



September 10, 2020

News Release

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

Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares

We hereby give notice that at a Board of Directors' meeting held today, the Board of Directors passed a resolution to state an opinion in favor of a tender offer ("Tender Offer") for the outstanding common shares of the Company ("Shares") by K.K. BCJ-48 ("Offeror") to be carried out as part of a management buyout (MBO) (note 1), and to recommend that Company shareholders tender their Shares in the Tender Offer.

The resolution by the Board of Directors was made on the condition that the Offeror plans to take the Company private through the Tender Offer and the subsequent series of procedures and that it is planned for the Shares to be delisted.

(Note 1) 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.

1. Overview of the Offeror

(1) Name	K.K. BCJ-48
(2) Address	Palace Building 5F, 1-1-1 Marunouchi, Chiyoda-ku, Tokyo
(3) Title and name of representative	Yuji Sugimoto, Representative Director
(4) Nature of business	Acquisition and ownership of the Company's shares, etc., and control and management of the Company's business activities
(5) Capital	JPY 25,000
(6) Date of establishment	August 25, 2020
(7) Large shareholders and their ownership percentages	K.K. BCJ-47, 100.00% ("Offeror's Parent Company")
(8) Relationships between the Company and the Offeror	
Capital relationships	N/A
Personal relationships	N/A
Transactional relationships	N/A
Status as related person	N/A

2. Price for Tender Offer

JPY 3,500 per common share ("Tender Offer Price")

3. Substance of and Grounds and Reasons for Opinion Relating to Tender Offer

(1) Substance of opinion

At the Board of Directors meeting held today, on the basis of the grounds and reasons set forth in “(2) Grounds and reasons for opinion” below, the Company 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.

The resolution by the Board of Directors was passed using the method set forth in “(iv) Approval of all disinterested directors of the Company and opinion of non-objection by all auditors of the Company” under “(6) Measures to ensure fairness of Tender Offer Price and to prevent conflict of interest and other measures to ensure fairness of Tender Offer” below.

(2) Grounds and reasons for opinion

The statements here in “(2) Grounds and reasons for opinion” that relate to the Offeror are based on explanations received from the Offeror.

(i) Overview of the Tender Offer

The Offeror is a corporation (*kabushiki kaisha*) established on August 25, 2020 for the primary purpose of holding the Shares to control and manage the Company’s business activities. The Offeror is a wholly owned subsidiary of BCJ-47 whose outstanding shares are all indirectly owned by an investment fund to which Bain Capital Private Equity, LP and its group (collectively, “Bain Capital”) provides investment advice. As of the current date, Bain Capital, the Offeror’s Parent Company, and the Offeror do not own any Shares.

Bain Capital is an international investment company with a total of approximately \$100 billion in working assets worldwide, and since the opening of its Tokyo office in 2006, more than 30 professionals have been working to improve the corporate value of Bain Capital’s portfolio companies in Japan. Most of those professionals have experience in industrial companies and consulting companies, and in addition to capital and financial support provided by general investment companies, Bain Capital has also steadily executed growth strategies by supporting business operations at the field level and led numerous measures for value improvement to successes. Bain Capital has an investment track record of 18 companies in Japan including Nichiigakkan Co., Ltd., Showa Aircraft Industry Co., Ltd., Cheetah Digital Co., Ltd. (currently EmberPoint Co., Ltd.), Works Human Intelligence Co., Ltd., Toshiba Memory Corporation (currently KIOXIA Corporation), Japan Wind Development Co., Ltd., Oedo-Onsen-Monogatari Co., Ltd., ASATSU-DK Inc., Jupiter Shop Channel Co., Ltd., Skylark Co., Ltd., Domino's Pizza Japan, Inc., Macromill, Inc., and BELLSYSTEM24, Inc., and Bain Capital has had achieved results globally from investments in 450 companies since its establishment in 1984.

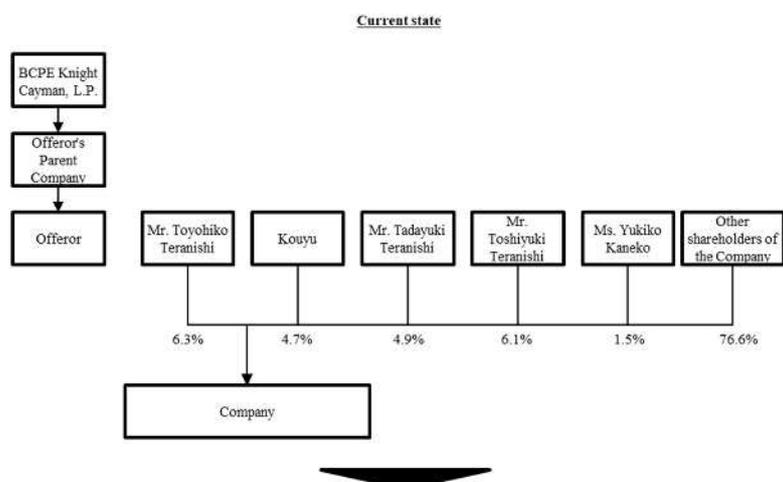
The Offeror will implement the Tender Offer as part of a series of transactions (the “Transaction”) intended to effect a management buyout (MBO) for the purpose of acquiring and holding all of the Shares, which are listed in the First Section of the Tokyo Stock Exchange (“TSE”) (excluding treasury shares held by the Company, a part of the Shares held by Mr. Tadayuki Teranishi, the Company’s Representative Director and Chairman (“Mr. Tadayuki Teranishi”) (note 2); all the Shares held by Mr. Toyohiko Teranishi, the Company’s Representative Director, CEO, and President (“Mr. Toyohiko Teranishi”); and all the Shares held by Kouyu Co., Ltd. (“Kouyu”), which is the asset management company of Mr. Toyohiko Teranishi and his family (note 3).

Mr. Toyohiko Teranishi and Mr. Tadayuki Teranishi plan to remain involved in the Company’s management after the successful completion of the Tender Offer, and in order to share common objectives for enhancing corporate value, they are considering holding the shares of the Offeror directly or indirectly after the Tender Offer. In addition, Mr. Hiroyuki Teranishi has an intent to continue his support to the Company as a director of Kirindo Co., Ltd. (“Kirindo”), a wholly owned subsidiary of the Company, and is considering holding the shares of Offeror directly or indirectly after the Tender Offer in order to share common objectives for enhancing corporate value. Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, and Mr. Tadayuki Teranishi are

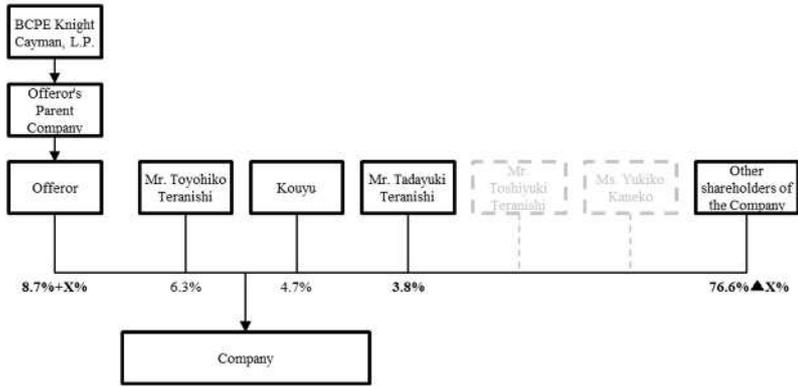
considering holding the shares of the Offeror directly or indirectly, respectively, after the Tender Offer and within three (3) months after the completion of the process to take the Company private (“Squeeze-out Process”) (if the completion is postponed due to unavoidable circumstances, without delay). For that purpose, Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, Mr. Tadayuki Teranishi, and the Offeror plan to implement the triangular merger in exchange for the common stocks issued by the Offeror’s Parent Company as the merger consideration, by which the Offeror will be a surviving company, and the Company will be a disappearing company (“Merger”), and carry out the procedures necessary for the Offeror to acquire the shares of the Offeror’s Parent Company, which will be the merger consideration. In consequence, Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, and Mr. Tadayuki Teranishi plan to hold a certain number of the common stocks issued by the Offeror’s Parent Company together so that, ultimately, the ratio of the total number of the shares of the Offeror held by them to the same held by BCPE Knight Cayman L.P., as of today, the wholly owning parent company of the Offeror’s Parent Company will be 40:60 in principle. Note that for the transaction to enable Mr. Hiroyuki Teranishi to hold a part of the shares of the Offeror’s Parent Company ultimately, at the present time, no concrete steps have been agreed; however, several options are now being considered, including the methods that Mr. Hiroyuki Teranishi receives a part of the Shares from Mr. Toyohiko Teranishi before the Merger becomes effective, or he receives a part of the shares of the Offeror’s Parent Company from Mr. Tadayuki Teranishi or Mr. Toyohiko Teranishi after the Merger becomes effective. For the merger ratio, an appropriate merger ratio will be determined not to infringe of the rules of the uniformity of tender offer price (Article 27-2 (iii) of the Financial Instruments and Exchange Law). In other words, the share value per share of the Offeror’s Parent Company, which will be the merger consideration, is lower than the same of the Shares because the Offeror’s Parent Company is required to borrow necessary fund for the purchase, etc. of the Tender Offer and the Squeeze-out Process; and taking into account such situation, it is expected to set the appropriate merger ratio so that the shareholders those who receive the merger consideration will not receive the consideration that is practically higher than the purchase price of the Shares in the Tender Offer.

<Outline of Structure of Tender Offer and Subsequently Expected Procedures>

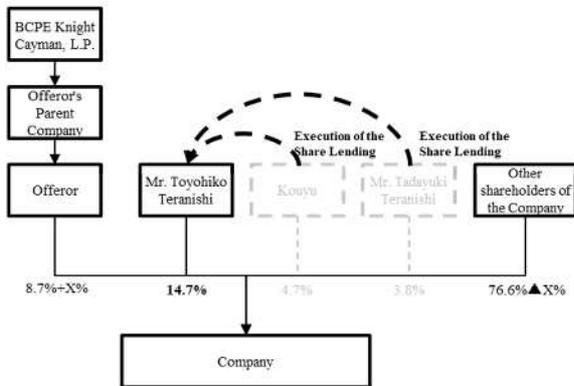
According to the Offeror, the below chart shows the outline of the structure of the Tender Offer and subsequently expected procedures.



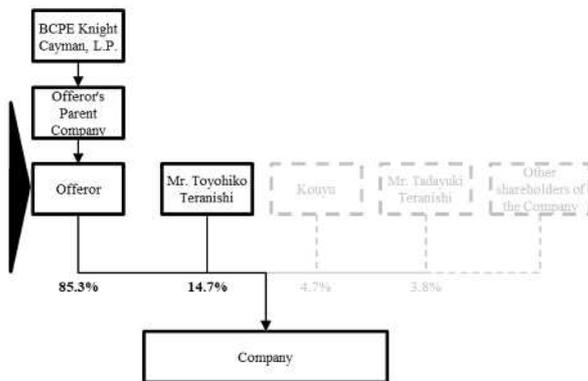
After successful completion of the Tender Offer



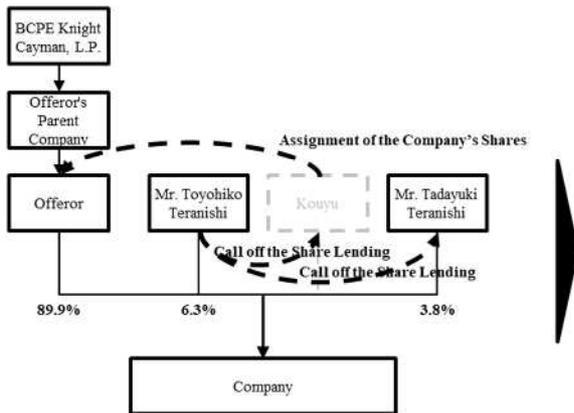
Execution of the Share Lending



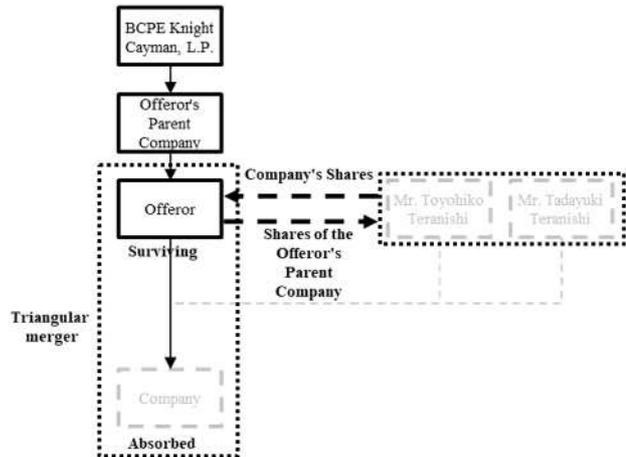
After implementing the Squeeze-out

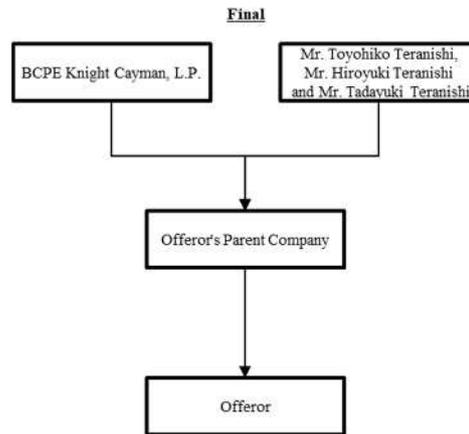


Share Split, call off the Share Lending, assignment of the Company's Shares by Kouyu



Triangular merger, etc.





