

[Translation]
July 26, 2018

To whom it may concern:

Company Name Fujitsu Component Limited
Name of
Representative Hiroaki Kondo, President and Representative Director
(Code No.: 6719; Second Section of Tokyo Stock Exchange)
Contact Masaharu Kuramoto, Director
(Telephone +81-3-3450-1601)

**Declaration of Opinion regarding the Tender Offer for Our Shares
by FC Holdings Godo Kaisha**

Fujitsu Component Limited (the “**Company**”) hereby announces that it resolved at its board of directors meeting held on July 26, 2018 to declare its opinion in favor of the tender offer (the “**Tender Offer**”) for common shares in the Company (the “**Company Shares**”) by FC Holdings Godo Kaisha (the “**Tender Offeror**”) and recommend that the Company’s shareholders tender their shares in response to the Tender Offer as further detailed below.

According to the “Announcement of Commencement of Tender Offer for Shares in Fujitsu Component Limited (Securities Code: 6719) by FC Holdings Godo Kaisha” released by the Tender Offeror today (the “**Tender Offeror’s Press Release**”), the Tender Offeror will implement the Tender Offer with the intention to cause Fujitsu Limited, the parent company of the Company (“**Fujitsu**”) to hold preferred shares representing 25% of the voting rights of the Company and the Tender Offeror to hold common shares representing 75% of the voting rights of the Company through the Tender Offer and procedures that are planned to be conducted after the Tender Offer set out in “(5) Matters relating to the “Two-Step Acquisition”) of “3. Details of Opinion on the Tender Offer and Grounds and Reasons Therefor” and “4. Matters relating to Material Agreements regarding Tendering Shares in Response to the Tender Offer between the Tender Offeror and the Company’s Shareholders” below and based on the assumption that the Company Shares will be delisted, and the resolution of the Company’s board of directors was also made based on that assumption.

1. Outline of the Tender Offeror

(A) Name	FC Holdings Godo Kaisha
(B) Address	Sogo Hanzomon Building 10F, 1-7 Kojimachi, Chiyoda-ku, Tokyo

(C)	Title and Name of Representative	Mark Zoltan Chiba, Director	
(D)	Description of Business	1. Investment in and holding and management of securities such as shares and corporate bonds; and 2. All businesses incidental and relating to the above.	
(E)	Capital	1 yen	
(F)	Date of Establishment	June 22, 2018	
(G)	Major Shareholders and Shareholding Ratios	FC Holdings JPY, L.P. (Note)	
(H)	Relationship between the listed company and the Tender Offeror		
	Capital Relationship	None	
	Personnel Relationship	None	
	Business Relationship	None	
	Status as Related Party	None	

(Note): The Tender Offeror is a *godo kaisha* and FC Holdings JPY, L.P. set out above is the sole member.

2. Price of tender offer

935 yen per common share

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

(1) Details of Opinion

The Company resolved at its board of directors meeting held on July 26, 2018 to declare its opinion in favor of the Tender Offer and recommend that the Company's shareholders tender their shares in response to the Tender Offer as its opinion as of that time based on the grounds and reasons stated in "(2) Grounds and Reasons for the Opinion" below.

The above board of directors' resolution was made by the method stated in "(D) Approval of All Disinterested Directors (Including Audit and Supervisory Committee Members) of the Company" of "(6) Measures to Ensure Fairness and to Avoid Conflicts of Interest" below.

(2) Grounds and Reasons for the Opinion

(A) Outline of the Tender Offer

The following is an outline of the Tender Offer that was explained by the Tender Offeror to the Company.

According to the Tender Offeror, the Tender Offeror is a *godo kaisha* established on June 22, 2018 for the main purpose of acquiring and holding shares in the Company and, as of today, all of its equity interests are held by FC Holdings JPY, L.P. (the “**Longreach Group Fund**”). The Longreach Group Inc., which engages in the business of research and analysis of strategic private equity investment in Japan and Asia, and The Longreach Group Limited based in Hong Kong, provide services for the operation of the Longreach Group Fund. As of today, the Tender Offeror does not hold any Company Common Shares.

The Longreach Group (meaning, collectively, The Longreach Group Inc. based in Tokyo and The Longreach Group Limited based in Hong Kong, the investment entities to which those two corporations provide services (including, without limitation, the Longreach Group Fund), and all entities affiliated with any of the above; the same applies below) was established in October 2003 for the purpose of providing Japanese and Asian corporations with strategic capital and management advice with the aim of realizing perpetual business growth and securing international competitiveness. One of the features of the Longreach Group is a fusion of the “ability to offer added value on a global scale” and “trusted management based on the understanding of Japanese culture,” and the Longreach Group provides support for realizing corporate growth by offering global-level solutions that are required by Japanese corporations for value creation, such as support for medium-scale corporations in strengthening competitiveness and for large-scale corporations in optimizing business portfolios. Since its establishment, the Longreach Group has made 11 domestic investments in total, and its major investments include: a tender offer for shares in, and the privatization of, SANYO Electric Logistics, Co., Ltd.; strategic investment in McDonald’s Holdings Company (Japan), Ltd.; acquisition of 100% of shares in Hitachi Via Mechanics, Ltd.; investment in Wendy’s Japan LLC to make First Kitchen Co., Ltd. a wholly-owned subsidiary of Wendy’s Japan LLC; and acquisition of 100% of shares in Kohikan Corporation, Ltd.

On July 26, 2018, the Tender Offeror decided to implement the Tender Offer as part of its intention to ultimately cause Fujitsu (number of shares held: 11,201,866 shares; ownership ratio (Note 1): 76.57%) to hold class A preferred shares representing 25% of the voting rights of the Company, and cause the Longreach Group Fund to hold common shares representing 75% of the voting rights of the Company, through the following procedures:

- (A) making Fujitsu and the Tender Offeror the only shareholders of the Company through the Tender Offer and a share consolidation (the “**Share Consolidation**”) to be conducted by the Company if the Tender Offer is completed but the Tender Offeror is not able to acquire all of the Company Common Shares (excluding the Untendered Shares (as defined below) held by Fujitsu and treasury shares held by the Company) through the Tender Offer;
- (B) (i) a capital increase by a third-party allotment through which shares are allotted to the Tender Offeror (the “**Capital Increase by Third-Party Allotment**”) and (ii) a decrease in the amounts of the stated capital and capital reserve of the Company in accordance with Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act ((Note 2); the “**Capital Decrease, Etc.**”) to be conducted by the Company for the purpose of procuring funds and a distributable amount necessary for conducting the Company’s Share Repurchase defined in (C)(i) below;

- (C) (i) a share repurchase by the Company, through which half of the Untendered Shares held by Fujitsu (5,600,933 Company Common Shares (ownership ratio: 38.28%) as of today) are acquired (the “**Company’s Share Repurchase**”) and (ii) changing the class of the Untendered Shares that are not subject to the Company’s Share Repurchase from common shares to class A preferred shares (please refer to “(A) The Basic Agreement” in “4. Matters relating to Material Agreements regarding Tendering Shares in Response to the Tender Offer between the Tender Offeror and the Company’s Shareholders” below for details) and (iii) carrying out a set of other transactions and procedures accompanying or relating to (i) and (ii) above; and
- (D) an absorption-type merger in which the Company is the surviving company and the Tender Offeror is the absorbed company (procedures described in (A) through (D) are hereinafter collectively referred to as the “**Transactions**”).

According to the Tender Offeror, upon implementing the Tender Offer, the Tender Offeror entered into a basic agreement dated July 26, 2018 with Fujitsu (the “**Basic Agreement**”) by which the Tender Offeror and Fujitsu agree on the terms and conditions for the Transactions and in which these terms and conditions are contained, including provisions to the effect that (i) Fujitsu shall not tender all of the 11,201,866 Company Common Shares held by Fujitsu (ownership ratio: 76.57%; the “**Untendered Shares**”) in response to the Tender Offer; (ii) half of the Untendered Shares (5,600,933 Company Common Shares (ownership ratio: 38.28%) as of today) are to be sold to the Company by accepting the offer for the Company’s Share Repurchase after the Share Consolidation takes effect; and (iii) the class of the Untendered Shares that are not subject to the Company’s Share Repurchase is to be changed from common shares to class A preferred shares. Furthermore, the Tender Offeror entered into a shareholders agreement dated July 26, 2018 with Fujitsu (the “**Shareholders Agreement**”), whereby the Tender Offeror and Fujitsu have agreed on matters such as the business operation of the Company and handling of shares to be issued by the Company after the Transactions. Please refer to “4. Matters relating to Material Agreements regarding Tendering Shares in Response to the Tender Offer between the Tender Offeror and the Company’s Shareholders” below for the details of the Basic Agreement and the Shareholders Agreement.

In the Tender Offer, the minimum number of shares to be purchased (Note 3) has been set at 1,713,900 shares (ownership ratio: 11.72 %), and if the total number of share certificates, etc. tendered in response to the Tender Offer (the “**Tendered Share Certificates, Etc.**”) is less than the minimum number of shares to be purchased, the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. Conversely, given that there is no maximum number of shares to be purchased in the Tender Offer, if the total number of the Tendered Share Certificates, Etc. meets or exceeds the minimum number of shares to be purchased (1,713,900 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

(Note 1): “Ownership ratio” means the percentage (rounded up or down to the nearest two decimal places) of the difference (14,629,586 shares) of the total number of issued shares of the Company as of June 30, 2018 (14,629,626 shares) stated in the Q1 Financial Statement (Japanese GAAP) (consolidated) for Y.E. March 2019 released on July 26, 2018 (the “**Company’s Q1 Financial Statement**”) less the number of treasury shares held by the Company as of

June 30, 2018 (40 shares); the same applies to statements regarding ownership ratios below.

(Note 2): It is planned that, in the Capital Decrease, Etc., the amounts of the Company's stated capital and capital reserve will be decreased and the decreased portions will be transferred to other capital surplus.

