



November 12, 2020

For Immediate Release

Company: Kirindo Holdings Co., Ltd.
Representative: Toyohiko Teranishi
Representative Director, Chief Executive Officer,
President
(Code: 3194 First Section, Tokyo Stock Exchange)
Contact: Takehisa Kobayashi
Corporate Officer, Corporate Planning Department
(Telephone: 06-6394-0100)

Notice Regarding Share Consolidation, Abolishment of Provision on Share Units, and Partial Amendment of Articles of Incorporation

We hereby inform you that, at a meeting of the Board of Directors held today, the Company decided to propose a resolution at the Company's extraordinary general shareholders' meeting ("Extraordinary Shareholders' Meeting") scheduled to be held on December 16, 2020, as follows, regarding a share consolidation, abolishment of the provision on share units, and partial amendment of the Articles of Incorporation.

In the course of the above procedures, the Company's common shares ("Shares") will satisfy the criteria for delisting specified in the securities listing rules of the Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange"). For this reason, the Shares are scheduled to be delisted on January 6, 2021. Please remember that after the delisting it will not be possible to trade Shares on the first section of the Tokyo Stock Exchange.

I. Share Consolidation

1. Purpose of and Reasons for Implementing the Share Consolidation

As set forth in the "Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares" released on September 10, 2020 (including the corrections of the "Partial Correction of 'Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares' [Correction]" released on September 11, 2020 and the corrections of "Partial Correction of 'Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares' [Correction]" released on September 30, 2020; hereinafter the "Opinion-Representing Press Release"), K.K. BCJ-48 (the "Offeror") has decided to implement a tender offer ("Tender Offer") for Shares as part of the series of transactions ("Transaction") for a so-called management buyout (MBO) (Note 2) for the purpose of acquiring and holding all of the Shares (excluding treasury shares held by the Company, part of the Shares held by the Company's Representative Director and Chairman Tadayuki Teranishi ("Tadayuki Teranishi") (Note 1), all of the Shares held by the Company's Representative Director and President Toyohiko Teranishi ("Toyohiko Teranishi"), and the Shares held by KOUYU CO., LTD., the asset management company of Toyohiko Teranishi and his relatives ("Kouyu"; Toyohiko Teranishi and Kouyu are collectively referred to as "Non-accepting Shareholders") ("Agreed Non-Tendered Shares")), which are listed on the first section of the Tokyo Stock Exchange.

(Note 1) Of the Shares held by Tadayuki Teranishi, the 127,332 shares of the Shares that Tadayuki Teranishi agreed with Offeror to tender on September 10, 2020 in the Tender Offer were tendered in the Tender Offer and settlement therefor has completed.

(Note 2) A “Management Buyout” (MBO) refers to a transaction where the Offeror will carry out the Tender Offer on the basis of an agreement with the Company’s officers and the interests of the Offeror and the Company’s officers will be aligned.

As set forth in the “Notice Regarding Results of Tender Offer by K.K. BCJ-48 for Shares etc. and Changes of Parent Company, Largest Shareholder as a Major Shareholder” released by the Company on October 27, 2020, the Offeror carried out the Tender Offer from September 11, 2020 to October 26, 2020, and as a result, as of November 2, 2020 (the day of commencement of settlement of the Tender Offer), the Offeror now holds 7,903,331 shares (Ownership Ratio (Note 3): 69.75%).

(Note 3) The “ownership ratio” is the ratio (rounded to the second digit after the decimal) to the number of outstanding Shares (11,332,206 shares) as of May 31, 2020 stated in the “First Quarter Report for the 7th Business Year” submitted by the Company on July 14, 2020 (“Company’s Quarterly Report”) less the number of treasury shares (1,229 shares) held by the Company as of May 31, 2020 stated in the First Quarter Preliminary Financial Statements for the February 2021 Term (Japanese standards) (consolidated) (“Company’s Preliminary Quarterly Financial Statements”) announced by the Company on July 10, 2020 (11,330,977 shares).

As we informed you in the Opinion-Representing Press Release, the Company’s group, which currently consists of a total of nine companies, i.e., the Company, four consolidated subsidiaries, one affiliate subject to the equity method, one non-consolidated subsidiary, and two affiliates not subject to the equity method (collectively, the “Company Group”). On the basis of the management philosophy of “gratitude, innovation, and integration”, in order to establish a community-centric drugstore chain as social infrastructure, the Company Group has set out its fundamental policy of creating a future of enjoyment, beauty, health, and comfort (Note 4). Since the establishment of Kirindo Co., Ltd. (“Kirindo”), the Company’s predecessor (currently a wholly owned subsidiary), the Company Group has gained a high market share and built a solid foundation in the drugstore market, centered in the Kansai region, under the leadership of the management team.

In the industries of drugstores and pharmacies covered by health insurance, to which the Company Group belongs, since the Japanese government has adopted “prolongation of the healthy lives of the people” as a policy in the super-aging society, the Company has recognized that drugstores and pharmacies covered by health insurance will play far more significant roles as a kind of hub providing community-based health information. The concept of “illness prevention (Note 5)” that the Company Group has developed since its foundation will gain importance in the society. Although it is expected that the industries of drugstores and pharmacies covered by health insurance will continue to expand, the market size per store is shrinking as a result of a declining population and the rapid increase of the number of new stores and pharmacies across business categories and formats, and furthermore, the price competition has become increasingly fierce and industry reorganization has escalated.

(Note 4) “Enjoyment, beauty, health, and comfort” means the condition in which the people can have more enjoyable, beautiful, healthy, and comfortable lives.

(Note 5) “Illness prevention” means rather than curing illness after the person becomes ill, taking measures to prevent illness while he/she is healthy and active.

At the same time, Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi have recognized that although the domestic drugstore industry is expected to expand as discussed above, the growth will become slow in conjunction with the maturation of the market, and it will be necessary to raise market share in order to maintain sales and profit growth as in the past and that competition for market share will become intense in the industry. In connection with this, in recent years, alliance formation and large scale restructuring within the industry and in similar industries, including dispensing of pharmaceuticals, have accelerated. Therefore, it is expected that the competition for market share will become more intense and further reorganization of the industry will be pushed forward on the regional and national levels. Under these circumstances, although the Company has built its business foundation, primarily in the Kansai region, its relative position is declining with the Company ranked 13th market share in the nationwide drugstore industry. And the Company is aware that it is behind industry competitors in scale and profit rate.

In addition, Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi have recognized that the Company's profit rate is at a relatively low level compared to competitors in the industry and the Company has failed to achieve the 3% operating profit on sales, targeted in the past medium-term management plans. Also, in terms of sales growth rate, the Company is at a relatively low level compared to competitors in the industry.

Furthermore, the competitive environment surrounding the drugstore industry has become increasingly fierce across business categories, including EC players (Note 6), and it will be necessary to establish next-generation business models, including store formats, the product category mix, private brands development, marketing, logistics, personnel, and IT. The Company's sales growth rate and profit rate are at low levels compared to industry competitors, and considering that the competitive environment in the drugstore industry is expected to intensify, it is recognized that drastic structural reform and advance investments will be needed in the future.

(Note 6) "EC players" means enterprises that provide platforms for commercial transactions (e-commerce) on the Internet, like Amazon and Rakuten, Inc.

Even though the Company had made independent efforts to achieve a 3% operating profit ratio under the First Medium-term Management Plan (from the fiscal year ended February 2015 to the fiscal year ending February 2017) and the Second Medium-term Management Plan (from the fiscal year ended February 2018 to the fiscal year ending February 2020), the target was not achieved under either plan. Further, as discussed above, the changes in the business and competitive environment have become more intense recently. Given the above situation, in early April 2019, Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi determined that there were limits to what the Company could do through structural reforms while maintaining sales and profit as a listed company. In addition, even if the Company were to achieve the targets in the Third Medium-term Management Plan (from the fiscal year ended February 2021 to the fiscal year ending February 2023) through its own efforts, the formation of alliances in the drugstore industry has already started. Considering the market entry by EC players and others, if the Company continues the structural reforms at the current pace, it will lose its market share to other companies and face a more difficult situation over the medium- to long-term. Consequently, Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi have come to recognize that there are limits to what could be done with the Company's existing personnel system, organizational and foundation, and business know-how to build a stronger dominant position centered in the Kansai region as a leading company over the medium- to long-term and that it will be necessary to implement business structural reforms with support of external experts' knowledge.

Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi also consider that it is indispensable for the Company to pursue business structure reforms through continuous improvements of sales of existing stores and new store openings as well as the execution of M&A in order to realize the six strategic priorities for growth under the Third Medium-term Management Plan ((a) employing customer strategy using the official Kirindo app, (b) strengthening the health and beauty care business centered on offering advice to customers on illness prevention measures, (c) raising work efficiency, (d) renovating sales floors to improve the convenience of customers, (e) increasing the number of prescription-dispensing stores, and (f)

enhancing the dominant position in the Kansai region) as well as to manifest the Company's maximum growth potential in the increasingly competitive drugstore industry. Further, they consider that as concrete measures for business structure reforms, it will be essential for the Company to establish an efficient business structure through the improvement of the profitability of stores and active IT investments, increase sales by creating appealing sales floors and merchandising, increase new store openings, and execute M&A by the Company.

However, Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi consider that even if such measures for the business structure reforms are opportunities expected to produce substantial growth from a medium- to long-term perspective, it is difficult to expect that such measures will contribute to the Company Group's profits in the short term, and in addition to risks of uncertainty in the execution of business that does not proceed as planned, there is a concern that sales and profitability will deteriorate in the short term. If such measures are taken while maintaining the listing of the Shares, the possibility of negative impacts on the Company's shareholders, including a decline on the Company's share price, is undeniable; therefore they believe that it would be difficult to implement these measures while maintaining the listing of the Shares.