For conducting the Tender Offer, the Offeror has entered into tender offer acceptance agreements (“Tender Offer Agreements”) dated September 10, 2020 with Mr. Toshiyuki Teranishi, a relative of Mr. Toyohiko Teranishi and a Corporate Officer of the Company (number of shares held: 690,090 shares; Shareholding Ratio (note 4): 6.09%) and Ms. Yukiko Kaneko, a relative of Mr. Toyohiko Teranishi (number of shares held: 164,500 shares; Shareholding Ratio: 1.45%) (collectively referred to as “Accepting Shareholders”), and the Accepting Shareholders have agreed to tender all of the Shares that they each hold (number of shares held: 854,590 shares; Shareholding Ratio: 7.54%;) in the Tender Offer. Also, the Offeror has entered into a tender offer and non-acceptance agreement (“Tender Offer and Non-tender Agreement”) dated September 10, 2020 with Mr. Tadayuki Teranishi (number of shares held: 555,770 shares; Shareholding Ratio: 4.90%), and Mr. Tadayuki Teranishi has agreed to tender 127,332 shares (Shareholding Ratio: 1.12%, and together with the Shares which Mr. Toshiyuki Teranishi and Ms. Yukiko Kaneko tender in the Tender Offer, 981,922 shares of the Shares in total is referred to as the “Accepted Shares for Tendering”) in the Tender Offer, and not to tender the remaining 428,438 shares (Shareholding Ratio: 3.78%) in the Tender Offer. Further, the Offeror has entered into a tender offer non-acceptance agreements (the “Non-tender Agreements”) dated September 10, 2020 with Mr. Toyohiko Teranishi (number of shares held: 714,420 shares (note 6); Shareholding Ratio: 6.31%), and Kouyu (number of shares held: 527,240 shares; Shareholding Ratio: 4.65%) (collectively referred to as “Non-accepting Shareholders”). The Non-accepting Shareholders have agreed not to tender any of the Shares that they each hold (number of shares held: 1,241,660 shares; Shareholding Ratio: 10.96%; together with the Shares which Mr. Tadayuki Teranishi does not tender in the Tender Offer, 1,670,098 shares of the Shares in total is referred to as the “Non-accepted Shares for Tendering”) in the Tender Offer. For the details of the Tender Offer Agreements, the Tender Offer and Non-tender Agreement, and the Non-tender Agreements, see “(1) Tender Offer Agreements”, “(2) Non-tender Agreement (Mr. Toyohiko Teranishi)”, “(3) Tender Offer and Non-tender Agreement (Mr. Tadayuki Teranishi)”, and “(4) Non-tender Agreement (Kouyu)” under “4. Matters Relating to Material Agreements Concerning Tendering of Shares in the Tender Offer between the Offeror and Company Shareholders and Directors” below.

(Note 2) The Offeror has agreed with Mr. Tadayuki Teranishi that Mr. Tadayuki Teranishi will tender 127,332 shares out of all the Shares held by him (555,770 shares) in the Tender Offer and not to tender the remaining 428,438 shares in the Tender Offer. For details, see (3) Tender Offer and Non-tender Agreement (Mr. Tadayuki Teranishi)” under “4. Matters Relating to Material Agreements Concerning Tendering of Shares in the Tender Offer between the Offeror and Company Shareholders and Directors” below.

(Note 3) All the issued shares (common stocks: 45,400 shares, Class A shares: 1 share) of Kouyu are held by Mr. Toyohiko Teranishi and his relatives. Their respective Shareholding Ratios of the common stocks are 6.61 % by Mr. Toyohiko Teranishi (the ratio to the total number of issued shares of Kouyu, which is rounded to the second decimal place. The same shall apply to the calculation of the

Shareholding Ratio hereinafter.) (common stocks: 3,000 shares), 47.14% by Ms. Sadae Teranishi (common stocks: 21,400 shares), 33.04% by Mr. Hiroyuki Teranishi (common stocks: 15,000 shares), 6.61% by Mr. Toshiyuki Teranishi (common stocks: 3,000 shares), and 6.61% by Ms. Yukiko Kaneko (common stocks: 3,000 shares). And Mr. Tadayuki Teranishi holds 1 share of Class A shares.

- (Note 4) The “Shareholding Ratio” is the ratio (rounded to the second decimal place) to (i) the total number of issued shares (11,332,206 shares) as of May 31, 2020 stated in the First Quarter Report of the Seventh Term announced by the Company on July 14, 2020 (the “Quarterly Report”) *minus* (ii) the number of treasury shares (1,229 shares) that the Company holds as of May 31, 2020 stated in the Company’s February 2021 Term Preliminary First Quarter Financial Statements (JGAAP) (consolidated) announced by the Company on July 10, 2020 (the “Preliminary Financial Statements”) (equal to 11,330,977 shares).
- (Note 5) Besides the above Shares (555,770 shares) that are the subject of the Tender Offer and Non-tender Agreement, Mr. Tadayuki Teranishi holds 333 shares of the Shares indirectly through the employee shareholding association, but such Shares are not the subject of the Tender Offer and Non-tender Agreement.
- (Note 6) Besides the above Shares (714,420 shares) that are the subject of the Non-tender Agreement, Mr. Toyohiko Teranishi holds 1,617 shares (rounded down after the decimal point) of the Shares indirectly through the employee shareholding association, but such Shares are not the subject of the Non-tender Agreement.

In the Tender Offer, the Offeror has set 5,884,000 shares (Shareholding 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 shares, etc. tendered in the Tender Offer (“Tendered Shares”) is less than the lower limit, purchase etc. of all Tendered Shares shall not be performed. As indicated above, however, the Offeror intends to acquire all the Shares (excluding treasury shares held by the Company and Non-accepted Shares for Tendering) in the Tender Offer; therefore, the Offeror has not set a maximum number of tendered shares to be purchased in the Tender Offer, and if the number of shares tendered are equal to or greater than the minimum number of tendered shares to be purchased in the Tender Offer, the Offeror shall purchase all the Tendered Shares. In order to implement the Tender Offer with the objective of making the Company a privately-held company, the Offeror set the minimum number of tendered shares to be purchased in the Tender Offer (5,884,000 shares) so that, in the case where the Tender Offer is successfully completed, the total number of voting rights pertaining to the Shares held by the Offeror, the same pertaining to the Shares which Mr. Tadayuki Teranishi agreed not to tender in the Tender Offer and the same pertaining to the Shares held by Non-accepting Shareholders exceeds two-thirds of the total number of voting rights pertaining to all the Shares 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; Shareholding Ratio: 51.93 %) exceeds the sum (5,321,401 shares; Shareholding Ratio: 46.96%) of (i) a majority (4,339,479 shares; Shareholding Ratio: 38.30%; which corresponds to a majority of the shares held by the Company shareholders with no interests with the Offeror, i.e., so-called a “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 Quarterly Report *minus* the number of treasury shares (1,229 shares) that the Company holds as of May 31, 2020 stated in the Preliminary Financial Statements, the Accepted Shares for Tendering (981,922 shares), and the Non-accepted Shares for Tendering (1,670,098 shares) and (ii) the Accepted Shares for Tendering (981,922 shares). By doing this, in the case where consent cannot be obtained from a majority of the Company shareholders with no interests with the Offeror, the intentions of the Company’s minority shareholders will be prioritized and the Transaction including the Tender Offer will not be implemented.

If the Tender Offer is successfully completed, the Offeror plans to secure JPY8,700,000 thousand in

financing from the Offeror's Parent Company and obtain loans up to a maximum of JPY27,300,000 thousand (the "Acquisition Loan") from MUFG Bank, Ltd. ("MUFG Bank"), Aozora Bank, Ltd. ("Aozora Bank"), and Sumitomo Mitsui Banking Corporation ("Sumitomo Mitsui Bank") and to apply those funds to settlement of the Tender Offer and other expenses. The particulars of the financing conditions relating to the Acquisition Loan will be specified in financing agreements relating to the Acquisition Loan following separate discussions with MUFG Bank, Aozora Bank, and Sumitomo Mitsui Bank, but it is planned that in the financing agreements relating to the Acquisition Loan, the Offeror's shares held by the Offeror's Parent Company, the Shares that the Offeror acquires through the Tender Offer, and the like will be provided as security. In addition, at the specified time after the completion of the Squeeze-out Process, the Company and some of the Company's subsidiaries are expected to become several and joint guarantors for the Offeror, and security interest will be established on a certain part of the assets of the Company and the relevant subsidiaries of the Company.

If the Offeror is unable to acquire all the Shares (excluding treasury shares held by the Company and the Non-accepted Shares for Tendering through the Tender Offer), the Offeror plans to request the Company, after the successful completion of the Tender Offer, to implement the Squeeze-out Process as indicated in "(5) Matters relating to so-called two-step acquisition" below. Also, the Offeror plans to implement the Merger with the Company after the completion of the Squeeze-out Process. For details, see "(5) Shareholders Agreement" under "4. Matters Relating to Material Agreements Concerning Tendering of Shares in the Tender Offer between the Tender Offeror and Company Shareholders and Directors" below.

(ii) Background, object and process of decision-making to implement the Tender Offer and management policy after the Tender Offer

(a) Background, object and process of decision-making to implement the Tender Offer

The Company Group, which currently consists of a total of nine (9) companies, i.e., the Company, four (4) consolidated subsidiaries, one (1) affiliate subject to the equity method, one (1) non-consolidated subsidiary, and two (2) affiliates not subject to the equity method (collectively, the "Company Group"), primarily engages in the sale of pharmaceutical products, health foods, cosmetics, childcare products, and daily necessities in drugstores and pharmacies covered by health insurance. Kirindo, the Company's predecessor (currently a wholly owned subsidiary), was established by Mr. Tadayuki Teranishi in March 1958 with the objectives of engaging in the pharmacy store business and pharmaceuticals manufacturing business. Kirindo was listed on the second section of the Osaka Securities Exchange ("OSE") in September 2000, the second section of TSE in February 2003, the first section of TSE in March 2004, and the first section of OSE in March 2011. Subsequently, aiming to transition to a holding company structure, the Company was incorporated through a sole share transfer from Kirindo in August 2014 and since then, the Company's Shares have been listed on the first section of TSE in place of Kirindo.

Based on 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 7). Since the establishment of 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.

Also, the Company has set out its corporate objectives of achieving sustainable growth, increasing corporate value, and accomplishing its social missions. For those purposes, it is necessary to report healthy and stable profits, but under current conditions, the Company's profitability is deteriorating compared to competitors in the industry, and the Company has recognized the necessity of improving the profitability. Given the above situation, the Company announced its Third Medium-Term Management Plan (from the fiscal year ending February 2021 to the fiscal year ending February 2023) on April 14, 2020 with the goal of achieving a 3.2% sales to operating income ratio, an indicator of profitability in the core business. To attain such goal, the Company sets out the following six strategic priorities for growth

and now it is undertaking necessary measures; (a) employing the 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 (note 8), (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 (note 9). Specifically, with regard to (a) employing the customer strategy using the official Kirindo app, the Company is making use the said official app strategically by adding the functionality to “KiRiCa”, the Company Group’s loyal point card equipped with an electronic money function, to acquire and maintain loyal customers, increase average sales per customer and enhance their store loyalty. For (b) strengthening the health and beauty care business centered on offering advice to customers on illness prevention measures, the Company is developing high added-value products, raising the recognition of private brand products, conducting comprehensive training to improve customer services, and speeding up the process of product development. With regard to (c) raising work efficiency, the Company is standardizing store operations, allocating human resource efficiently and making effective system investments. For (d) renovating sales floors to improve the convenience of customers, the Company is developing store formats tailored to consumer needs in line with regional characteristics and improving efficiency of renovation work. In order to (e) increase the number of prescription-dispensing stores, the Company is opening new pharmacies, attaching pharmacies to existing drugstores, and increasing the number of prescription-dispensing stores through M&A. And for (f) enhancing the dominant position in the Kansai region, the Company is working to open new 40 drugstores and 60 prescription-dispensing stores.

