

Zurich, December 21, 2015

Report of the Board of Directors of Micronas pursuant to Article 29 SESTA

The Board of Directors of Micronas Semiconductor Holding AG (the **Board of Directors**) with registered office in Zurich, Switzerland (**Micronas**) hereby takes position pursuant to article 29 para. 1 SESTA and articles 30-32 of the Swiss Takeover Ordinance (**TOO**) on the public tender offer (the **Offer**) of TDK Magnetic Field Sensor G.K., a company domiciled in Tokyo, Japan (the **Offeror**), a subsidiary of TDK Corporation with registered office in Tokyo, Japan (**TDK**), for all publicly held registered shares of Micronas with a nominal value of CHF 0.05 each (each a **Micronas Share**).

1. Recommendation

Based on an in-depth review of the Offer and taking into account the fairness opinion which forms an integral part of this report (see Section 8 of the offer prospectus), the Board of Directors has unanimously resolved on December 16, 2015 to recommend to the shareholders of Micronas to accept the Offer of the Offeror.

2. Rationale

Prior to the Offer, the Board of Directors examined together with the Micronas Group Management and external consultants in detail the short- and long-term prospects of Micronas as an independent company and the benefits of a combination with TDK. Based on this analysis the Board of Directors believes that a combination with TDK compared to other alternatives will result in considerable strategic, operational and financial benefits for Micronas.

2.1 Reasonable Offer Price

The price offered by the Offeror is CHF 7.50 net in cash for each Micronas Share (the **Offer Price**).

The Offer Price implies a premium of 63.0% per Micronas Share over the on-exchange closing price of CHF 4.60 per Micronas Share on December 16, 2015 and a premium of 69.7% per Micronas Share over the volume-weighted average price of all on-exchange transactions during the last 60 trading days prior to the publication of the pre-announcement of the Offer of CHF 4.42 per Micronas Share.

In order to support its opinion by an objective assessment, the Board of Directors mandated Ernst & Young AG to issue a fairness opinion and to assess the financial appropriateness of the Offer Price. In its fairness opinion dated December 21, 2015 Ernst & Young AG came to the conclusion that the Offer Price is financially fair and appropriate (see Section H.8 of the offer prospectus).

2.2 Entrepreneurial Potential Released by the Transaction

The Board of Directors believes that a combination with TDK compared to other alternatives will result in considerable strategic, operational and financial benefits for Micronas.

The combination of Micronas's know how in the area of sensor systems and their integration, in particular in so-called hall-sensors and embedded motor controllers, with TDK's expertise in the so-called MR sensor technology will allow the development of new products, creative solutions and innovative technologies. The combined technological expertise of TDK and Micronas should allow the optimal use of the growth opportunities in the sensor business, especially in the automotive market.

Micronas belongs to the leading companies for linear sensors in automotive applications and offers the worldwide biggest portfolio of Hall sensors for the automotive and industrial markets. Hall sensors are based on the so called Hall effect, named after Edwin Hall, and are monolithically integrated by Micronas in a CMOS technology with electronic circuits such as signal conditioning, evaluation, power management and network interfaces. These products are especially used to measure angles, positions, velocities and currents.

TDK is one of the leading companies that offers write-read heads for magnetic hard drives based on the so-called magneto-resistive effect, short MR effect. TDK has begun to broaden its product portfolio and to include MR sensors. Those are applied in the measurement of magnetic fields, be it as an electronic compass, a path or angle measurement system or as a small potential free current sensor application.

From an operational standpoint synergies are expected in the production, in the frontend as well as in the backend, in the procurement of raw materials, in logistics and in customer care. These synergies will lead to an improvement of the cost structure and thus result in financial benefits.

Within the combined company it is envisaged that Micronas, as competence centre for sensor, will assume responsibility for the magnetic sensors and promote the global strategy of such sensors.

