 may affect Deloitte Tohmatsu's opinion in the Fairness Opinion, Deloitte Tohmatsu has no obligation or responsibility to update, revise, supplement, or reconfirm the Fairness Opinion.

(6) Number of Share Certificates to be Purchased

Number of Shares to be Purchased	Minimum Number of Shares to be Purchased	Maximum Number of Shares to be Purchased
208,219,903 shares	138,813,300 shares	— shares

(Note 1): If the total number of Tendered Share Certificates is less than the minimum number of shares to be purchased (138,813,300 shares), none of the Tendered Share Certificates will be purchased. If the total number of Tendered Share Certificates is the minimum number of shares to be purchased (138,813,300 shares) or more, all of the Tendered Share Certificates will be purchased. Because there is no set number for maximum number of shares to be purchased for the Tender Offer, the maximum number of share certificates of the Target Company that will be acquired by the Tender Offeror in the Tender Offer (208,219,903 shares) is stated as the number of shares to be purchased. The maximum number is the number of shares (208,219,913 shares) obtained by deducting the number of the treasury shares owned by the Target Company as of September 30, 2019 (145,010 shares) from the total number of the outstanding shares as of September 30, 2019 stated in the Target Company Consolidated Financial Summary (208,364,913 shares).

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

(Note 3): The Tender Offeror does not intend to acquire the treasury shares owned by the Target Company through the Tender Offer. The number of shares to be purchased above is a provisional number based on information as of September 30, 2019, and due to changes over time, the actual number of shares to be purchased in the Tender Offer, which will be set based on the latest information available at the time of the commencement of the Tender Offer, may differ from the number above.

(7) Changes in Ownership Ratio of Share Certificates due to the Purchase

Number of Voting Rights Relating to Share Certificates Owned by the Tender Offeror Before Purchase	—	(Ownership Ratio of Share Certificates Before Purchase: —%)
Number of Voting Rights Relating to Share Certificates Owned by Specially Related Parties Before Purchase	—	(Ownership Ratio of Share Certificates Before Purchase: —%)
Number of Voting Rights Relating to Share Certificates Owned by the Tender Offeror After Purchase	2,082,199	(Ownership Ratio of Share Certificates After Purchase: 100.00%)
Number of Voting Rights Relating to Share Certificates Owned by Specially Related Parties After Purchase	0	(Ownership Ratio of Share Certificates After Purchase: 0.00%)
Number of Voting Rights of All Shareholders of the Target Company	2,080,245	

(Note 1): The "Number of Voting Rights Relating to Share Certificates Owned by the Tender Offeror After Purchase" is the number of voting rights relating to the number of shares to be purchased in the Tender Offer (208,219,913 shares)

(Note 2): The "Number of Voting Rights of All Shareholders of the Target Company" is the number of voting rights of all shareholders, and others, as of September 30, 2019 stated in the Target Company Second Quarterly Report. However, because shares less than one unit are also subject to the Tender Offer, for the purpose of calculating the "Ownership Ratio of Share Certificates After Purchase," the number of the voting rights (2,082,199) relating to the number of shares (208,219,903 shares) obtained by deducting the number of the treasury shares owned by the Target Company as of September 30, 2019 (145,010 shares) from the total number of the outstanding shares as of the same date stated in the Target Company Consolidated Financial Summary (208,364,913 shares) is used as the denominator.

(Note 3): The "Ownership Ratio of Share Certificates After Purchase" are rounded to two decimal places.

(8) Purchase Price: 964,058,150,890 yen (planned)

(Note): The "Purchase Price" is the amount obtained by multiplying the number of shares to be purchased in the Tender Offer (208,219,903 shares) by the Tender Offer Price (4,630 yen). If the actual number of shares to be purchased in the Tender Offer differs due to changes over time, there may be fluctuation in the purchase price.

(9) Method of Settlement

(I) Name and location of head office of financial instruments business operator or bank responsible for settlement of purchase

Mizuho Securities Co., Ltd. 1-5-1, Otemachi, Chiyoda-ku, Tokyo

(II) Settlement commencement date

The settlement commencement date will be announced promptly after the detailed schedule and other particulars of the Tender Offer are decided.

(III) Method of settlement

A notice of purchase through the Tender Offer will be mailed to the addresses of the shareholders who accept the Tender Offer (the "Accepting Shareholders") (or the addresses of their standing proxies in the case of shareholders, including corporate shareholders, that reside outside of Japan ("Non-Resident Shareholders")) without delay after the expiry of the Tender Offer Period. Payment for the purchase will be made in cash. Under the instructions of the Accepting Shareholders (or their standing proxies in the case of Non-Resident Shareholders), the tender offer agent will remit payment for share certificates to be purchased to the location instructed by the Accepting Shareholders (or their standing proxies in the case of Non-Resident Shareholders), or to the account of the Accepting Shareholders whose tender was accepted by the tender offer agent, without delay, on or after the settlement commencement date.