(Note 3): The minimum number of shares to be purchased in the Tender Offer (1,713,900 shares; ownership ratio: 11.72 %) has been set at a majority of the difference (3,427,720 shares) of the total number of issued shares of the Company as of June 30, 2018 (14,629,626 shares) stated in the Company's Q1 Financial Statement less the number of treasury shares held by the Company as of June 30, 2018 (40 shares) and the Untendered Shares held by Fujitsu (11,201,866 shares), with any fraction less than 100 shares, which is the number of shares constituting one unit of the Company Common Shares, being rounded up to the nearest hundred (1,713,900 shares). Therefore, the minimum number of shares to be purchased in the Tender Offer corresponds to a majority of the shares held by the minority shareholders of the Company who have no interest in the Tender Offeror, that is, the "majority of the minority."

According to the Tender Offeror's Press Release, the Tender Offeror intends to cover funds required for the settlement of the Tender Offer by contribution from the Longreach Group Fund, conditional upon the completion of the Tender Offer and other matters (the "**First Contribution by Fund**").

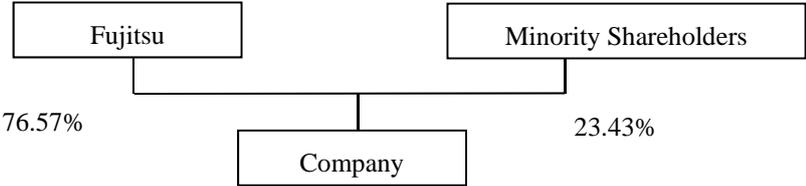
Also, as set out in "(5) Matters relating to the "Two-Step Acquisition" below, the Tender Offeror intends to request the Company to conduct the Share Consolidation as part of the Transactions if the Tender Offeror is not able to acquire all of the Company Common Shares (excluding the Untendered Shares held by Fujitsu and treasury shares held by the Company) through the Tender Offer. However, the acquisition price of the Company Common Shares that is equivalent to the total amount of fractions of shares that will arise as a result of the Share Consolidation will be covered by a portion of contribution from the Longreach Group Fund to be made after the Share Consolidation takes effect (the "**Second Contribution by Fund**").

In addition, although the Company's Share Repurchase will be conducted within the distributable amount of the Company, the Tender Offeror intends to cover any shortage in the distributable amount of the Company by (A) undertaking by the Tender Offeror of the Capital Increase by Third-Party Allotment to be conducted by the Company after the Share Consolidation takes effect by appropriating a portion of funds procured through the Second Contribution by Fund and (B) causing the Company to conduct the Capital Decrease, Etc., and taking other necessary measures after the completion of the Tender Offer, taking into account the amount of funds required by the Company for the Company's Share Repurchase, the amount of deposits held by the Company, and the amount of funds required for business operation.

The following are schematic charts of the Transactions.

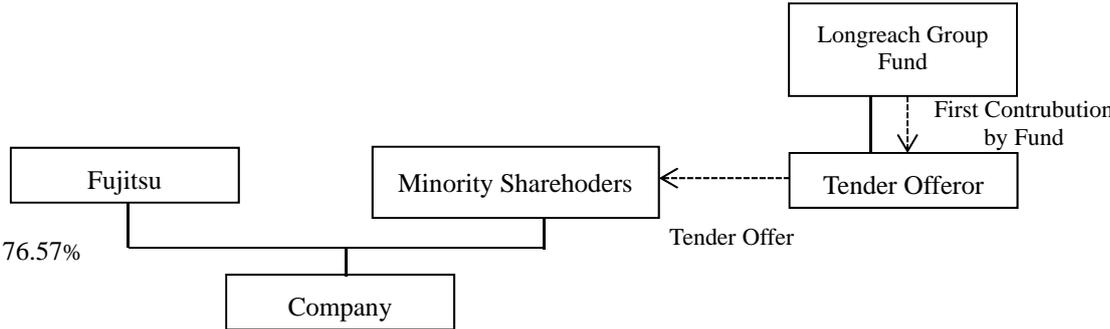
I. Before the Tender Offer

As of today, Fujitsu holds 11,201,866 Company Common Shares (ownership ratio: 76.57%) and minority shareholders hold the remaining 3,427,720 shares (ownership ratio: 23.43%).



II. Tender Offer and First Contribution by Fund (from late July 2018 to early September 2018 (scheduled))

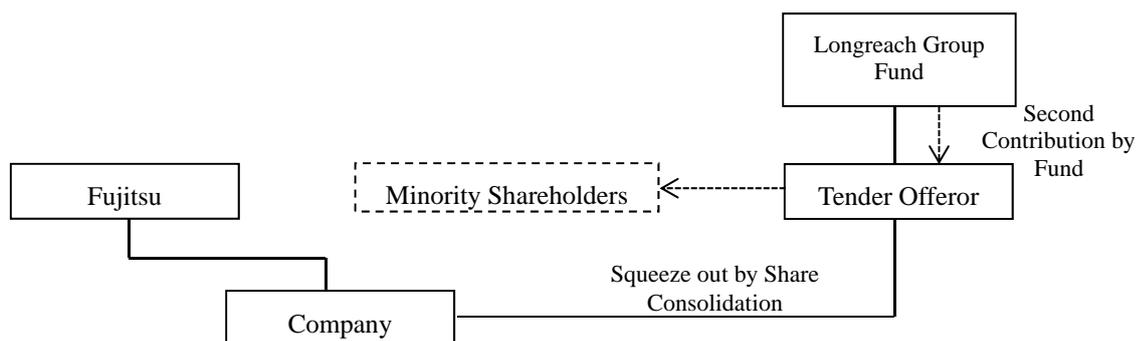
The Tender Offeror conducts the Tender Offer for all of the Company Common Shares (excluding the Untendered Shares held by Fujitsu (11,201,866 shares) and treasury shares held by the Company). The Tender Offeror procures funds required for the settlement of the Tender Offer from the Longreach Group Fund through the First Contribution by Fund.



III. After the Tender Offer

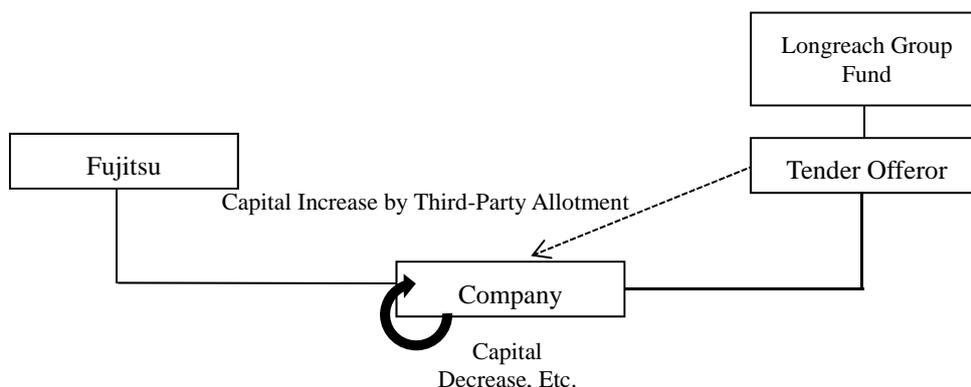
(A) Share Consolidation and Second Contribution by Fund (from late November 2018 to early December 2018 (scheduled))

If the Tender Offeror is not able to acquire all of the Company Common Shares (excluding the Untendered Shares held by Fujitsu and treasury shares held by the Company) through the Tender Offer, the Tender Offeror requests the Company to take procedures for the Share Consolidation after the Tender Offer is completed and carries out a set of procedures for making the Tender Offeror and Fujitsu the only shareholders of the Company. The Tender Offeror procures the funds to acquire a number of the Company Common Shares equivalent to the total number of fractions of shares that will arise as a result of the Share Consolidation (if any fraction less than one share is included in the total, that fraction will be rounded down), funds required for the Company’s Share Repurchase, and funds required for the business operation of the Company from the Longreach Group Fund through the Second Contribution by Fund.



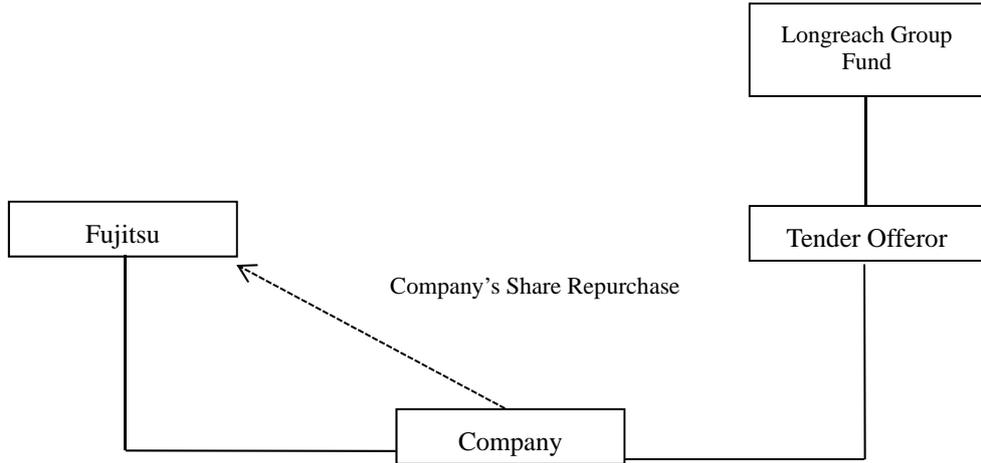
(B) Capital Increase by Third-Party Allotment and Capital Decrease, Etc. (around January 2019 (scheduled))

After the Company Common Shares are delisted and the Share Consolidation takes effect, the Company will conduct the Capital Increase by Third-Party Allotment through which shares are allotted to the Tender Offeror and the Capital Decrease, Etc. (through which the amounts of stated capital and capital reserve are decreased and the decreased portions are transferred to other capital surplus) in order to procure funds required for the Company's Share Repurchase set out in (C) below and a distributable amount.



