

## Notice Regarding Commencement of Tender Offer by Subsidiary

**Tokyo, November 25, 2011** --- Hitachi, Ltd. (NYSE: HIT / TSE:6501 “Hitachi”) today announced that Hitachi Chemical Co., Ltd. (TSE:4217), a subsidiary of Hitachi, has determined to commence a tender offer for shares of Shin-Kobe Electric Machinery Co., Ltd. (TSE:6934) at a meeting of its Board of Directors held on November 25, 2011 as attached.

### **About Hitachi, Ltd.**

Hitachi, Ltd., (NYSE: HIT / TSE: 6501), headquartered in Tokyo, Japan, is a leading global electronics company with approximately 360,000 employees worldwide. Fiscal 2010 (ended March 31, 2011) consolidated revenues totaled 9,315 billion yen (\$112.2 billion). Hitachi will focus more than ever on the Social Innovation Business, which includes information and telecommunication systems, power systems, environmental, industrial and transportation systems, and social and urban systems, as well as the sophisticated materials and key devices that support them. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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November 25, 2011

To whom it may concern

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**Hitachi Chemical Co., Ltd. to Commence Tender Offer for Shares  
of its Listed Subsidiary, Shin-Kobe Electric Machinery Co., Ltd.**

Hitachi Chemical Co., Ltd. (“the Company” or the “Tender Offeror”), today is pleased to announce that the Company resolved at a meeting of its Board of Directors held on November 25, 2011, to acquire shares of Shin-Kobe Electric Machinery Co., Ltd. (First Section of TSE and OSE: 6934; the “Target Company”), by way of a tender offer (the “Tender Offer”).

1. Purpose of the Tender Offer

(1) Outline of the Tender Offer

The Company currently holds 58.26% (29,672,816 shares; rounded to the second decimal place) of the total number of issued Target Company shares (50,935,500 shares\* as of September 30, 2011), and thus accounts for the Target Company as a consolidated subsidiary. The Company intends to acquire all the issued shares of the Target Company (exclusive of its treasury stock held by the Target Company) to make the Target Company a wholly-owned subsidiary through the Tender Offer. The Tender Offer does not set any maximum and minimum limits on the number of shares to be purchased.

According to the Target Company, as a result of careful review on the terms and conditions, the Target Company has concluded that the Tender Offer would be beneficial to the improvement of the enterprise value of the Target Company; the purchase price for the Tender Offer (the “Tender Offer Price”) and other conditions concerning the Tender Offer are adequate; and the Tender Offer would provide shareholders of the Target Company with reasonable opportunities to sell their shares at an appropriate price. Consequently, the Target Company at its Board of Directors’ meeting held on November 25, 2011, expressed approval of the Tender Offer and all the directors present (seven of the nine directors attended the meeting) unanimously adopted a resolution to recommend that its shareholders subscribe to the Tender Offer.

\*Number stated in the interim-term financial report for the 90th term filed by the Target Company, as of November 14, 2011.

(2) Decision-making process of the Tender Offer and management policy after the Tender Offer

A wide range of technology platforms developed from four original product groups—insulating varnishes, industrial laminates, porcelain insulators and carbon brushes for motors—have been the springboard behind the

Company's product development ever since its establishment in 1962. By expanding, combining and harmonizing these technology platforms, while identifying market trends and exploring customer needs, the Company has expanded its business activities. In recent years, the Company has stepped up its efforts to provide customers with optimal solutions, with a focus on four key business fields with high growth potential—telecommunications & displays, environment & energy, life sciences, and automobiles & transportation infrastructure—where the Company can make the most of its technological strengths. Meanwhile, the company group of Hitachi, Ltd. ("Hitachi"), including the Company, seeks further global growth driven by its Social Innovation Business, which is realized through the highly advanced fusion of information technologies (IT) and social infrastructure systems, and in which the businesses of the Company play an important supporting role.

Currently, the Company Group's management environment is extremely tough, affected by the economic deceleration mainly in Europe and the United States and the critically high yen appreciation. Under the corporate vision "Contribute to society through the development of superior technologies and products," the Company has been carrying out growth strategies based on the two pillars—"expanding global operations" and "creating new products and developing new businesses"—which were set forth in its three-year medium-term management plan that started in April 2010, to secure sustainable growth in the future. In fiscal 2011 and onwards, the Company will continue to seek global business expansion through such measures as the aggressive launch of new products into the market, focusing management resources on growth fields and strengthening overseas operations.

The Target Company, a consolidated subsidiary of the Company, was established in 1969 through the merger of Nippon Storage Battery MFG. Co., Ltd.—which manufactured storage batteries—and Kobe Electric Machinery Co., Ltd.—which manufactured storage batteries and synthetic resin molded products.

Currently, the Target Company Group manufactures and sells automotive and industrial batteries, electric equipment, condensers and plastic products under the corporate philosophy "Contribute to society by nurturing innovative leading-edge technologies and providing reliable products and services for the future of humankind and the environment." As a member of the Company Group, the Target Company takes on the manufacture and sales of products within our Advanced Components and Systems segment. In April 2011, the Target Company Group defined its corporate vision as follows: "Aim to realize a society that harmonizes with the environment by providing technologies, products and services that play a central role in a low-carbon society." In line with this vision, the Target Company set three basic policies: "Focusing efforts on new energy and environmental-oriented products—defined as *flag* products," "Enhancing and expanding global strategies" and "Reinforcing the setup of operation by enhancing the methods and processes for manufacturing." Under these policies, the Target Company Group is undergoing its business reinforcement to contribute to the realization of a low-carbon society, through the manufacture and sale of lead-acid battery for idling-stop vehicles and storage battery and condenser for new energy sources. Although the Target Company Group has traditionally manufactured and sold batteries and electric equipment, including automotive lead storage batteries, industrial lead storage batteries, industrial lithium-ion batteries and lithium-ion capacitors, the Target Company took an important step to further expand the range of its comprehensive electricity storage device business in October 2009 by acquiring all the shares of Shinmachi Condensers Co., Ltd. (currently Hitachi AIC Inc.), which had been engaged in the capacitor business as a member of the Company Group, from Hitachi AIC Inc. (currently Hitachi Chemical Electronics Co., Ltd.), thereby adding the Target Company's aluminum electrolytic and film condensers to the Target Company Group's portfolio of battery/electric equipment products.

Collaboration between the Company and Target Company Groups has grown mostly in the field of research and development concerning resin and other materials for batteries, electric equipment, capacitors and plastic products.

In recent years, the business environment that surrounds the Company Group, including the Target Company Group, has been undergoing drastic and rapid changes. As automotive manufacturers—the major customers of the Target Company Group—are accelerating the globalization of their production activities, the Target Company Group is now finding it difficult to survive the increasingly intense market competition, unless it

hastens efforts to promote and reinforce its own global expansion which has been the issue to be addressed. Competition is also expected to intensify in the industrial storage battery market due to the emergence of newcomers and technological innovations in anticipation of market expansion. Given this environment, the Target Company recognizes that it will be difficult to remain competitive unless it develops and provides products that meet market needs by further reinforcing and differentiating its comprehensive electricity storage device business.

In addition, in June 2010, Hitachi, the parent company of the Company, formulated strategies for the entire Hitachi Group with respect to the battery businesses and announced the strategy as “Strengthening the Battery Business with a Focus on Lithium-Ion Batteries.” Hitachi has stated that it will expand its business through the sales of battery cells and, using the technological strengths of the Hitachi Group, promote the rollout of the battery solution business, which includes the production of systems for maintaining optimum control of battery recharging and discharging, along with maintenance and other related services, under the leadership of Battery Systems Company, Hitachi’s in-house company established on April 1, 2010, comprised of two existing companies—Hitachi Maxell, Ltd. and Hitachi Vehicle Energy, Ltd. Hitachi has also stated that it will collaborate with the Target Company in promoting the business of storage batteries for large-scale industrial applications.

On November 25, 2011, “Hitachi to Realign Battery Business Framework” was announced by Hitachi, stating that it would reorganize the Hitachi Group’s battery business into a framework organized by application, specifically, consumer, automotive and industrial systems applications. According to the announcement, the oversight for businesses relating to batteries for industrial applications, including the large-scale industrial lithium-ion batteries that have been conventionally handled by Battery Systems Company, will be centralized at the Target Company, effective January 1, 2012. Making the most of its customer base already established through the business of industrial lead storage batteries, the Target Company is to seek speedier expansion of the industrial storage battery business, including large-scale industrial lithium-ion batteries.

