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September 29, 2023



Company name : Keiyo Co., Ltd.
 Name of representative : Koji Jitsukawa President
 (Securities code: 8168 Tokyo Stock Exchange)
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To whom it may concern

Notice Concerning Announcement of Opinion Regarding the Tender Offer for the Shares of the Company by DCM Holdings Co., Ltd. and Recommendation to Tender

Keiyo Co., Ltd.(the “Company”) hereby announces that it has resolved, at a meeting of the Board of Directors held on September 29, 2023, to recommend that all shareholders subscribe to the public tender offer(the “Tender Offer) for the shares of the Company by DCM Holdings Co., Ltd. (the “Tender Offeror”) and to recommend the shareholders of the Company to apply for the Tender Offer.

The Board of Directors resolution presumes that the Tender Offer by the Tender Offeror and subsequent procedures will result in the delisting of the Company’s Shares

1. Outline of the Tender Offer

(i) Name	DCM Holdings Co., Ltd.	
(ii) Location	6-22-7, Minamioi, Shinagawa-ku, Tokyo	
(iii) Name and job title of representative	Yasunori Ishiguro, President and Representative Director & COO	
(iv) Description of business	DIY store business	
(v) Capital	JPY19,973 million	
(vi) Date of incorporation	September 1, 2006	
(vii) Major shareholders and shareholding ratio (as of February 28 2023)	The Master Trust Bank of Japan, Ltd.	13.22%
	Nisshinkikou Company Limited	8.28%
	Custody Bank of Japan, Ltd.	4.49%
	AEON Co., Ltd.	4.10%
	Yasunori Ishiguro	2.92%
	DCM Holdings Employee Shareholding Association	2.78%
	Kaori Maki	2.60%
	SMBC Nikko Securities Inc.	2.03%
	The Master Trust Bank of Japan, Ltd.	1.83%
	TAMON Co., Inc.	1.80%
(viii) Relationship between the Company and the Tender Offeror		

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Capital relationship	As of the submission date of this Tender Offer Statement, the Company is an equity-method affiliate of the Tender Offeror, and the Tender Offeror holds in aggregate 18,581,137 shares (shareholding ratio (Note): 31.86%) of the Company's common stock, by directly holding 18,067,700 shares (shareholding ratio: 30.98%) and indirectly holding 513,437 shares (shareholding ratio: 0.88%) via a wholly owned subsidiary of the Tender Offeror, DCM Co., Ltd.
Personal relationship	Two of the ten directors of the Company are concurrently serving as the directors of the Tender Offeror
Business relationship	The Company is conducting joint purchases of mutual products, and it is procuring such products from the Tender Offeror.
Applicability to Related Parties	The Company is an equity method affiliate of the Tender Offeror and falls under a related party of the Tender Offeror.

(Note) "Shareholding ratio" means the ratio to 58,312,727 shares, which is the total number of issued shares of the Company as of August 31, 2023 (65,140,184 shares) set forth in the "Unconsolidated Financial Results for the 2nd Quarter of Fiscal Year Ending February 2024 (Prepared in Conformity with J-GAAP)" (the "Company's 2nd Quarter Financial Results"), as announced by the Company on September 29, 2023, less the number of the treasury shares held by the Company as of the same date (6,827,457 shares) (being rounded to the second decimal place; hereinafter the same shall apply with respect to the shareholding ratio unless provided otherwise).

2. Tender Offer Price

JPY1,300 per share of common stock

3. Contents, Basis of and Reason for Opinions on Tender Offer, Etc.

(1) Contents of Opinions on Tender Offer

Based on the grounds and reasons stated in the below "(2) Basis and Reason for Opinions on Tender Offer", the Company resolved at its board of directors' meeting held on September 29, 2023 to express an opinion in favor of the Tender Offer, and to recommend that all shareholders of the Company tender their shares in the Tender Offer.

Moreover, the aforementioned resolution of the board of directors has been determined by the method described in "(v) Unanimous approval of all non-interested directors (including audit and supervisory committee members) of the Company" under "(6) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest"

(2) Basis and Reason for Opinions on Tender Offer

The descriptions related to the Tender Offeror below are based on the explanations received from the Tender Offeror.

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(i) Overview of the Tender Offer

As of the submission date of this Tender Offer Statement, the Company is an equity-method affiliate of the Tender Offeror, and the Tender Offeror holds in aggregate 18,581,137 shares (shareholding ratio : 31.86%) of the Company's common stock (the "Company Stock"), which are listed on the Prime Market of Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"), by directly holding 18,067,700 shares (shareholding ratio: 30.98%) and indirectly holding 513,437 shares (shareholding ratio: 0.88%) via a wholly owned subsidiary of the Tender Offeror, DCM Co., Ltd.

The Tender Offeror resolved at a meeting of its board of directors held on September 29, 2023 to implement the Tender Offer as part of the transaction (the "Transaction") to acquire all of the Company Stock (excluding the Company Stock held by the Tender Offeror and the treasury shares held by the Company) with the aim of making the Company a wholly owned subsidiary of the Tender Offeror.