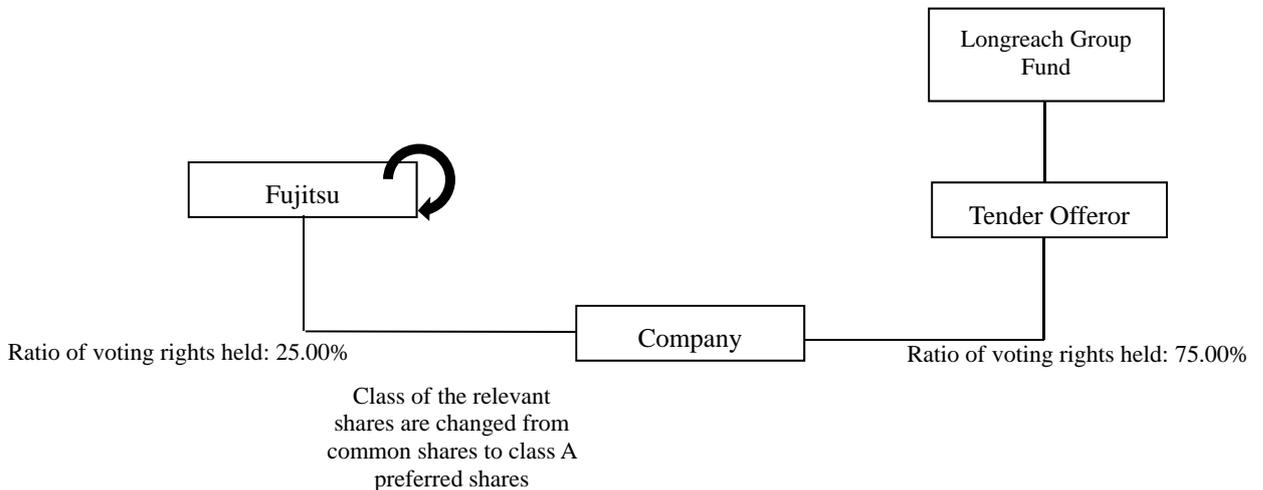
(C) Company's Share Repurchase (around January 2019 (scheduled))

The Company will conduct the Company's Share Repurchase, through which half of the Untendered Shares held by Fujitsu (5,600,933 Company Common Shares (ownership ratio: 38.28%) as of today) are acquired, utilizing the distributable amount procured by the Capital Increase by Third-Party Allotment and Capital Decrease, Etc. set out in (B) above.



(D) Changing the class of the relevant shares to class A preferred shares (around January 2019 (scheduled))

The Company changes the class of the Untendered Shares held by Fujitsu that are not subject to the Company's Share Repurchase from common shares to class A preferred shares. Concurrently, the Company establishes provisions in its Articles of Incorporation regarding the number of shares constituting one unit for the Company's class A preferred shares or common shares, or both, such that Fujitsu holds class A preferred shares representing 25% of the voting rights of the Company and the Tender Offeror holds common shares representing 75% of the voting rights of the Company.

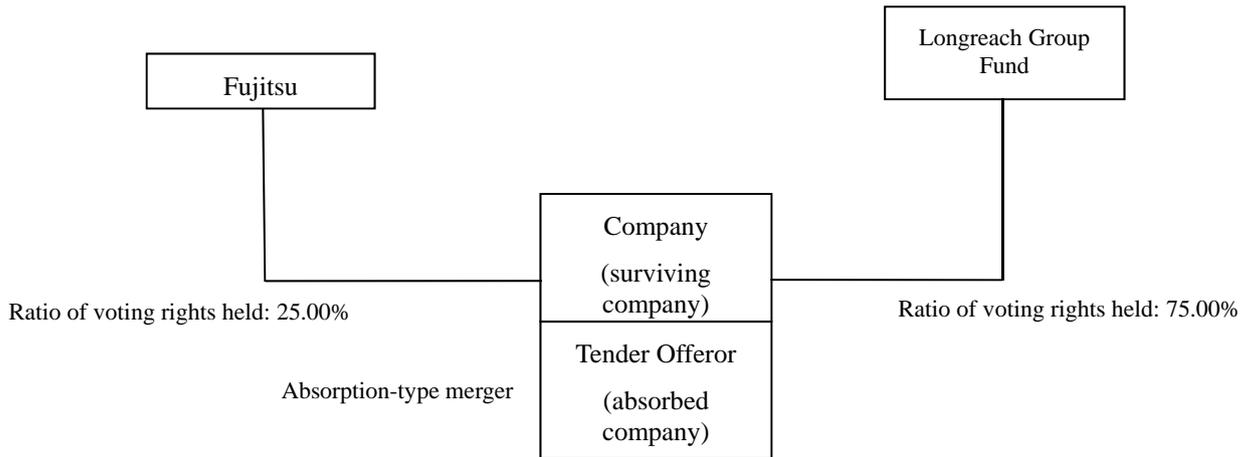


(E) Company's absorption-type merger with the Tender Offeror (around January 2019 (scheduled))

The Company conducts an absorption-type merger in which the Company is the surviving company and the Tender Offeror is the absorbed company, and the Longreach Group Fund receive the Company's common shares as consideration for the absorption-

type merger and come to hold common shares representing 75% of the voting rights of the Company.

The Tender Offeror will procure all of the (i) funds required for the settlement of the Tender Offer, (ii) funds to acquire a number of the Company Common Shares equivalent to the total of any fractions of shares that will arise as a result of the Share Consolidation to be conducted after the completion of the Tender Offer (if any fraction less than one share is included in the total, that fraction will be rounded down), and (iii) funds required for the Company's Share Repurchase by a capital increase through contributions from the Longreach Group Fund, so the Company will not bear any debt liabilities relating to those funds after the merger with the Tender Offeror.



(B) Purpose and Background of the Transactions Including the Tender Offer and Management Policy After the Tender Offer

Background, purpose, and decision-making process with respect to the Company's decision to conduct the Tender Offer and management policy after the Tender Offer are as follows. The matters stated below that are related to the Tender Offeror are based on the information released by the Tender Offeror, the Tender Offeror's Press Release, and the explanation given by the Tender Offeror.

(i) Business Environment Surrounding the Company and Management Issues Concerning the Company

As of today, the Company's group is composed of the Company and 14 subsidiaries, and its main business is the manufacture and sale of electromagnetic components such as relays connecting components such as connectors, input/output components such as touch panels and keyboards, and other electronic appliances and equipment.

The Company was established in 2001 through a joint share transfer by Takamisawa Electric Co., Ltd. and Fujitsu Takamisawa Component Limited, a joint venture company established by Fujitsu and Takamisawa Electric Co., Ltd., as the wholly-owning parent company, and its shares became listed on the Second Section of the Tokyo Stock Exchange in the same year. Fujitsu has been the parent company of the Company since the establishment of the Company.

However, being impacted by a recession in the IT industry beginning from the second half of 2000, the Company's sales were sluggish because of a sharp drop in the demand for communication relays and connectors, the primary sources of revenue of the Company, due to a global decline in the communication infrastructure and IT investment related business, and, as a result, the Company recorded deficits in the consolidated accounting for Y.E. March 2003 for the second year in a row and became insolvent. For this reason, the Company allotted convertible bonds with stock acquisition rights to Nomura Securities Co., Ltd. for the amount of 3 billion yen (Note 1) in September 2004 and the Class 1 Preferred Shares (3,000 shares (Note 2)) to Fujitsu for the amount of 3 billion yen in November 2004, both by way of third-party allotment, and was able to overcome the state of insolvency during Y.E. March 2005. However, the Company recorded deficits again in the consolidated accounting for Y.E. March 2009 due to a decline in the sales of relays for communication devices and consumer-use relays, connecting components such as connectors, and input/output components such as keyboards, because the global economy entered into a phase of sharp downturn caused by a financial market turmoil and declines in share prices, as well as sharp fluctuations in exchange rates and other factors, triggered by the subprime mortgage crisis in the United States, followed by a recession in the automobile industry and a drop in the demand for industrial equipment. Under these circumstances, the Company formulated a business turnaround plan in March 2009 and implemented business structural reforms such as the integration of manufacturing bases, reduction in the number of employees, and accounting for depreciation of fixed assets. Although the Company recorded deficits in the consolidated accounting for Y.E. March 2010 for the second year in a row, it was able to avoid a second-time insolvency by conducting the allotment of the Class 2 Preferred Shares (2,000 shares (Note 3)) to Fujitsu for the amount of 2 billion yen in June 2009. Since then, the Company has continued to achieve increases in sales by actively expanding sales of relays, touch panels, and thermal printers. In particular, due to an increased domestic and overseas demand for on-board equipment, automotive relays and automotive control units have been the driving force behind the sales growth. The demand for touch panels is also increasing due to a shift from mechanical switches previously used for industrial equipment and on-board equipment to the touch panel input system, and "light input load flush-surface touch panels" developed by the Company, which can offer a light user experience while maintaining good design qualities, have been the driving force behind the sales growth. In addition to these efforts for sales growth, the Company endeavored to decrease cost by taking measures such as improving productivity and reducing costs and, as a result, its consolidated operating income remained in the black during the period from Y.E. March 2011 to Y.E. March 2018 (excluding the consolidated accounts for Y.E. March 2013 in which the Company recorded a deficit). On the other hand, the equity ratio of the Company on a consolidated basis is 7.1% as of March 31, 2018, indicating the fact that the financial condition of the Company is not solid, and thus it has the task of improving productivity and profitability by expanding business scale.

(Note 1): Among the convertible bonds with stock acquisition rights for 3 billion yen, a portion equivalent to 2.1 billion yen was redeemed early in February 2005, and then preferred shares for the same amount were allotted to Nomura Securities Co., Ltd. in February 2005 (the conversion of all of these preferred shares to the Company Common Shares was completed in September 2005). The stock acquisition rights attached to the remaining convertible bonds with stock acquisition rights for 0.9 billion yen have been

exercised and the conversion to the Company's common shares have been completed as of February 2005, and no convertible bonds with stock acquisition rights exist as of today.

(Note 2): Of the 3,000 Class 1 Preferred Shares, 1,000 shares held by Fujitsu were converted to common shares (6,060.6 shares (Note 4); conversion price: 165,000 yen) and cancelled by the Company on August 1, 2005 and, of the remaining 2,000 shares, 1,000 shares were acquired, purchased and cancelled by the Company on August 27, 2008, and the other 1,000 shares held by Fujitsu were converted to common shares (10,638 shares (Note 4); conversion price: 94,000 yen) and cancelled by the Company on November 9, 2011. No Class 1 Preferred Shares exist as of today.

(Note 3): The Class 2 Preferred Shares held by Fujitsu were all simultaneously converted to common shares (6,666,666 shares; conversion price: 300 yen) and cancelled by the Company on June 30, 2016, and no Class 2 Preferred Shares exist as of today.

