

June 17, 2019

To whom it may concern:

Company Name: MINEBEA MITSUMI Inc.  
Representative: Yoshihisa Kainuma  
Representative Director, CEO&COO  
(Code No. 6479, TSE Div. No. 1)  
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**Notice of Share Consolidation by a Consolidated Subsidiary**

MINEBEA MITSUMI Inc. (the “**Company**”) hereby announces that its consolidated subsidiary, U-Shin Ltd. (Securities Code: 6985, First Section of the Tokyo Stock Exchange; “**U-Shin**”), has announced in its “Notice of Share Consolidation, Abolition of Provisions on Number of Shares Constituting One Unit, and Partial Revision of Articles of Incorporation” dated June 17, 2019 (as attached; the “**U-Shin Press Release**”) that its board of directors has resolved at its meeting held on June 17, 2019 to put forward proposals for the consolidation of shares (the “**Share Consolidation**”), the abolition of provisions on the number of shares constituting one unit, and the partial revision of its articles of incorporation at its extraordinary general meeting of shareholders scheduled to be held on July 8, 2019.

As announced in the “Announcement of Results of Tender Offer for Shares in U-Shin Ltd. (Securities Code: 6985) for Business Integration with U-Shin Ltd. and Changes in Subsidiaries” dated April 11, 2019, the Company has decided to progress as planned with procedures for the purpose of business integration with U-Shin, and as announced in the “Announcement of Planned Commencement of Tender Offer for Shares in U-Shin Ltd. (Securities Code: 6985) for Business Integration with U-Shin Ltd.” dated November 7, 2018, the amount of money expected to be delivered to shareholders pursuant to the handling of fractional shares in the Share Consolidation is planned to be the amount calculated by multiplying the number of U-Shin shares owned by each shareholder entered or recorded in the final shareholder register of U-Shin on the day preceding the effective date of the Share Consolidation by 985 yen, which is equivalent to the tender offer price. For details of the Share Consolidation, please refer to the U-Shin Press Release.

Attachment:

“Announcement Regarding Share Consolidation, Abolishment of Share Unit Number Provisions, and Partial Amendment of the Articles of Incorporation” by U-Shin dated June 17, 2019

End



June 17, 2019

To whom it may concern:

Company Name	U-Shin Ltd.	
Name of Representative (Code No. 6985)	Representative Director, President and CEO, First Section, Tokyo Stock Exchange)	Kanae Okabe
Contact	Executive Officer, Executive General Manager of Corporate Affairs Division (Telephone +81-(0)3-5339-6060)	Tatsuya Inaoka

**Announcement Regarding Share Consolidation, Abolishment of Share Unit Number Provisions, and Partial Amendment of the Articles of Incorporation**

U-Shin Ltd. (the “Company”) hereby announces that it resolved at its board of directors meeting held on June 17, 2019 to submit proposals regarding a share consolidation, the abolishment of share unit number provisions, and a partial amendment to the Articles of Incorporation at an extraordinary general meeting of shareholders to be held on July 8, 2019(the “Extraordinary Shareholders’ Meeting”).

The common shares of the Company (the “Company Shares”) will come to fall under the delisting criteria prescribed in the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”) through the above procedures. Therefore, the Company Shares will be designated as stock to be delisted for the period from July 8, 2019 through August 4, 2019 and delisted on August 5, 2019. Please note that after the delisting, the Company Shares may not be traded on the Tokyo Stock Exchange.

## **I. Share Consolidation**

### **1. Purpose of and Reasons for the Share Consolidation**

As announced in the press release of February 14, 2019, “Announcement of Opinion regarding the Tender Offer for the U-Shin Ltd.’s Shares By and for Business Integration with MINEBEA MITSUMI Inc.” (the “Opinion Press Release”), MINEBEA MITSUMI Inc. (the “Offeror”) resolved to conduct the series of transactions (the “Transaction”), including a tender offer (the “Tender Offer”), for making the Offeror a sole shareholder of the Company by acquiring all of the issued shares of the Company (excluding the Company Shares held by the Offeror and the Company’s treasury shares) on February 14, 2019.

As announced in the press release of April 11, 2019, “Announcement Regarding Result of Tender Offer of Shares in U-Shin Ltd. Conducted by MINEBEA MITSUMI Inc., and Changes in the Parent Company and the Largest and Major Shareholder”, Offeror conducted the Tender Offer during the period from February 15, 2019 through April 10, 2019, as a result of which 25,223,984 Company Shares were offered and Offeror now owns 25,224,084 Company Shares (voting right ownership ratio (Note): 76.16%) on April 17, 2019.

Note: “Voting right ownership ratio” means, with respect to a certain number of shares, the fraction (expressed as percentage and rounded to two decimal places), the numerator of which is such number of voting rights of those shares and the denominator of which is the voting rights (331,193) of the difference (33,119,384 shares) between (i) the total number of issued shares of the Company as of December 31, 2018 (33,791,586 shares) stated in the Summary of Financial Results for the fiscal year ending December 31, 2018 (Japanese GAAP) (Consolidated) announced by the Company on February 14, 2019 (the “Company’s Financial Results”) and (ii) the number of treasury shares held by the Company as of December 31, 2018 (672,202 shares) stated in the Company’s Financial Results.

As announced in the Opinion Press Release, in a severe management environment surrounding the Company, the Company group in January 2017 formulated a new medium-term management plan for the fiscal period ended December 2017 to the fiscal period ending December 2021, and is aiming to achieve sustained growth and improve its medium to long-term corporate value by adopting the slogan “Challenge for Turnaround” and taking initiatives such as those focused on (i) firmly establishing competitive products that entail new technological development and (ii) implementing a thoroughgoing turnaround of the UAM Business through measures such as quality improvements,

productivity improvements, and strengthened management structures. Particularly in the automotive industry which is facing a momentous turning point due to technological innovation, in order for the Company group to survive into the future it is essential that it take part in global exchanges related to new technology with the various automotive manufacturers (mainly the major European automotive manufacturers), and it believes that from that perspective the UAM Business (means the access mechanism business which was acquired in 2013 by Valeo, a major French automotive components manufacturer; the same applies hereinafter) —whose business activities are mostly centered in Europe—is an extremely important business base for the future growth of the Company. For this reason the Company has positioned the turnaround and growth of the UAM Business as a particularly important task for the sustained growth and improved medium to long-term corporate value of the Company and has been taking action on such task.