Since the Tender Offeror intends to make the Company a wholly owned subsidiary of the Tender Offeror and intends to acquire all of the Company Stock (excluding the Company Stock held by the Tender Offeror and the treasury shares held by the Company) in the Tender Offer, the Tender Offeror has not set an upper limit on the number of shares to be purchased. Meanwhile, the Tender Offeror has set 20,807,500 shares (shareholding ratio: 35.68%) as the minimum number of shares to be purchased in the Tender Offer. If the total number of Share Certificates, etc. tendered in the Tender Offer (the "Tendered Share Certificates, etc.") falls short of the minimum number of shares to be purchased, the Tender Offeror will not purchase all of the Tendered Share Certificates, etc. If the total number of Tendered Share Certificates, etc. is greater than the minimum number of shares to be purchased, the Tender Offeror will purchase all of the Tendered Share Certificates, etc. The minimum number of shares to be purchased (20,807,500 shares) has been set to be equal to the number of shares (20,807,500 shares) calculated by deducting the number of the Company Stock held by the Tender Offeror as of the date of submission of this Tender Offer Statement (18,067,700 shares) from the number of the Company Stock that results in at least two-thirds of the total number of votes of the Company Stock (38,875,200 shares), which in turn is calculated by multiplying $\frac{2}{3}$ (388,752 votes, rounded up to the nearest whole number) of the total number of votes of the Company Stock (583,127 votes) by the share unit (100 shares) of the Company Stock. The total number of votes of the Company Stock (583,127 votes) is calculated by deducting the number of treasury shares (6,827,457 shares) held by the Company as of August 31, 2023 from the total number of issued shares (65,140,184 shares) of the Company Stock as of August 31, 2023 indicated in the Company's 2nd Quarter Financial Results, and dividing such net number by the share unit (100 shares) of the Company Stock. The reason for the foregoing minimum number of shares to be purchased is so that the Tender Offeror will hold two-thirds or more of the voting rights of all shareholders of the Company after the Tender Offer in order to ensure the implementation of the Transaction as the Tender Offeror intends to make the Company its wholly owned subsidiary in the Tender Offer, and a special resolution in the shareholders meeting prescribed in Article 309, Paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same) is required when taking the procedures of share consolidation described in "(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called "two-step acquisition")".

In implementing the Tender Offer, on September 29, 2023, the Tender Offeror has received an endorsement from DCM Co., Ltd. to the effect of tendering all of its Company Stock (513,437 shares, shareholding ratio: 0.88%) in the Tender Offer.

If the Tender Offeror was not able to acquire all of the Company Stock (excluding the Company Stock held by the Tender Offeror and the treasury shares held by the Company) based on the Tender Offer despite the Tender Offer being completed, the Tender Offeror is scheduled to acquire all of the Company Stock (excluding the Company Stock held by the Tender Offeror and the treasury shares

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held by the Company) by implementing the series of procedures for causing the Tender Offeror to be the only shareholder of the Company (the “Squeeze-out Procedures”) as described in “(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called “two-step acquisition”)” below.

- (ii) Background, purpose and decision-making process leading to the Tender Offeror’s decision to implement the Tender Offer

The background, purpose, and decision-making process leading to the Tender Offeror’s determination to implement the Tender Offer are reportedly as follows.

The Tender Offeror is a holding company established as DCM Japan Holdings Co., Ltd. in September 2006 through a joint share transfer by the three (3) companies, Kahma Co., Ltd., Daiki Co., Ltd. and Homac Corp., mainly engaged in the home improvement store business. In September 2006, the Tender Offeror’s shares were listed on the First Section of the Tokyo Stock Exchange, First Section of Osaka Securities Exchange, Inc. (the “Osaka Securities Exchange”), First Section of Nagoya Stock Exchange, Inc. (the “Nagoya Stock Exchange”) and Sapporo Securities Exchange Co., Ltd. (the “Sapporo Securities Exchange”). In September 2009, the Tender Offeror’s shares were delisted from the Osaka Securities Exchange, the Nagoya Stock Exchange and the Sapporo Securities Exchange. Due to the revision of the market classification of the Tokyo Stock Exchange in April 2022, the shares of the Tender Offeror are currently listed on the Prime Market of the Tokyo Stock Exchange. The Tender Offeror changed its trade name to DCM Holdings Co., Ltd. on June 1, 2010, and on March 1, 2015 changed the trade names of its consolidated subsidiaries Kahma Co., Ltd., Daiki Co., Ltd. and Homac Corp. to DCM Kahma Co., Ltd. (“DCM Kahma”), DCM Daiki Co., Ltd. (“DCM Daiki”) and DCM Homac Co., Ltd. (“DCM Homac”), respectively. The Tender Offeror made Sanwado Corp. its wholly owned subsidiary on July 1, 2015 (changed its trade name to DCM Sanwa Co., Ltd. on the same day; hereinafter referred to as “DCM Sanwa”) and made Kuroganeya Co., Ltd. its wholly owned subsidiary on December 1, 2016 (changed its trade name to DCM Kuroganeya Co., Ltd. on the same day; hereinafter referred to as “DCM Kuroganeya”) through a share exchange, and the Tender Offeror has been actively expanding its scope of business and enhancing its business base by merging with companies that agree with the Tender Offeror’s philosophy of “Serving / Creation / Unity” and support the realization of the Tender Offeror’s philosophy of two “DCMs” (“Demand Chain Management” and “Do Create Mystyle (Giving Shape to Your Life Dreams)”).