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 10)” that the Company Group has developed since its foundation will gain in more 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 will become increasingly fierce and the industry reorganization will be escalated.

(Note 7) “Enjoyment, beauty, health, and comfort” means the condition in which the people can have more enjoyable, beautiful, healthy, and comfortable days.

(Note 8) In the Company Group, the “health and beauty care business centered on offering advice to customers on illness prevention measures” means the offering of products to customers through counseling on illness prevention measures relating to the customer’s health and beauty; and the development, improvement, and rebranding of the private brand products necessary for such offer.

(Note 9) “Enhancing the dominant position in the Kansai region” means the establishment of business locations intensively, the allocation of personnel among such locations, the reduction of management costs, and measures to strengthen customers’ confidence in and recognition of the Company Group in the Kansai region.

(Note 10) “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, the growth will become slow in conjunction with the maturation of the market, and it will be necessary to raise a 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

this connection, in recent years, the alliance formation or the large scale restructuring within the industry or with similar industries, including dispensing of pharmaceuticals, have been 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 competitors in sales-size and profit rate in the industry.

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 11), 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 growth rate and profit rate are at low levels compared to competitors in the industry, 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 11) "EC players" means enterprises that provide platforms for commercial transactions (e-commerce) on Internet, like Amazon and Rakuten, Inc.

Even though the Company had made efforts solely 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 the 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 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 the Company's existing personnel system, organization and foundation as well as business know-how for building a strong 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 the 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 the business structural 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. For details concerning individual measures regarding business structure reforms, see “(ii) Management policy after the Tender Offer” below.

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 the 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 assume that it will 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 come up with the conclusion that minimizing or postponing business structure reforms out of concerns of short-term deterioration of the Company’s 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 it has in the case of the Transaction. Under these circumstances, when considering the best measure for growth of the Company, they received an offer from Bain Capital, which owns and operates the Offeror, for discussion concerning capital policies including a method to convert 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, they 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 private equity fund notable around the world for its extremely strong performance in Japan, and it has the 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; then, create a solid and stable new management structure that enables dynamic and flexible decision-making, for which the shareholders and the management teams can work together; execute 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 had 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 the common objectives for enhancing the corporate value, and (ii) for Mr. Hiroyuki Teranishi, he has an intent to continue his support to the Company as a director of Kirindo, the wholly owned subsidiary of the Company and also hopes to share the common objectives for enhancing the corporate value; therefore, they hope to hold the shares of the Offeror, directly or indirectly, respectively, and further, they requested Bain Capital that they 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 same held by Bain Capital will be roughly 40:60. In response, Bain Capital concluded that to enhance the Company's corporate value, the sharing of the common objectives for the same purpose with Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi, and Mr. Hiroyuki Teranishi would be essential and accepted the request; therefore, they could have the same direction. 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 have agreed to proceed in the same direction to implement the Merger within three (3) months after the completion of the Squeeze-out Process (even if it is postponed under unavoidable circumstances, without delay), in exchange for the common stocks of the Offeror's Parent Company as a merger consideration, by which the Offeror will be a surviving company, and the Company will be a disappearing 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 resource, and to create structures that can steadily carry them out in a short period.

Given the above process, 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 to be taken after the Squeeze-out Process ("Proposal").

Based on the progress report of due diligence on the Company commenced in late June 2020 and conducted up to the date below, and other relevant information, Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital made an initial offer to the Company of JPY 3,000 per share as the Tender Offer Price on August 7, 2020. Subsequently, the Company requested an increase in the Tender Offer Price on August 14, 2020, and in response, Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital made a revised offer of JPY 3,150 per share as the Tender Offer Price on August 21, 2020. Again, on August 25, 2020, Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital received from the Company a request for further increase in the Tender Offer Price and the explanation that the business results until August 2020 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. Given those explanations, the Offeror and the Company engaged in repeated discussions about the operating results and financial situations of the Company. Accordingly, Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital made the revised offer of JPY 3,450 per share as the Tender Offer Price on September 5, 2020. Even after that, they continued repeated discussions and negotiations with the Company concerning the conditions of the Transaction, including the Tender Offer, and the Company’s management policy after the successful completion of the Transaction, and a decision was made on September 10, 2020 to commence the Tender Offer through the Offeror as a part of the Transaction with a Tender Offer Price of JPY 3,500 per share.

(b) Management policy after the Tender Offer

The Offeror’s thought on the Company’s management policy after the successful completion of the Transaction is as follows:

The Offeror anticipates that competition for market share will become increasingly fierce in the drugstore business and believes that in order to demonstrate the maximum growth potential of the Company as the industry restructuring accelerates, both the continuing organic growth of the drugstore business and the execution of M&A will be essential.

With regard to continuing organic growth of the drugstore business, the Offeror believes that its know-how and experience gained through past investments will contribute to the Company’s growth to be realized by taking the following three measures: (i) establishing an efficient business structure, (ii) increasing sales by creating appealing sales floors and merchandising, and (iii) increasing new store openings.

To improve store profitability for establishing an efficient business structure, since there are differences among stores in their respective store operations, the Offeror believes that there is ample room to improve profitability without reducing sales by standardizing store operations and optimizing individual cost items based on Bain Capital’s investment performance in retail industries.

Next, the Offeror believes that reinforcing and expanding the lineup of the Company’s private brand products is an important element of creating appealing sales floors and merchandising. They recognize that the Company has previously taken measures to bolster private brand products, particularly in the health food, pharmaceuticals, and daily necessities areas, and the proportion of private brand sales has increased to the same level as other companies in the industry, and as a result, this has contributed to raising the overall gross profit margin. At the same time, further increasing the added value of private brands through joint development and manufacture with major national brands and OEM manufacturers according to the Company’s products planning will be essential, and in order to strengthen specific product categories, the acquisition of other company’s private brands may be considered as an option, when necessary. For attaining such objectives, the Offeror believes that it is necessary for the Company to plan and implement various measures and invest into them from a long-term perspective, and the bold

execution of investments from a medium- to long-term perspective by making the Company private will be essential.

To increase new store openings, the Offeror believes that while the Company has increased the number of new store openings in recent years, there is still room for improvement in the economics of individual store openings compared to competitors. Specifically, the Offeror believes that it will be important for the Company to improve store operations and relative things through various measures such as optimal placement of personnel according to the characteristics of each store, scientific marketing based on data analysis using POS and other data, and labor savings by using electronic payment and so on. Furthermore, as consumer purchasing behavior changes, the Offeror believes that it will be necessary to make more active investments in development of new store formats, including the introduction of unmanned stores, and reinforcement of EC channels, through aggressive digital marketing using IT technologies. Consequently, the Offeror believes that it will be possible to increase prior investment in the short term by quickly and actively implementing the necessary investment under an accelerated decision-making system and that undertaking management from a medium- to long-term perspective through privatization will be necessary.

For the execution of M&A, the industry reorganization is expected to accelerate in the drugstore industry, the Offeror believes it can enhance the Company's presence within the drugstore industry by leveraging its accumulated M&A expertise. The Offeror anticipates by utilizing its accumulated know-how and expertise in providing information on and executing M&A and the generation of synergy effects in conjunction with post-M&A integration, it will support the Company to achieve more reliable and faster M&A centered on the Company.

After taking the Shares private through the Transaction, the Offeror plans to provide to the Company the extensive value enhancement expertise of investment targets that Bain Capital has acquired, provide various types of support including M&A support, and carry out measures to maximize the potential value of the Company's business.

The Transaction constitutes a so-called management buyout (MBO). As described in "(i) Overview of the Tender Offer" above, Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, Mr. Tadayuki Teranishi, and the Offeror plan to implement the Merger by which the Offeror will be a surviving company, and the Company will be a disappearing company, in exchange for the common stocks 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 the common stocks issued by the Offeror's Parent Company together so that, ultimately, the ratio of the total number of the shares of the Offeror held by them to the same held by BCPE Knight Cayman L.P., as of today, the wholly owning parent company of the Offeror's Parent Company will be 40:60 in principle. Note that for the transaction to enable Mr. Hiroyuki Teranishi to hold a part of the shares of the Offeror's Parent Company ultimately, at the present time, no concrete steps have been agreed; however, several options are now being considered, including the methods that Mr. Hiroyuki Teranishi receives a part of the Shares from Mr. Toyohiko Teranishi before the Merger becomes effective, or he receives a part of the shares of the Offeror's Parent Company from Mr. Tadayuki Teranishi or Mr. Toyohiko Teranishi after the Merger becomes effective. For the merger ratio, an appropriate merger ratio will be determined not to infringe of the rules of the uniformity of tender offer price (Article 27-2 (iii) of the Financial Instruments and Exchange Law). In other words, the share value per share of the Offeror's Parent Company, which will be the merger consideration, is lower than the same of the Shares because the Offeror's Parent Company is required to borrow necessary fund for the purchase, etc. of the Tender Offer and the Squeeze-out Process; and taking into account such situation, it is expected to set the appropriate merger ratio so that the shareholders those who receive the merger consideration will not receive the consideration that is practically higher than the purchase price of the

Shares in the Tender Offer.

In addition, as stated in “(5) Shareholders Agreement” under “4. Matters Relating to Material Agreements Concerning Tendering of Shares in the Tender Offer between the Tender Offeror and Company Shareholders and Directors” below, 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 (7) consisting of three (3) to be appointed by Mr. Toyohiko Teranishi and four (4) 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 (2), and Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi shall assume the offices of the representative director of New Kirindo Holdings immediately after the Merger. Also, in the Shareholders Agreement, it is agreed regarding the officers of the Offeror’s Parent Company (a) the number of directors of the Offeror’s Parent Company shall be seven (7) consisting of three (3) to be appointed by Mr. Toyohiko Teranishi and four (4) to be appointed by BCPE Knight Cayman, L.P, (b) the number of representative directors shall be not more than two (2), and Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi shall assume the offices of the representative director of the Offeror’s Parent Company immediately after the Merger, and (c) the number of auditors of the same shall be one (1) to be appointed by BCPE Knight Cayman, L.P. At the current time, candidates for directors of New Kirindo Holdings have not been determined, except for Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi those who are to-be 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. For the specifics of the Company’s management system, including the composition of officers after the Tender Offer, the Offeror plans to determine 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.

(iii) Process of decision-making behind the Company’s decision to support the Tender Offer and its reasons

As set forth in “(a) Background, object, process of decision-making to implement the Tender Offer” under “(ii) Background, object, process of decision-making to implement the Tender Offer and management policy after the Tender Offer” above, the Company received the initial proposal from Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital with regard to making the Shares privately held, with the overview of the Tender Offer and the management policy after the Transaction, in early June 2020. Following repeated discussions with Mr. Tadayuki Teranishi, Mr. Toyohiko Teranishi, and Bain Capital regarding the feasibility of implementation of the Transactions, 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, as set forth in “(6) Measures to ensure fairness of Tender Offer and to prevent conflict of interest and other measures to ensure fairness of Tender Offer” below, on July 17, 2020, the Company appointed Kitahama Partners (“Kitahama Partners”) as a legal advisor, Deloitte Tohmatsu Financial Advisory Godo Kaisha (“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 include only a fixed fee 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 “(6) Measures to ensure fairness of Tender Offer Price and to prevent conflict of interest and other measures to ensure fairness of Tender Offer” 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 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 the 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 the re-revised offer with a Tender Offer Price of JPY 3,450 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 Deloitte Tohmatsu Financial Advisory, 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); 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”) (for the overview of the Written Report and the specific activities of the Special Committee, see “(iii) Establishment of the Special Committee in the Company and procuring a report” in “(6) Measures to ensure fairness of Tender Offer Price and to prevent conflict of interest and other measures to ensure fairness of Tender Offer” below). 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 consideration from the standpoint of whether the Transaction could ensure further improvement in the Company's corporate value and the benefits that minority shareholders would 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 that center 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" above, 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 the industry reorganization is expected to accelerate, and to execute M&A centered on the Company. In response to the 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 when using of 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 under its cooperation will contribute more to enhancing the Company's corporate value over the medium- to long-term than the management integration with a competitor. The Company, among others, Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi had once considered an alliance with another business company, but the said alliance was not in line with the Company's corporate philosophies and management policy; thus, such alliance was not formed. Although there were opportunities to have contact with another investment fund, 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 the same 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 2, 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 the same 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 when the climate 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; thereby, from now on, 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 made non-public, 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 "(3) Matters relating to calculation" 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 “(6) Measures to ensure fairness of Tender Offer Price and to prevent conflict of interest and other measures to ensure fairness of Tender Offer” 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 regarding the Transaction that the Transaction, including 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 today, the directors participating in deliberations and voting (all five (5) 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 (4) of the Company’s auditors attended the meeting of the Board of Directors, and each of the 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.