(IV) Method of returning share certificates

In the event that none of the Tendered Share Certificates are purchased pursuant to the conditions mentioned in "(I) Conditions set forth in each item of Article 27-13, paragraph (4) of the Act and details thereof" or "(II) Conditions for withdrawal of the Tender Offer, details thereof, and method of disclosure of withdrawal" of "(10) Other Conditions and Methods of Purchase" below, the tender offer agent will promptly return the share certificates which are required to be returned by restoring them to their state as they were at the time of their tender on the business day after the last day of the Tender Offer Period (or the date of withdrawal in the event of withdrawal of the Tender Offer) or thereafter.

(10) Other Conditions and Methods of Purchase

(I) Conditions set forth in each item of Article 27-13, paragraph (4) of the Act and details thereof

If the total number of Tendered Share Certificates is less than the minimum number of shares to be purchased (138,813,300 shares), none of the Tendered Share Certificates will be purchased. If the total number of Tendered Share Certificates is the minimum number of shares to be purchased (138,813,300 shares) or more, all of the Tendered Share Certificates will be purchased.

(II) Conditions for withdrawal of the Tender Offer, details thereof, and method of disclosure of withdrawal

Upon the occurrence of any event set forth in Article 14, paragraph (1), item (1)(a) through (i) and (l) through (r); item (3)(a) through (h) and (j); and Article 14, paragraph (2), item (3) through item (6) of the Enforcement Order, the Tender Offeror may withdraw the Tender Offer. The "facts equivalent to those set forth in sub-item (a) to sub-item (i) inclusive" set forth in Article 14, paragraph (1), item (3)(j) of the Enforcement Order mean any of the following cases:

(A) where it is discovered that a statutory disclosure document submitted in the past by the Target Company contains a false statement about a material subject or omits a statement as to a material subject that is required to be stated; or

(B) where a fact listed in Article 14, paragraph (1), item (3)(a) through (h) of the Enforcement Order arises to a material subsidiary of the Target Company.

In the event that the Tender Offeror intends to withdraw the Tender Offer, the Tender Offeror will give electronic public notice, and then post notice in the Nikkei that such public notice has been made; however, if it is difficult to give such notice by the last day of the Tender Offer Period, the Tender Offeror will make an announcement pursuant to the method set forth in Article 20 of the Ordinance and give public notice immediately thereafter.

(III) Conditions for reduction of purchase price, details thereof, and method of disclosure of reduction

Pursuant to Article 27-6, paragraph (1), item (1) of the Act, if the Target Company takes any action set forth in Article 13, paragraph (1) of the Enforcement Order during the Tender Offer Period, the Tender Offeror may reduce the purchase price in accordance with the standards set forth in Article 19, paragraph (1) of the Ordinance.

In the event that the Tender Offeror intends to reduce the purchase price, the Tender Offeror will give electronic public notice, and then post notice in the Nikkei that such public notice has been made; however, if it is difficult to give such notice by the last day of the Tender Offer Period, the Tender Offeror will make an announcement pursuant to the method set forth in Article 20 of the Ordinance and give public notice immediately thereafter. If the purchase price is reduced, the Tender Offeror will purchase the Tendered Share Certificates at the reduced price, even in the case where the Tendered Share Certificates were tendered on or before the day on which such public notice is given.

(IV) Matters concerning the right of cancellation of the agreements by Accepting Shareholders

Accepting Shareholders may cancel an agreement related to the Tender Offer at any time during the Tender Offer Period. When cancelling such an agreement, a document requesting for the cancellation of the agreement related to the Tender Offer (the "Cancellation Notice") together with a receipt of the acceptance of the Tender Offer must be delivered in person, or sent, to the head office, or any branch of the tender offer agent to which he/she has offered to sell, by no later than 3:00 p.m. on the last day of the Tender Offer Period. Cancellation of the agreement will take effect once the Cancellation Notice is delivered in person to, or when it reaches, the tender offer agent. Accordingly, please note that the cancellation will not take effect if the Cancellation Notice, if sent by mail, does not reach the tender offer agent by no later than 3:00 p.m. on the last day of the Tender Offer Period.

No compensation for damage or penalty payments will be claimed against any Accepting Shareholder by the Tender Offeror in the event that the agreement is cancelled by an Accepting Shareholder. Further, the expenses required for returning the Tendered Share Certificates will be borne by the Tender Offeror. If cancellation of the agreement is requested, the Tendered Share Certificates will be returned promptly after the procedure for requesting the cancellation is completed, pursuant to the method stated in "(IV) Method of returning share certificates" of "(9) Method of Settlement" above.