(Note 4): Due to the share split conducted on October 1, 2017 through which the Company split 1 common share into 100 common shares, as of today, the 6,060.6 common shares that were converted from preferred shares on August 1, 2015 corresponds to 606,060 common shares (with the conversion price of 165,000 yen being 1,650 yen), and the 10,638 common shares that were converted from preferred shares on November 9, 2011 corresponds to 1,063,800 common shares (with the conversion price of 94,000 yen being 940 yen).

(ii) Consultation between the Tender Offeror and the Company and Fujitsu and Decision-Making Process of the Tender Offeror

The Longreach Group has long been acquainted with Fujitsu and, in the course of discussions with Fujitsu about a variety of capital policies, had consultations with Fujitsu regarding the possibility of transferring the Company Common Shares held by Fujitsu as an option for contributing to the Company's growth and enhancement of corporate value over the medium to long term.

In order to conduct more concrete examination of the possibility of collaboration with the Company, from March 2017, the Longreach Group commenced the analysis and examination of management measures for the enhancement of the Company's corporate value over the medium to long term based on the prospects for the Company's business and information on matters such as management policies provided by the Company. Based on the examination, the Longreach Group determined that, in order for the Company to realize further growth of its business under the current and expected business environment going forward, it is essential to work to enhance the Company's corporate value by taking the following measures: improving financial condition and by reinforcing the capital of the Company; making up-front investment in growing areas such as automotive relays by ensuring funds for growth; strengthening cost competitiveness; further strengthening the independent management structure including more prompt decision-making processes; and acquiring necessary personnel and conducting education and other activities for the personnel. On the other hand, the Longreach Group also determined that overcoming the Company's management issues and achieving its sustainable growth could not be realized as an extension of the

business that the Company currently conducts, and there is a possibility that it would be difficult for the Company to concurrently work on two tasks, namely (i) the implementation of business strategies necessary for strengthening competitiveness over the medium to long term and (ii) the maximization of profits for each fiscal year, which the Company must place importance on as a listed company. In other words, the Tender Offeror shared with the Company the understanding that during the process of overcoming the management issue of enhancing the Company's corporate value over the medium to long term, there will be increased uncertainty in its business, and it is assumed that this will in turn lead to a situation in which general shareholders of the Company are subject to the risk of declines in share prices due to the deterioration of cash flows in connection with short-term decreases in sales and profits and increased capital investment and the business structural reform when taking medium- to long-term measures such as allocating human and business resources for expansion into new business areas, as well as preparing to handle issues expected in the near future, such as plant and equipment obsolescence and investment in automation, allowances for plants and other facilities, etc. to counter increased personnel costs, mainly at overseas plants. In particular, the Company intends to use its existing components business and custom products business as the basis to start a proposal-based business model that focuses on achieving customers' aspirations. In the proposal-based business, the Company will fill the customers' needs in partnership business models adopted by the customers in which the customers will leverage external resources by focusing on its specialties and outsourcing hardware design and manufacturing. The Company believes that the technological expertise built up through the development of its existing products, and the supporting expertise in production and production technology will be important in filling such customers' needs. The Tender Offeror also shared with the Company the understanding that this will require a greater investment of engineers, facilities, testing equipment and other technical resources than before and may necessitate a renewal of the Company's business model itself, so securing resources for these purposes is considered to be one of its remaining challenges, and in this process, there is a possibility that it would be difficult for the Company to concurrently work on these challenges and maximize profits for each fiscal year, which the Company must place importance on as a listed company. For these reasons, the Longreach Group reached the conclusion that it is essential to enhance capital and procure funds in order to achieve the business plan from a medium- to long-term perspective as described above, and the shares of minority shareholders will be diluted if a large-scale capital increase is conducted while the shares of the Company are listed, and therefore it will be possible to achieve enhancement of corporate value by privatizing the Company and implementing the reconstruction of business strategies under a simplified shareholder structure that enables the Company to make flexible management decisions without being influenced by short-term changes in business performance, and thus made a proposal to Fujitsu for privatizing the Company in the middle of June 2017.

In the above proposal, the Longreach Group proposed a scheme of step-by-step acquisition under which (A) all of the Company Common Shares, excluding the portion held by Fujitsu, will be acquired through the Tender Offer and the Share Consolidation to be conducted after the Tender Offer; and (B) half of the Company Common Shares held by Fujitsu will be acquired through the Company's Share Repurchase after those shares are delisted following the processes of the Tender Offer and the Share Consolidation, and also proposed that the ratio of voting rights attached to the Company Common Shares that remain with Fujitsu be decreased to 25% by taking procedures

such as adjustment of the number of shares constituting one unit and that the class of those shares be changed to class A preferred shares in order to ensure economic interest by creating certain preferential rights regarding the distribution of surplus, etc. While it will be necessary for the Company to continue to use Fujitsu's brand and the IT environments and other infrastructure services currently provided and maintain technology inflows for a certain period after the completion of the Transactions, the Longreach Group explains that, by adopting the above scheme, the Company will be able to maintain the collaborative relationship with the Fujitsu Group after the completion of the Transactions through to its full independence from the Fujitsu Group and, by setting the acquisition price per share as of today with regard to the Company's Share Repurchase (the "**Repurchase Price (Per Share Pre-Consolidation)**") at a price lower than the Tender Offer Price, it will be possible to offer to minority shareholders a price based on the level of actual market prices while taking into consideration the market price of the Company's shares and the assessment of the intrinsic corporate value of the Company's business, that is, a price inclusive of a premium at an appropriate level that is not disadvantageous to the minority shareholders, and at the same time it will be possible to offer to Fujitsu, who hold 11,201,866 shares (ownership ratio: 76.57%) of the Company Common Shares, an opportunity to sell half of the Company Common Shares held by it at the Repurchase Price (Per Share Pre-Consolidation). However, in the case where the Tender Offer Price and the Repurchase Price (Per Share Pre-Consolidation) are determined based on the total share value of the Company Common Shares, a conflict of interest will arise between the minority shareholders of the Company and Fujitsu because if either one of the prices is increased, the other price will be decreased, and thus the Company had consultations with the Longreach Group and Fujitsu about the Tender Offer Price and the Repurchase Price (Per Share Pre-Consolidation) in order to make a fair price determination.

Following this, the Longreach Group had consultations and negotiations with Fujitsu and the Company on multiple occasions, reviewed the terms and conditions including an increase in the Tender Offer Price, and made a revised proposal to Fujitsu in the middle of October 2017.

In addition, the Longreach Group conducted due diligence with respect to the Company in pushing forward with the Company's privatization (the due diligence commenced in early December 2017 and ended in late January 2018) and further increased its understanding of the business details of, the business environment surrounding, and the management issues concerning, the Company and conducted an additional examination of the Company's future growth strategies. As a result, the Longreach Group reached the conclusion that it is possible to contribute to the expansion of the Company's business scale by providing the knowledge that the Longreach Group has cultivated through the operation of funds that perform a role in the support for business growth, its networks in the industry, and the expertise in areas such as business alliance, M&A, and financing and, therefore, submitted a final letter of intent regarding the Transactions to Fujitsu on February 28, 2018. After the submission of the final letter of intent, the Longreach Group continued to conduct examinations, consultations, and negotiations with Fujitsu about the terms and conditions for the Tender Offer, including whether it is appropriate to conduct the Transactions, the details of the scheme of the Transactions, the Tender Offer Price, and the Repurchase Price (Per Share Pre-Consolidation). After that, in response to the Company's announcement of the downward revision of its business performance for fiscal 2017 in the press release "Notice Regarding Revision of Performance Forecast" released on March 15, 2018, the Longreach Group submitted

a revised final letter of intent on April 19, 2018 and continued further consultations and negotiations and, on June 22, 2018, established the Tender Offeror as a company for the purpose of acquisition in order to conduct the Transactions. Then, the Longreach Group Fund made a final proposal on July 26, 2018 to Fujitsu and the Company regarding its intention to set the Tender Offer Price at 935 yen and the Repurchase Price (Per Share Pre-Consolidation) at 765 yen, on which the three parties agreed, and thus the Tender Offeror finally decided to conduct the Tender Offer and entered into the Basic Agreement and the Shareholders Agreement with the Longreach Group Fund and Fujitsu on July 26, 2018.

(iii) Decision-Making Process of, and Reasons for the Decision by, the Company

The Company has been deliberating how to strengthen its finance structure, expand its business and improve its productivity and profitability based on “(ii) Consultation between the Tender Offeror and the Company and Fujitsu and Decision-Making Process of the Tender Offeror.” The Company’s parent company, Fujitsu, announced in its Management Policy of October 2015 that it would position the Device Business Group, of which the Company is a part, as an independent business that could independently develop competitive products and move forward as a business while continuing to pursue synergies within the group. At that time, the Company’s performance was still recovering, and it did not develop a specific policy in response to Fujitsu’s policy. The Company’s consolidated accounts have remained in the black during the period from Y.E. March 2011 to Y.E. March 2018 (excluding the consolidated accounts for Y.E. March 2013 in which the Company recorded a deficit). On the other hand, the equity ratio of the Company on a consolidated basis is 7.1% as of March 31, 2018, indicating the fact that despite improvements the financial condition of the Company is still not solid, and thus it has the task of improving productivity and profitability by expanding business scale. In the past five years, the Company’s profitability and growth have been sustained by the relay business, mainly for automotive use, and the touch panel business, which are its specialty areas. While large-scale investment in 2013 and 2014 contributed to business expansion, profitability and growth, the subsequent rapid changes in the business environment have made it necessary to allocate investment funds and human and business resources for expansion into new areas in order to take the next step toward growth. The Company intends to use its existing components business and custom products business as the basis to start a proposal-based business model that focuses on achieving customers’ aspirations. In the proposal-based business, the Company will fill the customers’ needs in partnership business models adopted by the customers in which the customers will leverage external resources by focusing on its specialties and outsourcing hardware design and manufacturing. The Company believes that the technological expertise built up through the development of its existing products, and the supporting expertise in production and production technology will be important in filling such customers’ needs. This will require a greater investment of engineers, facilities, testing equipment and other technical resources than before, and may necessitate a renewal of the Company’s business model itself, so the Company considers securing resources for these purposes to be one of its remaining challenges. With these policies and awareness of the challenges faced by the Company, and after reevaluating the Company’s finances and resources, the Company and Fujitsu determined that it was essential for the acceleration of growth to pursue further synergies with a wide range of customers including the Fujitsu Group and increase capital and funds, and chose several candidate funding partners from which