Under the medium-term management plan, some improvement effects have been generated from perspectives such as quality improvements, productivity improvements, and strengthened management structures by the Company (i) replacing management personnel in Europe and promoting changes in manufacturing awareness for improved quality, (ii) implementing major restructuring of a business base in Brazil, and (iii) making efforts to strengthen company-wide management structures. However, because (I) the Company has established a system that enables the Company to continuously develop and otherwise expand new technologies for (i) products that incorporate more advanced electronic technology or system development, etc. and (ii) products that use new technologies such as sensors and telecommunication technology, which are all products that are necessary for responding to the rapid progress in technological innovation in the automotive industry, and (II) as announced in “Notice of Recording Extraordinary Loss, Revision of Consolidated Full-Year Forecast, and Previous Year Results, Fiscal Year-End Dividend (No Dividend)” (the “Company’s Press Release of Revision to Business Performance Forecast”) dated February 13, 2018, the high-priority UAM Business remains in a difficult condition after recording an impairment loss (1.444 billion yen) in relation to the Nevers plant in France, and as a result of the deterioration in the financial base due to the accounting impairment, there is a possibility that the Company will not be able to sufficiently conduct medium to long-term investment activities and the Company is in an ongoing situation of being unable to distribute surplus, the Company is unable to meet the expectations of its shareholders and therefore improvement of those issues is an immediate task for the Company.

As abovementioned, the Company has been working hard at turning around the UAM Business and has seen some results but is still only part of the way, while at the same time the deterioration in the

financial base of the Company and other such factors may restrict the medium to long-term investment activities that it needs to undertake in order to respond to the rapid technological innovation in the Automotive Division, and that the Company is currently in an ongoing situation of being unable to meet the expectations of the share market. Based on such situation the Company has decided to examine promptly responding to the various tasks contemplated in its medium-term business plan by collaborating with a third party that (i) possesses insight into overseas manufacturing industries, (ii) is able to provide support for stabilizing the financial base of the Company with the financial support from the Offeror group, and (iii) possesses technology and knowhow related to IT and the like in automotive components.

In the process of such consideration, the Company continued to discuss with the multiple candidates including the Offeror a possible collaboration with each of those candidates based on the content of the approaches that the Company received. Then, in early September 2018, the Company received initial proposals (including an initial proposal for the implementation of the Transaction by the Offeror) from the above multiple candidates including the Offeror, comprising more specific terms relating to the above approaches.

The Company comprehensively and multilaterally examined the terms and conditions presented in the above initial proposals from the above multiple candidates from perspectives of improving the Company's corporate value, including the implementing a turnaround of the UAM Business, and protecting the interests of existing shareholders. As a result of such examination, the Company came to think that by making the Offeror a partner and becoming a wholly-owned subsidiary of the Offeror, (I)(i) the management base of foreign group companies of the Company such as the UAM Business would be further strengthened by utilizing the management method and personnel of foreign group companies that the Offeror has accumulated, and (ii) the financial base of the Company will be able to be stabilized, (II) the business domain will be expanded by utilizing the Offeror group's manufacturing know-how and the Offeror's products, and (III) the vertical integration-type business model may be established by establishing a consistent collaboration relationship with the Offeror at each stage of development, manufacturing and selling of the products. The Company also came to think that it would be able to take measures in response to the issues that require timely measures in the rapidly-changing market environments more promptly than the case where the Company takes such measures on its own. The Company accordingly determined that (i) it is possible to further develop technologies sufficient to respond to the technological innovation in the automotive industry in recent years due to factors such as the introduction of IT systems, increased functionality, and the advent of electromotive technology, and (ii) with respect to the UAM Business, it is possible to improve product quality under appropriate management structures and realize growth strategies by utilizing the competitive superiority of the UAM Business such as its existing client base, market

share and high-level new product development capabilities, and as a result, contribute to the medium to long-term improvement of the corporate value of the Company, and in late September 2018, the Company determined to narrow down the candidates to the Offeror and negotiate therewith.

Based on the initial proposal received from the Offeror, the Company appointed SMBC Nikko Securities Inc. (“SMBC Nikko Securities”) as its financial advisor and third party appraiser independent from the Offeror and the Company, and TMI Associates as its legal advisor independent from the Offeror and the Company in order to further consider such proposal and the entire Transaction, and also established a third-party committee on October 1, 2018 as a body with which the Company’s board of directors consult in order to consider the proposal for the Transaction. It is stated that under the above structure, the Company, taking into account the content of a share price valuation report of the Company Shares (the “Company Share Price Valuation Report”) obtained from its third-party appraiser SMBC Nikko Securities on November 6, 2018 and the legal advice from its legal advisor TMI Associates, and respecting to a maximum extent the matters stated in the Written Report of November 6, 2018 (the “Written Report of November 6, 2018”) submitted by the third-party committee to the Company’s board of directors prudently discussed and examined with the Offeror several times the procedures for the Transaction and the terms and conditions of the Transaction including the Tender Offer Price from the standpoint of enhancing the Company’s corporate value. As a result of such discussions and negotiations, the Company reached the conclusion that by becoming a group company of the Offeror, (i) the management base of foreign group companies of the Company such as the UAM Business would be further strengthened by utilizing the management methods and personnel of foreign group companies that the Offeror has accumulated, and (ii) the financial base of the Company will be able to be stabilized by receiving financial supports from the Offeror group, and that becoming a group company of the Offeror can be expected to generate the following effects and contribute to the medium to long-term improvement of the corporate value of the Company.