Under these circumstances, since around August 2011, the Company and the Target Company have repeatedly discussed measures to further enhance our enterprise value. As a result, we have concluded that the Company’s acquiring full ownership in the Target Company through the Tender Offer and subsequent related transactions would be beneficial for increasing the enterprise value of the Target Company, as well as that of the Company Group on the whole. On the part of the Target Company Group, this would enable greater access to the overseas network and the extensive financial and R&D resources of the Company Group, helping the Target Company Group to promote global development and expand R&D investments to reinforce its product lineups, thereby accelerating the expansion of its scale of operations in the electricity storage device market relating to the expectedly growing social infrastructure and energy fields, as well as in the overseas automotive parts market. Both parties agreed that these would help enhance not only the Target Company’s enterprise value but also the enterprise value of the Company Group as a whole, and the Tender Offer was resolved at a meeting of the Company’s Board of Directors, held on November 25, 2011. The Company believes that its whole ownership in the Target Company will enable the Company Group to implement more flexible management strategies from medium- and long-term perspectives.

Specifically, the Target Company’s becoming a wholly-owned subsidiary of the Company is expected to enhance both parties’ enterprise value by carrying out the following measures.

- 1) In the expectedly growing electricity storage device business, which includes industrial lead storage and lithium-ion batteries, lithium-ion capacitors and condensers, establishing a value chain that ranges from material procurement, assembly, packaging and systemization to maintenance and inspection by integrating the technologies and solutions of the Company Group, mainly the Target Company, and Battery Systems Company of Hitachi would further enhance the Target Company’s competitive edge in the electricity storage device market. Regarding battery materials, for example, the Company Group enjoys the world’s top share of the anode material for lithium-ion batteries. Deepening the cooperative

relationship between the Company Group and the Target Company would therefore lead to enhanced performance of the batteries, as the Company Group would not just be providing the Target Company with excellent anode material but also will be cooperating in many other ways, including in the characteristic evaluation of the anode material when combined with the other materials that constitute the batteries. In addition, the closer relationship with Battery Systems Company of Hitachi would enable the concentration of its human resources to the Target Company, which would reinforce the battery control technologies, thereby improving the performance of the battery system as a whole.

- 2) In terms of manufacturing, mutual exploitation at the global level of the Target Company and the Company Groups' manufacturing facilities, chiefly for plastic products, would not only increase the efficiency and capacity of production but also will enable responses in accordance with the Business Continuity Plan of the Company Group. For the procurement of materials, increased joint purchasing would enable cutbacks in procurement costs.
- 3) In terms of distribution, the Company Group has many distribution bases overseas, which would become available for the Target Company Group to distribute its automotive lead storage batteries and industrial storage batteries in overseas. Meanwhile, the Target Company Group would be able to reinforce its product lineup at the distribution bases. The Company Group's distribution network for the battery products now extends from the United States to Germany, China, Hong Kong, Taiwan, South Korea, Singapore, Thailand and India. Distributors in these areas may need some time before being able to distribute the products of the Target Company Group, but they will begin distribution as soon as they get ready. For plastic products, the Company Group would benefit from access to the Target Company Group's distribution network to expand sales. There are some plastic products for which the Company and the Target Company compete against each other, but clearly dividing the products to be provided between the two parties could improve the efficiency of distribution on both sides.
- 4) In terms of research and development, technological cooperation and the joint development of new products would be expedited. The Company's whole ownership in the Target Company would allow the Target Company Group to use the Company Group's surplus funds for a wider range of R&D efforts and to use the Company's R&D resources to enhance the performance of its electricity storage devices by improving the characteristics of conventional materials and developing new ones. For plastic products, the differentiation of products from competitors would be enabled by promoting the joint development of resin even by addressing the composition thereof, and it would become possible for the Target Company to develop and manufacture plastic products using resin developed by the Company.
- 5) In terms of new businesses, the Company and the Target Company could cooperate with each other to increase the lineup of businesses for which future market growth is expected, including LEDs, car-mounted automotive parts and thermal management materials for releasing effectively the heat generated by home electrical appliances and computer peripherals. We will also share our distribution networks to help expand the scale of business operations.
- 6) Finally, in terms of capital strategies, the Target Company's becoming a wholly-owned subsidiary of the Company would enable the Target Company Group's greater access to the surplus funds of the Company Group for investing in equipment, and more flexible capital budgeting decisions for investment in large-scale projects from the Company's groupwide perspective.

Regarding the management policies, etc., of the Target Company after the Tender Offer and the Target Company becoming a wholly-owned subsidiary of the Company, nothing has been determined at this time, but the Company plans to continue discussions with the Target Company even after the Tender Offer and the acquisition of full ownership take place.

In addition, according to the Target Company, there is a possibility of causing some difference in economic effect between shareholders of the Target Company who would have tendered their shares in the Tender Offer

and those who would not have tendered if the year-end dividend above is distributed with the record date of March 31, 2012, a day that will come after the settlement of the Tender Offer. Accordingly, the Target Company, at the meeting of its Board of Directors held today, revised the dividend forecast for the year ending March 31, 2012, and resolved not to distribute the year-end dividend for the year ending March 31, 2012, on the condition that the Tender Offer is consummated.

(3) Measures to ensure the fairness of the Tender Offer, including measures to ensure the fairness of the Tender Offer price and to avoid conflicts of interest

The Company and the Target Company have taken the following actions to ensure the fairness of the Tender Offer, including measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest in view of the fact that the Target Company is a consolidated subsidiary of the Company as of the date hereof and two directors of the Target Company concurrently serve as the Company's executive officers.

1) Acquisition of the valuation report on the equity value received from an independent third-party appraiser

In determining the Tender Offer Price, the Company requested Nomura Securities Co., Ltd. ("Nomura Securities"), a financial advisor and third-party appraiser independent from the Company and the Target Company, to calculate the equity value of the Target Company shares as one of the measures to ensure the fairness of the Tender Offer Price. The Company received the valuation report on the equity value of the Target Company (the "Valuation Report for the Company," calculation basis date: November 24, 2011) from Nomura Securities on November 24, 2011. (The Company has not obtained an opinion on the fairness of the valuation results of the Tender Offer Price, the so-called Fairness Opinion, from Nomura Securities.) To calculate the equity value of the Target Company shares, Nomura Securities used the average market share price method, the comparable company analysis method and the discounted cash flow method (the "DCF" method). The range of valuations per share of common stock of the Target Company calculated according to each method is as follows.

(a) Average market share price method: ¥1,260 to ¥1,324

Under the average market share price method, Nomura Securities judged the value per share of common stock to be ¥1,260 to ¥1,324 based on the closing price of the Target Company's common stock on the First Section of the Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange") on the record date of November 24, 2011, the average closing price for the most recent six months, three months, one month and five business days. (The prices are 1,260, 1,279, 1,324, 1,302 and 1,288, respectively. Respective average closing prices are rounded to the nearest yen.)

(b) Comparable company analysis method: ¥878 to ¥1,377

Under the comparable company analysis method, Nomura Securities judged the value per share of common stock to be ¥878 to ¥1,377, evaluating the Target Company's equity value by comparing share prices and financial indicators which indicate profitability of listed companies engaged in relatively similar businesses to those of the Target Company.

(c) DCF method: ¥1,479 to ¥1,751

Under the DCF method, Nomura Securities judged the value per share of common stock to be ¥1,479 to ¥1,751 after analyzing enterprise value and equity value by discounting free cash flows the Target Company is expected to generate in the future by a certain discount rate to arrive at a net present value. This analysis was based on the Target Company's projected future profits and investment plan, taking into consideration an interview with the management of the Target Company, public information disclosures and other contributing factors.

The Company took into account the valuation results received from Nomura Securities using each method in its Valuation Report for the Company as reference and comprehensively considered the results

of due diligence to the Target Company; examples of premiums added as of determining Tender Offer Prices in past examples of Tender Offers for shares by entities other than issuers; whether the Board of Directors of the Target Company would approve the Tender Offer; the market share price trend of the Target Company shares of common stock; the expected number of subscriptions to the Tender Offer; and other factors. Furthermore, taking into account the results of consultations and negotiations with the Target Company, the final Tender Offer Price was determined to be ¥1,710 per share of common stock.

The Tender Offer Price per share of ¥1,710 represents a premium of 35.71% (rounded to the second decimal place, which is also applicable to the following premiums) added to the closing price of ¥1,260 of the Target Company shares of common stock on the First Section of the Tokyo Stock Exchange on November 24, 2011, one business day prior to the date hereof. It also represents a premium of 31.34% added to the simple average of ¥1,302 (rounded to the nearest yen, which is also applicable to the following simple averages) of the closing price of the Target Company shares of common stock for the past one month (from October 25 to November 24, 2011), likewise, a premium of 29.15% added to the simple average ¥1,324 of the closing price for the past three months (from August 25 to November 24, 2011) and a premium of 33.70% added to the simple average of ¥1,279 of the closing price for the past six months (from May 25 to November 24, 2011).