Furthermore, even if the management team, including Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi, proposes to the Company drastic measures for growth, it may be difficult to obtain approval from all the shareholders. For example, in the case where there is a difference in understanding of the Company's strategy on the part of investors who seek short-term gains, various communications costs may be needed, and there is a risk that it will become impossible to focus managerial resources on business operations

As such, in late May 2020, Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi came to the conclusion that minimizing or postponing business structure reforms out of concerns of short-term deterioration of the Company Group's sales or profits might lead to weakening of the Company's competitiveness and earnings capacity over the medium- to long-term; therefore, in order to respond dynamically to management issues and achieve sustainable enhancement of corporate value from a long-term perspective, rather than responding to short-term changes in performance, it would be the optimal approach for the Company to take the Shares private, create new and stable management structure that enables dynamic and flexible decision-making, carry out business structure reforms, and actively develop businesses through the concerted efforts of all the employees of the Company.

In addition, Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi had once considered making an alliance with other business company. However, they could not find specific measures that can contribute to the enhancement of corporate value of the Company by utilizing a high market share and its solid business foundation centered in the Kansai region in the drugstore industry; thus, they concluded that this would not be an effective means of leveraging the Company's corporate philosophy and management principles. Although they had contacts with some investment funds, they did not reach an agreement with regard to management policies like in the case of the Transaction. Under these circumstances, when considering the best measures for growth of the Company, they received an offer from Bain Capital, which owns and operates the Offeror, for discussion concerning capital policies including methods for converting a listed company into a private one. And since the middle of June 2019, Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi had engaged in repeated exchanges of opinions and discussions concerning the Company's management measures and optimal capital structure. Subsequently, to select a perfect partner to implement the Transaction, Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi compared and examined several candidates for a sponsor company, including Bain Capital. Consequently, they determined that partnering with Bain Capital is the best option, because it is a world-renowned private equity fund with extremely strong performance in Japan, and it has a wealth of knowledge about the Company's industry. As a matter of fact, it has implemented a number of investment projects in retail industries, including the drugstore industry, for example, Duane Reade, one of the leading drugstore chains centering around urban areas in New York and Shoppers Drug Mart, one of the major drugstore chain in Canada, as well as Skylark Co., Ltd., and Domino's Pizza Japan in Japan. For those reasons, in

late May 2020, they reached the conclusion that, in order to achieve sustainable enhancement of the Company's corporate value from a medium- to long-term perspective, it would be the optimal approach that, without restricting themselves to the Company's internal resources, together with the cooperation of Bain Capital, the Company takes the Shares private, and then creates a solid and stable new management structure that enables dynamic and flexible decision-making, in which the shareholders and the management team can work together, and executes growth strategies in business structure reforms and actively develop businesses through the concerted efforts of all the employees of the Company. Then, they commenced discussions regarding the Transaction with Bain Capital and engaged in repeated discussions regarding a joint management structure for the Company and the optimal management structure and fundamental policies of the Company to be taken after the implementation of the Transaction. Further, Bain Capital, Mr. Tadayuki Teranishi, and Mr. Toyohiko Teranishi discussed the direct or indirect holding of the shares of the Offeror by Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, and Mr. Tadayuki Teranishi after the Tender Offer. The substance of such discussions are as follows: (i) for Mr. Toyohiko Teranishi and Mr. Tadayuki Teranishi, they are expected to remain involved in the management of the Company after the successful completion of the Tender Offer, and they hope to share common objectives for enhancing corporate value, and (ii) for Mr. Hiroyuki Teranishi, he intends to continue his support to the Company as a director of Kirindo, a wholly owned subsidiary of the Company and also hopes to share common objectives for enhancing corporate value, and therefore, they hope to hold shares of the Offeror, directly or indirectly. Further, they requested that Bain Capital reinvest into the Offeror so that the ratio of the total number of the shares held by Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi, and Mr. Hiroyuki Teranishi to the shares held by Bain Capital will be roughly 40:60. Bain Capital concluded that to enhance the Company's corporate value, the sharing of common objectives for the same goals with Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi, and Mr. Hiroyuki Teranishi would be essential and accepted the request, thus facilitating their alignment. Bain Capital, Mr. Tadayuki Teranishi, and Mr. Toyohiko Teranishi further engaged in repeated discussions about the above scheme for reinvestment, and in early September 2020, they agreed to proceed in the same direction to implement the Merger within three months after the completion of the procedures for taking the Company private ("Squeeze-out Process") (even if it is postponed for unavoidable reasons, without delay), with common shares of the Offeror's Parent Company as merger consideration, through which the Offeror will be the surviving company, and the Company will be the extinguishing company, and carry out procedures and other steps for the Offeror to acquire the shares of the Offeror's Parent Company, which will be the consideration for the Merger.

As a result, Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital concluded that both the continuing organic growth in the drugstore business and the execution of M&A are necessary for the Company Group to achieve further growth over the medium- to long-term, increase corporate value, and achieve management targets. They also concluded that in order to carry out this series of measures simultaneously and promptly, it will be necessary for the Company to utilize outside human resources and management know-how, without limiting to internal management resources, and to create structures that can steadily carry them out in a short period.

In light of the foregoing, in early June 2020, Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital expressed their initial intents to the Company regarding the overview of the Tender Offer and the management policy after the Transaction. Following repeated discussions regarding the feasibility of implementation of the Transaction with the Company, on July 16, 2020, Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital submitted to the Company a proposal with their formal intents regarding the Transaction, describing the objectives of the Transaction, the management policy and management system after the Transaction as well as the expected structure ("Proposal").

The Company received the initial proposal from Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital with regard to taking the Shares private, with the overview of the Tender Offer and the management policies after the Transaction, in early June 2020. Following repeated discussions among Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital regarding the feasibility of implementation of the Transaction, on July 16, 2020, the Company received the

Proposal from Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital. For the Company to review and consider the particulars of the Proposal, and in order to ensure the fairness of the Tender Offer Price and the other conditions of the Transaction, including the Tender Offer, on July 17, 2020, the Company appointed Kitahama Partners (“Kitahama Partners”) as a legal advisor, Deloitte Tohmatsu Financial Advisory LLC (“Deloitte Tohmatsu Financial Advisory”) as a financial advisor, and Plutus Consulting (“Plutus Consulting”) as a third-party valuation agency. The fees for Kitahama Partners are calculated by multiplying hourly unit prices by working hours regardless of whether the Transaction is successfully completed or not and do not include any contingency fees contingent upon the successful completion of the Transaction. The fees for Deloitte Tohmatsu Financial Advisory and Plutus Consulting include only fixed fees to be paid regardless of whether the Transaction is successfully completed or not and do not include any contingency fees contingent upon the successful completion of the Transaction.

On July 17, 2020 the Company established a special committee (“Special Committee”) to review the proposal for the Transaction set forth in the Proposal (with respect to the member composition and specific activities of the Special Committee, see “(iii) Establishment of the Special Committee in the Company and procuring a report” in “(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest” in “3. Grounds etc. for Amount of Cash to be Delivered to Shareholders Through Processing of Fractions for the Share Consolidation” below).

While receiving advice from Kitahama Partners and Deloitte Tohmatsu Financial Advisory, the Company examined the purpose of the Transaction and other aspects of the overview of the Tender Offer set forth in the Proposal, the impact of the Transaction on the Company, the management policy after the Transaction, and recent share price trends, and on the basis of negotiation policies and opinions, instructions, and requests etc. regarding material aspects of the negotiations confirmed in advance by the Special Committee, it engaged in discussions and negotiations with the Offeror on multiple occasions, before conducting a review of the appropriateness of the Transaction.

With respect to the Tender Offer Price, after receiving on August 7, 2020 an initial offer from the Offeror with a Tender Offer Price of JPY3,000 per Share, the Company examined the share value preliminary calculation results report for the Shares received from Plutus Consulting and the opinion of the Special Committee, taking into account the advice of Deloitte Tohmatsu Financial Advisory, and on August 14, 2020, it made a request to the Offeror to reconsider the Tender Offer Price. Again, the Company engaged in repeated discussions and negotiations with the Offeror regarding the conditions of the Transaction, and on August 21, 2020, it received a revised offer with a Tender Offer Price of JPY3,150 per Share. After this as well, on August 25, 2020, the Company again requested the Offeror to reconsider the Tender Offer Price and gave it the explanation that the business results until August 2020 had showed better performance than the projected consolidated financial results indicated in the “Notice regarding Correction to Financial Projections” released by the Company on July 10, 2020, and the projections of business results might be upwardly revised. And, on September 5, 2020, the Company received an offer from the Offeror with a Tender Offer Price of JPY3,450 per Share. Even after that, the Company continued to engage in negotiations and discussions with the Offeror; as a result, on September 7, 2020 the Company received from the Offeror the final offer with a Tender Offer Price of JPY3,500 per Share. The Company confirmed the appropriateness of the offer with the Special Committee, received further opinions from Plutus Consulting, and conducted a careful review taking into account the content of the share valuation report (“Share Valuation Report”) obtained from Plutus Consulting on September 9, 2020; and as a result, the Company has determined that such price is appropriate because it includes a substantial premium over the market price, and it is within the range of the calculation results discussed below by Plutus Consulting using discounted cash flow analysis (“DCF Method”), and at a level exceeding the mid-point (the stock value per Share of the Shares calculated with the mid-point of the figures used for the sensitivity analysis to determine a discount rate that is the basis of the calculation by DCF Method, the same shall apply hereinafter), and thus, the calculation is reasonable. In this manner, the Company has continued to negotiate with the Offeror regarding the Tender Offer Price.

While receiving necessary legal advice from Kitahama Partners regarding the method and the process of decision-making by the Board of Directors, including the procedures relating to the Transaction and other matters to note, the Company received a written report dated September 9, 2020 from the Special Committee (“Written Report”). Then, taking into account the financial advice received from Deloitte Tohmatsu Financial Advisory, the Share Valuation Report obtained from Plutus Consulting, and legal advice received from Kitahama Partners and giving as much weight as possible to the content of the Written Report submitted by the Special Committee, the Company conducted careful discussions from the standpoint of whether the Transaction could ensure further improvement in the Company’s corporate value and the benefits that minority shareholders should enjoy through the implementation of the Transaction through fair procedures.