(a) Expansion of Business Domain

Under the rapid progress in technological innovation represented by so-called CASE (Connected, Autonomous, Shared & Services, Electric), the Company considers that it is possible to expand its business domain including in the IoE field by applying the manufacturing knowhow of the Offeror group and the Offeror’s products, developing new products that incorporate the unique technologies of the Offeror group in the Company’s existing products and commercializing those new products.

(b) Vertical Integration-type Business Model

The Company considers that by mutually utilizing the knowhow, knowledge and

products of the Company and the Offeror at each stage of development, manufacturing and selling of the products and otherwise establishing a consistent collaboration relationship with the Offeror, it will be possible to actually develop, manufacture and sell highly competitive products of the Company into which the Offeror's products and the Offeror group's knowhow are integrated.

In order to maximize the effects described above, it is necessary for the Company to establish a decision-making system to promptly implement various measures for resolving the Company's management issues, and if the Company does not become a wholly-owned subsidiary of the Offeror, the possibility cannot be denied that because an issue of conflicts of interest with the Company's minority shareholders may arise in relation to the transactions between the Offeror and the Company, a flexible mutual utilization of the management resources and knowhow between the Offeror and the Company may be impaired.

Upon the implementation of various measures described above, whereas profits may temporarily deteriorate or the Company may not otherwise be able to meet the expectations of the Company's existing shareholders who seek a stable increase in profits, or there may be a risk of unstable share price due to lack of sufficient appraisal in the capital market on a short-term basis, the Company considers that it is not necessarily appropriate for the Company's minority shareholders to bear those risks.

Based on the above matters, it considers that becoming a wholly-owned subsidiary of the Offeror through the Transaction and conducting integrated management with the Offeror, (i) will contribute to the solution of management issues that the Company recognized, (ii) under the prompt decision-making system which it is difficult for the Company to realize as a listed company, the Company will be able to take various thoroughgoing measures for mutually utilizing management resources, knowledge, information and knowhow with the Offeror, (iii) the Company may deliver to the Company's shareholders the amount equal to the market share price plus a certain premium for the time during which it is under financial conditions in which distribution of surplus is difficult, and (iv) the Company may establish a system in which the management team and employees of the Company may work together on various measures for resolving the Company's management issues under a uniform management policy in which the Company's existing shareholders will not bear any risk of unstable share price due to the possibility of not meeting the expectations of the Company's existing shareholders who seek a stable increase in profits or due to a lack of sufficient appraisal in the capital market in the short term.

In addition, the Company has determined that the Tender Offer provides its shareholders with an opportunity to sell their shares at a price to which a reasonable premium is added based on the following facts:

- (a) Comparing with the calculation results based on the Company Share Price Valuation Report, the Tender Offer Price is above the range of the calculation results based on the market price method and the comparable company comparison method, and within the range of the calculation results based on the discounted cash flow analysis (“DCF analysis”);
- (b) The Tender Offer Price is a price inclusive of a premium of (i) 28.26% (to be rounded to two decimal places; the same applies to each percentage of a premium on a share price below) on 768 yen, the closing price of the Company Shares quoted on the First Section of the Tokyo Stock Exchange on November 6, 2018, which is the business day before the announcement date of the planned commencement of Tender Offer, (ii) 31.51% on 749 yen, the simple average closing price (to be rounded to the nearest whole yen; the same applies to each simple average closing price below) over the preceding one-month period through November 6, 2018, (iii) 31.16% on 751 yen, the simple average closing price over the preceding three-month period through November 6, 2018, and (iv) 33.11 % on 740 yen, the simple average closing price over the preceding six-month period through November 6, 2018;
- (c) Measures to eliminate conflicts of interest stated in “(3) Measures to ensure fairness of the Transaction and avoid conflicts of interest” in “3. Grounds, Etc. for Amount Expected to be Delivered to the Shareholders as Result of the Handling of Fractions Relating to the Share Consolidation” below have been taken and it is determined that consideration is given to minority shareholders’ interests; and
- (d) The Tender Offer Price is a price increased from 890 yen per a Company Share as the initial price proposed by the Offeror after the discussions and negotiations were continuously conducted in good faith between the Offeror and the Company.

Based on the above, the Company passed a resolution at the Company’s board of directors meeting held on November, 2019 to the effect that it will, as the opinion of the Company as of November 7, 2018, declare its support for the Tender Offer and recommend that the Company’s shareholders accept the Tender Offer.

While the Offeror planned to promptly implement the Tender Offer upon the satisfaction (or waiver by the Offeror) of the Condition Precedent for the Tender Offer, given that it was difficult to accurately estimate the period needed for completing procedures involving domestic and foreign competition authorities and related matters, the Company, at the above board of directors meeting, also passed a



resolution to the effect that it will instruct the third-party committee established by the Company, as of the commencement of the Tender Offer, to consider whether there has been any change to its opinion expressed by the third-party committee to the Company's board of directors on November 6, 2018 and to respond either that there has been no change or to give its amended opinion based on such opinion, and restate its opinion regarding the Tender Offer upon the commencement of the Tender Offer. After that, the Company received notice from the Offeror to the effect that because the procedures and actions required under domestic and foreign competition laws have been completed, the Offeror would judge that if the other Conditions Precedent for the Tender Offer are satisfied, it has become possible to conduct the Tender Offer, and would intend to commence the Tender Offer on February 15, 2019. On February 12, 2019, at the time of commencement of the Tender Offer, the Company instructed the third-party committee established by the Company to reconsider whether there has been any change to the opinion stated in the Written Report of November 6, 2018 and to respond to the Company's board of directors either that there has been no change or to give its amended opinion, as stated in "(D) Establishment of an Independent Third-Party Committee at the Company" in "(3) Measures to ensure fairness of the Transaction and avoid conflicts of interest" in "3. Grounds, Etc. for Amount Expected to be Delivered to the Shareholders as Result of the Handling of Fractions Relating to the Share Consolidation". The third-party committee considered its opinion as instructed and, after confirming that there had been no material change to the Company's business (including the content of Company's Press Release of Revision to Business Performance Forecast), the environment surrounding the Transaction, or any other factor since November 6, 2018, gave the written report (the "Written Report of February 12") to the Company's board of directors on February 12, 2019 to the effect that there had been no change to the opinion stated in the Written Report of November 6, 2018. After carefully reconsidering the terms and conditions of the Tender Offer in accordance with the opinion of the third-party committee, and the Company's business (also reconsidering the content of Company's Press Release of Revision to Business Performance Forecast) and the environment surrounding the Transaction, the Company judged that there is no cause for change to the determination on the Tender Offer as of November 7, 2018 on February 14, 2019, and resolved, by unanimous agreement of all of the directors who attended the meeting (including directors who are audit and supervisory committee members) at its board of directors meeting held on February 14, 2019, to express support for the Tender Offer and recommend that its shareholders tender shares in response to the Tender Offer.