- 2) Acquisition by the Target Company of the valuation report on the equity value received from an independent third-party appraiser

According to the Target Company, the Target Company requested that Daiwa Securities Capital Markets Co. Ltd. (“Daiwa Securities CM”), a third-party appraiser independent from the Company and the Target Company, calculate the equity value of the Target Company shares as part of its decision-making process concerning the Tender Offer and received the valuation report on November 24, 2011, from Daiwa Securities CM. According to the Target Company, the Target Company has not obtained an opinion on the fairness of the valuation results of the Tender Offer Price, the so-called Fairness Opinion, from Daiwa Securities CM.

Again according to the Target Company, pursuant to the request from the Target Company, Daiwa Securities CM used two share price computation methods in its valuation report for the Target Company in computing the equity value of the Target Company shares: one was the market share price method, an objective valuation method that reflects various factors such as profitability, quality of assets and potential of the Target Company, and is based on market prices that are formed in capital markets. The other was the DCF method, according to which the present values of cash flows are evaluated by discounting future free cash flows that will be produced at an appropriate discount rate in response to business risks by taking into account reasonable assumptions such as revenue projections and investment plans that are compliant with the business plans of the Target Company. According to the Target Company, it received the valuation report from Daiwa Securities CM on November 24, 2011. The share price computation methods adopted by Daiwa Securities CM and the range of valuations per share of common stock of the Target Company calculated according to each method were as follows: With the market share price method, based on the closing price of ¥1,321 on November 22, 2011, the record date, the average of the closing prices of ¥1,307 for the past one month (rounded to the nearest yen; hereinafter the same shall apply to values of the average of the closing prices), the average of the closing prices of ¥1,321 for the past three months and the average of the closing prices of ¥1,277 for the past six months of the Target Company shares on the First Section of the Tokyo Stock Exchange, the per-share price of the Target Company shares was calculated to be ¥1,277 to ¥1,321. Meanwhile, with the DCF method, the per-share price of the Target Company shares was calculated to be ¥1,473 to ¥2,034. According to the Target Company, its business plan does not anticipate a considerable increase or decrease in earnings.

According to the Target Company, Daiwa Securities CM as an independent third-party appraiser is not a related party of the Company or the Target Company and does not have any significant interest to be

mentioned in the Tender Offer.

3) Legal advice from an independent law office in the Target Company

According to the Target Company, to ensure the fairness and appropriateness of the decision making of its Board of Directors, the Target Company appointed Anderson Mori & Tomotsune, which is independent of the Company and the Target Company, as a legal advisor and received their advice concerning the decision-making methods of its Board of Directors and process regarding the Tender Offer and a series of subsequent procedures to be implemented thereafter.

4) Setting up a third-party committee in the Target Company

According to the Target Company, the Target Company has set up a third-party committee, which consists of three members—Shinsuke Hasegawa (Certified Public Accountant; Hasegawa Certified Public Accountant Office), Akito Takahashi (Lawyer; Takahashi & Katayama Law Office) and Takao Okawa (an outside director of the Target Company; designated as an independent director in accordance with the regulations of Tokyo Stock Exchange and Osaka Securities Exchange Co., Ltd. (“Osaka Securities Exchange”), both of which were notified as such)—all of whom are independent of the Company and the Target Company, for the purpose of eliminating arbitrariness in decision making regarding the Tender Offer and ensuring fairness, transparency and objectiveness in the decision-making process of the Target Company. The Target Company at its Board of Directors’ meeting resolved to consult with the third-party committee on the following matters and consulted thereon: (a) whether the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary will contribute to raising the enterprise value of the Target Company; (b) whether fairness is ensured with regard to the terms and conditions of the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary (including the Tender Offer Price in the Tender Offer); (c) whether the interests of all shareholders are fully considered in the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary through fair procedures; and (d) whether the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary are not disadvantageous to minority shareholders of the Target Company.

According to the Target Company, the third-party committee met five times and the aforementioned matters for consultation were prudently discussed thereat. In inspecting and discussing the above matters for consultation, the third-party committee heard an explanation from the Target Company about the content of the proposal from the Company, the Tender Offer and the Procedure for Making the Target Company a Wholly-owned Subsidiary defined in (Item (4) “Policy on matters including organizational restructuring after the Tender Offer (matters concerning the so-called Two-Step Acquisition)” below), as well as specific descriptions of the enterprise value of the Target Company, which is expected to be raised along with these procedures. According to the Target Company, a similar explanation was also given by the Company. In addition, during the discussions, the third-party committee referred to the valuation report for the Target Company, which was submitted by Daiwa Securities CM to the Target Company, and heard an explanation on the valuation of the equity value of the Target Company shares. Furthermore, the third-party committee heard an explanation on the Tender Offer and a series of subsequent procedures to be implemented thereafter from Anderson Mori & Tomotsune, the legal advisor to the Target Company. According to the Target Company, on the premise of these discussions, the third-party committee submitted a report on November 24, 2011 to the effect that (a) the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary contribute to raising the enterprise value of the Target Company; (b) fairness be ensured with regard to the terms and conditions of the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary (including the Tender Offer Price in the Tender Offer); (c) the interests of all shareholders are fully considered in the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary through fair



procedures; and (d) the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary are not disadvantageous to minority shareholders of the Target Company.

5) Approval of all the directors attending the Board of Directors' meeting in the Target Company

According to the Target Company, the Target Company prudently studied the terms and conditions concerning the Tender Offer by taking into account the valuation report on equity value obtained from Daiwa Securities CM, legal advice given by Anderson Mori & Tomotsune, the report of the third-party committee and other relevant materials. Again according to the Target Company, as a result of careful discussions on the terms and conditions, the Target Company judged that the Tender Offer would be beneficial to the improvement of the enterprise value of the Target Company; the Tender Offer Price and other conditions concerning the Tender Offer are adequate; and the Tender Offer would provide shareholders of the Target Company with reasonable opportunities to sell their shares at an appropriate price. Consequently, the Target Company at its Board of Directors' meeting held on November 25, 2011, expressed approval of the Tender Offer and all the directors present unanimously adopted a resolution to recommend that its shareholders subscribe to the Tender Offer. This meeting was attended by seven of the nine directors.

According to the Target Company, among the Target Company's outside directors, Kazuyoshi Tsunoda and Shunichiro Uchimura, both of whom concurrently serve as executive officers of the Tender Offeror, did not participate in the discussion and resolutions by the Board of Directors concerning the Tender Offer to avoid any conflict of interest and were not involved in consultations and negotiations with the Company from the standpoint of representing the Target Company.

6) Setting the Tender Offer period at a relatively long period

By setting the Tender Offer Period to 30 business days, which is notably longer than the statutory minimum period of 20 business days, the Company guarantees the fairness of the Tender Offer Price by ensuring the possibility of a purchase or the like of the Target Company shares by another purchaser while providing the shareholders of the Target Company with adequate opportunity to reflect on the application for subscriptions to the Tender Offer.

The Company and the Target Company have not entered into any agreement that would restrict any opposing purchaser from having contact with the Target Company in case any such opposing purchaser other than the Company surfaces.

(4) Policy on matters including organizational restructuring after the Tender Offer (matters concerning the so-called Two-Step Acquisition)

As described in Item (1) "Outline of the Tender Offer" above, the Company aims to make the Target Company a wholly-owned subsidiary (such process hereafter referred to as the "Procedure for Making the Target Company a Wholly-Owned Subsidiary") and intends to obtain all the issued Target Company shares (exclusive of the treasury stock held by the Target Company; hereinafter the same shall apply through Item (4)) through the Tender Offer and a series of subsequent procedures to be implemented thereafter.

If the Company cannot acquire all the issued Target Company shares, it aims to execute a procedure to acquire all the issued Target Company shares by taking the following methods after the Tender Offer comes into effect.

Specifically, after the Tender Offer comes into effect, the Company intends to request that the Target Company hold an extraordinary general meeting of shareholders (the "Extraordinary Shareholders' Meeting"), which would include agenda Items 1) through 3) as follows: 1) the Articles of Incorporation of the Target Company shall be partly amended to make the Target Company a corporation issuing class shares (*shuruikabushiki-hakkou-kaisha*) under the Companies Act (Law No. 86 of 2005, inclusive of subsequent revisions; hereinafter the same shall apply); 2) the Articles of Incorporation of the Target Company shall be partly amended to the effect that all the issued Target Company shares of common stock shall be appended with

a call provision (*zenbu-shutoku-joko*) (a provision set forth in Article 108, Paragraph 1, Item 7, of the Companies Act; hereinafter the same shall apply); and 3) a different class of the Target Company shares shall be issued by the Target Company in exchange for acquiring all the Target Company shares with the call provision (exclusive of the treasury stock held by the Target Company).