The Tender Offeror aims to become an indispensable presence in society by responding flexibly to changes in the environment and creating systems and corporate culture that are desirable to society, and is therefore working to strengthen product development, improve its ability to propose products with an emphasis on “experience”, propose products with an emphasis on “convenience,” “fun,” and “products of value”, and thereby create “attractive stores” that are supported by customers. In order to respond more quickly and effectively to changes in customers’ consumption behavior from “things” to “experience,” changes in the social environment such as aging and population decline, and changes in digital technology in the Japanese economy such as the increasing use of e-commerce (Note 1) and cashless payments, the entire home improvement store business operated by the Tender Offeror has been transferred to DCM Co., Ltd., and the five (5) companies of DCM Kahma, DCM Daiki, DCM Homac, DCM Sanwa and DCM Kuroganeya as the home improvement store business subsidiaries have been merged with DCM Co., Ltd. on March 1, 2021, and on September 1, 2022 the store names throughout Japan have been unified to DCM. In addition, based on a capital and business alliance, the Tender Offeror is supplying products to T.O. Retailing Co., Ltd., which operates home improvement stores mainly in Hakodate, Hokkaido, and Kanseki Co., Ltd., which operates home improvement stores mainly in Tochigi Prefecture. In addition, on March 24, 2022,

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the Tender Offeror established a wholly owned subsidiary XPRICE, Inc., a specialty e-commerce business which sells a wide range of products with a focus on home appliances. With the addition of an e-commerce business company to the Tender Offeror Group (as defined below), the Tender Offeror will work with DCM Co., Ltd., which operates a home improvement store business centered on physical stores, to improve customer convenience, and further the growth of the Tender Offeror Group. As of the submission date of this Tender Offer Statement, the Tender Offeror has 7 consolidated subsidiaries and 1 equity method affiliate (together with the Tender Offeror, hereinafter collectively referred to as the “Tender Offeror Group”). As of the submission date of this Tender Offer Statement, the Tender Offeror Group operates 676 stores in 37 prefectures, and, according to the August 15, 2023 edition of “Diamond Home Center” by Diamond Retail Media Co., Ltd., is a home improvement store group that ranks second in Japan in terms of consolidated sales during the fiscal year ended February 2023.

(Note 1) E-commerce (Electronic Commerce) is a form of transaction in which contracts and payments are made via networks such as the Internet, and is also called EC.

Meanwhile, the Company was established in May 1952 as Keiyo Sangyo Co., Ltd. In April 1979, the Company changed its trade name to Keiyo Co., Ltd. In December 1984, the Company was listed on the Second Section of the Tokyo Stock Exchange. In August 1998, the Company’s listing was moved to the First Section of the Tokyo Stock Exchange. Due to the revision of the Tokyo Stock Exchange’s market classification in April 2022, the Company’s listing has been moved from the First Section to the Prime Market of the Tokyo Stock Exchange.

Since entering the home improvement store business in September 1974, the Company has expanded its store area from the Kanto region to the Tohoku, Koshin, Tokai and Kinki regions, and has continued to develop stores in line with regional demand. In addition, based on the corporate philosophy of “creating a society where many people can enjoy a rich and diverse lifestyle every day through chain store management,” the Company has been providing convenient shopping and low prices to meet customer needs, and offering a wide variety of products. By expanding the assortment of products, the Company has been striving to provide products and services that match the lifestyles of customers.

When looking at the business environment, in the environment surrounding the Company, it is expected that competition with other companies in the same industry and other business formats will intensify, and population problems caused by the declining birthrate and aging population and population decline, environment issues such as climate change and decarbonization, environmental and social issues such as soaring raw material and energy prices and response to natural disasters and pandemics, are expected to have an increasing impact on profits year by year.

Under the foregoing circumstances, the Company entered into a capital and business alliance agreement (the “Capital and Business Alliance Agreement”) with the Tender Offeror in January 2017. In addition, the Company began focusing on the introduction and remodeling of the Tender Offeror's shelf space as well as product integration with the Tender Offeror, and had completely remodeled 105 stores, in line with its first medium-term management plan covering the period from the fiscal year ended February 2017 to the fiscal year ended February 2023 announced on April 5, 2016 (at the time of the announcement, the plan set the fiscal year ended February 2021 as the final year, but as stated in the “Notice of Revision of Medium-Term Management Plan” announced by the Company on August 7, 2018, the Company revised the numerical targets as well as the final year of the plan set as the fiscal year ended February 2023). At the same time, the Company began closing unprofitable stores that were unlikely to improve their profits, thereby significantly improving its profit with a focus on improving its gross profit margins and creating a profit structure. From the fiscal year 2023 and onward, the Company has formulated its second medium-term management plan covering the period from the fiscal year ending February 2024 to the fiscal year ending February 2028 (the “Medium-term Plan”) in order to further evolve its profit structure it has built up to date

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and to achieve sustainable growth, and is working in accordance with the following policies.