Although the Tender Offer was completed as described above, Offeror was unable to acquire all of the issued shares of the Company (excluding the Company Shares held by the Offeror and the Company's treasury shares) and 90% or more of the total number of voting rights held by all shareholders of the Company. Then, as stated in the Opinion Press Release, the Company resolved at its board of

directors meeting held on June 17, 2019 to submit for deliberation to carry out a share consolidation by which the 8,279,748 Company Shares are consolidated to one share (the “Share Consolidation”) in order to make the Offeror a solo shareholder of the Company and make the Company a wholly-owned subsidiary of Offeror subject to the approval of the shareholders at the Extraordinary Shareholder Meeting as described in “(ii) Ratio of Consolidation” in “(2) Details of share consolidation” in “2 Summary of Share Consolidation”. Due to the Share Consolidation, the number of the Company Shares held by the shareholders other than Offeror will be a fraction less than one share.

## 2. Summary of Share Consolidation

### (1) Schedule of share consolidation

(i) Date of announcement of record date for the Extraordinary Shareholders’ Meeting	Tuesday, April 23, 2019
(ii) Record date for the Extraordinary Shareholders’ Meeting	Friday, May 10, 2019
(iii) Date of resolution by the board of directors	Monday, June 17, 2019
(iv) Date of the Extraordinary Shareholders’ Meeting	Monday, July 8, 2019 (scheduled)
(v) Date of designation as stock to be delisted	Monday, July 8, 2019 (scheduled)
(vi) Last trading date for the Company Shares	Friday, August 2, 2019 (scheduled)
(vii) Delisting date of the Company Shares	Monday, August 5, 2019 (scheduled)
(viii) Effective date of Share Consolidation	Wednesday, August 7, 2019 (scheduled)

### (2) Details of share consolidation

#### (i) Class of shares to be consolidated

Common stock

#### (ii) Ratio of consolidation

8,279,748 shares of the Company Shares held by the shareholders entered or recorded in the register of shareholders of the Company as of the end of August 6, 2019 will be consolidated to one share on August 7, 2019 (scheduled).

- (iii) Total number of issued shares to be decreased  
33,118,991 shares
- (iv) Total number of issued shares before the share consolidation takes effect  
33,118,995 shares
- (v) Total number of issued shares after the share consolidation takes effect  
4 shares
- (vi) Total number of authorized shares on the effective date  
16 shares
- (vii) Method of handling of fractions less than one share, and amount expected to be delivered to the shareholders as a result of the handling of fractions

As described in “1. Purpose and Reason for the Share Consolidation” above, due to the Share Consolidation, the number of the Company Shares held by each of the shareholders other than Offeror will be a fraction less than one share.

With respect to a fraction less than one share arising from the Share Consolidation, the Company will sell the shares equivalent to the total number of such fractional shares (with such aggregate sum rounded down to the nearest whole number) and deliver the proceeds from such sale to the shareholders in accordance with such fraction. Upon such sale, the Company intends to sell the shares to Offeror with permission from a court in accordance with the provisions of Article 234, Paragraph 2 of the Companies Act which applies *mutatis mutandis* through Article 235, Paragraph 2 of the Companies Act, or to sell the shares equivalent to the total number of such fractional shares to the Company with permission from a court in accordance with the provisions of Article 234, Paragraph 4 of the Companies Act which applies *mutatis mutandis* through Article 235, Paragraphs 2 of the Companies Act.

If the permission is obtained from a court as described above, as planned, the sale amount will equal to the number of the Company Shares held by shareholders multiplied by 985 yen, the Tender Offer Price.

- 3. Grounds, Etc. for Amount Expected to be Delivered to the Shareholders as Result of the Handling of Fractions Relating to the Share Consolidation
  - (1) Grounds and reasons for the amount expected to be delivered to the shareholders as a result of the

handling of fractions

- (i) Matters to be noted so that the interests of shareholders of the Company other than the parent company and subsidiaries (if any) are not impaired

Offeror and the Company implemented measures as described “(3) Measures to ensure the fairness of the Transaction and avoid conflicts of interest” below to ensure the fairness of the Tender Offer Price and fairness of the Transaction by eliminating the arbitrariness from the decision making process leading to the decision to conduct the Transaction including the Tender Offer and Share Consolidation.

- (ii) Method of handling of fractions less than one share, and amount expected to be delivered to the shareholders as a result of the handling of fractions and matters relating to the appropriateness of such amount

As described in “(vii) Method of handling of fractions less than one share, and amount expected to be delivered to the shareholders as a result of the handling of fractions” in “(2) Details of share consolidation” in “2. Summary of Share Consolidation” above, upon the Share consolidation, the amount expected to be delivered to the shareholders will equal to the number of the Company Shares held by shareholders multiplied by 985 yen, the Tender Offer Price.