Furthermore, the Target Company will be made into a corporation issuing class shares under the Companies Act on the condition that agenda Item 1) above is approved by the Extraordinary Shareholders' Meeting. However, to make the partial amendment to the Articles of Incorporation come into effect with respect to agenda Item 2), pursuant to Article 111, Paragraph 2, Item 1, of the Companies Act, it will be necessary, in addition to the resolution regarding approved of agenda Item 2) adopted by the Extraordinary Shareholders' Meeting, to have a resolution at a meeting of shareholders with class shares (the "Class Shareholders' Meeting"), at which the participants will be shareholders who hold the Target Company shares of common stock with the call provision. For this purpose, the Company will also request that the Target Company hold the Class Shareholders' Meeting on the same date as the Extraordinary Shareholders' Meeting to include agenda Item 2) above for partial amendment to the Articles of Incorporation. Meanwhile, the Company intends to approve the respective agenda items above at the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting.

If all of the agenda items above are approved by the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting of the Target Company, all shares of common stock issued by the Target Company will be subject to the call provision and shall be acquired by the Target Company (exclusive of the treasury stock held by the Target Company) and a different class of the Target Company shares shall be delivered to such shareholders of the Target Company (exclusive of the Target Company) as consideration for such acquisition by the Target Company. Shareholders who are to receive fractions of the different class of the Target Company shares will receive cash as consideration, which will be obtained through a sale of the different class of the Target Company shares that correspond to the sum of all such fractions (including the purchase of the whole or a part of the sum of such fractions by the Target Company; fractions of the aggregate number to be rounded down) through the procedures pursuant to Article 234 of the Companies Act and other applicable laws and regulations. The selling price of the different class of the Target Company shares corresponding to the sum of all such fractions is expected to be calculated so that the resulting amount to be delivered to each shareholder through the sale becomes equal to the amount of the Tender Offer Price multiplied by the number of the Target Company shares of common stock held by such a shareholder. Thereafter, an application for permission of voluntary sale will be filed with a competent court. Although the class and number of the Target Company shares to be newly delivered as consideration for the acquisition of the Target Company shares of common stock with the call provision has not been determined as of the date hereof, in order to enable the Company to acquire all the issued Target Company shares, the Target Company will determine that the shares which must be delivered to shareholders who have not subscribed to the Tender Offer other than the Company shall be limited to such fractions of the different class of the Target Company shares.

The Company intends to request that the Target Company acquire all the Target Company shares of common stock with the call provision (exclusive of the treasury stock held by the Target Company) in March 2012, in principle.

As provisions to protect the rights of minority shareholders in connection with the above respective procedures 1) through 3), the Companies Act provides that (i) in the event of partial amendment to the Articles of Incorporation of the Target Company regarding agenda Item 2) above, any shareholder may request that the Target Company purchase his/her shares in accordance with Articles 116 and 117 of the Companies Act and other applicable laws and regulations, and that (ii) in case agenda Item 3) above has been resolved by a General Meeting of Shareholders of the Target Company, any shareholder may file a petition for determination of a fair price for the acquisition in accordance with Article 172 of the Companies Act and other applicable laws and regulations. In addition, the purchase price and the acquisition price per share under (i) or (ii) above would be determined in the last instance by a competent court.

Furthermore, depending on such factors as the interpretation of the competent authorities on the applicable

laws and regulations or the like, with respect to the Company's holding status of the Target Company shares after the Tender Offer and the holding status of the Target Company shares by shareholders other than the Company, there is a possibility that the procedure for the Company to acquire all the issued shares of the Target Company could be executed using another method that would have similar effects to the respective procedures, instead of the procedures stated in Items 1) through 3). In addition, the timing of execution might be changed. However, even in such a case, the Company intends to finally deliver cash to shareholders of the Target Company other than the Company in accordance with the procedures set forth in the applicable laws and regulations. In such cases, the resulting cash amount to be delivered to the relevant shareholders is expected to be calculated to become equal to the amount of the Tender Offer Price multiplied by the number of the Target Company shares of common stock held by the respective shareholders. In this case, the specific procedure shall be immediately released upon the decision thereof through consultations with the Target Company.

The Tender Offer is not intended to solicit shareholders of the Target Company to vote in favor of the proposals to be put to the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting.

(5) Likelihood of the delisting of the shares and the reasons thereof

As of the date hereof, the common stock of the Target Company is listed on the First Section of the Tokyo Stock Exchange and the First Section of the Osaka Securities Exchange. As the Company has not set the maximum limit to the number of shares to be purchased through the Tender Offer, the Target Company shares may be subject to delisting upon the fulfillment of certain predetermined procedures if the result of the Tender Offer falls under the delisting standards of the Tokyo Stock Exchange and the Osaka Securities Exchange. In addition, even if the delisting standards are not met upon completion of the Tender Offer, the Target Company shares will be delisted through the prescribed procedure in accordance with the delisting standards of the Tokyo Stock Exchange and the Osaka Securities Exchange if the relevant procedure below is executed because the Company intends to make the Target Company a wholly-owned subsidiary by executing the Procedure for Making the Target Company a Wholly-Owned Subsidiary, as described in (4) "Policy on matters including organizational restructuring after the Tender Offer (Matters concerning the so-called Two-Step Acquisition)" above. Trading of common stock of the Target Company will become unavailable on the Tokyo Stock Exchange and the Osaka Securities Exchange after the delisting.

- (6) Matters concerning material agreement regarding the application to the Tender Offer between the Tender Offeror and shareholders of the Target Company  
Not applicable

2. Outline of the Tender Offer and Other Information

(1) Outline of the Target Company

1) Company name	Shin-Kobe Electric Machinery Co., Ltd.
2) Head office	8-1 Akashi-Cho, Chuo-Ku, Tokyo
3) Name and title of representative	Shigeru Ito, President, Chief Executive Officer
4) Description of businesses	<ol style="list-style-type: none"> <li>1. Manufacture and sales of various kinds of batteries and accessories thereof;</li> <li>2. Manufacture and sales of electrical machinery and appliances;</li> <li>3. Manufacture and sales of equipment related to electric-motor carts and electric vehicles;</li> <li>4. Manufacture and sales of electronic machinery and appliances, as well as electronic materials and parts;</li> <li>5. Manufacture and sales of synthetic resin molded products and applied or processed products thereof, as well as manufacture and sales of raw</li> </ol>

	materials of these products ; 6. Design, construction and contracting for electrical works, electric communication works, machine/appliance installation works, civil engineering works, steel-structured works (e.g., bridges) and other construction works; and 7. Any and all businesses pertaining to any of the above items.	
5) Paid-in capital	¥2,546,775 thousand (As of September 30, 2011)	
6) Date of establishment	November 30, 1948	
7) Major shareholders and shareholdings (as of September 30, 2011)	Hitachi Chemical Co. Ltd.	58.26%
	The Master Trust Bank of Japan, Ltd. (Trust Account)	6.84%
	Japan Trustee Services Bank, Ltd. (Trust Account)	6.33%
	Nippon Life Insurance Company	3.53%
	Sompo Japan Insurance Inc.	1.71%
	Toyota Motor Corporation	1.66%
	Japan Trustee Services Bank, Ltd. (Trust Account 9)	1.17%
	Mizuho Trust & Banking Co., Ltd.	1.04%
	Shin-Kobe Electric Machinery Employees' Shareholding Association	0.86%
	Mellon Bank Treaty Clients Omnibus (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement & Clearing Services Division)	0.85%
8) Relationships between the Company and the Target Company		
Capital relationships (Note)	The Company holds the Target Company shares, which are equivalent to a shareholding of 58.26% of the total number of issued shares, thereby making the Target Company a consolidated subsidiary thereof. (As of November 25, 2011)	
Personnel relationships	The Company has dispatched two directors to the Target Company. In addition, two employees of the Company are seconded to the Target Company.	
Transaction relationships	The Company and the Target Company concluded a licensing agreement to use the other party's brand value. Under this agreement, the Target Company has been licensed to use the Hitachi brand, for which the Target Company pays fee to the Company.	
Status as a Related Party	The Target Company is a consolidated subsidiary of the Company, and therefore is a related party of the Company.	

Note: The shareholding to the total number of issued shares is rounded to the second decimal place.

(2) Schedule, etc.

