



Requests to Nidec Corporation and Corresponding Reasons

Makino Milling Machine Co.,
Ltd.

January 31, 2025

The Company's Special Committee has made the below requests to Nidec Corporation

Request 1: To postpone the commencement date of the Tender Offer from April 4, 2025 to May 9, 2025

Request 2: To raise the lower limit on the number of shares to be purchased in the Tender Offer from 50% to two-thirds of the total voting rights of all shareholders

Request 3: To refrain from any actions, statements, etc. that may discourage counterproposals from white knights or other investors



A certain amount of time is necessary in order to consider the Proposal from the perspective of corporate value and shareholders' interests, and to consider all strategic options

■ Matters requiring consideration

- In light of Principle 1: “Principle of Corporate Value and Shareholders’ Common Interests” from the “Guidelines for Corporate Takeovers” (the Guidelines), our Board of Directors and the Special Committee are required to consider whether Nidec Corporation’s proposal (the Proposal) aligns with the Company’s corporate value and shareholders’ interests.
- With regard to the terms of the acquisition, after assessing the Company’s intrinsic value, it is necessary to make all reasonable efforts to extract more favorable terms in light of this intrinsic value (see page 14 of the Guidelines).
- It is also necessary to thoroughly assess whether there are any other alternatives or strategic options that better align with the Company’s corporate value and shareholders’ interests than the Proposal (see page 25 of the Guidelines).



If the Tender Offer commences on April 4, the substantial consideration period will be less than three months, which is too short to secure the interests of our shareholders

■ **The Company's position on the period for consideration of the Proposal**

- The Proposal was made on the last day of business without prior consultation, leaving a substantial consideration period of less than three months starting January 6, 2025.
- Nidec Corporation's letter of intent states that it began considering the Proposal around August 2024, giving approximately five months for deliberation. In contrast, a consideration period of less than three months for our response is disproportionately short and unfair.
- Given that general "response policies for acquisition" also set a period of four months or more in total for information gathering and consideration, with an information provision period being at least 60 days, and a period for consideration by the board of directors being 60 days or more, the request for postponement to May 9 is not an unreasonable extension.
- Furthermore, in the case of AZ-COM Maruwa's unsolicited acquisition proposal for Chilled & Frozen Logistics Holdings, there was a period of six months or more from the initial acquisition proposal (October 2023) to the commencement of the Tender Offer (May 2, 2024) after the formal acquisition proposal (March 2024); thus, the request for a postponement to May 9 is a reasonable request.

Request 1: The commencement of the Tender Offer should be postponed for the purpose of 4.1.2 of the Guidelines

The Proposal under which the Tender Offer will commence on April 4 falls under the category of “if. . . time period is objectively considered insufficient” “to consider and prepare for the acquisition” in 4.1.2 of the Guidelines

“Guidelines for Corporate Takeovers” of the Ministry of Economy, Trade and Industry (excerpt)

4.1.2 Provision of Time to Consider the Acquisition Proposal

For the target company’s shareholders to have the opportunity to make an informed judgement, it is important that the shareholders and the board of directors are provided not only with information, but also given sufficient time to consider.

If a tender offer is launched without negotiations with the target company, there may be insufficient time for the target company’s shareholders and board of directors to consider and prepare for the acquisition. Under the tender offer regulation, a target company may extend the tender offer period for up to 30 business days, but if such time period is objectively considered insufficient,⁴⁸ it is advisable for the acquiring party to set a longer tender offer period than originally proposed, or extend the period for a reasonable time period, taking into account the needs of the target company and its shareholders.

If the target company’s shares are acquired through a rapid open-market purchase rather than by way of a tender offer, the target company’s shareholders and the board of directors may not have sufficient time to make a decision. Generally speaking, it is advisable for the acquiring party to design a process and time schedule that allows sufficient time for shareholders and others to make its decisions.