(3) Matters relating to calculation

(i) Name of valuation agency and its relationship with the Company and the Offeror

For the manifestation of its opinion in regard to the Tender Offer, the Company asked Plutus Consulting to conduct a share valuation of the Shares as a third-party valuation agency independent of the Company, the Offeror, Accepting Shareholders, Mr. Tadayuki Teranishi, Non-accepting Shareholders, and Mr. Hiroyuki Teranishi (collectively, “Offeror-related Persons”) and obtained the Share Valuation Report from the said company on September 9, 2020. Plutus Consulting does not fall under the Offeror-related Persons and does not have any material interests with regard to the Tender Offer.

(ii) Overview of calculations

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 said value per Share using: market price analysis, because 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:	JPY 2,282 to JPY 2,736
Comparable Company Analysis:	JPY 3,054 to JPY 4,687
DCF Method:	JPY 3,010 to JPY 4,038

In the market price analysis, September 9, 2020 was used as a 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 JPY 2,282 to 2,736.

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 EBITDA multiple to the business value, 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 JPY 3,054 to 4,687.

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 share value per Share to be in the range of JPY 3,010 to 4,038.

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" in "(6) Measures to ensure fairness of the Tender Offer Price and to prevent conflict of interest and other measures to ensure fairness of Tender Offer" 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 are estimated after considerations of 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” separately released by the Company today 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.

(4) Prospects for delisting and its reasons

The Shares are currently listed on the First Section of the TSE, but the Offeror has not set an upper limit of the number of shares planned to be purchased in the Tender Offer, and therefore, depending on the results of the Tender Offer, the Shares may be subject to delisting after performing the prescribed procedures in accordance with the TSE’s delisting criteria. Even in the case where those criteria are not met at the time of successful completion of the Tender Offer, following the completion of the Tender Offer, the Offeror plans to perform the Squeeze-out Process as described in “(5) Matters Concerning So Called Two-step Acquisition” below. In that case the Shares will be delisted after performing the prescribed procedures in accordance with the TSE’s delisting criteria. Following delisting, the Shares will no longer be traded on the TSE.

(5) Matters concerning so-called two-step acquisition

As described in “(i) Overview of the Tender Offer” under “(2) Grounds and reasons for opinion” above, in the case where the Offeror is unable to acquire all Shares (excluding treasury shares held by the Company and Non-accepted Shares for Tendering) through the Tender Offer, after successful completion of the Tender Offer, the Offeror plans to implement the Squeeze-out Process by the method set forth below.

Specifically, promptly after successful completion of the Tender Offer, the Offeror plans to request that the Company convene an extraordinary general shareholders’ meeting that includes on the agenda proposals to implement consolidation of the Shares (the “Share Consolidation”) pursuant to Article 180 of the Companies Act (Act No. 86 of 2005, as amended, and the same shall apply hereinafter) and partial amendments to the Articles of Incorporation to eliminate provisions concerning the number of shares constituting one unit, conditioned on the Share Consolidation coming into effect (the “Extraordinary Shareholders’ Meeting”). The Offeror believes that convening the Extraordinary Shareholders’ Meeting at the earliest possible time would be desirable from the perspective of enhancing the Company’s corporate value and plans to make a request to announce the designation of the record date such that a day (currently scheduled in early November, 2020) shortly after the day of commencement of settlement of the Tender Offer is the record date for the Extraordinary Shareholders’ Meeting. In the case where the Company receives such a request from the Offeror, the Company plans to comply with that request. The Offeror plans to vote for the proposals described above at the Extraordinary Shareholders’ Meeting.

In the case where the Extraordinary Shareholders’ Meeting approves the Share Consolidation proposal, on the day that the Share Consolidation takes effect, Company shareholders will hold a number of Shares according to the Share Consolidation ratio approved at the Extraordinary Shareholders’ Meeting. If fractional amounts of less than one share occur as a result of the Share Consolidation, monies received from the sale of Shares equivalent to the total number of such fractional shares (in cases where the total number is a fraction less than one share, such fraction shall be discarded)

to the Company or the Offeror shall be paid to Company shareholders in accordance with the procedure specified in Article 235 of the Companies Act and other relevant laws and regulations. The sale price of the Shares equivalent to the total number of fractional shares will be calculated such that the amount of money paid as a result of such sale to Company shareholders (excluding the Company) that did not tender their Shares in the Tender Offer is equal to the Tender Offer Price *times* the number of Shares held by the relevant Company shareholders and a petition for approval of the sale will be filed with a court. Furthermore, the ratio of the Share Consolidation is undetermined at this time, but is planned to be set such that Company shareholders (excluding the Company) that did not tender their Shares in the Tender Offer hold less than one Share so that the Offeror can hold all the Shares (excluding treasury shares held by the Company and Non-accepted Shares for Tendering) As described in “4. Matters Relating to Material Agreements Concerning Tendering of Shares in the Tender Offer between the Offeror and Company Shareholders and Directors” below, in order to avoid, as much as practicable, the existence of another Company shareholder who holds the Shares in a number that is equal to or greater than the least number of Shares held by either of the Offeror, Mr. Tadayuki Teranishi, and the Non-accepting Shareholders and to proceed with the Squeeze-out Process in a more reliable manner, there is a possibility that either or both of Mr. Tadayuki Teranishi and Kouyu will lend to Mr. Toyohiko Teranishi the Shares held by him/it (but the conditions of such lending, including lending fees, have not been determined yet). The Company will promptly announce concrete procedures for the Share Consolidation once they are determined.

With regard to the provisions of the Companies Act intended to protect the interests of minority shareholders in relation to Share Consolidation, the Companies Act provides to the effect that when fractional amounts of less than one (1) share occur as a result of Share Consolidation, the Company shareholders (excluding the Offeror and the Company) may demand that the Company purchases all fractional shares of less than one (1) share that they hold at a fair price and that they may petition a court to determine the price of the Shares in accordance with Article 182-4 and Article 182-5 of the Companies Act and other relevant laws and regulations. As discussed above, the Share Consolidation will be implemented such that Company shareholders (excluding the Company, Mr. Tadayuki Teranishi, and Non-accepting Shareholders) those who did not tender their Shares in the Tender Offer hold fractional Shares of less than one (1) share; therefore, it will be possible for the Company shareholders who oppose the Share Consolidation to file such a petition. If such a petition were filed, a court would make the final decision.

It is possible with respect to the procedures described above that time will be required for implementation or changes to the method of implementation will occur as a result of the revision or enactment of applicable laws and regulations or depending on the status of their interpretation by the authorities, etc. Even in that case, however, the Offeror plans to adopt a method ultimately to pay monies to those Company shareholders (excluding the Company) those who did not tender their Shares in the Tender Offer. In that case, the amount of money to be paid to those shareholders will be calculated such that it is equal to the Tender Offer Price *times* the number of Shares held by the relevant shareholders. The Company will announce the specific procedures in the above cases and the timing of implementation and so on promptly after they are determined through discussions with the Offeror.

The Tender Offer is not intended to be an inducement for the Company shareholders to consent at the Extraordinary Shareholders’ Meeting. Furthermore, the Company shareholders are requested to consult under their own responsibility with a tax accountant or other professional concerning the tax handling of tendering their Shares in the Tender Offer and the procedures described above.

(6) Measures to ensure fairness of Tender Offer Price and to prevent conflict of interest and other measures to ensure fairness of 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 Offeror-related Persons, to calculate the share value of the Company Shares, and procured the 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.

For an overview of the Valuation Report, refer to “(ii) Overview of calculations” under “(3) Matters relating to calculation” above.

(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 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 the 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 purposes 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 fairness of the same, 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 interests in 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) those who are outside intellectuals having a wealth of knowledge about M&A deals, and to carry out decision-making that assigns the utmost value to reports by the said committee. Since Mr. Seigo Takehira and Mr. Daisuke Shinkawa has never had any transaction with the Company and any Offeror-related Person, the Company believes that they are 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 success fees that are contingent on public announcements 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 Report regarding the foregoing to the Board of Directors. Further, the Company approved at the Board of Directors meeting 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 (9) 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 with respect to the legal advisor, the financial advisor, and the third-party valuation agency appointed by the Company, there were no issues in relation to their independence, the Special Committee approved them as the legal advisor, the financial advisor, and the third-party valuation agency, respectively, of the Company. 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 giving instructions and demands, it may 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, or "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)"; and released by the Company; therefore there is 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 today by the Company separately that 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 is 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 and reasons for the Transaction, management policy and investment plans going forward, matters of concern in relation to the Transaction, the specific impact and effect 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 relating to 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 a conflict 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 that 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 process of discussions and negotiation made between the Company and the Offeror, the substance thereof and other information regarding the Transaction, and discussed the policies to be taken, 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 the latest 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 further increase in the Tender Offer Price. In that manner, the Special Committee has involved in the process 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 JPY 3,500 per Share.

Moreover, the Special Committee received explanations regarding drafts of this 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 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 Tender 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”; 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 is expected that the swift and bold execution of the measures through the implementation of the Transaction will contribute to the Company’s sustainable growth and is found to 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 the detailed explanation on the calculation method, etc. used in the Share Valuation Report, which sets forth 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 JPY 4,687 in the comparable company analysis, and in the range of JPY3,010 to JPY4,038 in the DCF Method. And the Special Committee questioned to and received answers from 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 (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, the content of the calculation of non-business assets, etc.). Based on 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 confirmed in the Share Valuation Report, that the Tender Offer Price is greater than the maximum amounts of the ranges of the calculation results based on the market price analysis, and it is within the

range of the calculation results by the comparable company analysis, and further, it is within and at a level exceeding the mid-price of the range of the calculation results by 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 is 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 the Shares at a higher price than the Tender Offer Price: thus, this scheme would not be 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 is no irregular points in the scheme, and it would not cause any disadvantage on minority shareholders.

(iv) As the minority shareholders who did not tender their Shares in the Tender Offer will eventually be paid monies 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 general method used in cases comparable to the Transaction, and in either 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, when conducting the DCF Method in the Share Valuation Report, the projections were taken into consideration and the premium at the above level was attached; therefore, it is determined that the fact of not-reflecting of the latest projection into 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 and of 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, the financial advisor, and the 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 JPY 3,500 per Share, elicited a price increase of JPY 500 in total of three (3) times from the Offeror's initial offer of JPY 3,000 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 the Offeror-related Persons 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 fact was found that gives a doubt over 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, 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 regarding the proactive market check that it 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 the management cannot decide to implement MBO until he/she has 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 Tender Offer set by the Offeror is 5,884,000 shares (Shareholding Ratio: 51.93%), and the said number is greater than 5,321,401 shares (Shareholding Ratio: 46.96%) that is 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 requirements of the "majority of minority" were 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 are 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 shareholders tender their Shares in the Tender Offer and (ii) to implement the Squeeze-Out Process using the method of Share Consolidation after the Tender Offer are not disadvantageous to the 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 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 Report submitted by the Special Committee (see “(iii) Establishment of the Special Committee in the Company and procuring a report” above regarding the constitution of the Special Committee and its specific activities).