1) Schedule

Date of resolution by the Board of Directors	Friday, November 25, 2011
Date of public notice of commencement of the Tender Offer	Thursday, December 1, 2011
Newspaper for public notice	A public notice shall be made electronically, and a notice shall be published in the <i>Nihon Keizai Shimbun</i> . Web site for making public notices electronically:

	<a href="http://info.edinet-fsa.go.jp/">http://info.edinet-fsa.go.jp/</a>
Date of submission of TOB registration statement	Thursday, December 1, 2011

2) Initial period of the Tender Offer in the registration  
From Thursday, December 1, 2011 to Thursday, January 19, 2012 (30 business days)

3) Possibility of extending the above period upon request of the Target Company  
None

(3) Tender Offer Price

¥1,710 per share of common stock

(4) Basis of calculation of the tender offer price

1) Basis of calculation

In determining the Tender Offer Price, the Company requested Nomura Securities, a financial advisor and third-party appraiser independent from the Company and the Target Company, to calculate the equity value of the Target Company shares as one of the measures to ensure the fairness of the Tender Offer Price. The Company received the Valuation Report for the Company from Nomura Securities on November 24, 2011. (The Company has not obtained an opinion on the fairness of the valuation results of the Tender Offer Price, the so-called Fairness Opinion, from Nomura Securities.) To calculate the equity value of the Target Company shares, Nomura Securities used the average market share price method, the comparable company analysis method and the DCF method. The range of valuations per share of common stock of the Target Company calculated according to each method is as follows.

(a) Average market share price method: ¥1,260 to ¥1,324

Under the average market share price method, Nomura Securities judged the value per share of common stock to be ¥1,260 to ¥1,324 based on the closing price of the Target Company's common stock on the First Section of the Tokyo Stock Exchange on the record date of November 24, 2011, the average closing price for the most recent six months, three months, one month and five business days. (The prices are 1,260, 1,279, 1,324, 1,302 and 1,288, respectively. Respective average closing prices are rounded to the nearest yen.)

(b) Comparable company analysis method: ¥878 to ¥1,377

Under the comparable company analysis method, Nomura Securities judged the value per share of common stock to be ¥878 to ¥1,377, evaluating the Target Company's equity value by comparing share prices and financial indicators which indicate profitability of listed companies engaged in relatively similar businesses to those of the Target Company.

(c) DCF method: ¥1,479 to ¥1,751

Under the DCF method, Nomura Securities judged the value per share of common stock to be ¥1,479 to ¥1,751 after analyzing enterprise value and equity value by discounting free cash flows the Target Company is expected to generate in the future by a certain discount rate to arrive at a net present value. This analysis was based on the Target Company's projected future profits and investment plan, taking into consideration an interview with the management of the Target Company, public information disclosures and other contributing factors.

The Company took into account the valuation results received from Nomura Securities using each method in its Valuation Report for the Company as reference and comprehensively considered the results

of due diligence to the Target Company; examples of premiums added as of determining Tender Offer Prices in past examples of Tender Offers for shares by entities other than issuers; whether the Board of Directors of the Target Company would approve the Tender Offer; the market share price trend of the Target Company shares of common stock; the expected number of subscriptions to the Tender Offer; and other factors. Furthermore, taking into account the results of consultations and negotiations with the Target Company, the final Tender Offer Price was determined to be ¥1,710 per share of common stock.

The Tender Offer Price per share of ¥1,710 represents a premium of 35.71% added to the closing price of ¥1,260 of the Target Company shares of common stock on the First Section of the Tokyo Stock Exchange on November 24, 2011, one business day prior to the date hereof. It also represents a premium of 31.34% added to the simple average of ¥1,302 of the closing price of the Target Company shares of common stock for the past one month (from October 25 to November 24, 2011), likewise, a premium of 29.15% added to the simple average ¥1,324 of the closing price for the past three months (from August 25 to November 24, 2011) and a premium of 33.70% added to the simple average of ¥1,279 of the closing price for the past six months (from May 25 to November 24, 2011).

## 2) Background of the valuation

(Background to the decision regarding the Tender Offer Price)

In recent years, the business environment that surrounds the Company Group, including the Target Company Group, has been undergoing drastic and rapid changes. As automotive manufacturers—the major customers of the Target Company Group—are accelerating the globalization of their production activities, the Target Company Group is now finding it difficult to survive the increasingly intense market competition, unless it hastens efforts to promote and reinforce its own global expansion which has been the issue to be addressed. Competition is also expected to intensify in the industrial storage battery market due to the emergence of newcomers and technological innovations in anticipation of market expansion. Given this environment, the Target Company recognizes that it will be difficult to remain competitive unless it develops and provides products that meet market needs by further reinforcing and differentiating its comprehensive electricity storage device business.

In addition, in June 2010, Hitachi, the parent company of the Company, formulated strategies for the entire Hitachi Group with respect to the battery businesses and announced the strategy as “Strengthening the Battery Business with a Focus on Lithium-Ion Batteries.” Hitachi has stated that it will expand its business through the sales of battery cells and, using the technological strengths of the Hitachi Group, promote the rollout of the battery solution business, which includes the production of systems for maintaining optimum control of battery recharging and discharging, along with maintenance and other related services, under the leadership of Battery Systems Company, Hitachi’s in-house company established on April 1, 2010, comprised of two existing companies—Hitachi Maxell, Ltd., and Hitachi Vehicle Energy, Ltd. Hitachi has also stated that it will collaborate with the Target Company in promoting the business of storage batteries for large-scale industrial applications.

On November 25, 2011, “Hitachi to Realign Battery Business Framework” was announced by Hitachi, stating that it would reorganize the Hitachi Group’s battery business into a framework organized by application, specifically, consumer, automotive and industrial systems applications. According to the announcement, the oversight for businesses relating to batteries for industrial applications, including the large-scale industrial lithium-ion batteries that have been conventionally handled by Battery Systems Company, will be centralized at the Target Company, effective January 1, 2012. Making the most of its customer base already established through the business of industrial lead storage batteries, the Target Company is to seek speedier expansion of the industrial storage battery business, including large-scale industrial lithium-ion batteries.

Under these circumstances, since around August 2011, the Company and the Target Company have repeatedly discussed measures to further enhance our enterprise value. As a result, we have concluded that

the Company's acquiring full ownership in the Target Company through the Tender Offer and subsequent related transactions would be beneficial for increasing the enterprise value of the Target Company, as well as that of the Company Group on the whole. On the part of the Target Company Group, this would enable greater access to the overseas network and the extensive financial and R&D resources of the Company Group, helping the Target Company Group to promote global development and expand R&D investments to reinforce its product lineups, thereby accelerating the expansion of its scale of operations in the electricity storage device market relating to the expectedly growing social infrastructure and energy fields, as well as in the overseas automotive parts market. Both parties agreed that these would help enhance not only the Target Company's enterprise value but also the enterprise value of the Company Group as a whole, and the Tender Offer was resolved at a meeting of the Company's Board of Directors, held on November 25, 2011. Consequently, the Company determined to conduct the Tender Offer and decided on the Tender Offer Price in the following manner.

(i) Name of the Third Party from which the Company obtained valuations

In determining the Tender Offer Price, the Company requested that Nomura Securities, a financial advisor and third-party appraiser independent from the Company and the Target Company, to calculate the equity value of the Target Company shares. The Company received the Valuation Report for the Company from Nomura Securities on November 24, 2011. (The Company has not obtained an opinion on the fairness of the valuation results of the Tender Offer Price, the so-called Fairness Opinion, from Nomura Securities.)

(ii) Outline of the Valuation Report for the Company

To calculate the equity value of the Target Company shares, Nomura Securities used the average market share price method, the comparable company analysis method and the DCF method. The range of valuations per share of common stock of the Target Company calculated according to each method is as follows.

- (a) Average market share price method: ¥1,260 to ¥1,324
- (b) Comparable company analysis method: ¥878 to ¥1,377
- (c) DCF method: ¥1,479 to ¥1,751

(iii) Process for determining the Tender Offer Price based on the Valuation Report for the Company

The Company took into account the valuation results received from Nomura Securities using each method in its Valuation Report for the Company as reference and comprehensively considered the results of due diligence to the Target Company; examples of premiums added as of determining Tender Offer Prices in past examples of Tender Offers for shares by entities other than issuers; whether the Board of Directors of the Target Company would approve the Tender Offer; the market share price trend of the Target Company shares of common stock; the expected number of subscriptions to the Tender Offer; and other factors. Furthermore, taking into account the results of consultations and negotiations with the Target Company, the final Tender Offer Price was determined to be ¥1,710 per share of common stock.

(Measures to ensure the fairness of the Tender Offer, including measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest)

The Company and the Target Company have taken the following actions to ensure the fairness of the Tender Offer, including measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest in view of the fact that the Target Company is a consolidated subsidiary of the Company as of the date hereof and two directors of the Target Company concurrently serve as the Company's executive

officers.

- (i) Acquisition of the valuation report on the equity value received from an independent third-party appraiser

In determining the Tender Offer Price, the Company requested Nomura Securities, a financial advisor and third-party appraiser independent from the Company and the Target Company, to calculate the equity value of the Target Company shares as one of the measures to ensure the fairness of the Tender Offer Price. The Company received the valuation report on the equity value of the Target Company from Nomura Securities on November 24, 2011. (The Company has not obtained an opinion on the fairness of the valuation results of the Tender Offer Price, the so-called Fairness Opinion, from Nomura Securities.)