As described in Opinion Press Release, the Company has determined that the Tender Offer provides its shareholders with an opportunity to sell their shares at a price to which a reasonable premium is added based on the following facts:

- (a) Comparing with the calculation results based on the company share price valuation report, obtained from its third-party appraiser SMBC Nikko Securities on November 6, 2018 the Tender Offer Price is above the range of the calculation results based on the market price method and the comparable company comparison method, and within the range of the calculation results based on the DCF analysis;
- (b) The Tender Offer Price is a price inclusive of a premium of (i) 28.26% (to be rounded to two decimal places; the same applies to each percentage of a premium on a share price below) on 768 yen, the closing price of the Company Shares quoted on the First Section of the Tokyo Stock Exchange on November 6, 2018, which is the business day before the announcement date of the planned commencement of Tender Offer, (ii) 31.51% on 749 yen, the simple average closing price (to be rounded to the nearest whole yen; the same applies to each simple average closing price below) over the preceding one-month period through November 6, 2018, (iii) 31.16% on 751 yen, the simple average closing price over the preceding three-month period through November 6, 2018, and (iv) 33.11 % on

740 yen, the simple average closing price over the preceding six-month period through November 6, 2018;

- (c) Measures to eliminate conflicts of interest stated in “(3) Measures to ensure fairness of the Transaction and avoid conflicts of interest” in “3. Grounds, Etc. for Amount Expected to be Delivered to the Shareholders as Result of the Handling of Fractions Relating to the Share Consolidation” below have been taken and it is determined that consideration is given to minority shareholders’ interests; and
- (d) The Tender Offer Price is a price increased from 890 yen per a Company Share as the initial price proposed by the Offeror after the discussions and negotiations were continuously conducted in good faith between the Offeror and the Company.

Based on the above, the Company judged the Tender Offer offers to the Company’s shareholders to sell shares hold by them at the price with reasonable premium.

In addition, the Company passed a resolution at the Company’s board of directors meeting held on February 14, 2019 to declare its support for the Tender Offer and recommend that the Company’s shareholders accept the Tender Offer. After that, as a result of considering the conditions of the Transaction carefully, the Company has confirmed at the Company’s board of directors meeting held on June 14, 2019 that no facts which case to change the judgement regarding the Transaction.

Based on the above, the Company judged that the method of handling of fractions, and the amount expected to be delivered to the shareholders as a result of the handling of fractions are fair.

(iii) Disposal of Material Assets, Assumption of Material Debts, and Other Events That Materially Affect Company Financial Conditions After the Last Day of the Last Fiscal Year

(A) Tender Offer

As described in the section titled “1. Purpose of and Reasons for the Share Consolidation” above, the Offeror executed the Tender Offer for the Company Shares during the period from February 15, 2019 to April 10, 2019. As a result, the Offeror came to hold 25,224,084 Company Shares as of the settlement commencement date of the Tender Offer (April 17, 2019).

(B) Submission of Amendment Report for Annual Securities Report, Etc. of Past Financial Years and Amendment for Financial Results of Past Financial Years

With respect to the Company's consolidated subsidiary, U-SHIN (THAILAND) CO., LTD. (Rayong, Thailand), it was discovered through an internal investigation during the physical inventory conducted at the first quarter of the fiscal year ending December 31, 2019 that inventory may have been overstated and cost of sales understated since the fiscal year ending November 30, 2012 and an investigation was carried out by an investigation committee comprised of members including external experts.

The results of the investigation confirmed that each of works in progress and completed works had been overstated for each fiscal year since the fiscal year ending November 31, 2012, with works in progress being overstated by THB 321 million (JPY 1,088 million \*reference value) and completed works by THB 1.2 million (JPY 4.1 million \*reference value) in the fiscal year ending December 31, 2018. Furthermore, it was discovered that there was a total impact of THB 323 million (JPY 1,095 million \*reference value) on the subsidiary's profit and loss (due to understated cost of sales) since the fiscal year ending November 30, 2012. See the "Announcement of Receipt of Investigation Report" announced by the Company on June 17, 2019 for details. (\*amounts converted into JPY are calculated using the exchange rate on the last day of the fiscal year ending December 31, 2018).

In addition, with respect to the Company's consolidated subsidiary, U-SHIN EUROPE LTD. (Kisber, Hungary), the Company decided to amend items as considered to be necessary, including the amendment of cost of sales in the fiscal year ending December 31, 2018, which are revealed through the accounting closing procedure of the first quarter of the fiscal year ending December 31, 2019. It is due to the trouble which happened upon the revision of local accounting system in the fiscal year ending December 31, 2018.

Based on the above, the Company discloses the amendment of the financial statement of past financial years, the amendment report for annual securities report and quarterly report and the amendment for financial results, etc. See the "Announcement of Submission of Amendment Report for Annual Securities Report, Etc. of Past Financial Years and Amendment for Financial Results of Past Financial Years" announced by the Company on June 17, 2019 for details.

(C) Establishment of Lines of Credit by Offeror Group

With the aim of procuring the necessary funding in order to reduce the Company's interest burden and the like by refinancing the Company group's existing loans from external financial institutions, the Company resolved at its board of directors meeting

held on May 8, 2019 to receive from the Offeror and its subsidiaries the establishment of lines of credit (approximately JPY 80 billion in total) for the Company and the Company's subsidiaries (the "New Loans").

As the establishment of the lines of credit for the New Loans constitutes a material transaction, etc. with the controlling shareholder, pursuant to the Securities Listing Regulations of the Tokyo Stock Exchange, the Company has received a written report (toshinsho) from a third party committee comprised of the same members as the third-party committee described in "1. Purpose of and Reasons for the Share Consolidation" above, stating to the effect that the third-party committee has determined that (a) the purpose of the New Loans is fair; (b) the various terms and conditions of the New Loans are appropriate; and (c) based on (a) and (b), the New Loans would not be disadvantageous to the minority shareholders of the Company, with the unanimous approval of the members. The above resolution of the board of directors was made based on such written report.

(D) Cancellation of Treasury Shares

The Company resolved at its meeting of the board of directors held on June 17, 2019 to cancel 672,591 shares of the Company's treasury shares (all treasury shares of the Company as at May 10, 2019) as of August 6, 2019. This cancellation of treasury shares is subject to approval and adoption of the proposal regarding the Share Consolidation in its original form at the Extraordinary Shareholders Meeting, and the total number of issued shares of the Company after the cancellation will be 33,118,995 shares.