2.3 Cancellation or Merger With Cash Compensation

In the event that the Offeror holds more than 98% of the voting rights in Micronas after the consummation of the Offer (the **Settlement**), the Offeror intends to request the cancellation of the remaining Micronas Shares in accordance with article 33 SESTA. In the event that the Offeror holds between 90% and 98% of the voting rights in Micronas after the Settlement, the

Offeror intends to merge Micronas pursuant to article 8 para. 2 of the Swiss Federal Act on Merger, Demerger, Conversion and Transfer of Assets and Liabilities by way of a cash-out merger and to compensate the remaining minority shareholders of Micronas in cash or otherwise, but not with shares of the surviving company. The remaining shareholders may therefore be squeezed out from Micronas. In the context of a cash-out merger, the compensation may, in certain cases, differ from the Offer Price. The tax consequences in the event of a squeeze out by way of a cash-out merger or cancellation of shares are described under Section L.5 of the offer prospectus.

2.4 Delisting

Following the Settlement, the Offeror intends to request the delisting of the Micronas Shares from the SIX Swiss Exchange AG. The delisting may significantly impair the ability to trade in Micronas Shares.

2.5 Conclusion

Based on the considerations summarized above, the Board of Directors is convinced that the Offer is in the best interest of Micronas, its shareholders, employees, customers and suppliers, and that the Offer Price offered by the Offeror is fair and appropriate. The Board of Directors therefore recommends to the shareholders to accept the Offeror's Offer.

3. Agreements Between TDK, the Offeror and Micronas and Between TDK, the Offeror and the Shareholders of Micronas, Which Relate to the Offer

3.1 Confidentiality Agreement

On July 29, 2015, Micronas and TDK entered into a confidentiality agreement. The parties agreed to keep the information regarding the planning of the Offer and the information regarding the business of Micronas confidential, subject to statutory disclosure obligations.

3.2 Exclusivity

In view of the due diligence review, the preparation of the offer documentation and the negotiation of the transaction agreement Micronas has granted TDK on November 24, 2015 exclusivity up to and including December 31, 2015 (see Section E.4. of the offer prospectus).

3.3 Transaction Agreement

On December 17, 2015 TDK and Micronas entered into a Transaction Agreement and it was agreed therein that:

- TDK or the Offeror will make the present Offer;
- Micronas will support the Offer and give a positive recommendation in favour of the Offer in the context of the report of the Board of Directors;

- Micronas and its affiliates will comply from the date of signature of the Transaction Agreement on with the requirements and obligations of parties acting in concert;
- Micronas, subject to the fiduciary duties of its directors and statutory requirements, will not support any third party that might submit an offer and will not take any action that might frustrate or impede the Offer of the Offeror;
- Micronas will immediately terminate the current share buyback program;
- Micronas pays an amount equal to approx. 1% of the aggregate Offer Price for all publicly held Shares to TDK as partial reimbursement of costs that TDK, the Offeror and their respective advisors have incurred or will incur for preparing and making the Offer if the Offer is not successful or does not become unconditional for a reason attributable to: (i) a material breach by Micronas of the Transaction Agreement or (ii) the non-satisfaction of certain offer conditions or (iii) a third party declaring a competing offer for the Shares successful;
- TDK pays an amount equal to approx. 1% of the aggregate Offer Price for all publicly held Shares to Micronas as partial reimbursement of costs that Micronas and its advisors have incurred or will incur for preparing and making the Offer if the Offer is not successful or does not become unconditional for a reason attributable to: (i) a material breach by TDK of the Transaction Agreement or (ii) the non-approval of the Offer by a merger control or other authority to the extent resulting from a breach by TDK of its obligations under the Transaction Agreement.

A more comprehensive summary of the Transaction Agreement can be found under Section E.4. of the offer prospectus.

3.4 Employment Contracts

TDK does not intend to terminate or change the existing employment agreements with the Micronas Management Board upon the Settlement, but intends to offer going forward, subject to mutual agreement, fair and reasonable compensation, comprising fixed and variable incentive components which, in aggregate, are comparable to the current level, on the basis of a similar TDK scheme. Up to date, no employment agreements have been negotiated or signed. As a consequence, Micronas on the one hand and the members of the Micronas Management Board may terminate the employment agreements as of the Settlement without observing a notice period and, as a rule and subject to applicable limitations of mandatory law, the employees would be treated as if the employment agreements would have been ordinarily terminated.