it received proposals. After comparing each proposal, the Company judged that the scheme proposed by the Longreach Group would contribute to the Company's development by promoting corporate value enhancement strategies that utilize the domestic and international networks and resources of the Longreach Group as well as the operating base built up by the Company. Specifically, the Tender Offeror plans to enhance the Company's capital through the Capital Increase by Third-Party Allotment and thereby improve the Company's financial situation and secure growth funding, and also plans to conduct preliminary funding into the Company's growth areas, including automotive relays and touch panels, in order to achieve strategic growth investment to realize and support growth in the automotive and industrial machinery fields. Furthermore, the Longreach Group proposed a wide range of support including (i) building a rapid and flexible decision-making system by securing senior management and front-line staff to strengthen the Company's business management, (ii) strengthening of customer bases, especially in North America and Asia, by utilizing the Hong Kong location and international networks, and (iii) formulating and enacting business strategies based on management standards that utilize the Longreach Group's past investments in management, accounting, and HR expertise; the Company therefore judged that collaboration proposed by the Longreach Group was the most appropriate way to achieve its objectives. The Company negotiated and coordinated with Fujitsu and the Longreach Group in order to be able to maintain a certain amount of capital and business cooperation with Fujitsu, considering that the Company's business has its origins in the Fujitsu Group, and that sales to Fujitsu, while representing a small proportion of the total, have been connected with product development involving the implementation of important technologies. The Company determined that it was possible to achieve both the enhancement of capital and finances and continued collaboration with the Fujitsu Group, because it would be possible for the Company, Fujitsu and the Longreach Group to agree to continued use of the Fujitsu brand, continued provision of IT environments and other infrastructure services, and maintenance of technology inflows until the Company's full independence from the Fujitsu Group. The Company determined that by achieving both of those aims, the Transactions will make it possible to construct a basis to enable future growth and changes in the Company's business while maintaining its basic business structure. Having received Fujitsu's agreement in a meeting held on June 27, 2018, the Company's board of directors resolved at a meeting on June 27, 2018, with the unanimous support of all directors present (eight out of nine directors in total; Mr. Ryuji Kushida was absent), to commence detailed deliberation of the proposals, which included up-front investment in the Company's growth areas such as automotive relays in order to improve the Company's finances and secure growth funding through strengthening its capital structure, enhancement of cost competitiveness, further enhancement of independent management processes including streamlining decision-making, and acquiring and fostering necessary human resources.

In the process of deliberating the Tender Offer, as a currently listed company, the Company naturally considered the possibility of maintaining its status as a listed company. However, as stated in "(i) Business environment surrounding the Company and management issues concerning the Company" above, the Company's consolidated accounts have remained in the black during the period from Y.E. March 2011 to Y.E. March 2018 (excluding the accounts for Y.E. March 2013 in which the Company recorded a deficit). On the other hand, the equity ratio of the Company on a consolidated basis is 7.1% as of March 31, 2018, indicating that the Company has not

recovered to a level where its shareholders can hold their shares with confidence. Furthermore, the Company has been unable to declare a dividend since June 2008 because of its accumulating losses, and it is expected that at the current level of profitability it will be unable to return profits to shareholders via dividends (one of the expectations for a listed company) for some time. Moreover, even if the Company were able to produce enough funds for a dividend by conducting a capital reduction, in the rapidly changing business environment, it remains necessary to secure capital in order to strengthen the Company's finances and conduct policies for business growth over the medium to long term. Performing a capital increase for this purpose would involve having new investors purchase long-term bets on the Company just when its net assets are insufficient, meaning that those new investors would have to accept risk and a dilution of their shareholding in order to improve the company's financial balance, and also bringing a significant dilution of existing shareholders' ownership, and by extension risking a reduction in share price; however, securing the funds through loans would not improve the Company's financial structure, and might not contribute to expanding its business and securing growth in the medium to long term; thus, the Company judged that in the current situation it is difficult to strike a balance between the current need for financing and financial soundness and the Company's duties as a listed company.

Furthermore, the Company believes that the Transactions will have no effect on employees or the community, because the scheme will involve no particular changes with respect to treatment of employees or corporate structure, and therefore the Company believes it has given sufficient consideration to these points. In light of the foregoing, the Company concluded that providing minority shareholders with the opportunity to sell the Company Common Shares at an appropriate price through the Tender Offer is an option that takes current shareholder interests into account.

In order to ensure fairness and avoid conflicts of interest in the Tender Offer—and in light of the fact that the Tender Offeror plans to execute the Basic Agreement with Fujitsu, the controlling shareholder (parent company) of the Company, whose interests may not necessarily align with those of the minority shareholders of the Company—the Company has appointed SMBC Nikko Securities Inc. (“**SMBC Nikko Securities**”) for the purpose of obtaining a valuation of the Company's share price by a third-party valuation organization independent of the Company, the Tender Offeror and Fujitsu, and has appointed Shuhei Takahashi Law Office for the purpose of obtaining advice from a law firm independent of the Company, and additionally established a third-party committee composed of members including external experts who are independent from the Company, Fujitsu and the Tender Offeror and have no conflicts of interest with the controlling shareholder, from the standpoint of eliminating arbitrariness and possible conflicts of interest in the decision-making processes of the Company's board of directors as well as of ensuring the fairness of the decision-making processes on June 28, 2018, as described in “(6) Measures to Ensure Fairness and to Avoid Conflicts of Interest ” below. For details regarding the these measures, please refer to “(6) Measures to Ensure Fairness and to Avoid Conflicts of Interest” below. The Company received a preliminary proposal regarding the terms of the Transactions from the Tender Offeror at the end of April 2017, and the Tender Offeror proceeded to conduct due diligence on the Company. On March 15, 2018, the Company announced the downward revision of its business performance forecast for fiscal 2017, disclosed the downward revision of its budgets for fiscal 2018 to the Tender Offeror, and it was found that the Company's net interest-bearing liabilities will be increased; a revised final letter

of intent was submitted by the Tender Offeror on April 19, 2018. The Company consulted and negotiated with the Tender Offeror and Fujitsu on multiple occasions thereafter regarding the Tender Offer Price and other terms of the Transactions, including the Repurchase Price (Per Share Pre-Consolidation), the Tender Offer Price, and their relative values, and taking into account the opinions of the third-party committee after its establishment; the final proposal, which set the Repurchase Price (Per Share Pre-Consolidation) at 765 yen and the Tender Offer Price at 935 yen per share in order to secure a sufficient premium for the Company's minority shareholders, was received on July 26, 2018. Having received the final proposal, the Company deliberated the terms of the Transactions with the utmost care from the perspective of increasing corporate value based on the Company's Share Valuation Report (as defined below) received from SMBC Nikko Securities and the legal advice received from Shuhei Takahashi Law Office, both dated July 25, 2018, and observing to the maximum possible extent the deliberations, and the Written Report dated July 25, 2018, of the Third Party Committee.

The Company determined that the Tender Offer Price was appropriate and that the Tender Offer provides a reasonable opportunity for shareholders of the Company to sell their shares, through comprehensive consideration of the fact that:

- the Tender Offer Price exceeds each of SMBC Nikko Securities' valuations of the Company Common Shares by the market price method, comparable company analysis, and discounted cash flow analysis ("DCF Analysis") as stated in "(A) Obtainment by the Company of Share Price Valuation Report from Independent Third-Party Appraiser" in "(3) Matters relating to Calculation" below;
- the Tender Offer Price represents a premium of 11.18% (rounded to two decimal places; the same applies to all share price premiums hereinafter) on 841 yen, the closing price of the Company Common Shares on the Second Section of the Tokyo Stock Exchange as of July 25, 2018, the business day preceding the issuance of the Company's press release dated July 26, 2018, although the actual premium is considered to be more significant considering the recent rapid increase in share price;
- the Tender Offer Price represents a premium of 32.25% on 707 yen (rounded to the nearest yen; the same applies to all closing price averages hereinafter), the simple average closing price of the Company Common Shares over the one-month period from June 26, 2018 to July 25, 2018;
- the Tender Offer Price represents a premium of 29.32% on 723 yen, the simple average closing price over the three-month period from April 26 2018 to July 25, 2018;
- the Tender Offer Price represents a premium of 14.86% on 814 yen, the simple average closing price over the six-month period from January 26 2018 to July 25, 2018;
- the measures to secure the fairness of the Tender Offer stated in "(6) Measures to Ensure Fairness and to Avoid Conflicts of Interest" below have been adopted, and the Company considers the interests of minority shareholders to have been taken into account; and
- the Tender Offer Price was determined after the measures to secure the fairness of the Tender Offer were adopted.

Based on the above, the Company resolved at its board of directors meeting held on July 26, 2018 to express its opinion in favor of the Tender Offer and recommend that the shareholders of the Company tender their shares in the Tender Offer. For details regarding the Company's board of directors resolution on July 26, 2018, please refer to "(D) Approval of All Disinterested Directors (Including Audit and Supervisory Committee Members) of the Company" in "(6) Measures to Ensure Fairness and to Avoid Conflicts of Interest" below.

(3) Matters relating to Calculation

(A) Obtainment by the Company of Share Price Valuation Report from Independent Third-Party Appraiser

The Company has, in relation to determining its opinion on the Tender Offer, requested SMBC Nikko Securities, which is a third-party appraiser that is independent from the Company and the Tender Offeror, to evaluate the Company's share value, and received the share valuation report (the "**Company's Share Valuation Report**") on July 25, 2018. SMBC Nikko Securities is not a party affiliated with the Company or the Tender Offeror and does not have a material interest in the Company or the Tender Offeror regarding the Transactions, including the Tender Offer. The Company did not receive an opinion letter regarding the fairness of the price of the Tender Offer (a fairness opinion).

In order to collect and examine information required for evaluating the Company's share value, SMBC Nikko Securities obtained information on the Company's current and forecasted future business and received explanations about these matters from the Company's management and evaluated the Company's share value based on the information. SMBC Nikko Securities evaluated the Company's share value by using (i) the market price method, since the shares of the Company are listed on the Second Section of the Tokyo Stock Exchange and market prices exist, (ii) the comparable company analysis, since it is possible to infer the Company's share value in comparison with comparable listed companies, of which there are several, and (iii) DCF Analysis, in order to reflect the value of future business operations in the assessment.