While the Company has continued to expand in the industries of drugstores and pharmacies covered by health insurance to which the Company Group belongs, the government has adopted “prolongation of the healthy lives of the people” as a policy in a super-aging society, and the Company recognizes that drugstores and pharmacies covered by health insurance will play far more important roles as a kind of hub providing community-based health information, and the concept of “illness prevention” that the Company Group has developed since its foundation will gain in even more importance in the society. Although it is expected that the size of the industries of drugstores and pharmacies covered by health insurance will continue to expand, the market size per store is shrinking as a result of a declining population and the rapid increase of the number of new stores and pharmacies across business categories and formats, and furthermore, the price competition will become increasingly fierce and the industry reorganization will be escalated. Under these circumstances, the Company Group believes that it is essential for the Company to gain more market share in the drugstore industry through the execution of M&A centered on the Company, promote and enhance the Company’s branding and marketing strategies in conjunction with such M&A, implement business structure reforms including raising efficiency through prior investments in systems and the like, and develop businesses aggressively. As indicated in “(b) Management policy after the Tender Offer” in “(ii) Background, object and process of decision-making to implement the Tender Offer and management policy after the Tender Offer” in “(2) Grounds and reasons for opinion” in “3. Substance of and Grounds and Reasons for Opinion Relating to Tender Offer” of the Opinion-Representing Press Release, during the abovementioned process of discussions and negotiations, the Offeror indicated its intent to provide the extensive experience in the value enhancement for investment targets that Bain Capital has acquired, offer various types of support, including M&A support, and carry out measures to maximize the potential value of the Company’s business, and, in particular, it believes that both continuing organic growth of the drugstore business and the execution of M&A will be important. Concrete measures to achieve continuing organic growth of the drugstore business will include: (i) establishing an efficient business structure, (ii) increasing sales by creating appealing sales floors and merchandising, and (iii) increasing new store openings. Anticipated measures for the execution of M&A include the use of Bain Capital’s accumulated M&A expertise for the Company to undertake M&A actively in the drugstore industry, where industry reorganization is expected to accelerate, and to realize M&A centered on the Company. In response to said intent indicated by the Offeror, the Company recognizes the direction and measures being considered by Bain Capital are close to the same pursued by it; therefore, it has determined that for using the concept of “illness prevention” that the Company Group has developed since its foundation while undertaking community-centric business management, the utilization of the advanced managerial expertise of Bain Capital with its cooperation will contribute more to enhancing the Company’s corporate value over the medium- to long-term than management integration with a competitor. The Company recognizes that Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi had once considered an alliance with another business company, but such alliance was not in line with the Company’s corporate philosophies and management policy, and thus was not formed. Although there were opportunities to have contact with other investment funds, an agreement has not been reached with regard to management principles like it has for the Transaction.

In addition, the Company considers that it will be necessary to carry out business structure reforms, including M&A and

prior investments in systems and other things to develop businesses aggressively. These initiatives, however, entail uncertainty regarding future profits and pose a risk of causing decreases in sales and profits, deterioration of cash flows and financial status due to higher interest-bearing liabilities over the short term. As a result, the possibility of a decline in the Company's share price and short-term adverse impacts on the Company's shareholders cannot be denied.

For these reasons, the Company has determined that the best option for achieving improved corporate value of the Company is to provide all shareholders with an opportunity to sell their shares without suffering adverse effects in the short term; take the Shares private to avoid worrying over the short-term assessments of the stock market; build a management system capable of agile decision-making; improve management flexibility; and utilize the management support of Bain Capital to the maximum extent.

Further, the Japanese stock market overall has been unstable since around February 2020 following the requests from the national and local governments to refrain from events and from going outside etc. in order to prevent the spread of the novel coronavirus. However, in the drugstore business operated by the Company, demands for sanitation-related products have increased due to heightened awareness of sanitation, and demand for food products have also increased due to higher rates of people spending time at home in conjunction with the declaration of a state of emergency, and the profits have become higher as a result of refraining from special sales and selling at regular prices. In consequence, with regard to the Company's business performance, the first quarter for the fiscal year ending February 2021 was very influenced by the high demand for the novel coronavirus-related merchandise amid the abnormal situation associated with the declaration of a state of emergency. Also, the second quarter of fiscal year ending February 2021 has been doing well mainly because the number of patients infected with the novel coronavirus in the Kansai region has dramatically increased since early July; thus, the demand for the related products has remained high, and besides, seasonal merchandise such as beverages and insecticides, etc. have been in good demand during the summer heat since August. However, in either case, the Company believes that the relative strong performance is likely to be of limited duration. In the second half of the fiscal year ending February 2021, it is expected that the demand for seasonal merchandise will decline as the weather gradually cools, and as a matter of fact, in other business categories, the unit selling price of novel coronavirus-related merchandise has started to go down; therefore, going forward, the market and competitive environments will become increasingly fierce, and from these perspectives, the Company believes that it is necessary to carry out a prompt business structure reform.

If the Shares are taken private, it will cease to be possible to obtain financing through equity finance in capital markets, and the ability to secure superior human resources and expand business partners, etc. stemming from the greater social trust and name recognition that the Company has enjoyed as a public company could be impacted.

However, in the light of the Company Group's current financial condition and the low interest rate environment for indirect financing recently, it is not expected that large-scale financing through equity finance will still be necessary in the next several years. Given the recent rise in the cost of maintaining the Company's listing, it is difficult to see the significance of maintaining the listing of the Shares. Additionally, the Company Group's ability to secure superior human resources and expand business partners stemming from greater social trust and name recognition is increasingly obtained through business activities, and it is believed that the relative need to maintain the listing of the Shares is declining. Therefore, the Company's Board of Directors has determined that the advantages of taking the Shares private outweigh the disadvantages. For these reasons, the Board of Directors has determined that taking the Shares private through the Transaction, which includes the Tender Offer, will contribute to increasing the Company Group's corporate value.

Further, in light of factors including that the Tender Offer Price (JPY3,500) (i) in relation to the calculation results for the Share value by Plutus Consulting set forth in "(i) Procuring a valuation report from the independent third-party valuation agency" in "(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest" of "3. Grounds etc. for Amount of Cash to be Delivered to Shareholders Through Processing of Fractions for the

Share Consolidation” below, the Tender Offer Price is greater than the maximum amount of the range of the calculation results based on the market price analysis, it is within the range of the calculation results by using the comparable company analysis, and is also within the range of the calculation results using the DCF Method and at a level exceeding the midpoint thereof; (ii) the Tender Offer Price represents a premium of 39.33% (rounded to the second decimal place; hereinafter, the same applies to premium values (expressed as a percentage) on the share price) on JPY2,512, which is the closing price of the Shares on the First Section of the TSE on September 9, 2020, the business day immediately preceding the date of the announcement of the Tender Offer, a premium of 27.92% on JPY2,736, (rounded to the nearest whole yen; hereinafter, the same applies to simple averages of closing prices), which is the simple average closing price for the one-month period up to on September 9, 2020, a premium of 32.93% on JPY2,633, which is the simple average closing price for three-month period up to such date, and a premium of 53.37% on JPY2,282, which is the simple average closing price for the six-month period up to such date, and it can be concluded that a premium that is not inferior to the premiums in comparison with other recent MBO cases is being added; (iii) it is found to give consideration to the interests of minority shareholders in that, among other things, the measures set forth in “(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest” of “3. Grounds etc. for Amount of Cash to be Delivered to Shareholders Through Processing of Fractions for the Share Consolidation” below have been taken to eliminate any conflicts of interest; (iv) the Tender Offer Price was decided after the above measures to eliminate conflicts of interest were taken and the Company and the Offeror engaged in discussions and negotiations on several occasions, namely, after the Company and the Offeror sincerely and continuously engaged in discussions and negotiations taking into account the calculation results for the share value of the Shares by Plutus Consulting, discussions with the Special Committee, financial advice received from Deloitte Tohmatsu Financial Advisory, and legal advice received from Kitahama Partners, etc.; and (v) a significant increase in the price proposal for the Tender Offer was made at the request of the Special committee, the Board of Directors has determined that the Transaction, which includes the Tender Offer, can be expected to improve the Company’s corporate value, that the Tender Offer Price as well as the other conditions for the Tender Offer are appropriate for the Company’s shareholders, and that the Tender Offer provides the Company’s shareholders with a reasonable opportunity to sell their Shares.

Given the foregoing, at the meeting of the Board of Directors held on September 10, 2020, the directors participating in deliberations and voting (all five of the Company’s directors, excluding Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi) unanimously passed a resolution to state an opinion in favor of the Tender Offer and to recommend that the Company’s shareholders tender their shares in the Tender Offer. All four of the Company’s statutory auditors attended the meeting of the Board of Directors, and each of the statutory auditors in attendance stated that he or she had no objection to the resolution.

It should be noted that since Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi are considering holding the shares of the Offeror directly or indirectly after the completion of the Tender Offer, they have conflicts of interest with the Company in relation to the Transaction; thus, as directors having special interests, they did not in any way participate in the deliberations or voting in the above meeting of the Board of Directors, nor did they have any role in the consultations and negotiations with the Offeror from the Company’s position.

Subsequently, the Tender Offer was completed as set forth above, but because the Offeror was unable to acquire all of the Shares (excluding treasury shares held by the Company and Agreed Non-Tendered Shares) through the Tender Offer, as we informed you in the Opinion-Representing Press Release, in response to a request by the Offeror, in order to keep only the Offeror, Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi and Kouyu as the shareholders of the Company, the Company passed a resolution at a meeting of the Board of Directors held today to hold the Extraordinary Shareholders’ Meeting and, in order to take the Shares private, subject to the approval of shareholders at the Extraordinary Shareholders’ Meeting, we would like to carry out a share consolidation (“Share Consolidation”) at a ratio of 1,618,678 Shares to one as set forth in “(2) Particulars of Share Consolidation” of “2. Overview of Share Consolidation” below.