3.5 Further Agreements

With exception of the above mentioned agreements there is, as of the date of this report and to the knowledge of the Board of Directors, no further agreement between TDK, the Offeror and their affiliates, on the one hand, and Micronas and its affiliates, directors, officers and

shareholders, on the other hand. It is, however, possible but not transparent to Micronas that TDK purchases Micronas's products through third parties like distributors.

4. Additional Information Required by Swiss Takeover Law

4.1 Board of Directors and Micronas Group Management

The Board of Directors of Micronas is currently composed of Heinrich W. Kreutzer (Chairman, non-executive director), Dr. Dieter G. Seipler (non-executive director), Lucas A. Grolimund (non-executive director) and Stefanie Kahle-Galonske (non-executive director). Detailed information on their backgrounds, as well as on their activities can be found on the Micronas's website (<http://www.micronas.com/de/investor/corporate-governance/board-directors>).

The Micronas Group Management is currently composed Matthias Bopp (CEO) and Daniel August Wäger (CFO). Detailed information on their backgrounds, as well as on their activities can be found on the Micronas's website (<http://www.micronas.com/de/investor/corporate-governance/management-board>).

4.2 Potential Conflicts of Interests of Members of the Board of Directors or the Micronas Group Management

The Offeror and the target company have agreed in the Transaction Agreement that all the members of the Board of Directors of the target company, except Dr. Dieter G. Seipler and Stefanie Kahle-Galonske, will resign from their functions as members of the Board of Directors with effect from the Settlement. Dr. Dieter G. Seipler and Stefanie Kahle-Galonske will for a transition period beginning with the Settlement individually enter into a mandate agreement with the Offeror. Those mandate agreements, which will only enter into force after the Settlement, do grant Dr. Dieter G. Seipler and Stefanie Kahle-Galonske a customary compensation for such type of transitional arrangements and contain usual conditions regarding the taking of instructions and indemnification. The purpose of the mandate agreements is to ensure a seamless change of control in Micronas. For this reason, the Board of Directors concluded that the mandate agreements do not give rise to any potential conflict of interests.

The two members of the Micronas Group Management Matthias Bopp (CEO) and Daniel August Wäger (CFO) have not entered into any contractual relationship with TDK or the Offeror and have no significant business relations with TDK and the Offeror.

4.3 Possible Financial Consequences of the Offer for Individual Members of the Board of Directors and the Micronas Group Management

4.3.1 Micronas Shares and Options Held by Members of the Board of Directors and the Micronas Group Management

The members of the Board of Directors held as of December 16, 2015 the following Micronas Shares and options on Micronas Shares:

Board of Directors

Name	Micronas Shares	Options
Heinrich W. Kreuzer Chairman of the Board of Directors	0	100,000
Lucas A. Grolimund Member of the Board of Directors	0	50,000
Dr. Dieter G. Seipler Member of the Board of Directors	0	50,000
Stefanie Kahle-Galonske Member of the Board of Directors	0	10,000

Micronas Group Management

Mathias Bopp Chief Executive Officer	25,000	270,000
Daniel August Wäger Chief Financial Officer	5,000	25,833

4.3.2 Employee Stock Options

The employee stock options, held by members of the Board of Directors and the Micronas Group Management, have been issued under the stock option plan of Micronas. Each option entitles the holder to acquire one Micronas Share against payment of the respective exercise price. The exercise price of the options held by members of the Board of Directors and the Micronas Group Management varies between CHF 6.74 and CHF 11.90.

An aggregate of 1,587,083 options is outstanding under the stock option plan of Micronas. Under the stock option plan the option holders are granted the right to sell back all allotted and not yet exercised options to Micronas. This right must be exercised within 60 days after the publication of the pre-announcement of the described Offer, otherwise the relevant options are forfeited. The purchase price amounts to the difference between (i) the average closing price on the SIX Swiss Exchange on the 10 trading days following the publication of the pre-announcement and (ii) the exercise price. The purchase price must be paid by Micronas within 30 days after notification of the sale by option holder. If instead of the average closing prices the Offer Price is used as an estimate for the purchase price, costs of Micronas for the repurchase of all outstanding options will amount to up to CHF 550,000.