* Excerpt from the “Guidelines for Corporate Takeovers” of the Ministry of Economy, Trade and Industry (red lines added by the Company)

■ The Company’s assessment of the timing and period of the Proposal

- i. In addition to the fact that no negotiation was conducted with the Company, the Company was notified of the Tender Offer suddenly without prior consultation
- ii. The Proposal was made suddenly on the last day of business before the year-end and New Year holidays
- iii. The announced commencement date of the Tender Offer, April 4, 2025, falls after the end of the Company’s fiscal year ending March 2025, which is the busiest time of the year
- iv. The Tender Offer period is only 31 business days

▶ The Company and the Special Committee do not have sufficient resources to analyze and consider the Proposal. This falls under the category of “if such time period is objectively considered insufficient” in 4.1.2 of the Guidelines.



“Unsolicited” proposals without prior consultation are uncommon even in the United States, and there are almost no examples of such proposals in Japan

The Company

We believe that your company’s method of announcing the acquisition proposal without any prior consultation was, regrettably, an unscrupulous approach that deviated from normal practice in Japan and the United States

[T]here are numerous examples where no prior consultations or inquiries were conducted, or where only minimal consultation periods were provided. These include Oracle’s acquisition of PeopleSoft, Microsoft’s acquisition proposal for Yahoo!, Valeant’s acquisition proposal for Allergan, Teva’s acquisition proposal for Mylan, and Elon Musk’s acquisition of Twitter. . .

Nidec Corporation

- According to the opinions of leading law firms in the United States and other experts, hostile takeovers in the United States are often conducted after the negotiations of a friendly deal with the target company have not been successful. In addition, “unsolicited” proposals without prior consultation are not common even in the United States. In cases where there is no prior consultation, there are often special circumstances related to the acquisition. (There was some form of prior contact in all 9 hostile takeovers identified in U.S. databases over the past three years, and in 13 out of 15 hostile takeovers in the past five years.)
- Even in the examples cited by Nidec Corporation, such as Oracle’s acquisition of PeopleSoft, Elon Musk’s acquisition of Twitter, Microsoft’s acquisition proposal for Yahoo!, and Valeant’s acquisition proposal for Allergan, there was some form of prior consultation. (For details on Oracle’s acquisition of PeopleSoft and Elon Musk’s acquisition of Twitter, please refer to the appendix.)
- In the case of Alimentation Couche-Tard’s acquisition proposal for Seven & i Holdings and the acquisition of Takisawa conducted by Nidec Corporation itself, the acquirers conducted prior consultation.



Nidec Corporation justified the fact that it made no prior consultation by emphasizing “transparency,” but we believe this claim is not based on the Guidelines.

[O]ur decision to proceed with the Proposal and its announcement without prior consultation was made in consideration of the principles outlined in the Guidelines. Specifically, the “principle of shareholder primacy” and the “principle of transparency”, which are required for acquisitions aimed at obtaining management control of listed companies, were key factors. From the very outset of this transaction, we have sought to communicate the full context to your company’s shareholders (and the market) through a completely transparent process. . .

Nidec Corporation

“Guidelines for Corporate Takeovers” of the Ministry of Economy, Trade and Industry (excerpt)

Chapter 4	Increased Transparency Regarding Acquisitions	30
4.1	Information Disclosure and Provision of Time by the Acquiring Party.....	30
4.1.1	Acquisition of Shares and Disclosure of Information by an Acquiring Party.....	30
4.1.2	Provision of Time to Consider the Acquisition Proposal.....	35
4.2	Information Disclosure by Target Company.....	36
4.3	Preventing Acts that Distort Shareholder Decision-Making.....	37

* Excerpt from the “Guidelines for Corporate Takeovers” of the Ministry of Economy, Trade and Industry (red box added by the Company)

■ Concept of “transparency” in the Guidelines

- In Chapter 4 of the Guidelines, “Increased Transparency Regarding Acquisitions,” in addition to “information disclosure,” “provision of time to consider” is required.
- The same chapter also mentions entering into a confidentiality agreement between the acquiring party and the target company, but it does not mention the absence of prior consultation, and Nidec Corporation’s claim that making no prior consultation contributes to “transparency” is not necessarily consistent with the Guidelines.



The decision to set the commencement date of the Tender Offer as April 4 is driven by Nidec Corporation's preference, and there is insufficient time for the Company's shareholders to evaluate the validity of the Tender Offer price.