1. Vision

Through “*shinka*”, we will become a company that creates a richer lifestyle.

We will pursue sustainable management based on keywords of four (4) types of “*shinka*”.

- Shinka (真価) = Gain confidence and trust and becomes a company that is needed by society.
- Shinka (進化) = Accurately comprehend social issues and respond flexibly.
- Shinka (新化) = Boldly take on new challenges and initiatives.
- Shinka (深化) = Pursue overall optimization and pursue the truth.

2. Mission

We will become a helpful supporter of customers to support their lifestyle.

- Helpful = Being considerate in solving the customers’ “problems”.
- Lifestyle = Being able to cover the total lifestyle of customers.
- Supporter = Being a present that respects customers and is trusted by customers.

3. Value

We will always take action from the customer’s perspective by emphasizing harmony between numbers and conditions.

- Always take action from the customer’s perspective = Take action by giving utmost priority to the customer orientation as the basis of value.
- Emphasizing harmony between numbers and conditions = Build a sustainable business foundation by improving both numbers and conditions.

In addition, the Company has set the following four (4) priority measures; namely, (i) strengthening of sales capabilities, (ii) strengthening of sales bases, (iii) strengthening of cooperation with the Tender Offeror, and (iv) strengthening of sustainability, and is aiming to improve its corporate value by implementing these measures.

The Tender Offeror and the Company have executed the Capital and Business Alliance Agreement in January 2017 as described above. The Capital and Business Alliance Agreement will realize synergies through the formation of a mutual cooperative relationship and improve the corporate values of the Tender Offeror and the Company since it is expected that both companies will mutually enjoy benefits such as the streamlining of operations, increase of net sales and reduction of costs in purchases, sales promotion and store management from the expansion of the management scale based on the business alliance of both companies, and regional complementarity is expected as a result of each company having a strong base and with few overlapping stores. Pursuant to the Capital and Business Alliance Agreement, the Tender Offeror acquired 12,567,700 shares (shareholding ratio (Note 2) at the time: 19.29%) of the Company Stock at a price of 550 yen per share through third-party allotment (issuance of new shares and disposal of treasury shares) of the Company, and consequently became the largest shareholder holding 13,081,137 shares (shareholding ratio (Note 2) at the time: 20.08%) of the Company Stock, including the 513,437 shares (shareholding ratio (Note 4) at the time: 0.79%) owned by its wholly owned subsidiary DCM Homac (merged with DCM Co., Ltd. on March 1, 2021), and the Company became its equity-method affiliate. On October 11, 2022, in order to strengthen the relationship between the two companies based on the Capital and Business Alliance Agreement, the Tender Offeror acquired 5,500,000 shares of the Company Stock from an asset management company through a negotiated transaction at a price of 1,300 yen per share,

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bringing its shareholding to 18,067,700 shares (shareholding ratio (Note 3) at the time: 30.28%) on a non-consolidated basis and 18,581,137 shares (shareholding ratio (Note 3) at the time: 31.14%) on a consolidated basis (i.e., including 513,437 shares (shareholding ratio (Note 3) at the time: 0.86%) held by its wholly owned subsidiary DCM Co., Ltd.).

(Note 2) Shareholding ratio (rounded to the second decimal place) relative to the number of shares (65,140,157 shares) obtained by adding the number of shares (12,567,700 shares), which were issued or disposed based on the third-party allocation of shares, to the number of shares (52,572,457 shares) obtained by deducting the number of treasury shares (6,903,827 shares) from the total number of issued shares (59,476,284 shares) of the Company as of November 30, 2016.

(Note 3) Shareholding ratio (rounded to the second decimal place) relative to the number of shares (59,676,329 shares) obtained by deducting the number of treasury shares (5,463,855 shares) from the total number of issued shares (65,140,184 shares) of the Company as of August 31, 2022.

Ever since the Tender Offeror and the Company executed the Capital and Business Alliance Agreement in January 2017, they have collaborated in various ways, mainly in the areas of products, logistics, and sales promotion. Specifically, the two companies have implemented joint purchasing by unifying suppliers, reduced purchasing costs by introducing common products, implemented joint marketing measures by unifying the private brands of both companies under the “DCM brand,” renovated stores for introducing a common store format, streamlined purchasing and logistics management, and established a joint logistics network. In addition to deepening exchanges by mutually dispatching officers and employees, the Tender Offeror Group and the Company have worked together to develop new store locations and properties by sharing various business management know-how of both companies, conducting research and taking other measures to effectively and flexibly open stores in favorable locations, and also adopting some of the best practices of both companies regarding store management, such as store layout and zoning, at the group stores to make them more attractive and efficient. Additionally, the know-how of both companies is utilized in the development of private brand products, leading to the development of products that are more attractive to consumers and environmentally friendly. The effects of these efforts have been realized in the form of improved top lines, lower cost of sales ratios, improved mark-up ratios and operating profit margins, and improved management efficiency by strengthening the product capabilities of the Tender Offeror Group and the Company. Going forward, both companies will continue to further strengthen collaboration among the foregoing initiatives, improve the efficiency of store operations through system unification, and create new collaborations in sales measures such as Omni-Channel Retailing (Note 4) and DX (Note 5), which will consequently lead to the increased profits for both companies.