(E) Recording of Extraordinary Losses

During the consolidated accounting period for the first quarter of the fiscal year ending December 31, 2019, the Company recorded as extraordinary losses (a) JPY 364 million as a provision for business restructuring loss regarding the Company's European and South American subsidiaries; (b) JPY 582 million as a loss on reversal of foreign currency translation following the conclusion on March 5, 2019 of the liquidation of the Company's consolidated subsidiary, YUSHIN U.S.A. LTD., the dissolution of which was resolved at the Company's board of directors meeting held on September 26, 2017; and (c) JPY 2,503 million as defective products expenses pertaining to part of the estimated costs to be incurred due to handling by the Company's customers of defects in connection with automotive components delivered by the Company.

The Company recorded as non-operating expense of JPY 252 million which is cost of the interest rate swap by cancelling it in connection with the existing loans from external financial institutions in the consolidated cumulative first quarter of the fiscal year ending December 31, 2019.

(2) Expected delisting

(i) Delisting

As described in “1. Purpose of and Reason for the Share Consolidation” above, the Company will conduct the Share Consolidation and make Offeror to be the Company’s sole shareholder subject to the approval of the Shareholders at the Extraordinary Shareholder Meeting. As a result, the Company Shares will be delisted through prescribed procedures in accordance with the delisting criteria of the Tokyo Stock Exchange.

According to the schedule, the Company Shares will be designated as stock to be delisted for the period from July 8, 2019 to August 4, 2019 and delisted on August 5, 2019. After the delisting, the Company Shares may not be traded on the Tokyo Stock Exchange.

(ii) Reason for the purpose of delisting

As described in “1. Purpose of and Reason for the Share Consolidation” above, the Company considers that becoming a wholly-owned subsidiary of the Offeror through the Transaction and conducting integrated management with the Offeror, (i) will contribute to the solution of management issues that the Company recognized, (ii) under the prompt decision-making system which it is difficult for the Company to realize as a listed company, the Company will be able to take various thoroughgoing measures for mutually utilizing management resources, knowledge, information and knowhow with the Offeror, (iii) the Company may deliver to the Company’s shareholders the amount equal to the market share price plus a certain premium for the time during which it is under financial conditions in which distribution of surplus is difficult, and (iv) the Company may establish a system in which the management team and employees of the Company may work together on various measures for resolving the Company’s management issues under a uniform management policy in which the Company’s existing shareholders will not bear any risk of unstable share price due to the possibility of not meeting the expectations of the Company’s existing shareholders who seek a stable increase in profits or due to a lack of sufficient appraisal in the capital market in the short term.

(iii) Effect on the minority shareholders and opinion thereon



As described in “(iii) Obtaining opinion from a disinterested outside director of the Company” under “(3) Measures to ensure the fairness of the Transaction and avoid conflicts of interest,” the Company received the written report to the effect that the Transactions would not be disadvantageous to the minority shareholders of the Company from the third-party committee on February 12, 2019.

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

(i) Obtainment by the Company of Share Price Valuation Reports from Independent Third-Party Appraisers

The Company has, in relation to expressing an opinion on the Tender Offer, requested its financial advisor SMBC Nikko Securities as a third-party appraiser that is independent from the Offeror and the Company, to evaluate the share value of the Company Shares, to ensure fairness in the decision-making process with respect to the Tender Offer Price proposed by the Offeror, and the Company received the Company Share Price Valuation Report on November 6, 2018.

SMBC Nikko Securities is not a related party of the Offeror or the Company and does not have any material interest in relation to the Transaction.

The Company did not receive an opinion on the fairness of the Tender Offer Price (a fairness opinion) from SMBC Nikko Securities.

SMBC Nikko Securities evaluated the Company’s share value by using (a) a market price method, as the Company Shares are listed on the First Section of the Tokyo Stock Exchange and a market share price exists, (b) a comparable company comparison method, as there are a certain number of listed companies which operate relatively similar businesses and it is possible to draw analogies with the share prices of comparable companies, and (c) a DCF analysis in order to reflect the state of future business operations to the assessment,.

The following shows the values per Company Share that were calculated by SMBC Nikko Securities by using each calculation method.

Market price method: From 740 yen to 751 yen

Comparable company comparison method: From 558 yen to 685 yen

DCF analysis: From 616 yen to 1,241 yen

For the market price method, the share value range per Company Share of 740 yen to 751 yen was derived based on the following figures quoted on the First Section of the Tokyo Stock Exchange as of the reference date of November 6, 2018: 749 yen, which was simple average closing price over the preceding one-month period; 751 yen, which was the simple average closing price over the preceding three-month period; and 740 yen, which was the simple average closing price over the preceding six month period.

For the comparable company comparison method, the value range of 558 yen to 685 yen per Company Share was derived by comparing the market share prices and financial indicators such as the profitability of listed companies engaged in relatively similar business to that of the Company.

For the DCF analysis, the value range of 616 yen to 1,241 yen per Company Share was derived by evaluating the Company's corporate value and share value, calculated by discounting to the present value at a certain discount rate the free cash flow that the Company is expected to generate from of the fiscal period ending December 2018 based on the Company's business plan for the period from the third quarter of the fiscal period ending December 2018 to the fiscal period ending December 2021, publicly disclosed information, and the like. In the Company's business plan used by SMBC Nikko Securities for calculation by DCF analysis, considerable income increases or decreases are not expected. The business plan is not based on the assumption of implementation of the Transaction.

(ii) Advice from a Law Firm Independent from the Company

The Company appointed TMI Associates as its outside legal adviser in order to ensure the transparency and rationality of decision-making process of the Company's board of directors in relation to the Transaction (including the Tender Offer) and received necessary legal advice from that law firm on the decision-making processes and methods of, and other matters relating to, the Company's board of directors in relation to the Transaction (including the Tender Offer). TMI Associates is not a related party of the Offeror or the Company, and does not have any material interest to be described in the Tender Offer.