4.3.3 Compensation and Other Particular Benefits

In order to compensate for the additional work arising from this Offer certain key employees were granted a special allowance of an amount varying between one and three months of the fixed gross salary. This could result in total costs of Micronas of up to CHF 400,000.

5. Intentions of the Shareholders of Micronas

To the knowledge of the Board of Directors, the following shareholders hold on December 15, 2015 more than 3% of the registered share capital and of the voting rights of Micronas (excluding the own shares held by Micronas)¹:

Shareholder	Number of Micronas Shares	Percentage
Brandes Investment Partners, L.P., San Diego, USA	3,155,277	10.6%
RBC Investor + Treasury Services, London, GB	2,104,164	7.07%
Nortrust Nominees Ltd, London, GB	1,503,880	5.05%
Black Creek Investment Management Inc., Toronto, Canada ²	1,495,070	5.04%
Sparinvest Holdings SE, Luxembourg	1,471,881	4.95%
Wellington Management Group LLP, Boston, USA	1,065,105	3.58%

The Board of Directors is not aware of the intentions of the above-mentioned shareholders.

6. Defensive Measures

The Board of Directors of Micronas has no knowledge of defensive measures, which would have been taken against the Offer of the Offeror, nor does it intend to take such defensive measures or to propose them to an extraordinary shareholders' meeting.

7. Financial statements; Disclosure of Material Changes in the Assets and Liabilities, Financial Position, Profits and Losses and Business Perspectives; Interim Financial Statements

The audited and consolidated financial statements of Micronas as of December 31, 2015 as well as the audited and consolidated interim financial statements of Micronas as of June 30, 2015 can be consulted on Micronas's website at <http://www.micronas.com/de/investor/financialinformation/financial-reports>.

The consolidated key performance indicators as of September 30, 2015 were published with the press release of October 22, 2015, which can be consulted on Micronas's website at http://www.micronas.com/de/system/files/downloads/files/PR_1512_22.10.2015_d.pdf.

¹ The figures are based on the notifications submitted by the shareholders to the SIX Swiss Exchange as well as the entries in the share register of Micronas.

² Pursuant to the disclosure notice of December 18, 2015 Black Creek Investment Management Inc. now holds 1,387,333 Micronas Shares corresponding to 4.66% of the share capital and voting rights.

Due to this Offer the publication of the annual financial statements as of December 31, 2015 as well as the ordinary shareholders' meeting regarding the financial year 2015 will be postponed. Further details will be published by Micronas in due course.

Save for the transaction to which this report relates, the Board of Directors is not aware of significant changes in the assets and liabilities, financial position and profits and losses of Micronas or in its business perspectives since September 30, 2015, which could influence the decision of the shareholders of Micronas with respect to the Offer. In particular, the Board of Directors expects that Micronas will reach the guidance for the fiscal year 2015 which was published in the press release of October 22, 2015 (i.e. expected consolidated annual sales of about CHF 132 million and an EBIT margin between 0 and 1 percent).

8. Fairness Opinion

The Board of Directors has mandated Ernst & Young AG as independent and particularly qualified expert to issue a fairness opinion and assess the financial appropriateness of the Offer Price. In the fairness opinion dated December 21, 2015 Ernst & Young AG determined a valuation range from CHF 3.70 to CHF 6.60 and, consequently, concluded that the price offered by TDK per Micronas Share is financially fair and appropriate. The fairness opinion can be ordered in German, French and English at no cost at Micronas Semiconductor Holding AG, Technoparkstrasse 1, 8005 Zurich (phone: +41 44 445 39 60, email: investor@micronas.com) or downloaded on <http://www.micronas.com/en/investor-relations/publictenderoffer>.

Zurich, December 21, 2015

For the Board of Directors of Micronas Semiconductor Holding AG

Heinrich W. Kreutzer

Dieter G. Seipler