(Note 4) Omni-Channel Retailing is a sales strategy that utilizes all sales channels such as physical stores, EC sites and social media to create contact points with customers and approach them.

(Note 5) DX (Digital Transformation) refers to the transformation of products, services, and business models based on the needs of customers and society by utilizing data and digital technology in response to drastic changes in the business environment, and to simultaneously transform the operations themselves, organizations, processes, and corporate culture and climate, and thereby establish a competitive advantage.

According to the Tender Offeror, in Japan’s economy, although restrictions on movement due to the effects of COVID-19 have been eased and economic activity is showing signs of normalcy, the future continues to remain uncertain due to soaring energy and raw material prices, and drastic exchange rate fluctuations.

The domestic retail industry is facing a severe business environment, including stagnation in consumer spending as consumers become more protective of their lives due to rising prices for electricity and daily necessities. In addition, competition beyond the boundaries of business

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categories is expected to become even more intense. In the home improvement store market, where the market size is not expected to expand, the number of stores is increasing and the size of stores is also increasing due to aggressive store openings, and competition is currently intensifying. Under the foregoing environment, the Tender Offeror Group considers that it is necessary to respond more quickly and effectively than ever to the changes in consumer behavior from “things” to “experience”, changes in lifestyles after COVID-19, changes in the social environment such as the aging of society and population decline, and changes and evolution of digital technology in the Japanese economy, such as the expanded use of e-commerce and cashless payments. Consequently, based on the third medium-term management plan (covering the period from the fiscal year 2023 to the fiscal year 2025) formulated in April 11, 2023, the Tender Offeror Group is working on the following priority measures with the 2030 vision of “integrated business that comprehensively makes people’s lives more comfortable.”

(a) Store strategy centered on existing store reform

The Tender Offeror Group will promote a store strategy centered on existing store reforms by forming an in-house refurbishment team to clarify the role of each store based on its size, and strive to create more accessible and convenient stores.

(b) Further pursuit of low-cost operations

The Tender Offeror Group will work on low-cost operations by actively developing rational schemes and store tools and reducing and streamlining store through planogram reform, logistics reform, and DX promotion.

(c) Creation of original “BOPIS” (Note 6) style

The Tender Offeror Group will strive to improve the user-friendliness of customers by promoting seamless integration of physical stores and online businesses, building the Tender Offeror Group’s unique BOPIS style, and creating a new form of home improvement stores.

(Note 6) BOPIS (Buy Online Pick-up In Store) is a system that allows customers to pick up products purchased online, such as on e-commerce sites, at a physical store.

(d) Deepening the private brand product development system

The Tender Offeror Group will focus on developing products in areas with strong business characteristics (DIY, gardening, pet supplies, SDGs-related) and mid-priced products, expand the sales composition ratio of private brand products, and work to improve gross profit margins.

(e) Expansion of business fields through promotion of M&A

The Tender Offeror Group will aim to expand the location of store areas and the business scale of home improvement stores, as well as expand sales channels for private brand products. The Tender Offeror Group will also actively promote M&A through collaboration and co-creation with the aim of expanding business areas through cross-industrial collaboration and strengthening of functions in order to transform into an integrated business that comprehensively makes people’s lives more comfortable.

(f) Human capital management

The Tender Offeror Group will work to create a culture that respects individual values and an environment that fosters growth and self-actualization, as well as work to foster employees’ awareness of improving corporate value, such as by introducing an “ESOP (Employee Stock Ownership Plan) trust,” and promote “robust management.”

(g) Sustainability

The Tender Offeror Group will aim to become a value-creating company that realizes “comfortable living and housing” through DIY centered on the eight priority issues (materiality) of the SDGs, fulfill its social mission as a home improvement store, and build a management foundation that supports sustainable growth.

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In order for the Tender Offeror Group and the Company to continuously increase their corporate value, the Tender Offeror believes that it is necessary to strengthen the relationship between the two companies more than ever, concentrate management resources, increase productivity, and make flexible decisions swiftly based on intuition.