The Company took into account the valuation results received from Nomura Securities using each method in its Valuation Report for the Company as reference and comprehensively considered the results of due diligence to the Target Company; examples of premiums added as of determining Tender Offer Prices in past examples of Tender Offers for shares by entities other than issuers; whether the Board of Directors of the Target Company would approve the Tender Offer; the market share price trend of the Target Company shares of common stock; the expected number of subscriptions to the Tender Offer; and other factors. Furthermore, taking into account the results of consultations and negotiations with the Target Company, the final Tender Offer Price was determined to be ¥1,710 per share of common stock.

The Tender Offer Price per share of ¥1,710 represents a premium of 35.71% added to the closing price of ¥1,260 of the Target Company shares of common stock on the First Section of the Tokyo Stock Exchange on November 24, 2011, one business day before the date of this release. It also represents a premium of 31.34% added to the simple average of ¥1,302 of the closing price of the Target Company shares of common stock for the past one month (from October 25 to November 24, 2011), likewise, a premium of 29.15% added to the simple average ¥1,324 of the closing price for the past three months (from August 25 to November 24, 2011) and a premium of 33.70% added to the simple average of ¥1,279 of the closing price for the past six months (from May 25 to November 24, 2011).

- (ii) Acquisition by the Target Company of the valuation report on the equity value received from an independent third-party appraiser

According to the Target Company, the Target Company requested that Daiwa Securities CM, a third-party appraiser independent from the Company and the Target Company, calculate the equity value of the Target Company shares as part of its decision-making process concerning the Tender Offer and received the valuation report on November 24, 2011, from Daiwa Securities CM. According to the Target Company, the Target Company has not obtained an opinion on the fairness of the valuation results of the Tender Offer Price, the so-called Fairness Opinion, from Daiwa Securities CM.

Again according to the Target Company, pursuant to the request from the Target Company, Daiwa Securities CM used two share price computation methods in its valuation report for the Target Company in computing the equity value of the Target Company shares: one was the market share price method, an objective valuation method that reflects various factors such as profitability, quality of assets and potential of the Target Company, and is based on market prices that are formed in capital markets. The other was the DCF method, according to which the present values of cash flows are evaluated by discounting future free cash flows that will be produced at an appropriate discount rate in response to business risks by taking into account reasonable assumptions such as revenue projections and investment plans that are compliant with the business plans of the Target Company.



According to the Target Company, it received the valuation report from Daiwa Securities CM on November 24, 2011. The share price computation methods adopted by Daiwa Securities CM and the range of valuations per share of common stock of the Target Company calculated according to each method were as follows: With the market share price method, based on the closing price of ¥1,321 on November 22, 2011, the record date, the average of the closing prices of ¥1,307 for the past one month, the average of the closing prices of ¥1,321 for the past three months and the average of the closing prices of ¥1,277 for the past six months of the Target Company shares on the First Section of the Tokyo Stock Exchange, the per-share price of the Target Company shares was calculated to be ¥1,277 to ¥1,321. Meanwhile, with the DCF method, the per-share price of the Target Company shares was calculated to be ¥1,473 to ¥2,034. According to the Target Company, its business plan does not anticipate a considerable increase or decrease in earnings.

According to the Target Company, Daiwa Securities CM as an independent third-party appraiser is not a related party of the Company or the Target Company and does not have any significant interest to be mentioned in the Tender Offer.

(iii) Legal advice from an independent law office in the Target Company

According to the Target Company, to ensure the fairness and appropriateness of the decision making of its Board of Directors, the Target Company appointed Anderson Mori & Tomotsune, which is independent of the Company and the Target Company, as a legal advisor and received their advice concerning the decision-making methods of its Board of Directors and process regarding the Tender Offer and a series of subsequent procedures to be implemented thereafter.

(iv) Setting up a third-party committee in the Target Company

According to the Target Company, the Target Company has set up a third-party committee, which consists of three members—Shinsuke Hasegawa (Certified Public Accountant; Hasegawa Certified Public Accountant Office), Akito Takahashi (Lawyer; Takahashi & Katayama Law Office) and Takao Okawa (an outside director of the Target Company; designated as an independent director in accordance with the regulations of Tokyo Stock Exchange and Osaka Securities Exchange, both of which were notified as such)—all of whom are independent of the Company and the Target Company, for the purpose of eliminating arbitrariness in decision making regarding the Tender Offer and ensuring fairness, transparency and objectiveness in the decision-making process of the Target Company. The Target Company at its Board of Directors' meeting resolved to consult with the third-party committee on the following matters and consulted thereon: (a) whether the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary will contribute to raising the enterprise value of the Target Company; (b) whether fairness is ensured with regard to the terms and conditions of the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary (including the Tender Offer Price in the Tender Offer); (c) whether the interests of all shareholders are fully considered in the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary through fair procedures; and (d) whether the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary are not disadvantageous to minority shareholders of the Target Company.

According to the Target Company, the third-party committee met five times and the aforementioned matters for consultation were prudently discussed thereat. In inspecting and discussing the above matters for consultation, the third-party committee heard an explanation from the Target Company about the content of the proposal from the Company, the Tender Offer and the Procedure for Making the Target Company a Wholly-Owned Subsidiary, as well as specific descriptions of the enterprise value of the Target Company, which is expected to be raised along with these procedures. According to the Target Company, a similar explanation was also given by the

Company. In addition, during the discussions, the third-party committee referred to the valuation report for the Target Company, which was submitted by Daiwa Securities CM to the Target Company, and heard an explanation on the valuation of the equity value of the Target Company shares. Furthermore, the third-party committee heard an explanation on the Tender Offer and a series of subsequent procedures to be implemented thereafter from Anderson Mori & Tomotsune, the legal advisor to the Target Company. According to the Target Company, on the premise of these discussions, the third-party committee submitted a report on November 24, 2011 to the effect that (a) the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary contribute to raising the enterprise value of the Target Company; (b) fairness be ensured with regard to the terms and conditions of the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary (including the Tender Offer Price in the Tender Offer); (c) the interests of all shareholders are fully considered in the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary through fair procedures; and (d) the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary are not disadvantageous to minority shareholders of the Target Company.

(v) Approval of all the directors attending the Board of Directors' meeting in the Target Company

According to the Target Company, the Target Company prudently studied the terms and conditions concerning the Tender Offer by taking into account the valuation report on equity value obtained from Daiwa Securities CM, legal advice given by Anderson Mori & Tomotsune, the report of the third-party committee and other relevant materials. Again according to the Target Company, as a result of careful discussions on the terms and conditions, the Target Company judged that the Tender Offer would be beneficial to the improvement of the enterprise value of the Target Company; the Tender Offer Price and other conditions concerning the Tender Offer are adequate; and the Tender Offer would provide shareholders of the Target Company with reasonable opportunities to sell their shares at an appropriate price. Consequently, the Target Company at its Board of Directors' meeting held on November 25, 2011, expressed approval of the Tender Offer and all the directors present unanimously adopted a resolution to recommend that its shareholders subscribe to the Tender Offer. This meeting was attended by seven of the nine directors.

According to the Target Company, among the Target Company's outside directors, Kazuyoshi Tsunoda and Shunichiro Uchimura, both of whom concurrently serve as executive officers of the Tender Offeror, did not participate in the discussion and resolutions by the Board of Directors concerning the Tender Offer to avoid any conflict of interest and were not involved in consultations and negotiations with the Company from the standpoint of representing the Target Company.

(vi) Setting the Tender Offer Period at a relatively long period

By setting the Tender Offer Period to 30 business days, which is notably longer than the statutory minimum period of 20 business days, the Company guarantees the fairness of the Tender Offer Price by ensuring the possibility of a purchase or the like of the Target Company shares by another purchaser while providing the shareholders of the Target Company with adequate opportunity to reflect on the application for subscriptions to the Tender Offer.

The Company and the Target Company have not entered into any agreement that would restrict any opposing purchaser from having contact with the Target Company in case any such opposing purchaser other than the Company surfaces.

3) Relationship with the Third-Party appraiser

Nomura Securities, a financial advisor as a third-party appraiser of the Company, is not a Related Party of the Company or the Target Company, and does not have any significant interest in the Tender Offer.