The following are the ranges of values per Company Common Share that were calculated by SMBC Nikko Securities based on each calculation method set out above.

Market price method: From 707 yen to 814 yen

Comparable company analysis: From 125 yen to 358 yen

DCF Analysis: From 368 yen to 789 yen

The range of values per Company Common Share obtained from the market price method is 707 yen to 814 yen, which is calculated based on 707 yen, 723 yen, and 814 yen, the simple average closing prices for the Company Common Shares quoted on the Second Section of the Tokyo Stock Exchange over the preceding one-month, three-month, and six-month periods, respectively, as of the evaluation reference date of July 25, 2018 (the business day before the announcement date of the Tender Offer).

The range of values per Company Common Share obtained from the comparable company analysis is 125 yen to 358 yen, which is calculated in comparison with market prices and financial indices that indicate the profitability of listed companies engaged in businesses that are relatively similar to those that the Company operates, namely, Hirose Electric Co., Ltd., IRISO Electronics, Co., Ltd., Dai-ichi Seiko Co., Ltd., SMK Corporation, and Honda Tsushin Kogyo Co., Ltd., and using an enterprise-value-to-EBITDA multiple. The enterprise-value-to-EBITDA multiple is reported to be 5.4 to 6.5.

The range of values per Company Common Share obtained from the DCF Analysis is 368 yen to 789 yen, which is calculated by discounting the cash flow that is expected to be generated based on the Company's business plan for Y.E. March 2019 to Y.E. March 2021 as of July 25, 2018 that was formulated and submitted by the Company to SMBC Nikko Securities and future revenue forecasts of the Company taking into consideration certain factors such as publicly released information. The weighted average cost of capital (WACC) was used for determining the discount rate, and the rate of 7.01% to 9.01% was adopted. When calculating the going concern value, SMBC Nikko Securities adopted the exit multiple method, and used the enterprise-value-to-EBITDA multiple of 5.4 to 6.5. The business plan used by SMBC Nikko Securities includes business years during which a significant increase or decrease in revenue is expected. Specifically, by clarifying certain existing business areas on which the Company will not focus and from which the Company will withdraw and shifting its resources to the focused areas, the Company expects increased revenue and improved profitability due to changes in the business portfolio structure in the human interface business as well as significant year-on-year increases in operating income for each period as follows: consolidated sales of 54,666 million yen (a 10.2% increase from the previous period) and operating income of 1,901 million yen (a 195.9% increase from the previous period) for Y.E. March 2020; and consolidated sales of 58,807 million yen (a 7.6% increase from the previous period) and operating income of 2,731 million yen (a 43.7% increase from the previous period) for Y.E. March 2021. The business plan is not based on the assumption that the Transactions will be conducted. The specific figures of the Company's financial forecasts used as the basis for calculation by the DCF Analysis are as follows.

(Units: Hundred million yen)

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Sales	49,609	54,666	58,807
Operating income	643	1,901	2,731
EBITDA	2,864	4,201	5,081
Free cash flow	(204)	(628)	1,252

(B) Basis of Valuation by the Tender Offeror

In deciding the Tender Offer Price, the Tender Offeror conducted a multifaceted and comprehensive analysis of the Company's business and financial status based on the Company's disclosed financial information and the results of due diligence conducted with respect to the Company. In light of the fact that the Company Common Shares are traded on a financial instruments exchange, the Tender Offeror also referred to 841 yen, which was the closing price for the Company Common Shares quoted on the Second Section of the Tokyo Stock Exchange on July 25, 2018 (which was the business day immediately preceding the announcement date of the Tender Offer); 707 yen (to be rounded to the nearest whole yen; the same applies to each simple average closing price below), which was the simple average closing price for the Company Common Shares over the one-month period from June 26, 2018 to July 25, 2018; and 723 yen, which was the simple average closing price for the Company Common Shares over the three-month period from April 26, 2018 to July 25, 2018. In addition, the Tender Offeror comprehensively considered, among other things, examples of the premiums on the tender offer prices paid in tender offers conducted in the past, trends in the market price of Company Common Shares over the last six months, the results of discussion and negotiation between the Company and Fujitsu, the support for the Tender Offer by the Company's board of directors, and the estimated number of shares to be tendered in the Tender Offer and the Tender Offeror finally decided on the Tender Offer Price of 935 yen per share on July 26, 2018.

As the Tender Offeror decided on the Tender Offer Price based on the discussion and negotiation between the Company and Fujitsu, while comprehensively taking into account the factors stated above, the Tender Offeror did not obtain a share price valuation report from a third-party appraiser.

The Tender Offer Price of 935 yen per share represents a premium of 11.18% (rounded to two decimal place; the same applies to other percentages in this section) on 841 yen, which was the closing price for the Company Common Shares quoted on the Second Section of the Tokyo Stock Exchange on July 25, 2018 (which was the business day immediately preceding the announcement date of the Tender Offer); a premium of 32.25% on 707 yen, which was the simple average closing price for the Company Common Shares over the one-month period from June 26, 2018 to July 25, 2018; and a premium of 29.32% on 723 yen, which was the simple average closing price for the Company Common Shares over the three-month period from April 26, 2018 to July 25, 2018.

(4) Prospects and Reasons for Delisting

The Company Common Shares are currently listed on the Second Section of the Tokyo Stock Exchange as of today. However, since the Tender Offeror has not set a maximum number of shares to be purchased in the Tender Offer, the Company Common Shares may be delisted through prescribed procedures in accordance with the delisting criteria set out by the Tokyo Stock Exchange, depending on the results of the Tender Offer.

Also, even in the event that the delisting criteria are not met upon completion of the Tender Offer, the Tender Offeror plans to make the Tender Offeror and Fujitsu the only shareholders of the Company and privatize the Company in accordance with the procedures stated in "(5) Matters relating to the 'Two-Step Acquisition'" after the successful completion of the Tender Offer, in which case the Company Common Shares

will be delisted through the prescribed procedures in accordance with the delisting criteria of the Tokyo Stock Exchange. After delisting, the Company Common Shares will no longer be traded on the Second Section of the Tokyo Stock Exchange.

(5) Matters relating to the “Two-Step Acquisition”

As stated in “(2) Grounds and Reasons for the Opinion,” above, the purpose of the Tender Offer is to privatize the Company and make the Tender Offeror and Fujitsu the only shareholders of the Company, and in the event that the Tender Offeror is unable to obtain all of the Company Common Shares (excluding the Untendered Shares held by Fujitsu and treasury shares held by the Company) under the Tender Offer, the Tender Offeror intends, after the successful completion of the Tender Offer, to request the Company to implement the following procedures and carry out a set of procedures necessary for making the Tender Offeror and Fujitsu the only shareholders of the Company.

Specifically, the Tender Offeror intends to request the Company to hold an extraordinary shareholders’ meeting at which a partial amendment to the Company’s Articles of Incorporation will be proposed that would abolish the share unit number provisions on the condition that the Share Consolidation is conducted and the Share Consolidation becomes effective (the “**Extraordinary Shareholders’ Meeting**”). The Tender Offeror and Fujitsu intend to approve the proposal at the Extraordinary Shareholders’ Meeting.

If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders’ Meeting, the shareholders of the Company will, on the effective date of the Share Consolidation, hold the number of Company Common Shares proportionate to the ratio of the Share Consolidation that is approved at the Extraordinary Shareholders’ Meeting. If, due to the Share Consolidation, the number is a fraction less than one, each such shareholder of the Company will receive an amount of cash obtained by selling the Company Common Shares equivalent to the total number of shares less than one unit (with such aggregate sum rounded down to the nearest whole number) to the Company or the Tender Offeror as per the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. The purchase price for the aggregate sum of shares less than one unit in the Company Common Shares will be valued so that the amount of cash received by each shareholder who did not tender its shares in the Tender Offer (excluding the Tender Offeror, Fujitsu and the Company) as a result of the sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of Company Common Shares held by each such shareholder. A petition will be filed to the court for permission to purchase such Company Common Shares on this basis. Although the ratio of the Share Consolidation of the Company Common Shares has not been determined as of today, it is intended that shareholders (excluding the Tender Offeror, Fujitsu and the Company) who held shares in the Company and did not tender in the Tender Offer would have their shares classified as shares less than one unit in order for the Tender Offeror and Fujitsu to become the owner of all of the issued shares of the Company (excluding treasury shares held by the Company).

In the interest of protecting the rights of minority shareholders in circumstances involving the Share Consolidation, the Companies Act provides that if the Share Consolidation occurs and there are shares less than one unit as a result thereof, each

shareholder may request that the Company purchase all such shares less than one unit at a fair price, and such shareholders may file a petition to the court to determine the price of the Company Common Shares in accordance with Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations. In the event that holders of shares less than one unit file the above petition with the court, the acquisition price will be finally determined by the court.

With regard to the above procedure, it is possible that, depending on amendments to, implementation and interpretation of the relevant laws and regulations by authorities, the shareholding percentage of the Tender Offeror and Fujitsu after the Tender Offer, and the ownership of Company Common Shares by shareholders other than the Tender Offeror and Fujitsu, the timing or methods may be altered to implement the procedure. However, even in such a case, it is intended that a method will be used whereby the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror, Fujitsu and the Company) will ultimately receive cash consideration equal to the number of Company Common Shares held by such shareholder multiplied by the Tender Offer Price in exchange for their shares.

If the Extraordinary Shareholders' Meeting is held, it will be held around late in October 2018 and the Company, after consulting with the Company, will announce specific details and expected timing promptly once determined. It is further noted that shareholders of the Company will not be solicited to agree to the Tender Offer at the Extraordinary Shareholders' Meeting. All shareholders of the Company are solely responsible for seeking their own specialist tax and other advice with regard to the tax consequences of tendering their shares in the Tender Offer or the procedures outlined above.

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

In order to ensure the fairness of the Tender Offer and avoid conflicts of interest—and in light of the fact that the Tender Offeror has executed the Basic Agreement with Fujitsu, the controlling shareholder (parent company) of the Company, whose interests may not necessarily align with those of the minority shareholders of the Company—the Tender Offeror and the Company took the following measures.