Consequently, as explained in “(iii) Decision-Making Process behind the Company’s Decision to Support the Tender Offer, and the Reasons Therefor” under “(2) Grounds and Reasons for Opinion” above, the Board of Directors decided, regarding the Transaction, 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 today, the Company’s directors (five (5) directors excluding Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi) who participated in deliberation and voting announced their unanimous agreement to the Tender Offer and made 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; therefore, they 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 (Shareholding 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 Shares is less than the minimum number of tendered shares to be purchased in the Tender Offer, purchase etc. of all Tendered Shares will not be performed. In order to implement the Tender Offer for making the Company a privately-held company, the Offeror set the minimum number of tendered shares to be purchased in the Tender Offer (5,884,000 shares) so that the total number of voting rights pertaining to the Shares held by the Offeror, the same pertaining to the Shares for which Mr. Tadayuki Teranishi agreed not to tender in the Tender Offer and the same pertaining to the Shares held by Non-accepting Shareholders exceeds two-thirds of the total number of voting rights pertaining to all the Shares of the Company (113,309 voting rights pertaining to 11,330,977 shares in total, excluding treasury shares held by the Company) in the case where the Tender Offer is successfully completed. The minimum number of tendered shares to be purchased in the Tender Offer (5,884,000 shares; Shareholding Ratio: 51.93%) exceeds the sum (5,321,401 shares; Shareholding Ratio: 46.96%) of (i) a majority (4,339,479 shares; Shareholding Ratio: 38.30%; which corresponds to a majority of the Shares held by the Company shareholders with no interests with the Offeror, i.e., so-called a “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 Quarterly Report *minus* the number of treasury shares (1,229 shares) that the Company holds as of May 31, 2020 stated in the Preliminary Financial Statements, the Accepted Shares for Tendering (981,922 shares), and the Non-accepted Shares for Tendering (1,670,098 shares) and (ii) the Accepted Shares for Tendering (981,922 shares). By doing this, in the case where consent cannot be obtained from a majority of the Company shareholders with no interests with the Offeror, the intentions of the Company’s minority shareholders will be prioritized and the Transactions including 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 purchase etc. period (“Tender Offer Period”) involved in the Tender Offer a period of 30 business days, which is longer than the statutory minimum of 20 business days. By setting a comparatively long period as the Tender Offer Period, 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 counteroffer etc. for the Company Shares.

Note that as explained in “(iii) Establishment of the Special Committee in the Company and procuring a report” above, 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. Matters Relating to Material Agreements Concerning Tendering of Shares in Tender Offer between the Offeror and Company Shareholders and Directors

(1) Tender Offer Agreements

As of September 10, 2020, the Offeror concluded the Tender Offer Agreements with each Accepting Shareholder whereby Mr. Toshiyuki Teranishi agrees to tender all the Shares held by him (as of today, 690,090 shares Shareholding Ratio: 6.09%), and Ms. Yukiko Kaneko agrees to tender all the same held by her (as of today, 164,500 shares, Shareholding Ratio: 1.45%).

Each Accepting Shareholder covenants in the respective Tender Offer Agreement with the Offeror that they will tender their Shares in the Tender Offer, and in the case where the Tender Offer is successfully completed, if a general shareholders meeting of the Company is held with a day on or before the commencement of settlement relating to the Tender Offer as the record date for the exercise of rights, they will exercise their voting rights and all other rights relating to the Shares that they hold at such general shareholders meeting (i) all in accordance with the Offeror’s instructions or (ii) deliver a proper power of attorney with the name and seal of an authorized person granting comprehensive proxy rights to the Offeror or the person designated by the Offeror and will not rescind such granting of the proxy rights, at the Offeror’s option. The Tender Offer Agreements with each Accepting Shareholder do not contain any conditions precedent to tender by the Accepting Shareholder.

(2) Non-tender Agreement (Mr. Toyohiko Teranishi)

As of September 10, 2020, the Offeror concluded the Non-tender Agreement with Mr. Toyohiko Teranishi whereby Mr. Toyohiko Teranishi agrees not to tender in the Tender Offer all the Shares that he holds (as of today, 714,420 shares, Shareholding Ratio: 6.31%). The particulars of the Non-tender Agreement are as follows.

(i) Agreement not to tender shares in the Tender Offer

In the Non-tender Agreement, Mr. Toyohiko Teranishi agrees not to tender the Shares that he holds in the Tender Offer, not to transfer, create security interest in, or otherwise dispose of the Shares in the whole or in a part (including, but without limitation, tendering to a tender offer other than the Tender Offer), and further, not to acquire the Shares or rights relating thereto (excluding the same obtained through succession).

(ii) Agreement relating to the Share Lending

In order to avoid, as much as practicable, the existence of another Company shareholder who holds the Shares in a number that is equal to or greater than the least number of Shares held by either of the Offeror, Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi, and Kouyu as of the effective date of the Share Consolidation,

and to enable Mr. Toyohiko Teranishi and Mr. Tadayuki Teranishi, those who are expected to hold the Shares, directly or indirectly, after the Squeeze-out Process, to hold the Shares continuously even after the Squeeze-out Process, Mr. Toyohiko Teranishi has agreed that, after the delisting of the Shares and following the instructions of the Offeror, he will enter into loan agreements with Mr. Tadayuki Teranishi and Kouyu relating to their Shares whereby Mr. Toyohiko Teranishi will borrow all the Shares held by Mr. Tadayuki Teranishi and Kouyu (but the conditions of such lending, including lending fees, have not been determined yet. “Share Lending”) effective as of the time prior to the effective time of the Share Consolidation described in “(5) Matters concerning so-called two-step acquisition” under “3. Substance of and Grounds and Reasons for Opinion Relating to Tender Offer” above. 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. Toyohiko Teranishi will not execute either of the Share Lending agreements and the Share Lending will not be implemented.

Also, Mr. Toyohiko Teranishi has agreed that, if the Share Lending is implemented, after the completion of the Squeeze-out Process and following the instructions of the Offeror, he will make the Company implement the splitting of the Shares with a record date and at a certain ratio, both of which are separately specified by the Offeror (“Share Splitting”), and he will take all actions necessary to implement the Share Splitting.

Further, Mr. Toyohiko Teranishi has agreed that, after the implementation of the Share Splitting and following the instructions of the Offeror, he will terminate the Share Lending and return to Mr. Tadayuki Teranishi and Kouyu all the Shares that are the subject of the Share Lending.

(iii) Agreement relating to the exercise of voting rights pertaining to the Shares

As a part of the Squeeze-out Process to be implemented after the Tender Offer, the Offeror plans to request the Company to convene the Extraordinary Shareholders’ Meeting at which the proposition for the Share Consolidation and other matters to be resolved in order to keep only the Offeror, Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi, and Kouyu as the shareholders of the Company. In this connection, Mr. Toyohiko Teranishi has agreed with the Offeror that he will (a) carry out the procedures necessary for the Squeeze-out Process (including the submission of the proposition relating to the Share Consolidation to the Extraordinary Shareholders’ Meeting) as the representative director of the Company, and (b) as a shareholder of the Company, exercise his voting rights pertaining to all the Shares held by him at that time and vote for all the propositions including the one relating to the Share Consolidation at the Extraordinary Shareholders’ Meeting.

(3) Tender Offer and Non-tender Agreements (Mr. Tadayuki Teranishi)

As of September 10, 2020, the Offeror concluded the Tender Offer and Non-tender Agreement with Mr. Tadayuki Teranishi whereby Mr. Tadayuki Teranishi agrees to tender 127, 332 shares (Shareholding Ratio: 1.12%) out of all the Shares held by him in the Tender Offer and not to tender the remaining shares thereof (as of today, 428,438 shares, Shareholding Ratio: 3.78%) in the Tender Offer. The particulars of the Tender Offer and Non-tender Agreement with Mr. Tadayuki Teranishi are as follows:

(i) Agreement regarding tendering and not-tendering in the Tender Offer

In the Tender Offer and Non-tender Agreement, Mr. Tadayuki Teranishi has agreed to tender 127, 332 shares (Shareholding Ratio: 1.12%) out of all the Shares held by him in the Tender Offer and not to tender the remaining shares thereof (as of today, 428,438 shares, Shareholding Ratio: 3.78%) in the Tender Offer. Also, he has agreed not to transfer, create security interest in, or otherwise dispose of the Shares in the whole or in a part (including, but without limitation, tendering to a tender offer other than the Tender Offer), and further, not to acquire the Shares or rights relating thereto.

(ii) Agreement relating to the Share Lending

In order to avoid, as much as practicable, the existence of another Company shareholder who holds the Shares in a number that is equal to or greater than the least number of Shares held by either of the Offeror, Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi, and Kouyu as of the effective date of the Share Consolidation, and to enable Mr. Toyohiko Teranishi and Mr. Tadayuki Teranishi, those who are expected to hold the Shares, directly or indirectly, after the Squeeze-out Process, to hold the Shares continuously even after the Squeeze-out Process, Mr. Tadayuki Teranishi has agreed with Mr. Toyohiko Teranishi that, after the delisting of the Shares, he will implement the Share Lending to Mr. Toyohiko Teranishi, effective as of the time prior to the effective time of the Share Consolidation described in “(5) Matters concerning so-called two-step acquisition” under “3. Substance of and Grounds and Reasons for Opinion Relating to Tender Offer” above. However, in the case where it is anticipated that there exists a shareholder who holds 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 will not execute the Share Lending agreement and the Share Lending will not be implemented.

Also, Mr. Tadayuki Teranishi has agreed that, if the Share Lending is implemented, after the completion of the Squeeze-out Process, he will make the Company implement the Share Splitting and he will take all actions necessary to implement the Share Splitting.

Further, Mr. Tadayuki Teranishi has agreed that, after the implementation of the Share Splitting and following the instructions of the Offeror, he will terminate the Share Lending and receive the return from Mr. Toyohiko Teranishi all the Shares that are the subject of the Share Lending.

(iii) Agreement relating to the release of existing security

Mr. Tadayuki Teranishi has executed with Sumitomo Mitsui Bank a security agreement for 550,000 shares out of the Shares held by him, on which a security interest has been established. In this connection, he has agreed to take all procedures necessary to extinguish such security interest legally and effectively on the day separately specified by the Offeror.

(iv) Agreement relating to the exercise of voting rights pertaining to the Shares

Mr. Tadayuki Teranishi has pledged that after tendering the Shares held by him in the Tender Offer and it is successfully completed, and in the case where a general shareholders’ meeting of the Company is held with a day on or before the commencement of settlement relating to the Tender Offer as the record date for the exercise of rights, he will follow the choices of the Offeror regarding his execution of the voting rights pertaining to the Shares held by him and other rights at the said shareholders’ meeting; namely whether (i) he will execute his rights entirely following the Offeror’s instructions, or (ii) he will grant the general power of attorney to the Offeror or a person designated by the Offeror by issuing a proper proxy with the name and seal of an authorized person, and he will not withdraw such grant of the power of attorney.

Also, as a part of the Squeeze-out Process to be implemented after the Tender Offer, the Offeror plans to request the Company to convene the Extraordinary Shareholders’ Meeting at which the proposition for the Share Consolidation and other matters to be resolved in order to keep only the Offeror, Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi, and Kouyu as the shareholders of the Company. In this connection, Mr. Tadayuki Teranishi has agreed with the Offeror that he will (a) carry out the procedures necessary for the Squeeze-out Process (including the submission of the proposition relating to the Share Consolidation to the Extraordinary Shareholders’ Meeting) as the representative director of the Company, and (b) as a shareholder of the Company, exercise his voting rights pertaining to all the Shares held by him at that time and vote for all the propositions, including the one relating to the Share Consolidation, at the Extraordinary Shareholders’ Meeting.

Further, he has agreed to take all actions necessary for the implementation of the Share Splitting as stated in “(ii) Agreement relating to the Share Lending” above.

(4) Non-tender Agreements (Kouyu)

As of September 9, 2020, the Offeror concluded the Non-tender Agreement with Kouyu whereby Kouyu agrees not

to tender in the Tender Offer all the Shares that it holds (as of today, 527,240 shares, Shareholding Ratio: 4.65%). The particulars of the Non-tender Agreement with Kouyu are as follows.

(i) Agreement not to tender shares in the Tender Offer

In the Non-tender Agreements, Kouyu agrees not to tender all the Shares that it holds in the Tender Offer, not to transfer, create security interest in, or otherwise dispose of the Shares in the whole or in a part (including, but without limitation, tendering to a tender offer other than the Tender Offer), and further, not to acquire the Shares or rights relating thereto.

(ii) Agreement relating to the Share Lending

In order to avoid, as much as practicable, the existence of another Company shareholder who holds the Shares in a number that is equal to or greater than the least number of the Shares held by either of the Offeror, Mr. Toyohiko Teranishi, or Mr. Tadayuki Teranishi as of the effective date of the Share Consolidation, and to increase the Shareholding Ratio of Mr. Toyohiko Teranishi through the Share Lending to him as it is envisaged that he would have and hold the Shares, directly or indirectly, after the Squeeze-out Process, and to enable him to hold the Shares continuously even after the Squeeze-out Process, Kouyu has agreed with Mr. Toyohiko Teranishi that, after the delisting of the Shares, it will implement the Share Lending to him effective as of the time prior to the effective time of the Share Consolidation described in “(5) Matters concerning so-called two-step acquisition” under “3. Substance of and Grounds and Reasons for Opinion Relating to Tender Offer” above. 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, Kouyu will not execute the Share Lending agreement and the Share Lending will not be implemented.