Mr. Toyohiko Teranishi has agreed with the Offeror that, in the Share Consolidation, as instructed by the Offeror, he will enter into loan agreements with respect to the Shares with Mr. Tadayuki Teranishi and Kouyu, respectively, effective prior to the Share Consolidation coming into effect, under which Mr. Toyohiko Teranishi will borrow all of the Shares held by Mr. Tadayuki Teranishi and a portion of the Shares held by Kouyu (Note 7) (but the conditions of such lending, including lending fees, have not been determined yet. “Share Lending”). Further, Mr. Tadayuki Teranishi and Kouyu have both agreed with the Offeror to execute the Share Lending with Mr. Toyohiko Teranishi, effective prior to the Share Consolidation coming into effect. However, in the case where it is anticipated that there exists a shareholder who holds the Shares in a number that is equal to or greater than the total number of the Shares held by Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi, and Kouyu (excluding the Offeror) on the effective date of the Share Consolidation, Mr. Tadayuki Teranishi and Kouyu will not execute the Share Lending agreements and the Share Lending will not be implemented.

(Note 7) Under the Tender Offer Non-Acceptance Agreement dated September 10, 2020 between the Offeror and Mr. Toyohiko Teranishi and the Tender Offer Non-Acceptance Agreement dated September 10, 2020 between the Offeror and Kouyu, Kouyu had agreed to lend all of its Shares to Mr. Toyohiko Teranishi, but in light of the results of the Tender Offer, to eliminate as much as possible any fraction in the total number of fractional shares arising from the Share Consolidation, an amendment memorandum of understanding dated November 11, 2020 was executed, under which Kouyu will lend some of its Shares to Mr. Toyohiko Teranishi.

It is planned that, through the Share Consolidation, the Shares held by shareholders other than the Offeror and Mr. Toyohiko Teranishi will become fractional shares less than one share.

2. Overview of Share Consolidation

(1) Schedule of Share Consolidation

Announcement date of extraordinary general shareholders meeting record date	October 19, 2020 (Monday)
Extraordinary general shareholders meeting record date	November 3, 2020 (Tuesday)
Date of resolution by Board of Directors	November 12, 2020 (Thursday)
Date of extraordinary general shareholders meeting	December 16, 2020 (Wednesday) (Tentative)
Delisted stock designation date	December 16, 2020 (Wednesday) (Tentative)
Final trading date for Shares	January 5, 2021 (Tuesday) (Tentative)
Date of delisting of Shares	January 6, 2021 (Wednesday) (Tentative)
Effective date of Share Consolidation	January 8, 2021 (Friday) (Tentative)

(2) Particulars of Share Consolidation

(i) Class of shares to be consolidated

Common shares

(ii) Consolidation ratio

Every 1,618,678 shares of the Shares will be consolidated into one share.

(iii) Reduction in total number of outstanding shares

11,330,741 shares

(iv) Total number of outstanding shares prior to effect

11,330,748 shares (Note 8)

(Note 8) The total number of outstanding shares prior to effect will be the number of issued shares of the Company as of August 31, 2020 (11,332,206 shares) set forth in the “Second Quarter Report for the 7th Business Year” submitted by the Company on October 12, 2020 *less* the number of treasury shares that the Company holds as of November 3, 2020 (1,458 shares), which are scheduled to be retired on January 7, 2021, in accordance with the resolution of the meeting of the Board of Directors held today.

(v) Total number of outstanding shares after effect

7 shares

(vi) Total number of authorized shares as of effective date

28 shares

(vii) Method of processing fractional shares less than one share and amount of cash expected to be delivered to shareholders through such processing

As set forth in “1. Purpose of and Reasons for Implementing the Share Consolidation” above, it is planned that, through the Share Consolidation, the Shares held by shareholders other than the Offeror and Mr. Toyohiko Teranishi will become fractional shares less than one share.

With respect to fractional shares less than one share arising from the Share Consolidation, shares equal to the total number (in accordance with Article 235, paragraph (1) of the Companies Act (Law No. 86 of 2005, as amended; hereinafter the same), if the total number includes a fraction of less than one share, such fraction will be discarded) will be sold in accordance with Article 235 of the Companies Act and other applicable laws and regulations, and the proceeds obtained through such sale will be delivered to shareholders in proportion to their fractional shares. With respect to such sale, it is planned that the shares will be sold to the Company with the permission of the court pursuant to the provisions of Article 234, paragraph (2) of the Companies Act applied *mutatis mutandis* under Article 235, paragraph (2) of the same Act, or purchased by Offeror with the permission of the court pursuant to the provisions of Article 234, paragraph (4) of the Companies Act applied *mutatis mutandis* under Article 235, paragraph (2) of the same Act.

The sale price in such case, if the above permission of the court is obtained as planned, is planned to be set at a price that makes it possible to deliver to each shareholder cash in the amount obtained by multiplying the number of Shares held by the shareholder by JPY3,500, which is the same amount as the Tender Offer Price.

3. Grounds etc. for Amount of Cash to be Delivered to Shareholders Through Processing of Fractions for the Share Consolidation

(1) Grounds and Reasons for Amount of Cash Expected to be Delivered to Shareholders through Processing of Fractions

(i) Matters considered to avoid harming the interests of the Company’s shareholders other than the parent company etc. in cases where there is a parent company etc.

Given that the Share Consolidation is to be carried out as the second step in the so-called two-step acquisition of the Tender Offer and in light of the fact that the Tender Offer is to be carried out as part of a so-called management buyout (MBO) and structural conflicts of interest could arise, among other things, as set forth in “(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest” the Offeror and the Company have implemented the following measures to ensure the fairness of the Transaction, which includes the Tender Offer and the Share Consolidation, from the perspective of ensuring the fairness of the Tender Offer Price and eliminating

arbitrariness and avoiding conflicts of interest in the course of decision-making leading to the decision to implement the Tender Offer.

- (ii) Method of processing fractional shares less than one share, amount of cash expected to be delivered to shareholders through such processing, and matters relating to the appropriateness of such amount

In the Share Consolidation, as set forth in “(vii) Method of processing fractional shares less than one share and amount of cash expected to be delivered to shareholders through such processing” of “(2) Particulars of Share Consolidation” of “2. Overview of Share Consolidation” above, the Company plans to deliver to all shareholders cash in the amount obtained by multiplying the number of Shares held by the shareholders by JPY3,500, which is the same amount as the Tender Offer Price.

Further, in light of factors including that the Tender Offer Price (JPY3,500) (i) in relation to the calculation results for the Share value by Plutus Consulting set forth in “(i) Procuring a valuation report from the independent third-party valuation agency” in “(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest” of “3. Grounds etc. for Amount of Cash to be Delivered to Shareholders Through Processing of Fractions for the Share Consolidation” below, the Tender Offer Price is greater than the maximum amount of the range of the calculation results based on the market price analysis, it is within the range of the calculation results by using the comparable company analysis, further it is within the range of the calculation results using the DCF Method and at a level exceeding the mid-point thereof; (ii) the Tender Offer Price represents a premium of 39.33% (rounded to the second decimal place; hereinafter, the same applies to premium values (expressed as a percentage) on the share price) on JPY2,512, which is the closing price of the Shares on the First Section of the TSE on September 9, 2020, the business day immediately preceding the date of the announcement of the Tender Offer, a premium of 27.92% on JPY2,736, (rounded to the nearest whole yen; hereinafter, the same applies to simple averages of closing prices), which is the simple average closing price for the one-month period up to on September 9, 2020, a premium of 32.93% on JPY2,633, which is the simple average closing price for three-month period up to such date, and a premium of 53.37% on JPY2,282, which is the simple average closing price for the six-month period up to such date, and it can be concluded that a premium that is not inferior to the premiums in comparison with other recent MBO cases is being added; (iii) it is found to give consideration to the interests of minority shareholders in that, among other things, the measures set forth in “(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest” below have been taken to eliminate any conflicts of interest; (iv) the Tender Offer Price was decided after the above measures to eliminate conflicts of interest were taken and the Company and the Offeror engaged in discussions and negotiations on several occasions, namely, after the Company and the Offeror sincerely and continuously engaged in discussions and negotiations taking into account the calculation results for the share value of the Shares by Plutus Consulting, discussions with the Special Committee, financial advice received from Deloitte Tohmatsu Financial Advisory, and legal advice received from Kitahama Partners, etc.; and (v) a significant increase in the price proposal for the Tender Offer was made at the request of the Special committee, the Board of Directors has determined that the Transaction, which includes Tender Offer, can be expected to improve the Company’s corporate value, that the Tender Offer Price as well as the other conditions for the Tender Offer are appropriate for the Company’s shareholders, and that the Tender Offer provides the Company’s shareholders with a reasonable opportunity to sell their Shares.

Further, the Company represented an opinion in favor of the Tender Offer and passed a resolution recommending the Company’s shareholders to tender their shares in the Tender Offer at a meeting of the Board of Directors held on September 10, 2020, and following such resolution, the Company, after carefully reconsidering the conditions for the Transaction in light of the status of the Company’s shareholders tendering their shares in the Tender Offer and the

shift in the market value of the Company until November 12, 2020 and the like, confirmed at a meeting of the Board of Directors held today that there are no factors for changing its determination regarding the Transaction.

On the basis of the foregoing, the Company has determined that the amount of cash expected to be delivered to shareholders in accordance with the method of processing fractional shares and processing of fractional shares is reasonable.

(iii) Disposal of material assets, assumption of large obligations, and other events having a material effect on the status of company finances arising since the last day of the Company's last business year

As set forth in "1. Purpose of and Reasons for Implementing the Share Consolidation" above, the Offeror carried out the Tender Offer with the period from September 11, 2020 to October 26, 2020 as the Tender Offer Period, and as a result, as of November 2, 2020 (the day of commencement of settlement of the Tender Offer), the Offeror now holds 7,903,331 Shares (ownership ratio: 69.75%).

Further, at a meeting of the Board of Directors held today, the Company passed a resolution to retire the Company's 1,458 treasury shares (all of the shares held by the Company as of November 3, 2020) on January 7, 2021. The retirement of treasury shares is subject to the proposal relating to the Share Consolidation being passed as in the current draft at the Extraordinary Shareholders' Meeting, and the total number of outstanding shares of the Company after retirement will be 11,330,748 shares.