(5) Number of Shares to Be Purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
21,090,267 shares	— shares	— shares

- Notes:
1. As the maximum and minimum limits to the number of shares to be purchased through the Tender Offer are not set, all of the tendered shares will be purchased. The maximum number of shares of the Target Company to be acquired by the Tender Offeror through the Tender Offer is stated in the “Number of Shares to Be Purchased.” This number indicates the Target Company shares (21,090,267 shares) that are to be obtained by deducting the number of shares held by the Tender Offeror as of the date hereof (29,672,816 shares) and the number of shares of treasury stock held by the Target Company as of September 30, 2011 (172,417 shares), which are stated in the “Consolidated Financial Summary (For the First Half Ended September 30, 2011) [Japanese GAAP]” filed by the Target Company on October 25, 2011, from the total number of issued shares of the Target Company as of September 30, 2011 (50,935,500 shares), which are stated in the interim-term financial report for the 90th term filed by the Target Company on November 14, 2011.
  2. Less-than-one-unit shares are also eligible for the Tender Offer. In addition, the Target Company may purchase its own shares during the Tender Offer Period, pursuant to applicable laws and regulations, if shareholders owning less-than-one-unit shares exercise their right to request purchase of their shares in accordance with the relevant provisions of the Companies Act.
  3. The Company does not intend to acquire treasury stock held by the Target Company through the Tender Offer.

(6) Changes in the Shareholdings due to the Tender Offer

Number of voting rights represented by shares held by the Tender Offeror immediately before the Tender Offer	29,672 units	(Shareholdings immediately before the Tender Offer: 58.45 %)
Number of voting rights represented by shares held by Special Related Parties immediately before the Tender Offer	Yet to be determined	(Shareholdings immediately before the Tender Offer: yet to be determined)
Number of voting rights represented by shares to be purchased by the Tender Offer	21,090 units	(Shareholdings after the Tender Offer: 100.00%)
Total number of voting rights held by all the shareholders et al. in the Target Company	50,418 units	

- Notes:
1. The “Number of voting rights represented by shares to be purchased by the Tender Offer” indicates the number of voting rights relating to the number of shares to be purchased in the Tender Offer (21,090,267 shares).
  2. The “Number of voting rights represented by shares held by Special Related Parties immediately before the Tender Offer,” which is undetermined as of the date hereof, will be disclosed by December 1, 2011, the date of public notice of commencement of the Tender Offer, after an investigation. Because the shares held by the respective Special Related Parties (exclusive of the treasury stock held by the Target Company being a Special Related Party) are also subject to the Tender Offer, the “Number of voting rights represented by shares held by Special Related Parties immediately before the Tender Offer” is not

included in the numerator of the calculation for “Shareholdings after the Tender Offer”. In addition, the number of voting rights (50,763 units) concerning Shin-Kobe Electric Machinery shares (50,763,083 shares), which is the sum of Shin-Kobe Electric Machinery shares held by the Tender Offeror as of the date hereof (29,672,816 shares) and the number of shares to be purchased in the Tender Offer (21,090,267 shares), is used as the numerator.

3. The “Total number of voting rights held by all the shareholders et al. in the Target Company” indicates the number of voting rights of all the shareholders of the Target Company (1,000 shares represent the number of shares per unit (“*tangen*”)) as of September 30, 2011, which are stated in the interim-term financial report for the 90th term filed as of November 14, 2011. Because a maximum limit has not been set in the Tender Offer and all the shares issued by the Target Company (exclusive of the treasury stock held by the Target Company) are subject to the Tender Offer, the “Shareholdings immediately before the Tender Offer” and the “Shareholdings after the Tender Offer” were calculated using the number of voting rights (50,763 units) as the denominator with respect to the Target Company shares (50,763,083 shares), which is derived by deducting the number of shares of treasury stock held by the Target Company as of September 30, 2011 (172,417 shares), which was stated in the “Consolidated Financial Summary (For the First Half Ended September 30, 2011) [Japanese GAAP]” publicly announced on October 25, 2011, from the total number of issued shares of the Target Company as of September 30, 2011 (50,935,500 shares), which was stated in the interim-term financial report, as the “Total number of voting rights held by all the shareholders et al. in the Target Company.”
4. The figures in the “Shareholdings immediately before the Tender Offer” and the “Shareholdings after the Tender Offer” were rounded to the second decimal place.

(7) Tender Offer cost

¥36,064 million

Note: The Tender Offer cost is calculated by multiplying 21,090,267 shares (Number of shares to be purchased) by the Tender Offer Price for each share of ¥1,710.

(8) Method of settlement

- 1) Name and location of Head Office of securities companies/Banks, etc., in charge of settlement  
Nomura Securities Co., Ltd.  
9-1, Nihombashi 1-chome, Chuo-ku, Tokyo

- 2) Commencement date of settlement  
Thursday, January 26, 2012

- 3) Method of settlement

On the expiration of the Tender Offer Period, the Tender Offeror will, without delay, send notice of the Tender Offer purchases to the addresses of tendering shareholders (in the case of a foreign resident who does not hold a working account with the Tender Offer Agent (including institutional shareholders), to its standing proxy). If electronic delivery of documents has been approved by tendering shareholders on the “Nomura Net & Call” Internet service, the notice will be delivered to them electronically on the Nomura Net & Call Web site (<https://nc.nomura.co.jp/>).

Purchases will be made in cash. Payment for purchased shares will be made by means of remittance, etc., in accordance with the instructions of tendering shareholders. (Fees may be incurred for remitting payment.)

(9) Other conditions and methods of the Tender Offer

- 1) Conditions set forth in the Respective Items of Article 27-13, Paragraph 4, of the Financial Instruments

and Exchange Law (Law No. 25 of 1948, including Amendments thereof; the “Law”) and details thereof

As the maximum and minimum limits to the number of shares to be purchased through the Tender Offer are not set, the Tender Offeror will purchase all of the tendered shares.

2) Conditions of withdrawal of the Tender Offer, Details thereof and method of disclosing the withdrawal

Upon the occurrence of any event falling under the provisions of Article 14, Paragraph 1, Items 1.1 through 1.9 and 1.12 through 1.18, Items 3.1 through 3.8 and 3.10, and Article 14, Paragraph 2, Items 3 through 6, of the Enforcement Regulations of the Financial Instruments and Exchange Law (Regulation No. 321 of 1965, including amendment thereof; the “Enforcement Regulations”), the Company may withdraw the Tender Offer. Meanwhile, in the Tender Offer, “a fact that is similar to any of the facts contained in Items 1.1 through 1.9,” which is set forth in Article 14, Paragraph 1, Item 3.10, of the Enforcement Regulations, refers to the cases where false description is found with regard to a significant matter or any significant matter is omitted in the statutory disclosure documents that have been previously filed with the authorities by the Target Company. If the Company decides to withdraw the Tender Offer, it will make a public notice electronically and publish a notice in the *Nihon Keizai Shimbun*. Provided, however, that if it is difficult to make such a public notice by the end of the Tender Offer Period, the Company will make an announcement as provided for in Article 20 of the Cabinet Office Ordinance regarding Disclosure of Tender Offers for Shares, etc., by Entities Other than Issuers (Ministry of Finance Ordinance No. 38 of 1990, including amendment thereof; the “Ordinance”) and thereafter give notice without delay.

3) Conditions for reducing the Tender Offer Price, details thereof and method of disclosing the reduction

If the Target Company takes any actions provided for in Article 13, Paragraph 1 of the Enforcement Regulations during the Tender Offer Period in accordance with the provisions of Article 27-6, Paragraph 1, Item 1 of the Law, the Tender Offer Price may be reduced in accordance with the provisions of Article 19, Paragraph 1 of the Ordinance. If the Tender Offeror decides to reduce the Tender Offer Price, the Tender Offeror will make a public notice electronically, and publish a notice in the *Nihon Keizai Shimbun*. Provided, however, that if it is difficult to make such a public notice by the end of the Tender Offer Period, the Tender Offeror will make an announcement as provided for in Article 20 of the Ordinance and thereafter give notice without delay. If the Tender Offer Price is reduced, the shares tendered before the public notice, will also be purchased at the reduced Tender Offer Price.

4) Matters concerning tendering shareholders’ rights to cancel agreements

Any tendering shareholder may cancel agreements relating to the Tender Offer at any time during the Tender Offer Period. Tendering shareholders intending to cancel an agreement with the Tender Offer Agent should deliver or send a Cancellation Statement for Tender Offer Agreement (the “Cancellation Statement”), along with the tender offer application acceptance receipt to the head office or any nationwide branch office of the Tender Offer Agent who accepted the application, by 3:30 p.m. on the last day of the Tender Offer Period. Provided, however, that the Cancellation Statement sent by the tendering shareholders must reach said offices by no later than 3:30 p.m. on the last day of the Tender Offer Period as a prerequisite. To cancel any such agreement made through Nomura Net & Call Web site, conduct the cancellation procedure in accordance with the instructions on the relevant Web site (<https://nc.nomura.co.jp/>) or send the Cancellation Statement. To cancel the agreement via the Nomura Net & Call Web site, follow the instructions on the screen to complete the cancellation procedures by 3:30 p.m. on the last day of the Tender Offer Period. To cancel the agreement by sending the Cancellation Statement, request a Cancellation Statement format in advance from Nomura Net & Call and then send the filled format to Nomura Net & Call. (If a receipt had been delivered by the Tender Offer Agent when the Tender Offer was applied, it is required to attach the receipt to the Cancellation Statement.) The Cancellation

Statement sent by the tendering shareholders to Nomura Net & Call also must reach said offices by no later than 3:30 p.m. on the last day of the Tender Offer Period as a prerequisite.