(iii) Establishment of an Independent Third-Party Committee at the Company

The Company established on October 1, 2018 a third-party committee composed of three members who are external experts and independent from the Offeror and the Company for the purpose of eliminating arbitrariness in the decision-making processes of the Company in

relation to the Transaction as well as of ensuring the fairness, transparency and objectivity of the decision-making processes. The members of the third-party committee are: are Mr. Akira Nishida, an attorney-at-law (Nishida-Law-Office), Mr. Yoshihiko Terada, a certified public accountant (Trustees Consulting LLP), and Mr. Douglas K. Freeman, an outside director of the Company and attorney-at-law (Law Offices of Douglas K. Freeman).

The Company consulted the third-party committee on the following matters (collectively, the “Consulted Matters”):

- (a) Whether the purpose of the Transaction is justifiable;
- (b) Whether the fairness of the process of negotiation for the Transaction has been ensured;
- (c) Whether the reasonableness of the consideration to be delivered to the Company’s minority shareholders as a result of the Transaction has been ensured; and
- (d) Whether the Transaction is disadvantageous to the Company’s minority shareholders based on the matters set out in (a) through (c).

The third-party committee held its meeting five times in total during the period from October 4, 2018 to November 6, 2018 and they prudently discussed and examined the Consulted Matters. Specifically, based on the materials submitted by the Company, the third-party committee received explanations from the Company about matters such as the content of the Offeror’s proposal, the purpose of the Transaction, the background to the Transaction, the specific details of the Offeror’s enterprise value expected to be improved through the Transaction, the Company’s business plan, the conditions of the Transaction and the decision-making process for the Transaction, and held question-and-answer sessions regarding these matters. Also, the third-party committee received explanations from the Offeror about matters such as the outline of the Transaction, the background to the Transaction, the purpose of the Transaction, the management policy after the Transaction and the terms and conditions of the Transaction, and held question-and-answer sessions regarding these matters. Further, the third-party committee received explanations from SMBC Nikko Securities about the appraised value of the Company Shares, and held question-and-answer sessions. Also, the third-party committee received explanations from TMI Associates about the details of the measures to ensure procedural fairness of the Transaction and measures to avoid conflicts of interest, and held question-and-answer sessions regarding these matters.

The third-party committee prudently discussed and examined the Consulted Matters through the above procedures, and, as a result, submitted to the Company’s board of directors the Written Report of November 6, 2018 containing the following overviews on November 6, 2018,

with the unanimous approval of the members. For the details of Written Report, please see the Opinion Press Release.

- (a) since the significance and purpose of the Transaction may be recognized not unreasonable, and has been lead through reasonable considerations, the Transaction may be deemed to be conducted for the purposes of enhancing the corporate value of the Company and the purpose of the Transaction therefore is appropriate;
- (b) The negotiation process of the Transaction, including the Tender Offer, is fair;
- (c) The consideration to be paid to the minority shareholders of the Company through the Transaction, including the Tender Offer, is fair; and
- (d) the Transaction, including the Tender Offer, is not disadvantageous to the Company's minority shareholders, considering those facts as set out in items (a) to (c) above and other items.

After that, the Company received notice from the Offeror to the effect that because the procedures and actions required under domestic and foreign competition laws have been completed, the Offeror would judge that if the other Conditions Precedent for the Tender Offer are satisfied, it has become possible to conduct the Tender Offer, and would intend to commence the Tender Offer on February 15, 2019. The Company instructed the third-party committee established by the Company to reconsider whether there has been any change to the opinion stated in the Written Report of November 6, 2018 and to respond to the Company's board of directors either that there has been no change or to give its amended opinion on February 12, 2019. The third-party committee considered its opinion as instructed and, after confirming that there had been no material change to the Company's business, the environment surrounding the Transaction, or any other factor since November 6, 2018 (including the content of Company's Press Release of Revision to Business Performance Forecast), gave the Written Report of February 12, 2019 to the Company's board of directors. In addition, the third-party committee gave the Written Opinion that the third-party committee couldn't confirm the event which make the content of Written Report of February 12, 2019 change due to the financial correction revealed after the submission of Written Report of February 12, 2019 ("Written Opinion of June 17, 2019").

(iv) Unanimous Approval of All Disinterested Directors of the Company

As described in "1. Purpose of and Reasons for the Share Consolidation" above, the Company passed a resolution at the Company's board of directors meeting held on February 14, 2019 by unanimous agreement of all of the directors who attended the meeting (including directors who

are audit and supervisory committee members) to declare its support for the Tender Offer and recommend that Company's shareholders accept the Tender Offer.

the Company resolved at its board of directors meeting held on June 17, 2019 by unanimous agreement of all of the directors who attended the meeting (including directors who are audit and supervisory committee members) to submit for deliberation to carry out the Share Consolidation in order to make the Offeror a solo shareholder of the Company and make the Company's shares private subject to the approval of the shareholders at the Extraordinary Shareholder Meeting

(v) Measures to Secure an Opportunity for Other Offerors to Carry Out a Tender Offer

While the shortest period of a tender offer under laws and ordinances is 20 business days, the Offeror sets the Tender Offer Period to 38 business days. By setting the Tender Offer Period to a relatively long period, the Offeror intends to ensure that the Company's shareholders are provided with an opportunity to make an appropriate decision on whether or not to accept the Tender Offer and parties other than the Offeror are provided with an opportunity to carry out a tender offer, and thereby ensuring the appropriateness of the Tender Offer Price. The Offeror and the Company have not made any agreement to limit in an unreasonable manner the Company's contact with a person other than the Offeror, by which the opportunity of a person other than the Offeror to conduct a tender offer or any other transaction will not be limited in an unreasonable manner, whereby the Offeror has carefully ensured the fairness of the Tender Offer by setting the Tender Offer Period as above and providing an opportunity to make a competitive purchase proposal.

4. Future Prospects

As a result of the Share Consolidation, the Company Shares will be delisted as described in "(i) Delisting" in "(2) Expected delisting" in "3. Grounds, Etc. for Amount Expected to be Delivered to the Shareholders as Result of the Handling of Fractions Relating to the Share Consolidation."