(2) Expectation of Delisting

(i) Delisting

As set forth in "1. Purpose of and Reasons for Implementing the Share Consolidation" above, in order to keep only the Offeror, Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi and Kouyu as the shareholders of the Company, the Company will implement the Share Consolidation subject to shareholders' approval at the Extraordinary Shareholders' Meeting. For this reason, the Shares are planned to be delisted through the prescribed procedures in accordance with the delisting standards of the Tokyo Stock Exchange.

As for the schedule, after being designated as delisted stock between December 16, 2020 and January 5, 2021, the delisting is planned to take effect on January 6, 2021. After the delisting, it will cease to be possible to trade Shares on the First Section of the Tokyo Stock Exchange.

(ii) Reasons for pursuing delisting

As set forth in "1. Purpose of and Reasons for Implementing the Share Consolidation" above, it has been determined that taking the Shares private through the Transaction will contribute to improving the corporate value of the Group.

(iii) Impact on minority shareholders and rationale therefor

As set forth in "(iii) Establishment of the Special Committee in the Company and procuring a report" of "(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest" below, on September 9, 2020, the Company received submission of a written response from the Special Committee to the effect that the Transaction is not disadvantageous to the Company's minority shareholders.

(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest

Given that the Share Consolidation is to be carried out as the second step in the so-called two-step acquisition of the

Tender Offer, in light of factors such as the Tender Offer being carried out as part of a so-called management buyout (MBO), where there may be an inherent conflict of interest, and from the perspective of ensuring the fairness of the Tender Offer Price, eliminating arbitrariness in the decision-making process behind the decision to implement the Tender Offer, and avoiding conflicts of interest, the Offeror and the Company have carried out the following measures to ensure the fairness of the Transaction, including the Tender Offer.

Matters set forth below that concern measures carried out by the Offeror are based on explanations given by the Offeror.

(i) Procuring a valuation report from the independent third-party valuation agency

To ensure the fairness of the decision-making process regarding the Tender Offer Price presented by the Offeror, the Company requested Plutus Consulting, as a third-party valuation agency that is independent from the Company, the Offeror, Mr. Toyohiko Teranishi, Mr. Toshiyuki Teranishi (a relative of Mr. Toyohiko Teranishi and managing director of the Company), Ms. Yukiko Kaneko (a relative of Mr. Toyohiko Teranishi), Mr. Tadayuki Teranishi, Non-accepting Shareholders, and Mr. Hiroyuki Teranishi (collectively, "Offeror-related Persons"), to calculate the share value of the Shares, and procured the Share Valuation Report on September 9, 2020.

Plutus Consulting does not fall under a related entity of any of the Offeror-related Persons and does not have any material interests in regard to the Transaction including the Tender Offer. Further, at the first meeting of the Special Committee, the Special Committee confirmed that there are no issues with respect to the independence of Plutus Consulting, and approved Plutus Consulting as a third-party valuation agency for the Company.

Plutus Consulting considered multiple potential share valuation methods to be adopted for the valuation of Shares, and then, on the assumption that the Company is a going concern and that a multifaceted evaluation of the Share value would be appropriate, calculated the value per Share using: market price analysis, because the Shares are listed on the First Section of TSE and thus have a market price; comparable company analysis, because there are multiple listed companies engaged in business relatively comparable to that of the Company and analogical estimation of the share value is possible through such an approach; and DCF Method, to ensure that the circumstances of the Company's future business activities would be reflected in the calculation. It should be noted that the Company has not obtained an opinion concerning the fairness of the Tender Offer Price (fairness opinion) from Plutus Consulting.

The ranges obtained for the Share value using the above-described valuation methods are as follows.

Market Price Analysis:	JPY2,282 to JPY2,736
Comparable Company Analysis:	JPY3,054 to JPY4,687
DCF Method:	JPY3,010 to JPY4,038

In the market price analysis, September 9, 2020 was used as the calculation reference date, and the calculations were performed on the basis of the closing price of JPY2,512 on said reference date, the simple average closing price of JPY2,736 for the immediately preceding one-month period, the simple average closing price of JPY2,633 for the immediately preceding three-month period, and the simple average closing price of JPY2,282 for the immediately preceding six-month period, of the Shares (all such prices as listed on the First Section of TSE). These calculations showed the value per Share to be in the range of JPY2,282 to JPY2,736.

In the comparable company analysis, listed companies determined to be comparable to the Company were selected, and calculations to obtain the Share value were performed using the EBITDA multiple to the business value, the EBIT multiple to the business value, and net income multiple to market capitalization. For such calculations, Cawachi Ltd., Matsumotokiyoshi Holdings Co., Ltd., cocokara fine Inc., Create SD Holdings Co., Ltd., Satudora Holdings Co., Ltd.,

Kusuri No Aoki Holdings, Inc., Sugi Holdings Co., Ltd., Yakuodo Holdings Co., Ltd., Genky DrugStores Co., Ltd., and Sundrug Co., Ltd. were selected as comparable listed companies. The results of the calculations showed the value per Share to be in the range of JPY3,054 to JPY4,687.

In the DCF Method, the corporate value and share value of the Company were calculated by estimating the free cash flow that the Company can be expected to generate in and after the second quarter of the February 2021 term, on the basis of various factors including publicly available information and earnings projections and investment plans in the business plans prepared by the Company for the period from the February 2021 term to the February 2023 term, and then deriving the present value of that cash flow using a given discount rate. For such calculations, discount rates of between 6.503% and 8.227% were adopted. In addition, the going-concern value was calculated by employing the perpetual growth method and applying a perpetual growth rate of 0%. The results of the calculations showed the value per Share to be in the range of JPY3,010 to JPY4,038.

The specific values in the Company financial projections that Plutus Consulting used as a basis for the DCF Method calculations were as indicated below. These financial projections do not include any business year in which a large increase or decrease in earnings relative to the previous year is anticipated. Further, these financial projections do not account for the synergistic effects that will be achievable by carrying out the Transaction, because it is difficult to make a detailed estimate of those effects at the present time. Moreover, Plutus Consulting conducted its analysis and examination of the content of these financial projections by holding multiple Q&A sessions with the Company, among other activities. Also, as stated in “(iii) Establishment of the Special Committee in the Company and procuring a report” below, the Special Committee has confirmed the reasonableness of the process and other procedures for the preparation of the above.

(Unit: million JPY)	FY Ending February 2021 (9 months)	FY Ending February 2022	FY Ending February 2023
Net Sales	101,209	141,200	148,500
Operating Profit	2,483	3,850	4,780
EBITDA	3,527	5,209	6,114
Free Cash Flow	1,092	2,353	2,520

It should be noted that the above financial projections were estimated after accounting for the share listing maintenance cost reduction effects and the projected consolidated financial results for the fiscal year ending February 2021 indicated in the “Notice regarding Correction to Financial Projections” released by the Company on September 10 based on the “Third Medium-term Management Plan (from the fiscal year ending February 2021 to the fiscal year ending February 2023)” described in the “Briefing on Financial Results for the Fiscal Year Ended February 2020 and Medium-term Management Plan” announced by the Company on April 14, 2020.

(ii) Advice from the independent law office

To ensure the fairness and appropriateness of the Board of Directors’ decision-making process regarding the Transaction, the Company appointed Kitahama Partners as a legal advisor that is independent from the Offeror-related Persons, and received from said law office necessary legal advice regarding the method and process of decision-making for the Board of Directors including procedures relating to the Transaction, and other matters for consideration.

Kitahama Partners does not fall under a related entity of any of the Offeror-related Persons and does not have any material conflicts of interests in regard to the Transaction including the Tender Offer. Further, at the first meeting of

the Special Committee, the Special Committee confirmed that there are no issues with respect to the independence of Kitahama Partners, and approved Kitahama Partners as a legal advisor for the Company.

(iii) Establishment of the Special Committee in the Company and procuring a report

In light of factors such as the Transaction being carried out as part of a so-called management buyout (MBO) where there may be an inherent conflict of interest in the consideration of the Transaction by the Company, for the purpose of ensuring that the Company is careful in its decision-making regarding the Transaction, eliminating arbitrariness and the possibility of any conflict of interest in the Board of Directors' decision-making process, and ensuring the fairness thereof, at the Board of Directors meeting held on July 17, 2020, a resolution was passed to establish the Special Committee composed of three persons who do not have any conflicts of interest with any Offeror-related Persons, namely Ms. Yukiko Okamoto who is an outside director and independent officer of the Company, Mr. Seigo Takehira (lawyer, Oh-Ebashi LPC & Partners), and Mr. Daisuke Shinkawa (tax attorney and CPA, and the representative member of Hokuto Tax Accountant Corporation), who are outside experts having a wealth of knowledge about M&A deals, and to carry out decision-making that gives as much weight as possible to reports by said committee. Since Mr. Seigo Takehira and Mr. Daisuke Shinkawa has never had any material conflict of interests with the Company or any Offeror-related Person, the Company believes that they can be found to be independent from the Company and the Offeror-related Persons. The members of the Special Committee have not changed since the committee was first established. Further, Ms. Yukiko Okamoto was elected by the members as the chairperson of the Special Committee. The only remuneration for the members of the Special Committee is a fixed remuneration that is paid regardless of the success or failure of the Transaction, and does not include any contingency fees contingent on the public announcement or completion etc. of the Transaction.

The Company consulted with the Special Committee on (a) the reasonableness of the purposes of the Transaction (including whether the Transaction will enhance the corporate value of the Company), (b) the appropriateness of the terms of the Transaction (including the Tender Offer Price), (c) the fairness of the negotiations process and other procedures for the Transaction, and (d) whether, in light of (a) through (c) above, the Transaction is disadvantageous to the Company's minority shareholders (collectively, "Consultation Matters"), and requested that the Special Committee submit the Written Report regarding the foregoing to the Board of Directors. Further, the Company's Board of Directors approved a resolution to grant to the Special Committee the authority to (a) receive, from officers and employees of the Company, information necessary for examination of, and determinations regarding, the Transaction, and (b) approve (including approval after the fact) outside advisors appointed by the Board of Directors.