Also, Kouyu has agreed that, if the Share Lending is implemented, after the completion of the subsequent Squeeze-out Process and following the instructions of the Offeror, it will offer its utmost cooperation in the procedures for the Share Splitting at the instructions of the Offeror.

Further, Kouyu has agreed that, after the implementation of the Share Splitting and following the instructions of the Offeror, it will terminate the Share Lending and receive the return from Mr. Toyohiko Teranishi all the Shares that are the subject of the Share Lending.

(iii) Agreement relating to the release of existing security

Kouyu has executed with Sumitomo Mitsui Bank a security agreement for 350,000 shares out of the Shares held by it, on which a security interest has been established. In this connection, it has agreed to take all procedures necessary to extinguish such security interest legally and effectively on the day separately specified by the Offeror.

(iv) Agreement relating to the exercise of voting rights pertaining to the Shares

As a part of the Squeeze-out Process to be implemented after the Tender Offer, the Offeror plans to request the Company to convene the Extraordinary Shareholders' Meeting at which the proposition for the Share Consolidation and other matters to be resolved in order to keep only the Offeror, Mr. Toyohiko Teranishi, Mr. Tadayuki Teranishi, and Kouyu as the shareholders of the Company. In this connection, Kouyu has agreed with the Offeror that (a) it will carry out the necessary procedures for the Squeeze-out Process, and (b) as a shareholder of the Company, it will exercise its voting rights pertaining to all the Shares that it holds at that time and vote for all the propositions, including the one relating to the Share Consolidation, at the Extraordinary Shareholders' Meeting.

Further, it has agreed to take all actions necessary for the implementation of the Share Splitting as stated in “(ii) Agreement relating to the Share Lending” above.

(v) Agreement relating to share transfer

Kouyu has agreed that after the termination of the Share Lending, it will transfer to the Offeror all the Shares held

by it in exchange for the transfer price at a price per Share that is equal to the Tender Offer Price. There is no condition precedent to the transfer of the Shares by Kouyu. The reason why Kouyu does not tender all the Shares held by it in the Tender Offer and chooses to transfer to the Offeror is, as stated in “(ii) Agreement relating to the Share Lending” above, to continue its holding of the Shares in order to implement the Share Lending. However, after the Share Lending is implemented, Kouyu is not expected to have and hold the Shares, directly or indirectly, ultimately after the Squeeze-out Process; therefore, it is going to transfer to the Offeror all the Shares held by it in exchange for the transfer price at a price per Share that is equal to the Tender Offer Price.

(5) Shareholders Agreement

Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, Mr. Tadayuki Teranishi, and BCPE Knight Cayman, L.P. have executed the Shareholders Agreement dated September 10, 2020. The particulars of the Shareholders Agreement are as follows:

(i) Agreement relating to the procedures after the Squeeze-out Process

The above-named parties to the Shareholders Agreement have agreed that within three (3) months after the completion of the Squeeze-out Process (even if the completion is postponed, without delay) they will implement the triangular merger between the Offeror and the Company in exchange for the shares of the Offeror’s Parent company as the merger consideration effective as of the date separately proposed by BCPE Knight Cayman, L.P., and also they have agreed to take all necessary actions for the Merger.

(ii) Agreement relating to governance of the Offeror’s Parent Company and New Kirindo Holdings

The above-named parties to the Shareholders Agreement have agreed that after the completion of the Merger, (a) the number of directors of New Kirindo Holdings, the surviving company of the Merger, shall be seven (7) consisting of three (3) to be appointed by Mr. Toyohiko Teranishi and four (4) 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 (2), and Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi shall assume the offices of the representative directors of New Kirindo Holdings immediately after the Merger. Further, in the Shareholders Agreements, it is agreed regarding the officers of the Offeror’s Parent Company (a) the number of directors of the Offeror’s Parent Company shall be seven (7) consisting of three (3) to be appointed by Mr. Toyohiko Teranishi and four (4) to be appointed by BCPE Knight Cayman, L.P, (b) the number of representative directors shall be not more than two (2), and Mr. Tadayuki Teranishi and Mr. Toyohiko Teranishi shall assume the offices of the representative directors of the Offeror’s Parent Company immediately after the Merger, and (c) the number of auditor of the Offeror’s Parent Company shall be one (1) to be appointed by BCPE Knight Cayman, L.P.

5. Giving of Benefits by the Offeror or Other Specially Related Entities

N/A

6. Policy of Response to Basic Policy Relating to Company Control

N/A

7. Questions to the Offeror

N/A

8. Request for Extension of the Tender Offer Period

N/A

9. Future Prospects

See: “(ii) Background, Objectives, and Decision-Making Process behind the Offeror’s Decision to Implement the Tender Offer; Management Policy after the Tender Offer” under “(2) Grounds and Reasons for Opinion” under “3. Substance of and Grounds and Reasons for Opinion Relating to Tender Offer”; “(4) Prospects for Delisting and its Reasons”; and “(5) Matters Relating to So-Called Two-Step Acquisition”.

10. Other

As announced in the “Announcement Regarding Revision of Year-End Dividend Forecast for Year Ending February 2021 (Dividend Cut) and Abolition of Shareholder Special Benefit Program” on September 10, 2020, at the Board of Directors meeting held today, the Company passed a resolution to revise the dividend forecast for the fiscal year ending February 2021 announced on July 10, 2020, not to pay a year-end dividend for the fiscal year ending February 2021, and to discontinue the shareholder incentive plan, conditioned on establishment of the Tender Offer. For details, refer to the announcement from the Company.

Also, as announced in the “Notice regarding Correction to Financial Projections” released on September 10, 2020, at the meeting of the Board of Directors held today, the Company has corrected the projected consolidated financial results for the second quarter of the fiscal year ending February 2021 (cumulative) and the same for the full year ending February 2021, both of which were released on July 10, 2020. For details, refer to the announcement from the Company.

In addition, as announced in the “Announcement Regarding Preparation for Stock Market Listing of the Company’s Equity-Method Affiliate” released on September 10, 2020, Beaunet Corporation Limited, which is the Company’s affiliates subject to the equity method, is now proceeding with the preparations for its listing on the Mothers section of TSE. For details, refer to the announcement from the Company.

End

Reference: “Announcement on Commencement of Tender Offer for Shares of Kirindo Holdings Co., Ltd. (Securities Code: 3194)” dated September 10, 2020 (Attachment)

September 10, 2020

To Whom It May Concern

Company name: K.K. BCJ-48
Representative: Yuji Sugimoto
Representative Director

**Announcement on Commencement of Tender Offer
for Shares of Kirindo Holdings Co., Ltd. (Securities Code: 3194)**

K.K. BCJ-48 (the “Tender Offeror”) hereby announces that it has decided on September 10, 2020 to acquire the common shares (the “Target Shares”) of Kirindo Holdings, Co., Ltd. (the “Target”) listed on the First Section of the Tokyo Stock Exchange (the “First Section of the Tokyo Stock Exchange”) through a tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”).

1. Particulars of Tender Offer

- (1) Name of Target
Kirindo Holdings Co., Ltd
- (2) Class of shares to be purchased
Common shares
- (3) Period of Tender Offer
From September 11, 2020 (Friday) through October 26, 2020 (Monday) (30 business days)
- (4) Price of Tender Offer
JPY 3,500 per common share
- (5) Number of shares to be purchased
Number of shares to be purchased: 9,660,879 shares
Minimum number of shares to be purchased: 5,884,000 shares
Maximum number of shares to be purchased: -- shares
- (6) Tender Offer Agent
Nomura Securities Co., Ltd.
1-9-1 Nihonbashi, Chuo-ku, Tokyo
(As of October 1, 2020, the head office of Nomura Securities Co., Ltd. will be located at 1-13-1 Nihonbashi, Chuo-ku, Tokyo.)

- (7) Date of commencement of settlement
November 2, 2020 (Monday)

2. Overview of the Tender Offer

The Offeror is a wholly-owned subsidiary of K.K. BCJ-47 (the "Offeror's Parent Company"), all of the total number of issued shares of which are indirectly owned by an investment fund for which Bain Capital Private Equity, LP and its group (collectively, "Bain Capital") provide investment advice, and is a stock company incorporated on August 25, 2020 for the primary purpose of holding the Target's Shares and controlling and managing the business activities of the Target. Today, Bain Capital, the Offeror's Parent Company and the Offeror do not own the Target's Shares.

Bain Capital is an international investment company that holds operating assets worldwide worth approximately 1,000 hundred million dollars. In Japan, ever since Bain Capital established its Tokyo office in 2006, more than 30 professionals have been engaged in measures to increase the corporate value of its invested firms. It is mainly comprised of professionals who have experiences in business companies and consulting firms, and it has executed steady growth strategies by providing on-site business operation supports in addition to capital and financial support services that are generally offered by investment companies, and has a record of successfully achieving various value enhancement measures. In Japan, Bain Capital has invested in 18 companies including Nichiigakkan Co., Ltd., Showa Aircraft Industry Co., Ltd., Cheetah Digital Co., Ltd. (currently, EmberPoint Co., Ltd.), Works Human Intelligence Co., Ltd., Toshiba Memory Corporation (currently, Kioxia Corporation), Japan Wind Development Co., Ltd., Oedo-Onsen-Monogatari Co., Ltd., ASATSU-DK Inc., Jupiter Shop Channel Co., Ltd., Skylark Co., Ltd., Domino's Pizza Japan, Inc., Macromill, Inc., and BELLSYSTEM24, Inc., and on a global basis, it has invested in 450 companies since its incorporation in 1984.

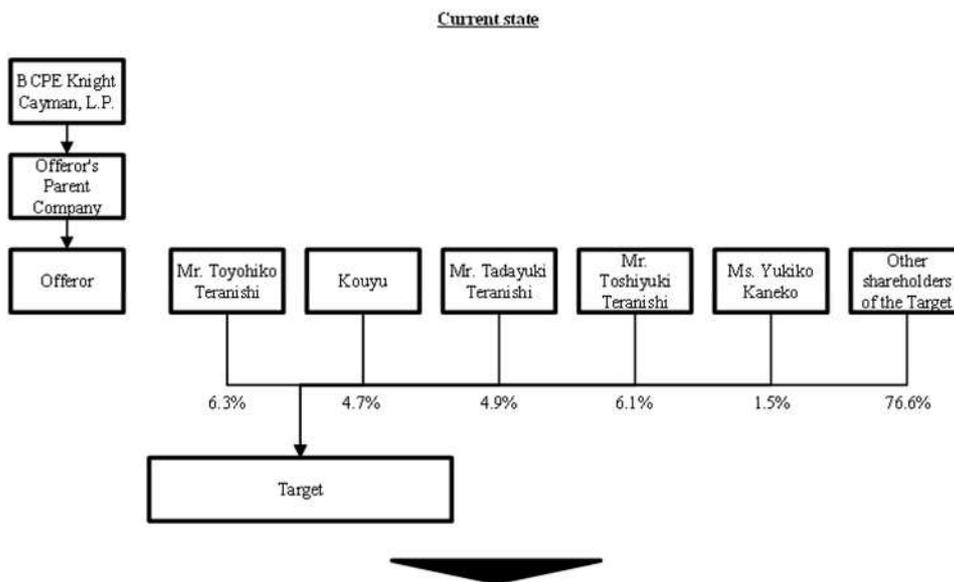
The Offeror will carry out the Tender Offer aiming to acquire and hold all of the Target's Shares listed on the First Section of the TSE (excluding the treasury shares held by the Target, a portion of the Target's Shares held by Mr. Tadayuki Teranishi, the Chairman and Representative Director of the Target ("Mr. Tadayuki Teranishi") (Note 1), and all of the Target's Shares held by Mr. Toyohiko Teranishi, the President and Representative Director of the Target ("Mr. Toyohiko Teranishi"), and all of the Target's Shares held by Kouyu Co., Ltd., an asset management company of Mr. Toyohiko Teranishi and his relatives ("Kouyu") (Note 2)), as part of a series of transactions (the "Transaction") for the so-called Management Buyout (MBO) (Note 3).