■ **Basis for setting the commencement date of the Tender Offer as April 4**

- According to Nidec Corporation's Letter of Intent, this is only because it is expected that Nidec Corporation will be able to obtain permits and licenses under the competition laws in each country in early April 2025.
- Apart from Nidec Corporation's procedures for the permits and licenses, for the Company's shareholders, there is no inherent necessity for the commencement date to be set for April 4, 2025, nor for the last day of the Tender Offer period to be May 21, 2025.

▶ Setting the commencement date as April 4 is based on Nidec Corporation's preference.

■ **Problems with setting the commencement date of the Tender Offer as April 4**

- Prior to the commencement of the Tender Offer, the Company's shareholders will not be able to determine whether the Tender Offer price based on the Proposal is a favorable price based on the results of the Company's financial results for the fiscal year ending March 2025 (the Company's sales are usually the largest in the fourth quarter of each year), which is contrary to the interests of the Company's shareholders.
- Under the tender offer regulations, an upper limit on the tender offer period is set based on the premise that during a tender offer period, shareholders will be placed in an unusually unstable position, and therefore, "prior to" a tender offer period, in which shareholders are placed in an unstable position, it is necessary to set a period for shareholders to deliberate on whether to tender their shares for the tender offer based on the announced results of the Company's financial results.

▶ There is insufficient time for the Company's shareholders to consider whether the Tender Offer price is favorable.

In an interview, Mr. Shigenobu Nagamori, Nidec Corporation's Founder and Chairman of the Board, made a remark suggesting that the purpose of omitting prior consultation is to prevent the appearance of a white knight.

Interview Excerpts

- ***Interviewer: How did you proceed with the acquisition negotiations with Makino Milling Machine?***
- ***Mr. Nagamori: This time, we have not negotiated in advance. If we negotiate for a takeover and prolong the process, the other party might find a white knight (a friendly acquirer), which would take too much time.***

* Excerpted from the Nikkei Business electronic edition distributed on December 27, 2024, titled "Nidec Nagamori 'can't spend time in the face of the threat from China' and makes TOB for Makino Milling Machine"

■ Problems with his remarks

- It seems that in order to avoid negotiations with the Company and the emergence of a white knight, Nidec Corporation did not make any prior consultation and insists on speeding up the commencement of the Tender Offer.
- Seeking competing proposals is regarded as important in the Guidelines to aim for "the best available transaction terms for the shareholders" (pages 25-27 of the Guidelines) and avoiding this would be detrimental to shareholders' interests.

Request 1: The consideration period of approximately four months until the Tender Offer commences is not long



In recent similar cases, it took more than half a year from a prior consultation to the commencement of a tender offer, and even if the consideration period for this case is approximately four months, it is not particularly long.