The Special Committee held a total of nine meetings during the period from July 17, 2020 to September 9, 2020 to discuss and examine the Consultation Matters. Specifically, at the first meeting of the Special Committee, after finding that there were no issues with respect to the independence of the legal advisor, the financial advisor, and the third-party valuation agency appointed by the Company, the Special Committee approved them as the Company's legal advisor, financial advisor, and third-party valuation agency, respectively. Further, with respect to involvement in the negotiations process with the Offeror, while establishing a policy whereby Deloitte Tohmatsu Financial Advisory, the Company's financial advisor, will be the contact point for the Company in direct negotiations, the Special Committee confirmed that by receiving timely status reports from the Company's persons responsible for the negotiations, stating opinions on material matters, and issuing instructions and demands, it is able to be substantially involved in the negotiations process concerning transaction terms. Moreover, the Special Committee received explanations from the Company and conducted questions and answers regarding the condition of the Company's businesses, business forecasts, market environment, background of the Transaction, purposes of the Transaction, specific advantages and disadvantages of the Transaction, forecasts concerning continuation of businesses not conditioned on the Transaction,

including the feasibility of measures in lieu of the Transaction, operational and financial conditions, and business plans etc. For business plans, it was confirmed that the basis of the consideration, the “Third Medium-term Management Plan (from the fiscal year ending February 2021 to the fiscal year ending February 2023)” was prepared based on the “First Medium-term Management Plan (from the fiscal year ended February 2015 to the fiscal year ending February 2017)” and the “Second Medium-term Management Plan (from the fiscal year ended February 2018 to the fiscal year ending February 2020)” released by the Company; therefore there was no unreasonableness in the preparation process. Also, for the projected consolidated financial results for the fiscal year ending February 2021 described in the “Notice regarding Correction to Financial Projections” released by the Company on September 10, 2020, which has been taken into account in the preparation of the business plan, the Special Committee received the explanation from the Company that the said figures were estimated within a reasonable scope considering the relatively strong performance of the Company at this moment; therefore, the Special Committee has determined that there was no unreasonableness in the preparation process. Further, at each stage of the negotiation process between the Company and the Offeror, the Special Committee provided the Company with its opinions and advice. Also, it received from the Offeror the overview of Bain Capital, explanations regarding the purposes of and reasons for the Transaction, management policy and investment plans going forward, matters of concern in relation to the Transaction, the specific impacts and effects that are expected to result from the Transaction, specific advantages and disadvantages of the Transaction, and other matters, and conducted questions and answers. In addition, the Special Committee received explanations from Deloitte Tohmatsu Financial Advisory and the Company’s persons responsible for the negotiations regarding the negotiations process for the terms etc. of the Transaction, explanations from Plutus Consulting regarding the calculation of the Company’s share value, and explanations from Kitahama Partners regarding the particulars of measures to ensure fairness with respect to the procedures of the Transaction, the method and process of the Board of Directors’ decision-making regarding the Transaction, and other measures to avoid conflicts of interest, and conducted questions and answers regarding the foregoing as well.

Further, with respect to a so-called proactive market check (including bidding procedures before public announcement of the Transaction) to investigate and consider whether there are any potential acquirers in the market, in light of the nature of measures that have been carried out to ensure the fairness of the Transaction, which includes the Tender Offer, and other specific circumstances of the Transaction, the Special Committee determined that even if such checks are not carried out, there will be no specific hindrances to the fairness of the Transaction.

After the Company received on August 7, 2020 an initial offer from the Offeror with a Tender Offer Price of JPY3,000 per Share, the Special Committee received reports from the Company, from time to time, on the course of discussions and negotiations between the Company and the Offeror, the substance thereof and other information regarding the Transaction, and discussed the policies to be adopted, including how to respond to such offer. After receiving on August 25, 2020 a revised offer from the Offeror with a Tender Offer Price of JPY3,150 per Share, and taking into account the advice of Deloitte Tohmatsu Financial Advisory from the financial point of view, including the analysis of premiums added in recent MBO cases, as well as the explanation that the business results until August 2020 has showed better performance than the projected consolidated financial results indicated in the “Notice regarding Correction to Financial Projections” released by the Company on July 10, 2020, and the projections of business results may be upwardly revised, the Special Committee deliberated and examined the content of the revised offer, and again made a request to the Offeror for a further increase in the Tender Offer Price. In that manner, the Special Committee was involved in the course of negotiations between the Company and the Offeror and as a result, on September 7, 2020, the Company received the re-revised offer with a Tender Offer Price of JPY3,500 per Share.

Moreover, the Special Committee received explanations regarding drafts of the Opinion-Representing Press Release that the Company planned to disclose, and while receiving advice from Kitahama Partners, confirmed that it

was planned that full disclosure of information concerning the Transaction will be made.

In consequence of the continued careful discussions and examinations regarding the Consultation Matters as described above, on September 9, 2020, the Special Committee submitted to the Board of Directors the Written Report regarding the Consultation Matters, the summary of which is as follows:

- (a) The reasonableness of the purposes of the Transaction (including whether the Transaction will enhance the corporate value of the Company).

The Special Committee asked the Company and the Offeror questions with regard to the purposes of the Transaction, the specifics of the corporate value of the Company that is expected to be enhanced by the Transaction, and other matters, and received explanations set forth in “(a) Background, object and process of decision-making to implement the Tender Offer” and “(b) Managerial policy after the Tender Offer” of “(ii) Background, object, and process of decision-making to implement the Tender Offer; Management policy after the Tender Offer” and “(iii) Process of decision-making to support the Tender Offer and its reasons” under “(2) Grounds and reasons for opinion” of “3. Substance of and Grounds and Reasons for Opinion Relating to Tender Offer” of the Opinion-Representing Press Release; and the specifics were confirmed and a thorough examination was carried out.

In consequence, no unreasonableness was found in the explanations given by the Company and the Offeror, and in light of the market and business environment surrounding the Company, the need to pursue the business structure reforms by utilizing the management support of Bain Capital to the maximum extent, and the outlook of the Company’s business etc., it can be expected that taking swift and bold measures by implementing of the Transaction will contribute to the Company’s sustainable growth and will contribute to the enhancement of the corporate value of the Company in the medium- to long-term.

For the foregoing reasons, a determination was made that the purposes of the Transaction are reasonable.

- (b) The appropriateness of the terms of the Transaction (including the Tender Offer Price)

(i) The Company obtained the Share Valuation Report from Plutus Consulting, a third-party valuation agency that is independent of the Offeror-related Persons. The Special Committee received a detailed explanation on the calculation methods, etc. used in the Share Valuation Report, which indicates that the Share value is in the range of JPY2,282 to JPY2,736 in the market price analysis, in the range of JPY3,054 to JPY4,687 in the comparable company analysis, and in the range of JPY3,010 to JPY4,038 in the DCF Method. The Special Committee conducted questions and answers with Plutus Consulting and the Company with regard to the selection of valuation methods, the analysis of the market value and trade volume in the market price analysis, the selection of comparable companies and multiples used as metrics in the comparable company analysis, and matters that served as the basis for calculation in the DCF Method (e.g., the Company’s business plans, its financial forecasts based on such business plans, the calculation methods of its going concern value, and the grounds for calculation of the discount rate, and the particulars of the calculation of non-business assets). On the basis of the above, the Special Committee carried out a review, and as a result, no unreasonableness was found in light of general valuation practices. In addition, it is found that the Tender Offer Price is greater than the maximum amount of the range of the calculation results based on the market price analysis in the Share Valuation Report, is within the range of the calculation results by the comparable company analysis, and is within and at a level exceeding the mid-point of the range of the calculation results using the DCF Method. Moreover, the Tender Offer Price (JPY3,500) represents a premium of 39.33% over the closing price (JPY2,512) of the Shares on the First Section of TSE on September 9, 2020; a premium of 27.92% over the simple average closing price

(JPY2,736) for the one-month period up to September 9, 2020; a premium of 32.93% over the simple average closing price (JPY2,633) for the three-month period up to such date; and a premium of 53.37% over the simple average closing price (JPY2,282) for the six-month period up to such date, and it can be concluded that a premium that is not inferior to the premiums in other recent MBO cases has been added.

(ii) As stated in “(c) The fairness of the negotiations process and other procedures for the Transaction” below, the procedures for the negotiations process regarding the Transaction, including the Tender Offer, are found to be fair, and the Tender Offer Price is found to have been determined in light of the outcome of such negotiations.

(iii) It is envisaged that in the Transaction, the Tender Offer and Non-tender Agreement will be executed between the Offeror and Mr. Tadayuki Teranishi, the Non-tender Agreement will be executed between the Offeror and each Non-accepting Shareholder, and the Shareholders Agreement will be executed among Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, Mr. Tadayuki Teranishi, and BCPE Knight Cayman, L.P. However, under the said agreements, it is not envisaged that any one of Mr. Tadayuki Teranishi, the Non-accepting Shareholders, or Mr. Hiroyuki Teranishi will transfer Shares at a higher price than the Tender Offer Price. Thus, this scheme is not contrary to the uniformity of the tender offer price. Therefore, it is found that the scheme would not give any specific shareholder any unfair profits, there are no irregular aspects the scheme, and it would not cause any disadvantage to minority shareholders.

(iv) As the minority shareholders who did not tender their Shares in the Tender Offer will eventually be paid money in the Squeeze-out Process to be implemented after the Tender Offer, the computation will be made so that the amount of money to be paid in such procedures will be equal to the price obtained by multiplying the Tender Offer Price by the number of Shares held by those shareholders. The Share Consolidation planned in the Squeeze-out Process is a common method used in cases comparable to the Transaction, and in this method an opportunity for minority shareholders to state any objection to the consideration is provided; therefore, the procedures are found to be reasonable.