Nevertheless, since the Company is an independent listed company and needs to conduct business operations in consideration of the interests of minority shareholders other than the Tender Offeror, the inability to share highly confidential information such as customer information and sales information between the Tender Offeror Group and the Company prevents the timely mutual utilization of customer bases and business resources. In addition, while utilizing such information in an organized manner, there are certain restrictions on the Tender Offeror Group and the Company as a whole to adopt an optimal and unified management strategy, rather than an optimal management strategy for each company of the Tender Offeror Group or the Company. Therefore, in mid-April 2023, in order to enable the Tender Offeror Group and the Company to operate as a single entity, the Tender Offeror began considering the possibility of making the Company a wholly-owned subsidiary of the Tender Offeror. In early May 2023, the Tender Offeror Group reached the conclusion that in order to enhance the corporate value of both companies, making the Company its wholly-owned subsidiary is the best option, as it would enhance the productivity of the Company and the Tender Offeror Group by leveraging on the collective strength as a single group and enable more flexible and unified decision-making processes by eliminating restrictions on collaboration with the Company which already procures most of its products from the Tender Offeror Group through the Capital and Business Alliance Agreement and has implemented the Tender Offeror Group's store system. In addition, the Tender Offeror has determined in early May 2023 that conducting the Tender Offer is the most appropriate method of making the Company a wholly owned subsidiary because the consideration is in cash, which make it easy to understand; it provides the Company's shareholders with an opportunity to consider the Tender Offer based on the Company's statement of opinion regarding the Tender Offer; and it will not cause a dilution of the Tender Offeror's shares. The Tender Offeror believes the following synergies can be expected to be realized by making the Company its wholly owned subsidiary. Although the Company will not be able to raise funds from the capital market as the Company will become an unlisted company through the Transaction, the Tender Offeror will remain as a listed company and can raise funds from the capital market, enabling the Company to raise funds through the Tender Offeror as a member of the Tender Offeror Group. The Company will be a wholly owned subsidiary of the Tender Offeror, which is a listed company, and therefore, the Tender Offeror believes that there will be no concerns regarding the Company's creditworthiness. In addition, although the Company will become an unlisted company, the Tender Offeror believes that there will be no concern that the Company's compliance system will be weakened as a result of becoming a wholly owned subsidiary of the Tender Offeror since the Tender Offeror is a listed company and the vast majority of the compliance governance requirements for listed companies will still apply to the Company as it will be subject to the robust compliance governance system of the Tender Offeror Group. Although the Company is already well known in the industry, the Tender Offeror believes that no particular disadvantages in recruiting personnel will arise as the Company will be able jointly conduct nationwide recruiting activities as a member of the Tender Offeror Group.

- a. Increase in sales and improvement in profit margin by unifying sales promotion activities and expanding sales of private brand products
Sales of the Tender Offeror's private brand "DCM Brand" products for the Tender Offer Group's fiscal year ended February 2023 were approximately 90.1 billion yen (101.7% of the previous fiscal year; ratio to total sales of approximately 26.2%), and the Tender Offeror considers that these products have been highly valued by its customers. The Tender Offeror intends to continue expanding the sales of private brand products and increase the sales ratio of private brand products to total sales to 35.0% in the fiscal year 2025 and 50.0 % in the fiscal year 2030.

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Since entering into the Capital and Business Alliance Agreement with the Tender Offeror, the Company has promoted a switch from its traditional private brand “D2 Original” to the Tender Offeror’s “DCM Brand”. The Company’s net loss of 4,316,000,000 yen in the fiscal year ended February 2016 turned positive since the fiscal year ended February 2017, reaching a net income of 3,694,000,000 yen in the most recent fiscal year ended February 2023, and the Company’s earning power has significantly improved.

The Tender Offeror has been developing, producing, and planning the strategies for supplying private brand products that meet local needs, including those supplied to the Company’s stores under the Capital and Business Alliance Agreement. In order to effectively increase the Tender Offeror’s sales through the Company, it seems to make sense for the Tender Offeror to integrate the Company’s marketing activities into the Tender Offeror’s, but so long as the Company remains a listed company independent of the Tender Offeror, there are restrictions as to the extent that both companies could unify marketing efforts. After the Company becomes a wholly-owned subsidiary of the Tender Offeror through this Transaction, both companies will be able to collectively manage customers’ store card information and sales information at stores, thereby completely integrating marketing activities and optimizing marketing efforts at the national level and at the regional level. In particular, such integration of marketing activities will enable both companies to strengthen the marketing of the private brand products under the “DCM brand”, by increasing the scale and frequency thereof. Through such collective marketing efforts, the Tender Offeror believes that it will be able to increase sales of private brand products and their sales ratio to total sales, thereby further improving total sales and profit margins of both companies.

b. Improvement of product development capabilities

The Tender Offeror values “product development from the customer’s perspective” and develops products while always considering “what is the value that customers really need?” The Tender Offeror’s private brand products are of “satisfactory quality” and “reasonable pricing” by narrowing down the necessary functions according to the customer’s TPOS (Time, Place, Occasion, Style). Ever since the Capital and Business Alliance Agreement, both companies have worked to develop products that meet the needs of customers and local communities by incorporating the know-how of private brand product development cultivated by each company. In addition, since each company has different areas of strength and there is little overlap in store locations, it has become possible to have contact with a wide range of customer bases, which enabled the more accurate comprehension of customer needs, and this has led to improved product development capabilities. Since the product development know-hows of both companies are highly confidential trade secrets that were cultivated through years of hard work at both companies, there was a limitation as to how open one company could be with one another about its product development know-hows under the current regime. The Tender Offeror believes that, once the Company becomes its wholly owned subsidiary, both companies will be able to completely share the know-hows with each other and integrate the product development functions of both companies. Furthermore, through the Transaction, the Tender Offeror Group will strengthen its relationship with the Company, promote cooperation between the two companies, and further improve its product development capabilities by combining the human resources, information, and know-hows in product development of both companies, thereby providing more attractive products for the customers.