■ Major recent cases of tender offer without consent in Japan

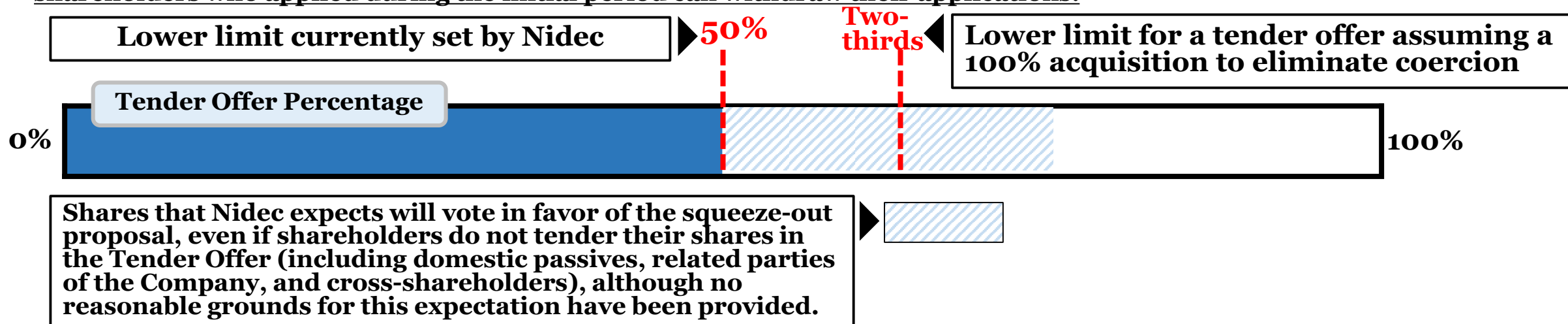
Acquirer/ Target Company	Date on which an inquiry for the takeover (acquisition of shares) was (supposedly) made (a)	Commencement date of tender offer (b)	Number of days from (a) to (b) ((c))
ITOCHU Corporation/ Descente	<p>In June 2018, ITOCHU “<u>raised issues with respect to the Target Company’s business strategy and strongly demanded that the Target Company reconsider its policy, examine measures to improve the situation and implement such measures</u>”.</p> <p>* At the time of the above request, the target company was the tender offeror’s equity-method affiliate (to which directors were dispatched). * Since the target company did not respond to the above request, ITOCHU made additional purchases in July to October 2018. * The press release of the commencement of the tender offer states that the tender offerors “did not have any prior discussion with the Target Company with respect to the Tender Offer”.</p>	January 31, 2019	<u>Approximately eight months</u>
Colowide/ Ootoya HD	<p>In November 2019, Corowide asked the target company <u>to participate in the tender offeror group through friendly M&A.</u></p>	July 10, 2020	<u>Approximately seven and a half months</u>
Nippon Steel/ Tokyo Rope MFG	<p>From mid-May 2017 to mid-February 2020, they held meetings on an ongoing basis.</p> <p>* In and after the general meeting in June 2017, Nippon Steel <u>opposed the proposal for the election of directors.</u> * Japan Steel acquired up to 9.91% of shares of the target company in the market on January 6 and 14, 2021.</p>	January 22, 2021	<u>Approximately 11 months from the last meeting</u>
SBI HD/ Shinsei Bank	<p>In early September 2019, SBI HD <u>proposed a capital and business alliance and requested a DD for the tender offer.</u></p>	September 10, 2021	<u>Approximately two years</u>
Dojima Kisen/ Hyoki Kaiun	<p>On April 17, 2024, the tender offeror’s parent company, Fuyo Kaiun, <u>proposed a capital and business alliance.</u></p> <p>* There was no prior discussion between the tender offeror itself and the target company.</p>	October 18, 2024	<u>Approximately six months</u>

Request 2: Raise the lower limit on the number of shares to be purchased in the Tender Offer to two-thirds or more

Jan. 31, 2025

The lower limit of 50% for the tender offer may exert coercion (= feeling compelled to tender shares against their will) on the shareholders. Therefore, the lower limit should be two-thirds or more.

- **A tender offer in which the lower limit does not reach a level sufficient to ensure a squeeze-out creates coercion*. At the current lower limit of 50%, which is set by Nidec, coercion is created because the implementation of a squeeze-out is uncertain.**
- *Coercion: A situation in which even if a shareholder does not want to tender their shares in a tender offer, they feel compelled to do so against their will because they are concerned that such tender offer may be consummated at a level at which a squeeze-out cannot be implemented, and as a result, they would remain as minority shareholders and be at a disadvantage.
- **The Financial Services Agency's Guidelines for Disclosure of a Tender Offer require an explanation of "the reasons why ... considers that the lower limit ... is necessary and appropriate to achieve the purpose of the acquisition, if the lower limit ..., which is likely to fall below two-thirds of the voting rights of all shareholders." In the case of a tender offer aiming for a 100% acquisition, the lower limit should generally be two-thirds or more of the total voting rights in order to avoid coercion.**
- **In the shareholder proposal, Nidec expected that shareholders, including related parties of the Company, would exercise their voting rights in favor of the squeeze-out proposal even if they do not tender their shares in the Tender Offer, but Nidec has not provided any reasonable grounds for this.**
- **The additional tender offer period, unlike systems in the UK and other countries, does not eliminate coercion because shareholders who applied during the initial period can withdraw their applications.**



There are concerns that the actions and statements of Mr. Shigenobu Nagamori , Nidec’s Corporation Founder and Chairman of the Board, which discourage competing proposals, may hinder the search for best available transaction terms.