(A) Obtainment by the Company of Share Price Valuation Report from Independent Third-Party Appraiser

The Company has, in relation to determining its opinion on the Tender Offer, requested SMBC Nikko Securities, which is a third-party appraiser that is independent from the Company and the Tender Offeror, to evaluate the Company's share value, and received the Company's Share Valuation Report regarding the value of the Company Common Shares on July 25, 2018. For details of the calculation of value of the Company's shares, please refer to "(A) Obtainment by the Company of Share Price Valuation Report from Independent Third-Party Appraiser" in "(3) Matters relating to Calculation" above.

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

The Company appointed Shuhei Takahashi Law Office as its legal adviser and receives legal advice on the methods and processes of, and other matters to be noted in relation to, decision-making by the Company's board of directors regarding the Tender Offer and the procedures to be taken after the Tender Offer, in order to ensure the fairness and appropriateness of decision-making by the Company's board of directors.

(C) Establishment of a third-party committee at the Company and Obtainment of an Opinion from the third-party committee

In order to ensure fairness and avoid conflicts of interest—and in light of the fact that the Tender Offeror and the Longreach Group Fund has executed the Basic Agreement with Fujitsu, the controlling shareholder (parent company) of the Company, whose interests may not necessarily align with those of the minority shareholders of the Company—the Company established on June 28, 2018 the third-party committee composed of external experts who are independent from the Company, Fujitsu, and the Tender Offeror and have no interest in the controlling shareholder from the standpoint of eliminating arbitrariness and possible conflicts of interest in the decision-making processes of the Company's board of directors as well as of ensuring the fairness of the decision-making processes (the Company appointed Mr. Yoji Suzuki, an outside director and audit and supervisory committee member of the Company, Takeshi Nakano, an attorney-at-law and certified public accountant (Oku, Katayama & Sato Law Office), and Akira Nishida, an attorney-at-law (Nishida Law Office), as the members of the third-party committee). The members of the third-party committee have not been changed since its establishment.

The Company consulted the third-party committee on (i) the justifiability of the purpose of the Transactions, (ii) the fairness of the procedures involved in the negotiation process of the Transactions, (iii) the reasonableness of the consideration to be delivered to the Company's minority shareholders as a result of the Transactions, and (iv) whether the decision-making of the Company regarding the Transactions is not disadvantageous to the Company's minority shareholders based on the matters set out in (i) through (iii) and other matters (collectively, the “**Consulted Matters**”) with respect to the Transactions including the Tender Offer, as a basis for deliberation of the opinion to be declared by the Company regarding the Tender Offer.

The third-party committee held its meeting six times in total during the period from June 28, 2018 to July 25, 2018 and they discussed and examined the Consulted Matters. Specifically, the third-party committee received explanations from the Company, Fujitsu, the Tender Offeror, and SMBC Nikko Securities about matters such as (a) the purpose of the Transactions, (b) the details of the scheme of and procedures for the Transactions, (c) the status of negotiation of the terms and conditions for the Transactions, (d) matters stated in the Company's Share Valuation Report prepared by SMBC Nikko Securities, a third-party appraiser, and the evaluation methods used therein, and (e) legal advice from Shuhei Takahashi Law Office, and held question-and-answer sessions regarding these matters.

The third-party committee prudently discussed and examined the Consulted Matters based on the details of the explanations and matters discussed in the

question-and-answer sessions described above and, as a result, submitted to the Company's board of directors a written report (the "**Written Report**") on July 25, 2018 with a unanimous approval of the members. An outline of the Written Report is set out in (i) to (iv) below.

(i) Justifiability of purpose of the Transactions (Consulted Matter 1)

The purpose of the Transactions is to enhance corporate value by removing constraints on (a) resources due to the Company's financial standing, namely the equity ratio of 7.1% and (b) the implementation of risky policies such as investment in automation to counter increased personnel costs and further investment in technical resources, etc. because of the status as a listed company, which have restricted the Company's activities for improving revenue in spite of the essential need for further investments in the midst of intensified competition with competitors, and implementing drastic improvement and reform measures in a short term. Also, it is clear that such purpose of the Transactions does not constitute an inappropriate purpose such as Fujitsu's enhancement of its or third-parties' interests by utilizing its status as the parent company of the Company at the sacrifice of the Company's minority shareholders, and therefore it can be said that the purpose of the Transactions is justifiable.

(ii) Fairness of procedures for the Transactions (Consulted Matter 2)

The fairness of the procedures for the Transactions is ensured because (A) the reasons for implementing each of the Transactions are reasonable, the circumstances behind each transaction are fully disclosed and, judging from the entire scheme, the fairness of the procedures will not be harmed by the fact that such scheme has been adopted, (B) the legality of each of the Transactions is ensured, (C) the processes of selecting the acquirer and negotiation of the price and other terms and conditions for the Transactions have been properly followed, (D) as measures for avoiding structural conflicts of interest, (a) a share valuation report has been obtained from an independent third-party appraiser, (b) advice from an independent law firm has been obtained, (c) the third-party committee has been established and negotiation has been conducted based on the opinions of the committee, (d) persons with an interest in Fujitsu have been eliminated from the deliberation and resolution at the board of directors meetings, (e) the minimum limit has been set based on the majority of the minority provision, which can be evaluated as an important measure for respecting the intent of minority shareholders and ensuring the fairness and appropriateness of the Tender Offer Price, and (f) measures have been taken to secure an opportunity for other offerors to carry out a tender offer, and (E) the second-step procedure after the Tender Offer is a scheme using a share consolidation, in which a right to claim for purchase of shares and a right to claim for determination of purchase price are ensured, the rights of minority shareholders are fully protected, and it is planned that a method of calculation will be used so that the amount of money to be delivered to each of the minority shareholders who does not tender shares in response to the Tender Offer will be equal to the amount calculated by multiplying the Tender Offer Price by the number of Company Common Shares held by that minority shareholder.

(iii) Terms and conditions for the Transactions (Consulted Matter 3)

The terms and conditions for the Transactions and the process of determining those terms and conditions are based on the following circumstances, and thus it is possible to consider the prices to be appropriate.

- The Company spent more than a year selecting the Tender Offeror and negotiating the Tender Offer Price. After the selection of the Tender Offeror, the Tender Offer Price was negotiated between the Tender Offeror and Fujitsu and the Company. The Tender Offeror proposed a share value late in April 2017, and after that conducted due diligence with respect to the Company. On March 15, 2018, the Company announced the downward revision of its business performance forecast for fiscal 2017, disclosed the downward revision of its budgets for fiscal 2018 to the Tender Offeror, and it was found that the Company's net interest-bearing liabilities will be increased. This means that the share value that is recognized as a difference of the Company's corporate value less the net interest-bearing liabilities, etc. is decreased, but Fujitsu and the Company and the Tender Offeror continued negotiations and consultations about the share value and, as a result, the Tender Offeror did not decrease the share value and the Tender Offer Price was effectively increased.
- The Tender Offer Price is a price inclusive of a premium of 11.18% on the closing price of the Company Common Shares traded on the Tokyo Stock Exchange Second Section on July 25, 2018 (the business day before the announcement date of the Tender Offer), and a premium of 32.25%, 29.32%, and 14.86% on the simple average closing price of the Company Common Shares traded on the Tokyo Stock Exchange Second Section over the period of one month, three months, and six months through July 25, 2018, respectively, and above the maximum limit of the range of the calculation results based on the DCF Analysis.
- The Company also continued negotiation with Fujitsu until the last minute regarding the relative values of the Tender Offer Price that was proposed by the Tender Offeror on February 28, 2018 as stated above and the Repurchase Price (Per Share Pre-Consolidation) based on the opinions of the third-party committee in order to include an adequate premium in the price offered to the minority shareholders of the Company and, as a result, was able to maintain a ratio which enables the Company to include an adequate premium in the price offered to the minority shareholders of the Company.
- In addition, the Company has implemented the measures set out in (ii)(D) above as measures to ensure the fairness of the Transactions and to avoid conflicts of interest.
- The second-step procedure after the Tender Offer is a scheme using a share consolidation, in which a right to claim for purchase of shares and a right to claim for determination of purchase price are ensured, the rights of minority shareholders are fully protected, and it is planned that a method of calculation will be used so that the amount of money to be delivered to each of the minority shareholders who does not tender shares in response to the Tender Offer will be equal to the amount calculated by multiplying the Tender Offer Price by the number of Company Common Shares held by that minority shareholder.

Due to the above circumstances, the appropriateness of these prices are ensured.

- (iv) Decision-making of the Company is not disadvantageous to the Company's minority shareholders based on the matters set out in (i) to (iii) and other matters (Consulted Matter 4)

In light of the matters stated in (i) to (iii) above, the Company's decision making regarding the Transactions is not disadvantageous to the Company's minority shareholders.

(D) Approval of All Disinterested Directors (Including Audit and Supervisory Committee Members) of the Company

The Company prudently deliberated and examined the terms and conditions for the Tender Offer by reference to the matters stated in the Company's Share Valuation Report and legal advice obtained from Shuhei Takahashi Law Office and by respecting to the maximum extent possible the matters stated in the Written Report obtained from the third-party committee.

As a result, the Company believes that the Tender Offer Price is appropriate and based on a scheme under which consideration is equally delivered to the shareholders of the Company and therefore not unreasonable as set out in "(iii) Decision-Making Process of, and Reasons for the Decision by, the Company" of "(B) Purpose and Background of the Transactions Including the Tender Offer and Management Policy After the Tender Offer" above. The Company's board of directors meeting held on July 26, 2018, all directors present (six out of nine directors in total; Mr. Ryuji Kushida, Mr. Koichi Takahashi, and Mr. Hiroaki Kondo were excluded because they may possibly have a special interest, as set out below) unanimously approved the resolution to the effect that the Company will declare its present opinion in support of the Tender Offer and recommend that the Company's shareholders tender shares in response to the Tender Offer if the Tender Offer is commenced.