Mr. Toyohiko Teranishi and Mr. Tadayuki Teranishi plan to continue managing the Target after the successful completion of the Tender Offer, and is considering directly or indirectly owning the shares of the Offeror after the end of the Tender Offer in order to have a common goal to increase corporate value. In addition, Mr. Hiroyuki Teranishi intends to continue supporting the Target as a director of Kirindo Co., Ltd., a wholly-owned subsidiary of the Target and is considering directly or indirectly owning the shares of the Offeror after the end of the Tender Offer in order to have a common goal to increase corporate value. Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi and Mr. Tadayuki Teranishi are, respectively, considering directly or indirectly owning the shares of the Offeror after the end of the Tender Offer (within three months after the completion of the process which would make the Target to go private (the "Squeeze-out Process") (or without delay, if postponed due to unavoidable circumstances)). Accordingly, Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi, Mr. Tadayuki Teranishi and the Offeror plan to implement a triangular merger, with the Offeror as the surviving

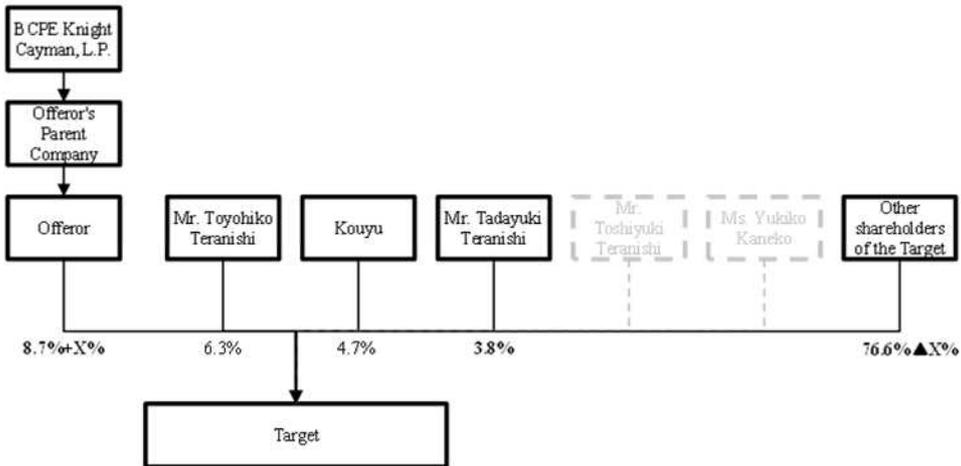
company, the Target as the absorbed company, and the common shares of the Offeror's Parent Company as consideration for the merger (the "Merger"), and plan to implement procedures necessary for the Offeror to acquire shares of the Offeror's Parent Company as consideration for the Merger. Consequently, in the end, Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi and Mr. Tadayuki Teranishi plan to hold such number of the common shares of the Offeror's Parent Company which, in principle, will result in the total shareholding ratio of the common shares of the Offeror's Parent Company held by Mr. Toyohiko Teranishi, Mr. Hiroyuki Teranishi and Mr. Tadayuki Teranishi, and the shareholding ratio of BCPE Knight Cayman, L.P., a wholly-owning parent company of the Offeror's Parent Company as of today, being 40 to 60. Currently, no agreement has been reached on a specific method in relation to transactions for Mr. Hiroyuki Teranishi to ultimately hold a portion of the shares of the Offeror's Parent Company, however, methods such as accepting a portion of the Target's Shares from Mr. Toyohiko Teranishi before the Merger becomes effective, or accepting a portion of the shares of the Offeror's Parent Company from Mr. Tadayuki Teranishi or Mr. Toyohiko Teranishi after the Merger becomes effective are being considered. Further, in relation to the merger ratio of the Merger, such merger ratio will be set at an appropriate ratio so as not to violate the regulation on equivalence of purchase prices for tender offerings (Article 27-2, Paragraph 3 of the Act). In other words, the share value per share of the Offeror's Parent Company, which is the merger consideration, is lower than the value of the Target's Shares since the wholly-owning parent company of the Offeror borrows funds necessary for the Tender Offer and the Squeeze-out Process, and it is assumed that an appropriate merger ratio will be set by taking the above into consideration in order to prevent shareholders who receive the merger consideration from receiving consideration that is substantially higher than the price for the purchase of the Target's Shares in the Tender Offer.

< Outline of the structure of the Tender Offer and the subsequent contemplated procedures >

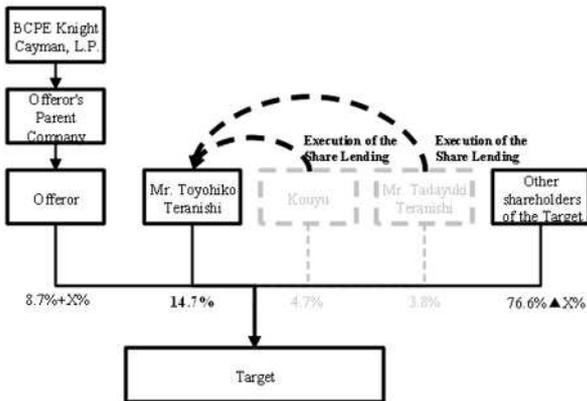
The following graphically illustrates the outline of the structure of the Tender Offer and the subsequent contemplated procedures.



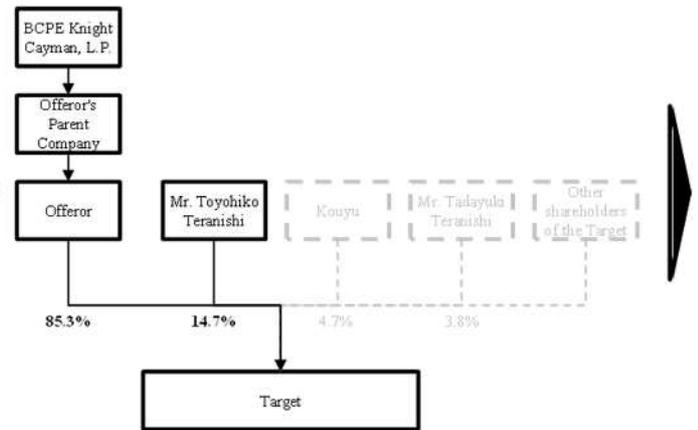
After successful completion of the Tender Offer



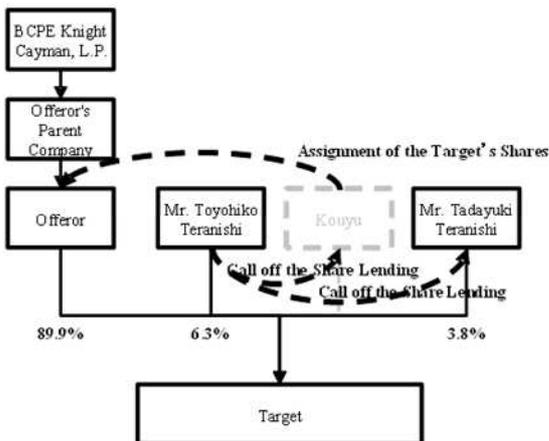
Execution of the Share Lending



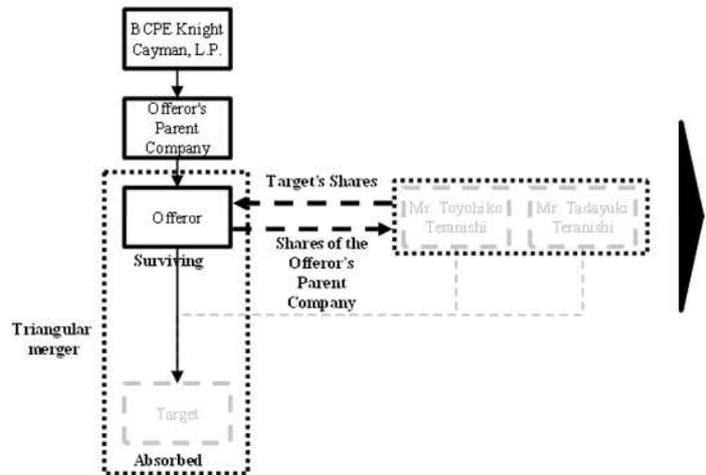
After implementing the Squeeze-out

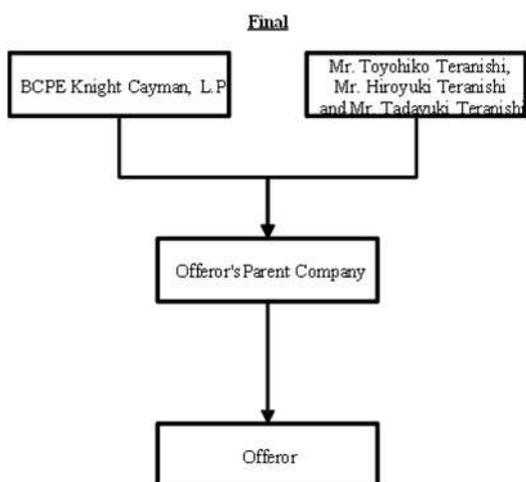


Share Split, call off the Share Lending assignment of the Target's Shares by Kouyu



Triangular merger, etc.





Upon carrying out the Tender Offer, as of September 10, 2020, the Offeror has entered into a tender offer agreement with each of Mr. Toshiyuki Teranishi, a relative of Mr. Toyohiko Teranishi and an executive officer of the Target (Number of shares held: 690,090 shares, Shareholding Ratio (Note 4): 6.09%), and Ms. Yukiko Kaneko, a relative of Mr. Toyohiko Teranishi (Number of shares held: 164,500 shares, Shareholding Ratio: 1.45%) (collectively, the "Accepting Shareholders"), and the Accepting Shareholders agree to tender all of their respectively held Target's Shares (Number of shares held: 854,590 shares, Shareholding Ratio: 7.54%) (the "Accepted Shares for Tendering") to the Tender Offer. The Offeror has also entered into a tender offer/non-tender agreement (the "Tender Offer/Non-tender Agreement") with Mr. Tadayuki Teranishi (Number of shares held: 555,770 shares (Note 6), Shareholding Ratio: 4.90%) as of September 10, 2020, and Mr. Tadayuki Teranishi agrees to tender 127,332 shares of the Target's Shares held by Mr. Tadayuki Teranishi (Shareholding Ratio: 1.12%; the Target's Shares totaling 981,922 shares, together with the Target's Shares tendered to the Tender Offer by Mr. Toshiyuki Teranishi and Ms. Yukiko Kaneko shall be referred to hereafter as the "Accepted Shares for Tendering"), while refraining to tender the remaining 428,438 shares (Shareholding Ratio: 3.78%) to the Tender Offer. Further in addition, as of September 10, 2020, the Offeror has entered into a non-tender agreement (the "Non-tender Agreement") with each of Mr. Toyohiko Teranishi (Number of shares held: 714,420 shares (Note 5), Shareholding Ratio: 6.31%) and Kouyu (Number of shares held: 527,240 shares, Shareholding Ratio: 4.65%) (collectively, the "Non-accepting Shareholders"), and the Non-accepting Shareholders agree not to tender all of their respectively held Target's Shares (Number of shares held: 1,241,660 shares, Shareholding Ratio: 10.96%; the Target's Shares totaling 1,670,098 shares, together with the Target's Shares not tendered to the Tender Offer by Mr. Tadayuki Teranishi (428,438 shares) shall be referred to hereafter as the "Non-accepted Shares for Tendering") to the Tender Offer.

(Note 1) The Offeror has agreed with Mr. Tadayuki Teranishi that he tender 127,332 shares of the Target's Shares held by him (555,770 shares) (Note 6), while refraining to tender the remaining 428,438 shares to the Tender Offer.

(Note 2) All issued shares of Kouyu (common shares: 45,400 shares, class A share: one (1) share) are held by Mr. Toyohiko Teranishi and his relatives, and the ownership ratio of each shareholder of the common shares is as follows: Mr. Toyohiko Teranishi, 6.61% (the ratio against the total number of issued shares of Kouyu, which is rounded to the second decimal place; hereinafter the same in the calculation of ownership ratio) (common shares: 3,000

shares), Ms. Sadae Teranishi, a relative of Mr. Toyohiko Teranishi, 47.14% (common shares: 21,400 shares), Mr. Hiroyuki Teranishi, 33.04% (common shares: 15,000 shares), Mr. Toshiyuki Teranishi, 6.61% (common shares: 3,000 shares), and Mr. Yukiko Kaneko, 6.61% (common shares: 3,000 shares), and the class A share (one (1) share) is held by Mr. Tadayuki Teranishi.