(v) On the point that the consideration for the Transaction will be money, since the Offeror is an unlisted company, the type of consideration is found to be appropriate.

In light of the foregoing and as a result of careful discussions and reviews, the Special Committee has determined that the conditions of the Transaction, including the implementation method and the scheme thereof, and the type and the amount of consideration to be paid to the Company’s minority shareholders in the Transaction, are appropriate. Since the projected consolidated financial results for the fiscal year ending February 2021 indicated in the “Notice regarding Correction to Financial Projections” released on September 10, 2020 was not prepared at the time of the preparation of the Written Report, such projections have not been reflected in the share price; however, under the DCF Method in the Share Valuation Report, the projections were taken into consideration and the premium at the above level was attached, and therefore, the Company determined that not reflecting the latest projection in the Written Report has no influence on the above conclusion.

(c) The fairness of the negotiations process and other procedures for the Transaction.

(i) In light of factors such as the Transaction being carried out as part of a so-called management buyout (MBO), where there may be an inherent conflict of interest, and from the perspective of ensuring the fairness of the Tender Offer Price, eliminating arbitrariness in the decision-making process behind the decision to implement the Tender Offer, and avoiding conflicts of interest, for its consideration of the Transaction, the Company obtained advice and opinions etc. from Plutus Consulting, a third-party valuation agency, and Deloitte Tohmatsu Financial Advisory, a financial advisor, and Kitahama Partners, a legal advisor, all of which are independent of the Offeror-related Persons, and from the perspective of enhancing the Company’s corporate value by extension

the shared interests of shareholders, the Company carefully examined and discussed the appropriateness of the purchase conditions of the Tender Offer, such as the Tender Offer Price, the fairness of the series of procedures for the Transaction and other points, and the Special Committee confirmed that there was no problem with the independence and the expertise of Plutus Consulting, Deloitte Tohmatsu Financial Advisory, and Kitahama Partners and approved them as the Company's third-party valuation agency, financial advisor, and legal advisor, respectively.

(ii) Under the negotiation policy approved by the Special Committee in advance, the Company conducted substantial discussions and negotiations with the Offeror to ensure the fairness of the Tender Offer Price from the perspective of protecting the interests of minority shareholders. Specifically, through Deloitte Tohmatsu Financial Advisory, the Company conducted price negotiations, including presenting a written response approved by the Special Committee, via Nomura Securities Co., Ltd., the financial advisor for the Offeror, and as a result of such negotiations, before reaching the decision to set the Tender Offer Price at JPY3,500 per Share, elicited three price increases with a total of JPY500 from the Offeror's initial offer of JPY3,000 per Share.

(iii) The directors who examined and negotiated the Transaction as the representatives of the Company did not include any director having special interests in the Transaction, or otherwise no fact was found that suggests that any Offeror-related Person or any other person with special interests in the Transaction had an improper impact on the Company during the process of the discussions, examinations, and negotiations relating to the Transaction.

(iv) Since Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi have conflicts of interest with the Company in the Transaction, as directors having special interests, they did not in any way participate in the deliberation or voting in the related meetings of the Board of Directors; therefore, no facts were found that give rise to doubts regarding the fairness of the procedures.

(v) In the Tender Offer, the Tender Offer Period is expected to be set as a period of 30 business days, which is longer than the statutory minimum of 20 business days. In addition, the Offeror and the Company have not executed any agreement restricting contact by a counterbidder with the Company; therefore, in conjunction with setting the above Tender Offer Period, an opportunity for counterbidding is secured, and consideration is paid to ensure the fairness of the Tender Offer. Moreover, even though a proactive market check has not been conducted for the Transaction, it has been pointed out that a proactive market check may have an inhibitory effect on M&A and cause some practical problems such as the security of information control. In addition, given the actual situation that managers cannot decide to implement MBO until they have developed a trust relationship with the investment fund and other related persons over long time, it is thought that not carrying out such a market check will not particularly hinder the fairness of the Transaction;

(vi) The minimum number of tendered shares to be purchased in the Transaction set by the Offeror is 5,884,000 shares (ownership ratio: 51.93%), and the said number is greater than the 5,321,401 shares (ownership ratio: 46.96%) of the lower limit of the number of tendered shares to be purchased in the case of setting a so-called "majority of minority"; therefore, the "majority of minority" requirement was satisfied.

In view of the foregoing, and as a result of careful discussions and examinations, the Special Committee determined that proper measures have been taken to ensure the fairness of the Transaction and thus the negotiations process and other procedures for the Transaction are fair.

(d) Whether, in light of (a) through (c) above, the Transaction is disadvantageous to the Company's minority shareholders

In consequence of careful considerations of (a) through (c) above and other matters, a determination was made

that the Transaction is not disadvantageous to the Company's minority shareholders.

Note that this opinion includes the findings that the decisions by the Board of Directors (i) to state an opinion in favor of the Tender Offer and to recommend that Company's shareholders tender their Shares in the Tender Offer and (ii) to implement the Squeeze-out Process by adopting the method of the Share Consolidation after the Tender Offer are not disadvantageous to minority shareholders.

(iv) Approval of all disinterested directors of the Company and opinion of non-objection by all auditors of the Company

On the basis of financial opinions and other advice received from Deloitte Tohmatsu Financial Advisory, the Share Valuation Report obtained from Plutus Consulting, and legal advice obtained from Kitahama Partners, the Company carefully considered the terms of the Transaction while giving maximum weight to the content of the Written Report submitted by the Special Committee.

Consequently, as set forth in "1. Purpose of and Reasons for Implementing the Share Consolidation" above, the Board of Directors determined that the Transaction, which includes the Tender Offer, can be expected to improve the Company's corporate value and the Tender Offer Price and other conditions of the Tender Offer are appropriate from the perspective of the Company's shareholders, and that the Tender Offer will provide the Company's shareholders with a reasonable opportunity to sell their Shares. At the Board of Directors meeting held on September 10, 2020, the Company's directors (five directors excluding Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi) who participated in deliberation and voting announced their unanimous agreement to the Tender Offer and passed a resolution to recommend that all of the Company's shareholders tender their Shares in the Tender Offer. Four of the Company's auditors attended this Board of Directors meeting, and all of these attending auditors stated their opinion of no objection to this resolution.

Note that Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi are considering holding the shares of the Offeror, directly or indirectly, after the completion of the Tender Offer, and therefore have conflicts of interest with the Company in regard to the Transaction; thus, as directors having special interests, they did not in any way participate in the deliberations or voting in the above meeting of the Board of Directors, nor did they have any role in the discussions and negotiations with the Offeror from the Company's position.

(v) Setting a minimum number of tendered shares to be purchased in the Tender Offer for exceeding the majority of minority

In the Tender Offer, the Offeror has set 5,884,000 shares (ownership ratio: 51.93%) as the minimum number of tendered shares to be purchased in the Tender Offer, and in the case where the total number of tendered share certificates etc. is less than the minimum number of tendered shares to be purchased in the Tender Offer, purchase etc. of all tendered share certificates etc. will not be performed. In order to implement the Tender Offer for taking the Company private, the Offeror set the minimum number of tendered shares to be purchased in the Tender Offer (5,884,000 shares) so that the sum total of the number of voting rights pertaining to the Shares held by the Offeror in the case where the Tender Offer is successfully completed, the number of voting rights pertaining to the Shares that Mr. Tadayuki Teranishi agreed not to tender in the Tender Offer and the number of voting rights pertaining to the Shares held by Non-accepting Shareholders exceeds two-thirds of the total number of voting rights of the Company (113,309 voting rights pertaining to 11,330,977 shares in total, excluding treasury shares held by the Company). The minimum number of tendered shares to be purchased in the Tender Offer (5,884,000 shares; ownership ratio: 51.93%) exceeds the sum (5,321,401 shares; ownership ratio: 46.96%) of (i) a majority (4,339,479 shares; ownership ratio: 38.30%, which corresponds to a majority of the Shares held by the Company's shareholders with no conflict of interests with the Offeror, i.e., a so-called "majority of minority") of the number of shares (8,678,957 shares) which

is equal to the total number of issued Shares (11,332,206 shares) as of May 31, 2020 stated in the Company's Quarterly Report *minus* the number of treasury shares (1,229 shares) that the Company holds as of May 31, 2020 stated in the Company's Preliminary Quarterly Financial Statements released by the Company on July 10, 2020, and the sum (981,922 shares) of the number of shares (690,090 shares) held by Mr. Toshiyuki Teranishi (a relative of Mr. Toyohiko Teranishi and managing director of the Company), the number of shares (164,500 shares) held by Ms. Yukiko Kaneko (a relative of Mr. Toyohiko Teranishi), who have entered into tender offer tendering agreements with the Offeror under which they have agreed to tender all of their respective Shares in the Tender Offer, and the number of Shares (127,332 shares) held by Mr. Tadayuki Teranishi regarding which he has executed the Tender Offer and Non-tender Agreement with the Offeror and agreed to tender in the Tender Offer, and the Non-Tendered Shares (1,670,098 shares). By doing this, in the case where consent cannot be obtained from a majority of the Company's shareholders with no conflict of interests with the Offeror, the intentions of the Company's minority shareholders will be prioritized and the Transaction, which includes the Tender Offer, will not be implemented.

(vi) Securing objective conditions for ensuring the fairness of the Tender Offer

The Offeror has not executed with the Company any agreement including a deal protection provision prohibiting contact by the Company with any counterbidder regarding the Company Shares or any other agreement restricting contact by a counterbidder with the Company. Further, the Offeror has set as the Tender Offer Period at a period of 30 business days, which is longer than the statutory minimum of 20 business days. By setting a relatively long period as the Tender Offer Period, the Offeror intends to ensure an appropriate Tender Offer Price by securing for the Company's shareholders an appropriate opportunity for decision-making regarding tendering Shares in the Tender Offer and securing an opportunity for entities other than Offeror to make counteroffers etc. for the Shares.