c. Profit improvement by leveraging economies of scale

The collaboration between the two companies through the Capital and Business Alliance Agreement have achieved results in the form of profit improvement through reduction of procurement costs and improvement of markups through joint purchasing of common products, reduction of advertising expenses, expanded effect of sales promotions through common use of flyers, and streamlining of logistics through joint delivery and mutual utilization of logistics

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centers. After the Transaction, the Tender Offeror believes that the two companies will be able to fully integrate these efforts, which will expand the scale of management, enable more efficient operations that take advantage of economies of scale and further cost reductions and rationalization, improving profits.

d. Mutual utilization of management resources and know-how

The Tender Offeror possesses management resources such as its own logistics center in addition to its specialized know-how in developing sales floors for products for professionals, renovation and housing materials, and know-how in developing private brand products. Meanwhile, the Company is working to revitalize products and sales floors and expand the renovation business by strengthening its expertise in DIY, gardening, and pets, and by strengthening product proposals that match regional characteristics, and this area falls under the growth market targeted by the Tender Offeror in its medium-term management plan. Through the Transaction, the Tender Offeror believes that both companies will be able to combine the know-how and management resources of each business format, store development function, store management and operation, etc., and exchange the specialists (expert personnel) of both companies to create more attractive stores and realize more efficient and efficient store-opening, review store management and product lineups, and strengthen the profitability of both companies. As the recruitment of new graduates is expected to become more difficult in the future, the Tender Offeror and the Company can also jointly engage in recruitment activities and human resource development.

e. Reduction of selling, general and administrative expenses

Through the Transaction, the Tender Offeror believes that both companies will be able to reduce selling, general and administrative expenses, including logistics costs through warehouse sharing and joint delivery, equipment costs through the joint procurement of fixtures and equipment, labor costs through integration of tasks and sharing of human resources, transaction costs such as franchise fees, system IT related costs, facility management and real estate management costs, and human resource training related costs through sharing of other operations and mutual utilization of human resources. Additionally, the Company can expect reductions in various listing-related expenses after the Company becomes an unlisted company.

f. Streamlining and coordination of sales measures through system development and integration

Currently, both companies have their own systems and are investing in DX separately, but after the Transaction, since there will no longer be any restriction in the sharing of information, the Tender Offeror believes that it will be possible to pull both companies' human resources together to develop systems and further accelerate development and integration. In such a case, it will be possible to intensively proceed with optimal system development for both companies in one place upon clarifying the issues of both companies, and it will also be possible to realize the reduction of costs such as system development costs and maintenance costs.

By promoting DX together, it will be possible to reduce the total working hours of store staff of the Company and improve the profitability at each store. In addition, through system integration, by eliminating differences in store operations between the two companies, exchanges between the two companies will become seamless, and it will be possible to create synergies in a short period of time by accelerating the integration process, which is expected to require much time under normal circumstances.

From the perspective of Omni-Channel Retailing development, by introducing BOPIS, which enables the receipt of the Company's products at the Tender Offeror's stores, to the Company's stores, the store network will expand mainly in the Kanto region, and it will be possible to win new customers and improve the user-friendliness of customers.

Smoother DX promotion can also be expected by collaborating and utilizing the human resources and know-how of both companies in efforts such as store and headquarters business reforms,

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development of sales floor guidance tools, and initiatives for digital marketing measures.

Against this backdrop, in late May 2023, the Tender Offeror appointed SMBC Nikko Securities Inc. (“SMBC Nikko Securities”) as its financial advisor and third-party valuation agent independent of the Tender Offeror and the Company, and Sato Sogo Law Office as its legal advisor, and began specific discussions regarding the Transaction. On June 9, 2023, the Tender Offeror approached the Company with a proposal to make the Company a wholly-owned subsidiary through a tender offer, and on the same day, received a response from the Company stating that it would proceed to discuss the matter with the Tender Offeror. Subsequently, in light of the progress of the due diligence on the Company conducted from mid-July 2023 to late August 2023, on August 14, 2023, the Tender Offeror submitted an initial letter of intent regarding the Transaction (the “Letter of Intent”), laying out its basic expectations for the Transaction, including the fact that Company will become a wholly-owned subsidiary of the Tender Offeror through the Transaction, the management strategy after the Transaction, the anticipated schedule, and the expected purchase price of the Company Stock in the Tender Offer (the “Tender Offer Price”) of 1,100 yen per share (which reflects premiums of 27.46% (being rounded to the second decimal place; hereinafter the same shall apply with respect to the calculation of premiums unless provided otherwise) over the closing price of 863 yen on August 10, 2023, the business day immediately preceding the date of the Letter of Intent; 29.56% over the simple average closing price of 849 yen (being rounded to the nearest whole number; hereinafter the same shall apply with respect to the simple average closing price unless provided otherwise) for the past one month up to said date; 33.17% over the simple average closing price of 826 yen for the past three months up to said date; and 32.05% over the simple average closing price of 833 yen for the past six months up to said date).