The Tender Offeror will not make any claim for damages or the payment of penalties to a tendering shareholder if a tendering shareholder cancels an agreement. In addition, the Tender Offeror will bear the costs of returning tendered shares.

The agent with the authority to receive a Cancellation Statement:

Nomura Securities Co., Ltd.

9-1, Nihombashi 1-chome, Chuo-ku, Tokyo

(and any other nationwide branch offices in Japan)

5) Method of disclosure if conditions, etc., of the Tender Offer are changed

If the Tender Offeror decides to change the Tender Offer conditions, etc., the Tender Offeror will make a public notice electronically, and publish a notice in the *Nihon Keizai Shimbun* detailing the changes. Provided, however, that if it is difficult to make such a public notice by the end of the Tender Offer Period, the Tender Offeror will make an announcement as provided for in Article 20 of the Ordinance and thereafter give notice without delay. If Tender Offer conditions, etc., are changed, shares tendered before the public notice will also be purchased under the amended conditions.

6) Method of disclosure when submitting an Amendment Statement

If an Amendment Statement is filed with the Director of the Kanto Local Finance Bureau in Japan, the Tender Offeror will immediately announce details from the Amendment Statement that are related to the contents of the public notice of the commencement of the Tender Offer, in accordance with the manner prescribed by Article 20 of the Ordinance. The Tender Offeror will also immediately amend the Tender Offer Explanatory Statement and deliver the amended statement to the tendering shareholders who have already received the Tender Offer Explanatory Statement. However, if the changes are only minor in nature, the Tender Offeror will prepare a document stating the reasons for such amendments, the items that have been amended and the details, and deliver said document to tendering shareholders.

7) Method of disclosing Tender Offer results

The Tender Offeror will publicly announce the results of the Tender Offer the day after the last day of the Tender Offer Period, in accordance with the provisions of Article 9-4 of the Enforcement Regulations and of Article 30-2 of the Ordinance.

(10) Date of public notice of commencement of the Tender Offer

Thursday, December 1, 2011

(11) Tender Offer agent

Nomura Securities Co., Ltd.

9-1, Nihombashi 1-chome, Chuo-ku, Tokyo

3. Management policy and outlook after the Tender Offer

(1) Management policy after the Tender Offer

Refer to 1. "Purpose of the Tender Offer" with regard to the management policy after the Tender Offer.

(2) Outlook for future business performance after the Tender Offer

The expected impact of the Tender Offer on projected business results for the fiscal year under review is being investigated at present and will be disclosed without delay in case a need of amending the performance

projections or any matter to be publicly announced arises.

#### 4. Other information

##### (1) Agreement between the Tender Offeror and the Target Company and/or its Directors

According to the Target Company, the Target Company requested that Daiwa Securities CM, a third-party appraiser independent from the Company and the Target Company, calculate the equity value of the Target Company shares as part of its decision-making process concerning the Tender Offer and received the valuation report on November 24, 2011, from Daiwa Securities CM.

Also according to the Target Company, to ensure the fairness and appropriateness of the decision making of its Board of Directors, the Target Company appointed Anderson Mori & Tomotsune, which is independent of the Company and the Target Company, as a legal advisor and received their advice concerning the decision-making methods of its Board of Directors and process regarding the Tender Offer and a series of subsequent procedures to be implemented thereafter.

In addition, for the purpose of eliminating arbitrariness in decision making regarding the Tender Offer and ensuring fairness, transparency and objectiveness in the decision-making process of the Target Company, the Target Company has set up a third-party committee for consultation. The third-party committee submitted a report to the Board of Directors of the Target Company on November 24, 2011 to the effect that (a) the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary contribute to raising the enterprise value of the Target Company; (b) fairness be ensured with regard to the terms and conditions of the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary (including the Tender Offer Price in the Tender Offer); (c) the interests of all shareholders are fully considered in the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary through fair procedures; and (d) the Tender Offer and the subsequent process of making the Target Company a wholly-owned subsidiary are not disadvantageous to minority shareholders of the Target Company. According to the Target Company, the Target Company prudently studied the terms and conditions concerning the Tender Offer by taking into account the valuation report on equity value obtained from Daiwa Securities CM, legal advice given by Anderson Mori & Tomotsune, the report of the third-party committee and other relevant materials. As a result, the Target Company judged that the Tender Offer would be beneficial to the improvement of the enterprise value of the Target Company; the Tender Offer Price and other conditions concerning the Tender Offer are adequate; and the Tender Offer would provide shareholders of the Target Company with reasonable opportunities to sell their shares at an appropriate price. The Target Company at its Board of Directors' meeting held on November 25, 2011, expressed approval of the Tender Offer and all the directors present unanimously adopted a resolution to recommend that its shareholders subscribe to the Tender Offer. This meeting was attended by seven of the nine directors.

According to the Target Company, among the Target Company's outside directors, Kazuyoshi Tsunoda and Shunichiro Uchimura, both of whom concurrently serve as executive officers of the Tender Offeror, did not participate in the discussion and resolutions by the Board of Directors concerning the Tender Offer to avoid any conflict of interest and were not involved in consultations and negotiations with the Company from the standpoint of representing the Target Company.

Please refer to (2) "Decision-making process of the Tender Offer, and management policy after the Tender Offer" and (3) "Measures to ensure the fairness of the Tender Offer including measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" of 1. "Purpose of the Tender Offer with regard to the decision-making process of the tender offer and details of measures to avoid conflicts of interest."

##### (2) Other information considered necessary for helping investors decide whether to subscribe to the Tender Offer

According to the Target Company, there is a possibility of causing some difference in economic effect between shareholders of the Target Company who would have tendered their shares in the Tender Offer and those who would not have tendered if the year-end dividend above is distributed with the record date of March

31, 2012, a day that will come after the settlement of the Tender Offer. Accordingly, the Target Company, at the meeting of its Board of Directors held today, revised the dividend forecast for the year ending March 31, 2012, and resolved not to distribute the year-end dividend for the year ending March 31, 2012, on the condition that the Tender Offer is consummated.



**[Insider Trading Regulations]**

In accordance with the provisions of Article 167, Paragraph 3 of the Financial Instruments and Exchange Law and Article 30 of its Enforcement Regulations, anyone having read this press release is considered a primary recipient of information from the viewpoint of insider trading regulations. The Company accordingly urges you to exercise due care as you may be prohibited from purchasing the shares, etc. of the Target Company before 12 hours have passed from the time of this announcement (the time when it is posted on the Company Announcements Service page of Tokyo Stock Exchange's Web site on the afternoon of November 25, 2011). If you are held liable under criminal, civil, or administrative laws for making such a prohibited purchase, the Company notes that it will assume no responsibility whatsoever.

**[Restrictions on Solicitation]**

This press release is to announce the Tender Offer and has not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first read the Explanatory Document for the Tender Offer and make their own decision. This press release does not constitute, nor form part of, any offer or invitation to buy, sell, exchange or otherwise dispose of, or issue, or any solicitation of any offer to sell or issue, exchange or otherwise dispose of, buy or subscribe for, any securities. In addition, this press release does not constitute, or form part of, any offer or invitation to sell, or any solicitation of any offer to purchase any securities in any jurisdiction, nor shall it (or any part of it) or the fact of its distribution form the basis of or be relied on in connection with any agreement thereof.

**[Prospects]**

This press release may include certain forward-looking statements with expressions such as "anticipate," "forecast," "intend," "plan," "believe" and "assume," including those related to the future business of the Company and other corporations. Such forward-looking statements are based on the views of the management of the Company on its business forecasts at this time, and actual results may differ from such descriptions depending on future circumstances. As for the press release, the Company shall undertake no obligation to update any forward-looking statements to reflect events or circumstance that may arise after this release.

**[In Other Countries]**

In some countries or regions, the release, issuance or distribution of this press release is legally limited or restricted. In such countries or regions, care should be taken with respect to those limits and regulations, and conform to the national or local regulations. In countries or regions in which the execution of the Tender Offer is illegal, this press release or its translation shall serve as information only and you cannot apply to sell or purchase share certificates, etc., related to the Tender Offer.

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Information contained in this news release is current as of the date of the press announcement, but may be subject to change without prior notice.

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