Interview Excerpts

- *Interviewer: How would you deal with a white knight if one emerged?*
- *Mr. Nagamori: When we were taking over Takisawa, we found that a certain company had made a counter-offer to take over Takisawa, but it came much later, not immediately after our tender offer. However, internally, I said “We should be prepared for situations like this.” If a white knight appears and raises the purchase price, we would be willing to make a tender offer to the white knight.*

■ Problems with his remarks

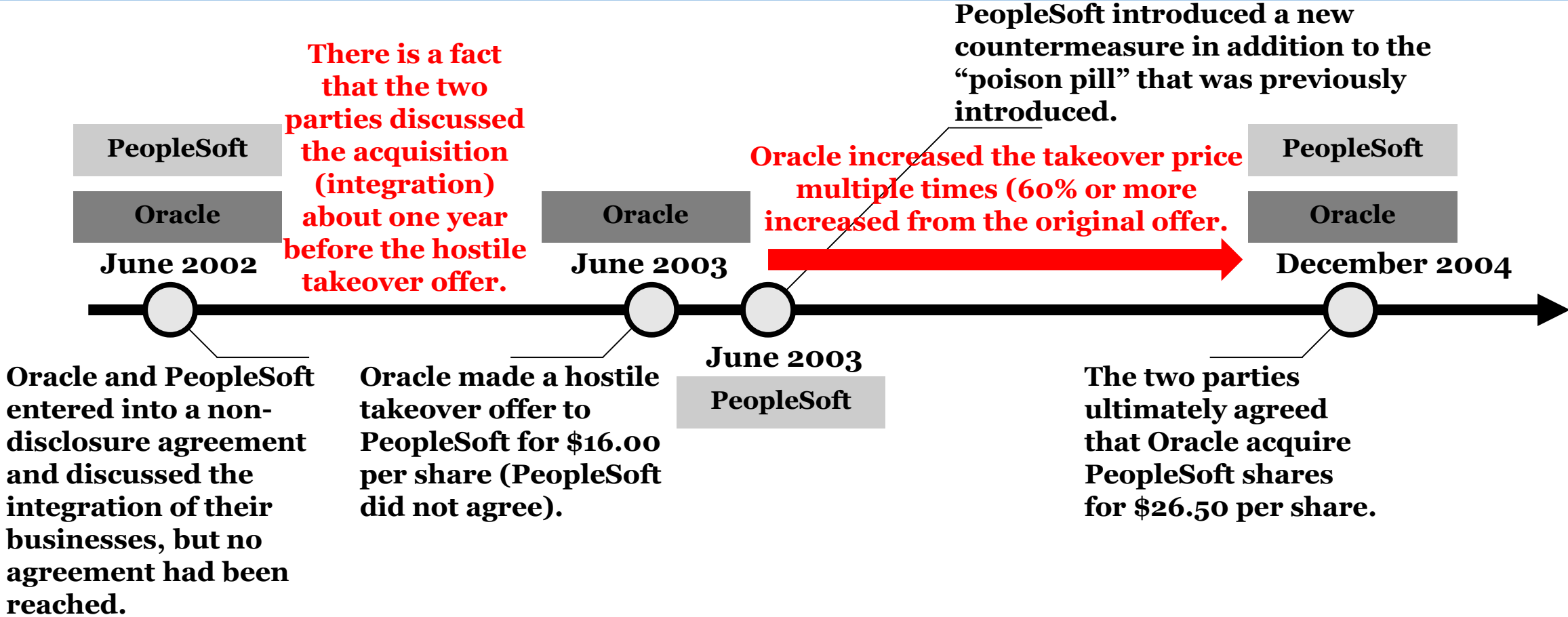
- There is a risk that potential acquiring parties or others considering an alliance with the Company, such white knights, will be discouraged from submitting proposals that compete with the Proposal.
- Seeking out competing proposals by a white knight is also emphasized in the Guidelines in order to aim for “the best available transaction terms for shareholders” (pages 25-27 of the Guidelines). His remarks to the left may hinder efforts to secure more favorable transaction terms for shareholders and harm shareholder interests.
- His remarks could have a negative impact on the establishment of proper market checking practices in the M&A market in Japan.