Note that, regarding a proactive market check to survey and investigate whether there is any other potential acquirer in the market (including any bidding procedures etc. prior to the public announcement of the Transaction), the Special Committee determined in view of the assorted measures that were carried out to ensure the fairness of the Transaction, which includes the Tender Offer, and other specific conditions of the Transaction that not-carrying out such a market check will not particularly hinder the fairness of the Transaction.

4. Outlook Going Forward

In conjunction with the implementation of the Share Consolidation, as set forth in "(i) Delisting" of "(2) Expectation of Delisting" of "3. Grounds etc. for Amount of Cash to be Delivered to Shareholders Through Processing of Fractions for the Share Consolidation" above, it is planned that the Shares will be delisted.

The Transaction constitutes a so-called management buyout (MBO). Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, Mr. Tadayuki Teranishi, and the Offeror plan to implement the Merger, through which the Offeror will be the surviving company, and the Company will be the extinguishing company, in exchange for common shares of the Offeror's Parent Company as the merger consideration, and to carry out procedures and other steps for the Offeror to acquire the shares of the Offeror's Parent Company, which will be the consideration for the Merger. In consequence, Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, and Mr. Tadayuki Teranishi plan to hold a certain number of common shares issued by the Offeror's Parent Company so that, ultimately, the ratio of the total number of the shares of the Offeror they hold against the number of shares of the Offeror held by BCPE Knight Cayman L.P., as of September 10, 2020, the wholly owning parent company of the Offeror's Parent Company will be 40:60 in principle. Note that, at the present time, no concrete steps have been agreed with respect to the transaction to enable Mr. Hiroyuki Teranishi to ultimately hold some of the shares of the Offeror's Parent Company; however, several options are now being considered, including the methods that Mr. Hiroyuki Teranishi

receives a portion of the Shares from Mr. Toyohiko Teranishi before the Merger becomes effective, or he receives a portion of the shares of the Offeror's Parent Company from Mr. Tadayuki Teranishi or Mr. Toyohiko Teranishi after the Merger becomes effective. In determining the merger ratio, the Shares will be valued at a price not exceeding the Tender Offer Price so as not to infringe on the rules on the uniformity of tender offer prices (Article 27-2 (iii) of the Financial Instruments and Exchange Act (Law No. 25 of 1948, as amended; hereinafter the same)), and in determining the share value of the Offeror's Parent Company, which will be the basis for the merger ratio in the Merger, the share value will be calculated accounting for the fact that the Offeror's Parent Company is required to borrow necessary funds for the Tender Offer and the Squeeze-out Process, and as a result, it is expected that as of the effective date of the Share Consolidation, the total ownership ratio of common shares of the Offeror's Parent Company of Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, and Mr. Tadayuki Teranishi, and the ownership ratio of BCPE Knight Cayman, L.P., will be roughly 40:60.

In addition, Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, Mr. Tadayuki Teranishi, and BCPE Knight Cayman, L.P. have agreed that, after the completion of the Merger, (a) the number of directors of the Offeror, the surviving company in the Merger ("New Kirindo Holdings") shall be seven, consisting of three to be appointed by Mr. Toyohiko Teranishi and four to be appointed by BCPE Knight Cayman, L.P., and (b) the number of representative directors of New Kirindo Holdings shall be not more than two, and Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi shall assume their positions as the representative directors of New Kirindo Holdings immediately after the Merger. Also, in the Shareholders Agreement, it has been agreed regarding the officers of the Offeror's Parent Company (a) that the number of directors of the Offeror's Parent Company shall be seven, consisting of three to be appointed by Mr. Toyohiko Teranishi and four to be appointed by BCPE Knight Cayman, L.P., (b) that the number of representative directors shall be not more than two, and Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi shall assume their positions as the representative directors of the Offeror's Parent Company immediately after the Merger, and (c) that the number of auditors of the Offeror's Parent Company shall be one, who BCPE Knight Cayman, L.P. will be entitled to nominate. At the current time, candidates for directors of New Kirindo Holdings have not been determined, except for Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi, who are planned to be nominated as representative directors, and no agreement has been reached between the Offeror and the Company's directors and auditors regarding the appointment of officers after the Tender Offer, except for Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi. The Offeror plans to determine the specifics of the Company's management system, including the composition of officers after the Tender Offer, through discussions with the Company after the successful completion of the Tender Offer.

At the present time, the Offeror plans to maintain the current employment status of the Company Group's employees after the Tender Offer. The Offeror also plans to consider the introduction of personnel management services by which the enhancement of corporate value will lead to the improvement of treatment of officers and employees, such as the stock options and performance-linked compensation system.

5. Matters Relating to Transactions etc. with Controlling Shareholder

Because the Offeror today falls under the Company's parent company, transactions relating to the Share Consolidation constitute transactions with the controlling shareholder.

(1) Status of Compliance with Guidelines relating to Policy to Protect Minority Shareholders in Transactions etc. with the Controlling Shareholder

The "guidelines relating to policy to protect minority shareholders in transactions etc. with the controlling shareholder" indicated in the Corporate Governance Report disclosed by the Company on November 2, 2020 are as follows.

"In cases where the Company carries out transactions with the parent company, the Company confirms the appropriateness of the transaction terms and economic reasonableness, such as whether the conditions are equivalent to arms-length transactions, and appropriately handles decisions on the conditions of transactions with the parent company

to ensure that minority shareholders are not disadvantaged.”

In relation to the Transaction, which includes the Tender Offer, as set forth in “(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest” of “3. Grounds etc. for Amount of Cash to be Delivered to Shareholders Through Processing of Fractions for the Share Consolidation” above, the Company has taken measures for ensuring fairness and measures for avoiding conflicts of interest, and it is thought that such treatment is in compliance with the above guidelines.

(2) Matters Relating to Measures for Ensuring Fairness and Measures for Avoiding Conflicts of Interest

See “(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest” in “3. Grounds etc. for Amount of Cash to be Delivered to Shareholders Through Processing of Fractions for the Share Consolidation” above.

(3) Overview of Opinion Obtained from Person Having No Conflict of Interest with Controlling Shareholder that the Transaction is Not Disadvantageous to Minority Shareholders

The Company received submission of a written report from the Special Committee dated September 9, 2020 that the Transaction is not disadvantageous to minority shareholders. For details, see “(iii) Establishment of the Special Committee in the Company and procuring a report” in “(3) Measures for Ensuring Fairness of the Transaction and Measures for Avoiding Conflicts of Interest” in “3. Grounds etc. for Amount of Cash to be Delivered to Shareholders Through Processing of Fractions for the Share Consolidation” above.

II. Abolishment of the Provision on Share Units

1. Reasons for Abolishment

In the case where the Share Consolidation takes effect, the Company’s total number of outstanding shares will be 7 shares, and it will cease to be necessary to specify the number of shares in a share unit

2. Planned Delisting Date

January 8, 2021 (Friday)

3. Conditions of Delisting

The delisting is subject to the proposal for the Share Consolidation and the proposal for partial amendment of the Articles of Incorporation to abolish the provision on share units being passed as in the original drafts at the Extraordinary Shareholders’ Meeting, and the Share Consolidation taking effect.

III. Partial Amendment of Articles of Incorporation

1. Purpose of Amendment of Articles of Incorporation

- (1) If the current draft of the proposal for the Share Consolidation is approved and the Share Consolidation takes effect, in accordance with Article 182, paragraph (2) of the Companies Act, the Company’s total number of authorized shares will be reduced to 28 shares. To clarify this point, subject to the Share Consolidation taking effect, Article 6 (Total Number of Authorized Shares) of the Articles of Incorporation will be amended.

- (2) If the proposal for the Share Consolidation is approved as in the current draft of and the Share Consolidation takes effect, the Company’s total number of outstanding shares will be 7 shares, and it will cease to be necessary to specify the number of shares in a share unit. Subject to the Share Consolidation taking effect, in order to abolish the provision that currently makes 100 shares the share unit for the Shares, the entire text of Article 8 (Number of Shares in Share Unit) and Article 11 (Rights of Shareholders of Less Than One Share Unit), will be deleted entirely, and in conjunction with these amendments the article numbers will be shifted up.

2. Content of Articles of Incorporation

The amendments are as follows. Provided that the proposal for the Share Consolidation is approved at the Extraordinary Shareholders’ Meeting as in the current draft, and the Share Consolidation takes effect, these amendments of the Articles of Incorporation are scheduled to take effect on January 8, 2021, which is the effective date of the Share Consolidation.

(Underlining shows the amended portions.)

Current Articles of Incorporation	Draft Amendment
<p>Article 6. Total Number of Authorized Shares</p> <p>The Company’s total number of authorized shares shall be <u>20,000,000</u> shares.</p> <p>(Omitted)</p>	<p>Article 6. Total Number of Authorized Shares</p> <p>The Company’s total number of authorized shares shall be <u>28</u>shares.</p> <p>(Omitted)</p>
<p>Article 8. Number of Shares in Share Unit</p> <p>The number of shares of the Company in one share unit shall be 100 shares.</p>	<p>(Deleted)</p>
<p>Article <u>9</u>. (Omitted)</p>	<p><u>Article 8</u>. (Unchanged from current version)</p>
<p>Article <u>10</u>. (Omitted)</p>	<p><u>Article 9</u>. (Unchanged from current version)</p>
<p><u>Article 11. Rights of Shareholders of Less Than One Share Unit</u></p> <p><u>Shareholders of the Company may not exercise rights regarding shares less than one share unit that they hold, except for the following rights:</u></p> <p><u>(1) The rights set forth in the items of the Companies Act, Article 189, paragraph (2);</u></p> <p><u>(2) The right to make demands in accordance with the Companies Acts, Article 166, paragraph (1); and</u></p> <p><u>(3) The right of shareholders to receive allotment of subscription shares or allotment of stock</u></p>	<p>(Deleted)</p>

<u>acquisition rights for subscription in proportion to the number of shares.</u>	
Article <u>12</u> -Article <u>44</u> (Omitted)	Article <u>10</u> -Article <u>42</u> (Unchanged from current version)

3. Schedule for Amendment of Articles of Incorporation
January 8, 2021 (Friday) (Tentative)