(V) Method of disclosure if conditions of purchase are changed

During the Tender Offer Period, except as prohibited pursuant to Article 27-6, paragraph (1) of the Act and Article 13 of the Enforcement Order, the Tender Offeror may change the conditions of the purchase. In the event that the Tender Offeror intends to change the conditions of the purchase, the Tender Offeror will give electronic public notice of the details of the changes, and other matters, and then post notice in the Nikkei that such public notice has been made; however, if it is difficult to give such notice by the last day of the Tender Offer Period, the Tender Offeror will make an announcement pursuant to the method set forth in Article 20 of the Ordinance and give public notice immediately thereafter. If any change in the conditions of the purchase is made, the Tender Offeror will purchase the Tendered Share Certificates in accordance with the changed conditions of the purchase, even in the case where the Tendered Share Certificates were tendered on or before the day on which such public notice is given.

(VI) Method of disclosure if an amendment statement is filed

If the Tender Offeror files an amendment statement with the Director-General of the Kanto Local Finance Bureau (except as set forth in the proviso of Article 27-8, paragraph (11) of the Act), the Tender Offeror will immediately make an announcement of the details thereof to the extent relevant to the public notice of commencement of the Tender Offer, pursuant to the method set forth in Article 20 of the Ordinance. The Tender Offeror will also immediately amend the tender offer explanation, and deliver the amended tender offer explanation to the Accepting Shareholders to whom the tender offer explanation has already delivered; however, if the amendments are immaterial, the Tender Offeror will prepare a document stating the reasons for the amendments, the amended matters, and the amended description, and deliver the said document to the Accepting Shareholders.

(VII) Method of disclosure of results of the Tender Offer

The Tender Offeror will make an announcement regarding the results of the Tender Offer, pursuant to the methods set forth in Article 9-4 of the Enforcement Order and Article 30-2 of the Ordinance, on the day after the last day of the Tender Offer Period.

(viii) Other

The Tender Offer is not being made, directly or indirectly, in, or to, the United States, and is not being conducted through the United States Postal Service, or other means or instrumentality of interstate or international commerce (including but not limited to: telephone, telex, facsimile, e-mail, or internet communication), or through security exchange facilities in the United States. No tender to the Tender Offer will be accepted by said means, instrumentality, through said facilities, or from the United States.

The tender offer registration statement, or related purchase documentations, will not and can not be delivered or sent by the postal service, or any other means, in, to, or from the United States. No tender to the Tender Offeror that violates the above restrictions, directly or indirectly, will be accepted.

When tendering the Tender Offer, the tendering shareholders, etc. (or standing proxy in the case of foreign shareholders, etc.) may be requested to represent and warrant the following to the tender offer agent:

(i) the tendering shareholder is not located in the United States at either the time of tender or when sending the tender offer application forms;

(ii) the tendering shareholder has not, directly or indirectly, received or sent any information (including copies thereof) regarding the Tender Offer or purchase in, to, or from the United States;

(iii) the tendering shareholder has not, directly or indirectly, used the United States Postal Service, or other means or instrumentality of interstate or international commerce (including but not limited to, telephone, telex, facsimile, e-mail, or internet communication) and has not used security exchange facilities in the United States to sign or deliver purchase or tender offer application forms; and

(iv) the tendering shareholder is not a person acting as an agent without discretionary power, or as an entrustee or entrustor of another person (excluding cases where such other person provides all purchase instructions from outside the United States).

(11) Date of Public Notice of Commencement of the Tender Offer

The date of public notice of the commencement of the Tender Offer will be announced promptly after the detailed schedule and other particulars of the Tender Offer are decided.

(12) Tender Offer Agent

Mizuho Securities Co., Ltd. 1-5-1, Otemachi, Chiyoda-ku, Tokyo

3. Policy After the Tender Offer and Future Outlook

Please refer to "(4) Policy for Organizational Restructuring After the Tender Offer (Matters Relating to So-called "Two-Stage Purchase")" and "(5) Possibility of Delisting and Reasons Therefor" in "1. Purpose of the Purchase" above.

4. Other

(1) Agreement Between the Tender Offeror and the Target Company or its Officers and the Details Thereof

(I) Support for the Tender Offer

According to the Target Company Press Release, the Target Company resolved at its board of directors meeting held today to express its opinion to support the Tender Offer if the Tender Offer is commenced as an opinion of the Target Company at the present time, and to recommend that the Target Company's shareholders tender the Tender Offer.

For detailed information, please refer to the Target Company Press Release and "(VI) Unanimous approval of all non-interested directors at the Target Company" in "(3) Measures to Ensure the Fairness of the Tender Offer, Including Measures to Ensure the Fairness of the Tender Offer Price and Avoid Conflicts of Interest" in "1. Purposes of the Purchase" above.

(2) Other Information Deemed Necessary for Investors to Determine Whether to Accept the Tender Offer or Not

(I) Publication of the "Notice of Dividends of Surplus (No Year-End Dividends)"

The Target Company announced the "Notice of Dividends of Surplus (No Year-End Dividends)" today. According to the announcement, at its board of directors meeting held today, the Target Company resolved not to distribute any dividends from its surplus with a record date of March 31, 2020. For detailed information, please refer to the announcement.

End