* Excerpt from the Nikkei Business Electronic Edition distributed on December 27, 2024, titled “Nidec Nagamori ‘can’t spend time in the face of the threat from China’ and makes TOB for Makino Milling Machine”

Appendix 1: Takeover of PeopleSoft by Oracle

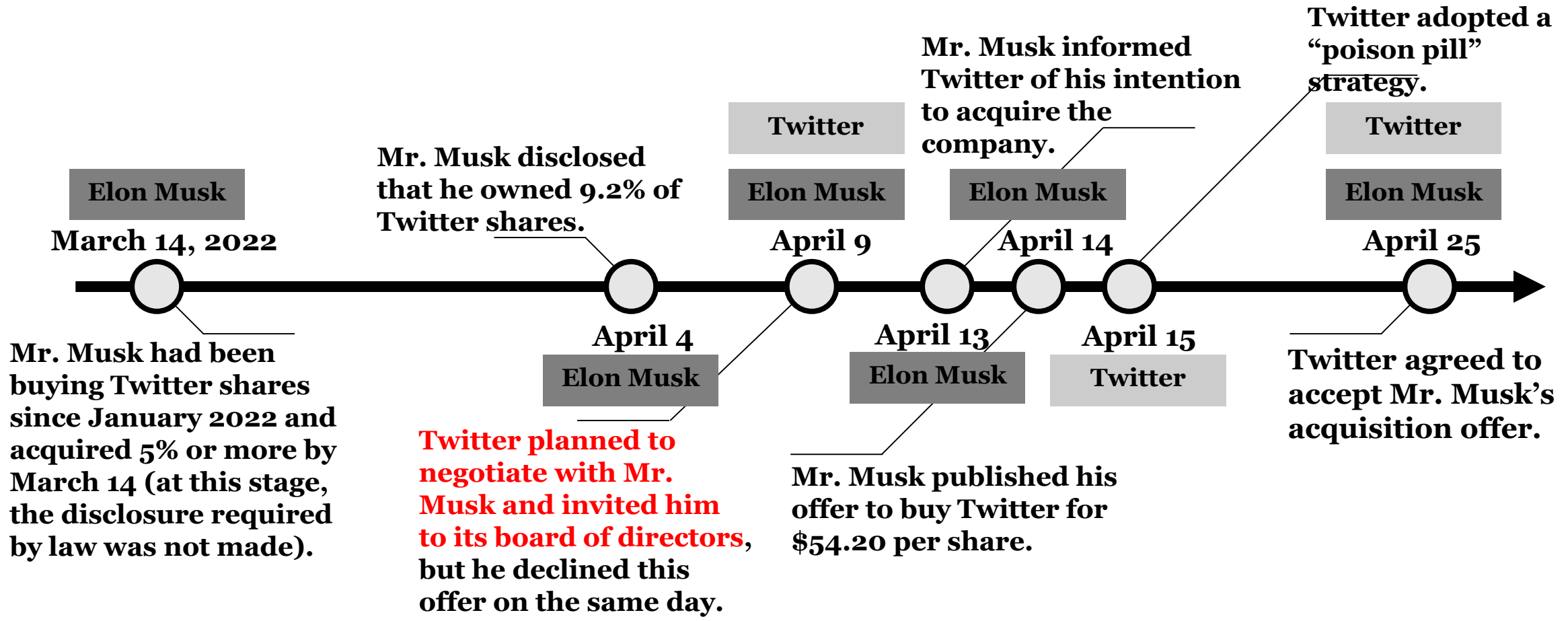


About one year before Oracle's hostile takeover of PeopleSoft, the two parties entered into a non-disclosure agreement and discussed the integration of their application businesses.



Appendix 2: Acquisition of Twitter by Elon Musk

Prior to Mr. Musk's acquisition offer to Twitter, the two parties agreed to Mr. Musk's appointment as a director, so it is not the case that no prior consultation was conducted at all.





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