Among the directors of the Company, Mr. Ryuji Kushida and Mr. Koichi Takahashi concurrently serve as the executive officer and the head of the Corporate Planning and Audit Office at Fujitsu, respectively, and Mr. Hiroaki Kondo has served as an executive officer in the last five years. Therefore, from the standpoint of avoiding any suspicion of conflicts of interest and ensuring the fairness of the Transactions by excluding Fujitsu employees from all involvement in the Transactions, Mr. Koichi Takahashi and Mr. Hiroaki Kondo do not participate in any board of directors resolutions where examinations and deliberations about the Transactions are conducted, except for resolutions to ensure the fairness of the Transactions, such as by appointing the Third Party Committee and requesting a share valuation; Mr. Ryuji Kushida does not participate in any board of directors resolutions where examinations and deliberations about the Transactions are conducted. None of the three directors with possible conflicts of interest participates in any examination of the Transactions or discussion or represent the Company in negotiation with the Tender Offeror and Fujitsu regarding the Transactions.

(E) 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 Tender Offeror set the period of the Tender Offer to 30 business days.

By setting the Tender Offer Period to a relatively long period, the Tender Offeror ensures that the Company's shareholders are provided with an opportunity to make an appropriate decision on whether or not to tender shares in response to the Tender Offer and parties other than the Tender Offeror are provided with an opportunity to carry out a counter tender offer, and thereby giving consideration to ensuring the fairness of the Target Offer Price.

Further, the Tender Offeror and the Company have not reached any agreement that includes deal protection provisions to prohibit the Company from contacting a counter offeror or other agreement that restricts the counter offeror from contacting the Company. By securing an opportunity for a counter tender offer, as well as by setting a relatively long Tender Offer Period in this way, the Tender Offeror intends to ensure the fairness of the Tender Offer.

(F) Setting Minimum Number of Shares to be Acquired at a Number Equivalent to Majority of Minority

The Tender Offeror has set a requirement that the total number of the Tendered Share Certificates, Etc. should be equal to or more than the minimum number of shares to be purchased (1,713,900 shares) as a condition for the completion of the Tender Offer. The minimum number of shares to be purchased is a majority (1,713,900 shares) of the difference (3,427,720 shares) of the total number of issued shares of the Company as of June 30, 2017 (14,629,626 shares) stated in the Company's Q1 Financial Statement less the number of treasury shares held by the Company as of June 30, 2018 (40 shares) and the Untendered Shares held by Fujitsu (11,201,866 shares). In other words, the minimum number of shares to be purchased corresponds to the "majority of the minority." In this way, the Tender Offeror places importance on the intent of the minority shareholders of the Company and, if the consent of the majority of shareholders other than interested parties of the Tender Offeror is not obtained, the Tender Offeror will not conduct the Transactions, including the Tender Offer.

4. Matters relating to Material Agreements regarding Tendering Shares in Response to the Tender Offer between the Tender Offeror and the Company's Shareholders

(A) The Basic Agreement

Upon conducting the Tender Offer, the Tender Offeror and Fujitsu executed the Basic Agreement dated July 26, 2018 under which Fujitsu agreed not to tender the Untendered Shares (11,201,866 shares).

The following matters are agreed in the Basic Agreement: (i) the Tender Offeror will request the Company to conduct the Share Consolidation if the Tender Offeror is not able to acquire all of the Company Common Shares (excluding treasury shares and the Untendered Shares held by the Company) after the successful completion of the Tender Offer, (ii) on the condition that the Tender Offeror and Fujitsu become the owners of all of the Company Common Shares (excluding treasury shares held by the Company) as a result of the Tender Offer and Share Consolidation (the "**Squeeze Out**"), the Tender Offeror will request the Company to conduct the Capital Increase by Third-Party Allotment and the Capital Decrease, Etc., (iii) subject to the Squeeze Out, Fujitsu will sell to the Company one half of the Company Common Shares that Fujitsu holds at that

time (5,600,933 Company Common Shares as of today (ownership ratio: 38.28 %)) through the Company's Share Repurchase for a total amount of consideration of 4,284,713,745 yen (the "**Repurchase Price (Total)**"), and (iv) subject to the completion of the Company's Share Repurchase, the Company will change the class of the Untendered Shares that are not subject to the Company's Share Repurchase from common shares to class A preferred shares (Note 1), and concurrently, the Company will establish in its Articles of Incorporation provisions regarding the number of shares constituting one unit for the class A preferred shares or common shares, or both, so that Fujitsu comes to hold class A preferred shares representing 25% of voting rights of the Company and the Tender Offeror comes to hold common shares representing 75% of voting rights of the Company.

On the other hand, if a tender offer for the Company Common Shares is commenced by a person other than the Tender Offeror by the last day of the Tender Offer Period (such tender offer, the "**Counter Tender Offer**") and (i) the tender offer price for the Company Common Shares in the Counter Tender Offer is at least 5% higher than the Tender Offer Price and (ii) upon consultation between the Tender Offeror and Fujitsu the Tender Offer Price is not changed to an amount that is equal to or greater than the tender offer price in the Counter Tender Offer by the earlier of the date on which ten business days have passed since the consultation is commenced and the day before the last day of the Tender Offer Period, Fujitsu may tender shares in response to the Counter Tender Offer.

(Note 1): The amount of preferential dividends per class A preferred share is calculated by multiplying 765 yen by the annual preferential dividend rate (Note 4) for each business year.

(Note 2): Unless provided for in laws and ordinances, the Company will be able to acquire all or part of the remaining class A preferred shares at any time from and after April 1, 2021 by giving notice in advance in exchange for the delivery of an amount of money equivalent to the base value (Note 5) per share. In addition, the Company will be able to acquire all or part of the remaining class A preferred shares on a date separately determined by the Company's board of directors that falls on or after the date on which a resolution is passed to file an application for listing the Company's common shares on a securities exchange or on which a share transfer provided for in the Articles of Incorporation of the Company is approved, in exchange for the delivery of an amount of money equivalent to the base value per share.

(Note 3): A holder of class A preferred shares may request the Company to repurchase of all or part of the class A preferred shares held by the holder of class A preferred shares by giving notice in advance at any time from and after the day on which ten years have passed since the class A preferred shares are issued, in exchange for the delivery of an amount of money equivalent to the base value per share.

(Note 4): "Annual preferential dividend rate" means 1.00% per annum. However, the annual preferential dividend rate for the business year to which belongs the first reference date for dividends falling at least five years after the class A preferred shares were issued is 5.00% per annum, and it will be increased by

1.00% per annum upon the passage of each business year. The maximum limit of the annual preferential dividend rate is 10.00% per annum.

(Note 5): “Base value” means the sum of 765 yen per class A preferred share plus the amount of accrued dividends per share.

(B) The Shareholders Agreement

The Tender Offeror entered into the Shareholders Agreement dated July 26, 2018 with Fujitsu, whereby the Tender Offeror and Fujitsu have agreed on matters such as the business operation of the Company and handling of shares to be issued by the Company after the Transactions.

5. Details of Benefits Received from the Tender Offeror or its Specially Related Parties
Not applicable.
6. Response Policy Regarding Basic Policies Relating to Control of the Company
Not applicable.
7. Questions to the Tender Offeror
Not applicable.
8. Request for Extension of the Tender Offer Period
Not applicable.
9. Future Outlook
Please refer to “(4) Prospects and Reasons for Delisting” and “(5) Matters relating to the “Two-Step Acquisition” in “3. Grounds and Reasons for the Opinion on the Tender Offer” above.
10. Matters Relating to Transactions, Etc. with a Controlling Shareholder
 - (1) Transaction, etc. with Controlling Shareholder and Status of Conformity with Policy Regarding Measures to Protect Minority Shareholders

Having executed the Basic Agreement with Fujitsu, the Company’s controlling shareholder (parent company), the Company will conduct the Tender Offer with the plan to acquire the Company Shares held by Fujitsu through a share repurchase after the Tender Offer and the Share Consolidation as part of the Transactions. Therefore, the Company determines that the declaration of opinion regarding the Tender Offer by the Company’s board of directors is equivalent to a transaction, etc. with controlling shareholder. The “Guidelines for Policies to Protect Minority Shareholders in the Event of a Transaction, Etc. with Controlling Shareholder” stated in the Corporate Governance Report dated July 10, 2018 are as follows.

The “Guidelines for Policies to Protect Minority Shareholders in the Event of a Transaction, Etc. with Controlling Shareholder” stated by the Company in the Corporate Governance Report dated July 10, 2018 state that “the company makes its decision based on the same conditions as an ordinary transaction and is aware of securing independence from the counterparty.” In addition to making its decision based on the same conditions as an ordinary transaction, the Company ensured the fairness of the Tender Offer and took measures to avoid conflicts of interest by receiving an opinion

from the Third-Party Committee to the effect that the Company's declaration of opinion regarding the Transactions is not disadvantageous to the Company's minority shareholders in the sense that there is no evidence that Fujitsu has used its status as the parent company for unfair advantage at the expense of the minority shareholders, obtaining the Share Valuation Report from SMBC Nikko Securities, an independent third-party organization, and receiving legal advice from Shuhei Takahashi Law Office, as stated in "(6) Measures to Ensure Fairness of the Tender Offer and Measures to Avoid Conflicts of Interest" of "3. Details of Opinion on the Tender Offer and Grounds and Reasons Therefor." Therefore, the Company's conduct exceeds the requirements of the guidelines, and efforts have been made to protect the minority shareholders in the Transactions.

(2) Details of Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest

Please refer to "(6) Measures to Ensure Fairness of the Tender Offer and Measures to Avoid Conflicts of Interest" of "3. Details of Opinion on the Tender Offer and Grounds and Reasons Therefor" above.

(3) Outline of Opinion Obtained From a Party who has No Interest in the Controlling Shareholder Stating that the Share Exchange Would Not be Disadvantageous to the Minority Shareholders

On July 25, 2018, the Company received an opinion from a third-party committee consisting of members with no interest in the controlling shareholder to the effect that the Company's declaration of opinion regarding the Transactions is not disadvantageous to the Company's minority shareholders in the sense that there is no evidence that Fujitsu has used its status as the parent company for unfair advantage at the expense of the minority shareholders. Please refer to "(C) Establishment of a third-party committee at the Company and Obtainment of an Opinion from the third-party committee" of "(6) Measures to Ensure Fairness of the Tender Offer and Measures to Avoid Conflicts of Interest" in "3. Details of Opinion on the Tender Offer and Grounds and Reasons Therefor" for details.

End