- (Note 3) "Management Buyout (MBO)" refers to a transaction in which the offeror carries out a tender offer based on an agreement with the officers of the target, and shares a common interest with such officer of the target.
- (Note 4) "Shareholding Ratio" refers to the ratio (rounded to the second decimal place) against 11,330,977 shares. The 11,330,977 shares stands for the total number of issued shares of the Target as of May 31, 2020 (11,332,206 shares), as stated in the "First Quarterly Securities Report for the 7th Term" submitted by the Target on July 14, 2020 (the "Target's Quarterly Securities Report "), *less* the number of treasury shares held by the Target as of May 31, 2020 (1,229 shares), as stated in the "First Quarter Earnings Briefing for the fiscal year ending February 28, 2021 [Japanese GAAP] (consolidated)" published by the Target on July 10, 2020 (the "Target's Earnings Briefing").
- (Note 5) Other than the above Target's Shares (714,420 shares), which are subject to the Non-tender Agreement, Mr. Toyohiko Teranishi holds 1,617 shares of the Target's Shares (rounded off by calculation), which he indirectly owns through the officers' shareholding association of the Target, and such shares are not subject to the Non-tender Agreement.
- (Note 6) Other than the above Target's Shares (555,770 shares), which are subject to the Tender Offer/Non-tender Agreement, Mr. Toyohiko Teranishi holds 333 shares of the Target's Shares (rounded off by calculation), which he indirectly owns through the officers' shareholding association of the Target, and such shares are not subject to the Tender Offer/Non-tender Agreement.

In the Tender Offer, the Offeror has set the minimum number of tendered shares to be purchased in the Tender Offer as 5,884,000 shares (Shareholding Ratio: 51.93%), and if the total number of shares, etc. tendered in the Tender Offer (the "Tendered Shares") is less than the minimum number of tendered shares to be purchased in the Tender Offer, all of the Tendered Shares will not be purchased. On the other hand, as described above, in the Tender Offer, since the Offeror intends to acquire all of the Target's Shares (excluding the treasury shares held by the Target and the Non-accepted Shares for Tendering), no maximum number of shares to be purchased in the Tender Offer has been set, and if the number of tendered shares is equal to or more than the minimum number of tendered shares to be purchased in the Tender Offer, all of the Tendered Shares shall be purchased. Since the Offeror carries out the Tender Offer for the purpose of taking the Target private, the minimum number of tendered shares to be purchased in the Tender Offer is set so that, if the Tender Offer is successfully completed, the total number of the voting rights of the Target held by the Offeror, the number of voting rights (4,284 voting rights) pertaining to the Target's Shares for which Mr. Tadayuki Teranishi has agreed not to tender to the Tender Offer (428,438 shares), and the number of voting rights of the Target held by the Non-accepting Shareholders (12,416 voting rights pertaining to 1,241,660 shares) will be more than two-thirds of the total number of voting rights of the Target (113,309 voting rights pertaining to the total number of shares (11,330,977 shares) calculated by deducting the treasury shares held by the Target) (5,884,000 shares). The minimum number of tendered shares to be purchased in the Tender Offer, 5,884,000 shares (Shareholding Ratio: 51.93%), will exceed 5,321,401 shares (Shareholding

Ratio: 46.96%), which is calculated by adding the number of shares equivalent to the majority of 8,678,957 shares (4,339,479 shares, Shareholding Ratio: 38.30%; this is the equivalent of the majority of the number of the Target's Shares held by the Target's shareholders who do not have an interest in the Offeror, i.e., so-called "majority of minority") (the 8,678,957 shares stands for the total number of issued shares of the Target as of May 31, 2020 as stated in the Target's Quarterly Securities Report (11,332,206 shares) less the number of treasury shares held by the Target as of May 31, 2020 as stated in the Target's Earnings Briefing (1,229 shares), the number of Accepted Shares for Tendering (981,922 shares), and the number of Non-accepted Shares for Tendering (1,670,098 shares)), and the number of the Non-accepted Shares for Tendering (981,922 shares). Accordingly, the Offeror will respect the intentions of the minority shareholders of the Target by not carrying out the Transaction including the Tender Offer in the event that a majority of the Target's shareholders other than interested parties of the Offeror do not approve thereof.

If the Tender Offer is successfully completed, the Offeror will receive an investment of 8,700,000 thousand yen from the Offeror's Parent Company, and it will receive a borrowing of not more than 27,300,000 thousand yen in total (the "Acquisition Loan") from MUFG Bank, Ltd. ("MUFG Bank"), Aozora Bank, Ltd. ("Aozora Bank") and Sumitomo Mitsui Banking Corporation ("Sumitomo Mitsui Banking"), and intends to allocate such funds for settlement funds of the Tender Offer. While the details of the loan conditions of the Acquisition Loan will, upon separate consultation with MUFG Bank, Aozora Bank and Sumitomo Mitsui Banking, be provided for in the loan agreement pertaining to the Acquisition Loan, under the loan agreement pertaining to the Acquisition Loan, the Offeror's shares held by the Offeror's Parent Company and the Target's Shares, etc. to be acquired by the Offeror through the Tender Offer will be pledged as collateral, and further, after the completion of the Squeeze-out Process, at a prescribed time, the Target and a part of its subsidiaries will be joint and several guarantors of the Offeror, and certain assets of such companies will be pledged as collateral.

If the Offeror is unable to acquire all of the Target's Shares (excluding the treasury shares held by the Target and the Non-accepted Shares for Tendering) through the Tender Offer, as described in "4. Policy regarding reorganization, etc., following completion of the Tender Offer (so-called "two-step acquisition")" below, after the successful completion of the Tender Offer, the Offeror will request that Target carry out the Squeeze-out Process. In addition, after the completion of the Squeeze-out Process, the Offeror plans to implement the Merger with the Target.

According to the press release titled "Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares" made public by the Target on September 10, 2020 (the "Target Press Release"), at the Target's board of directors meeting held on September 10, 2020, it expressed its opinion in favor of the Tender Offer, and resolved to recommend that the shareholders of the Target accept the Tender Offer.

3. Basis of calculation

Upon the determination of a tender offer price of the Target's Shares in the Tender Offer (the "Tender Offer Price"), the Offeror conducted a comprehensive and multifaceted analysis of the Target's business and financial conditions based on financial information and other materials disclosed by the Target and the results of the due diligence review conducted from late June of 2020 to early September of 2020. In consideration of the fact that the Target's shares are traded through the financial instrument exchange, the Offeror also referred to the closing price for the Target's shares at the first section of

TSE as of September 9, 2020, being the business day immediately preceding the date on which the commencement of the Tender Offer was set by the Offeror (JPY 2,512) and simple average of the closing prices for the past one month (from August 11, 2020 to September 9, 2020), three months (June 10, 2020 to September 9, 2020) and six months (March 10, 2020 to September 9, 2020) (JPY 2,736, JPY 2,633 and JPY 2,282) (which has been rounded off to the whole number; the same applies to any calculation of simple average of closing prices). Furthermore, the value of the Target's shares were analyzed by comparing the market price of listed companies that are relatively similar to the Target in terms of business contents, business size, earnings conditions, with financial indicators that shows factors including profitability.

The Offeror has not obtained a share valuation report from a third party valuator and the Offeror determined the Tender Offer Price by comprehensively taking into account whether or not the Target agrees with the Tender Offer and the prospect of the consummation of the Tender Offer, and through consultations and negotiations with the Target.

The Tender Offer Price (JPY 3,500 per share) represents a premium of a 39.33% (rounded to the second decimal place; hereinafter the same in the calculation of premium) added to JPY 2,512, which is the closing price of the Target's shares on the first section of the TSE on September 9, 2020, i.e. the business day immediately preceding the date on which the commencement of the Tender Offer was set by the Offeror, 27.92% to JPY 2,736, which is the simple average closing price for the one-month period ending on that day (from August 11, 2020 to September 9, 2020), 32.93% to JPY 2,633, which is the simple average closing price for the three-month period ending on that day (from June 10, 2020 to September 9, 2020), and 53.37% on JPY 2,282, which is the simple average closing price for the six-month period ending on that day (from March 10, 2020 to September 9, 2020).

4. Policy regarding reorganization, etc., following completion of the Tender Offer (so-called "two-step acquisition")

If the Offeror cannot acquire all the Target's Shares (excluding the treasury shares and Non-accepted Shares for Tendering held by the Target) through the Tender Offer, the Offeror plans to carry out the Squeeze-out Process by the following means after the successful completion of the Tender Offer, as described in "2. Overview of the Tender Offer" above.

Specifically, the Offeror intends to request the Target to hold the extraordinary shareholders' meeting (the "Extraordinary Shareholders' Meeting") to approve the Share Consolidation and to amend its Articles of Incorporation to abolish the provision concerning less than one unit shares subject to the share consolidation of the Target's Shares (the "Share Consolidation") becoming effective, pursuant to Article 180 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same) promptly after the settlement of the Tender Offer. The Offeror considers it desirable to hold the Extraordinary Shareholders' Meeting as early as possible from the viewpoint of improving the corporate value of the Target, and intends to request the Target to give a public notice of the record date so that the record date for the Extraordinary Shareholders' Meeting will fall on the most recent date after the commencement of the settlement of the Tender Offer (as of today, it is scheduled to be in early November of 2020). According to the Target's Press Release, if the Target receives such request from the Offeror, the Target intends to comply with it. The Offeror intends to approve the above proposals at the Extraordinary Shareholders' Meeting.

If the proposal regarding the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the Target's shareholders will own the number of the Target's Shares in proportion to the share

consolidation ratio as approved in the Extraordinary Shareholders' Meeting as of the date when the Share Consolidation becomes effective. If there are any fractional shares upon the Share Consolidation, the amount of cash corresponding to the amount obtained by selling the Target's Shares equivalent to the total number of fractional shares (if the aggregated number of entitlements to fractional shares includes a fractional number, such fractional number will be rounded down) to the Target or the Offeror will be delivered to the Target's shareholders in accordance with the procedures under Article 235 of the Companies Act and other relevant laws and regulations. Concerning the sales price of the Target's Shares corresponding to the aggregated number of fractional shares, a petition for voluntary disposal permission will be filed with the court after calculating that the amount of cash to be delivered to the Target's shareholders (excluding the Target) who did not tender their shares to the Tender Offer will be equal to the amount calculated by multiplying the Tender Offer Price by the number of the Target's Shares held by such shareholders. Although the share consolidation ratio for the Target's Shares is undetermined as of today, it is intended that the share consolidation ratio will be determined so that the number of the Target's Shares held by the Target's shareholders (excluding the Target) who did not tender their shares to the Tender Offer will be a fractional number of less than one share, which will enable the Offeror to hold all the Target's Shares (excluding treasury shares and Non-accepted Shares for Tendering held by the Target). Mr. Tadayuki Teranishi or Kouyu or both may lend their shares to Mr. Toyohiko Teranishi (the conditions of share lending fees, etc. are undetermined) in order to avoid as much as possible the situation where there are Target's shareholders (other than the Offeror, Mr. Tadayuki Teranishi and Non-accepting Shareholders) who hold the number of Target's Shares equal to or greater than the smallest number of the Target's Shares held by any of the Offeror, Mr. Tadayuki Teranishi or Non-accepting Shareholders before the Share Consolidation becomes effective and to enhance the stability of the Squeeze-out Process. The details of the procedures regarding the Share Consolidation will be promptly announced by the Target once decided.

Regarding the provisions under the Companies Act aimed at protecting minority shareholders' interests in relation to the Share Consolidation, if there are any fractional shares when the Share Consolidation is conducted, the Target's shareholders (excluding the Offeror and the Target) may, in accordance with the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations, demand the Target to purchase all fractional shares of the Target's Shares that the relevant shareholders hold at a fair price, and may file a petition to determine the price under appraisal rights of such Target's Shares. As mentioned above, in the Share Consolidation, the number of the Target's Shares held by the Target's shareholders (excluding the Target, Mr. Tadayuki Teranishi and Non-accepting Shareholders) who did not tender their shares to the Tender Offer will be a fractional number of less than one share. The Target's shareholders who disapprove of the Share Consolidation will be able to file the above petition. The purchasing price under appraisal rights if these petitions are filed will be ultimately determined by the court.

Regarding the above procedures, depending on any revisions to and enforcement of the relevant laws and regulations, interpretation thereof by authorities, there is a possibility that it may take time to implement them or that changes may be made to the method of implementation. In such case, however, the Offeror plans to adopt such method that enables each of the Target's shareholders not having tendered his or her shares to the Tender Offer to ultimately receive cash. If such method is adopted, it is intended that the amount of such cash to be delivered to each of the relevant Target's shareholders will be calculated to be equal to the price produced by multiplying the Tender Offer Price by the number of the Target's Shares held by such shareholder. The details of the above procedures and the timing of implementation thereof will be promptly announced by the Target once decided upon negotiation.

The Tender Offer is not intended to solicit the votes of the Target' shareholders in favor of the resolutions to be proposed at the Extraordinary Shareholders' Meeting. Each shareholder should consult with his or her tax advisor, at his or her own responsibility, regarding the tax treatment relating to the Tender Offer or under each of the above procedures.

For further details of the Tender Offer, please refer to the Tender Offer Registration Statement regarding the Tender Offer to be filed on September 11, 2020 by the Tender Offeror.