5. Transaction, etc. with the controlling shareholder

Because Offeror is the parent company of the Company, the transaction regarding the Share Consolidation is a transaction, etc., with the controlling shareholder.

(1) Transaction, etc. with the controlling shareholder and conformity to the policy on protection of minority shareholders

In “I 4. Policy of protection of minority shareholders upon the transaction, etc. with the controlling shareholder” in its Corporate Governance Report disclosed on May 8, 2019, the Company established the guideline that, upon the transaction, etc. with the controlling shareholder, the Company decides reasonably the terms and conditions of the agreement and the market price as well as the transaction, etc. with other company. The conformity to the policy as follows:

The Company took measures to ensure fairness and avoid conflicts of interest in the approval of the Share Consolidation by the Company’s board of directors as described in “(3) Measures to ensure fairness of the Transactions and avoid conflicts of interest” in “3. Grounds, Etc. for Amount Expected to be Delivered to the Shareholders as Result of the Handling of Fractions Relating to the Share Consolidation,” which is consistent with that policy.

(2) Matters relating to measures to ensure fairness and avoid conflicts of interest

See “(3) Measures to ensure fairness of the Transactions and avoid conflicts of interest” in “3. Grounds, Etc. for Amount Expected to be Delivered to the Shareholders as Result of the Handling of Fractions Relating to the Share Consolidation.”

(3) Outline of opinion received from person with no interest in the controlling shareholder to the effect that the Transactions are not disadvantageous to minority shareholders

The Company respectively received Written Report of November 6, 2018, to the effect that the Transactions are not disadvantageous to the minority shareholders of the Company on November 6, 2018, Written Report of February 12, 2019, to the effect that there are no changes of the content of Written Report for November 6, 2019 on February 12, 2019, and Written Opinion of June 17, 2019, to the effect that there are no changes of the content of Written Report for February 12, 2019. See “(iii) Establishment of an Independent Third-Party Committee at the Company” in “(3) Measures to ensure fairness of the Transactions and avoid conflicts of interest” in “3. Grounds, Etc. for Amount Expected to be Delivered to the Shareholders as Result of the Handling of Fractions Relating to the Share Consolidation” for details.

## **II. Abolishment of share unit number provisions**

1. Reason for abolishment

If the Share Consolidation takes effect, the total number of issued shares of the Company will be 4 shares, and it is not necessary to provide for the share unit number.

2. Scheduled abolishment date

August 7, 2019 (Wednesday)

3. Conditions for abolishment

The provisions will be abolished on the condition that the proposals for the Share Consolidation and the partial amendment to the Articles of Incorporation relating to the abolishment of share unit number provisions are approved and passed as proposed at the Extraordinary Shareholders' Meeting, and the Share Consolidation takes effect.

**III. Partial Amendment to the Articles of Incorporation**

1. Purpose of Amendments to the Articles of Incorporation

- (1) If the proposal for the Share Consolidation is approved and passed as proposed and the Share Consolidation takes effect, the number of authorized shares of the Company will be reduced to 16 pursuant to the provisions of Article 182, Paragraph 2 of the Companies Act. In order to clarify that point, Article 6 of the Articles of Incorporation (Total Number of Authorized Shares) will be amended subject to the Share Consolidation taking effect.
- (2) If the proposal for the Share Consolidation is approved and passed as proposed and the Share Consolidation takes effect, the total number of issued shares of the Company will be 4 shares, and it is not necessary to provide for the share unit number. Therefore, subject to the Share Consolidation taking effect, the provisions of Article 7 (Number of Shares Constituting One Unit), Article 8 (Restrictions for Shareholders who hold Shares Less Than One Unit) and Article 9 (Increased Purchase Request in Relation to Shares Less Than One Unit) of the Articles of Incorporation will be entirely deleted in order to abolish the provisions relating to the share unit number (currently 100 shares), and the remaining provisions will be renumbered accordingly.

2. Details of Amendments to the Articles of Incorporation

The details of the amendments are as set forth below.

(Amendments are underlined)

Current Articles of Incorporation	Proposed Changes
<p>Article 6 (Total Number of Authorized Shares) The total number of shares authorized to be issued by the Company shall be <u>120,000,000</u>.</p>	<p>Article 6 (Total Number of Authorized Shares) The total number of shares authorized to be issued by the Company shall be <u>16</u>.</p>
<p><u>Article 7 (Number of Shares Constituting One Unit)</u> <u>One hundred shares of the Company shall</u></p>	<p>(Deleted)</p>

<p><u>constitute one share unit.</u></p> <p><u>Article 8 (Restrictions for Shareholders who hold Shares Less Than One Unit)</u>  <u>Shareholders of the Company may not exercise any rights for Shares Less Than One Unit held by them, except for the following rights:</u></p> <ol style="list-style-type: none"> <li><u>1. rights provided for in each item of Article 189, Paragraph 2 of the Companies Act;</u></li> <li><u>2. rights to demand for acquisition of shares with put option;</u></li> <li><u>3. rights to receive an allotment of offered shares or stock acquisition rights pro rata to the number of shares held by a shareholder; and,</u></li> <li><u>4. rights to claim set forth in Article 9.</u></li> </ol> <p><u>Article 9 (Increased Purchase Request in Relation to Shares Less Than One Unit)</u>  <u>Shareholders of the Company may, in accordance with the share handling regulations, make a request to the Company to sell the shareholder shares in an amount that combined with the shares less than one unit that the shareholder holds would total shares of one unit.</u></p> <p>Articles <u>10</u> through <u>41</u> (omitted)</p>	<p>(Deleted)</p> <p>(Deleted)</p> <p>Articles <u>7</u> through <u>38</u>(current)</p>
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3. Amendment date

August 7, 2019 (Wednesday) (scheduled)

4. Conditions for Amendments to the Articles of Incorporation

The Articles of Incorporation will be amended on the condition that the proposal for the Share Consolidation is approved and passed as proposed at the Extraordinary Shareholders' Meeting and the Share Consolidation takes effect.

End