Upon receiving the Letter of Intent from the Tender Offeror on August 14, 2023 and in response thereto, on August 15, 2023, the Company commenced discussions with the Tender Offeror and appointed Citi Yuwa Partners as its legal advisor and PwC Advisory LLC (“PwC Advisory”) as its financial advisor and its third-party valuation agent, each independent of the Company and the Tender Offeror Group, to assess the pros and cons of the Transaction and to negotiate with the Tender Offeror. Subsequently, on the same day, the Company replied to the Tender Offeror Group through PwC Advisory to the effect that it would commence consideration of the Letter of Intent

Since the submission of the Letter of Intent on August 14, 2023, the Tender Offeror has held several rounds of discussions and negotiations with the Company, including the Special Committee (as defined in “(iv) Decision-making process and reasons that led to the Company agreeing to the Tender Offer” below) established by the Company, regarding the overview of the Tender Offer, including the purpose of the Transaction described in the Letter of Intent, influence that the Transaction will have on the Company, details of the management policy after the Transaction described in the Letter of Intent. Specifically, on August 21, 2023, the Tender Offeror held several question-and-answer (Q&A) sessions and explained to the Special Committee that there are synergies expected to be created by the Transaction (as described in a through f above), that no significant change to the Company’s management structure after the Transaction is expected (Moreover, the management policy of the Company after this transaction, as currently envisaged by the Tender Offeror, is as described in “(iii) Management policy after the Tender Offer” below.), that the Tender Offeror will respect the Company’s corporate culture, that there are no specific concerns to be anticipated from the delisting of the Company, and that the minimum number of shares to be purchased is planned to be a number of shares which will make the number of voting rights of the Company held by the Tender Offeror two-thirds of the Company’s shares, ensuring the majority of minority condition to be fulfilled as a measure to confirm fairness. The Special Committee explained that it will continue to consider the Transaction. Thereafter, the Tender Offeror commenced discussions and negotiations with the Company, including the Special Committee, concerning the Tender Offer Price. With regard to the Tender Offer Price, on August 30, 2023, the Tender Offeror received a written request jointly

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signed by the Company and the Special Committee stating that, in light of the fact that the Tender Offeror is the largest shareholder of the Company, owning approximately 30% of the Company, and that the Transaction involves structural conflicts of interest, the Company believes that it is necessary to consider the interests of the minority shareholders of the Company as much as possible, and that a higher tender offer price should be considered after taking into consideration the opinions of the Special Committee and the advice of the Company's advisors. In response to this written request, on August 31, 2023, the Tender Offeror proposed a revised Tender Offer Price of 1,200 yen per share (which reflects premiums of 42.86% over the closing price of 840 yen on August 30, 2023, the business day immediately preceding the date of the response; 40.85% over the simple average closing price of 852 yen for the past one month up to said date; 44.06% over the simple average closing price of 833 yen for the past three months up to said date; and 44.40 % over the simple average closing price of 831 yen for the past six months up to said date) after carefully consider the following factors: (i) the Tender Offeror's ownership ratio of the votes after the completion of settlement of the Tender Offer is expected to exceed 66.6%; and (ii) the Tender Offeror has considered the content and result of the due diligence on the Company conducted from mid-July 2023 to late August 2023 and the share value analysis as a whole when determining the Tender Offer Price. On September 11, 2023, the Tender Offeror received a written request jointly signed by the Company and the Special Committee to the effect of requesting the presentation of a higher price for the Tender Offer Price as a result of careful consideration in light of the opinions of the Special Committee and the advice from the Company's advisors since it is necessary to give utmost consideration to the interests of the Company's minority shareholders. In response, on September 12, 2023, the Tender Offeror proposed a revised Tender Offer Price of 1,250 yen per share (which reflects premiums of 42.21% over the closing price of 879 yen on September 11, 2023, the business day immediately preceding the date of proposal; 45.35% over the simple average closing price of 860 yen for the past one month up to said date; 48.46% over the simple average closing price of 842 yen for the past three months up to said date; and 50.24% over the simple average closing price of 832 yen for the past six months up to said date) as a result of once again comprehensively considering the result of the due diligence on the Company conducted from mid-July 2023 to late August 2023 and the stock value analysis. On September 14, 2023, the Tender Offeror received a written request jointly signed by the Company and the Special Committee to the effect of requesting the presentation of a higher price for the Tender Offer Price as a result of careful consideration in light of the opinions of the Special Committee and the advice from the Company's advisors since it is necessary to give utmost consideration to the interests of the Company's minority shareholders. In response, on September 21, 2023, the Tender Offeror proposed to the Company a revised Tender Offer Price of 1,300 yen per share (which reflects premiums of 52.05% over the closing price of 855 yen on September 20, 2023, the business day immediately preceding the date of proposal; 50.12% over the simple average closing price of 866 yen for the past one month up to said date; 53.48% over the simple average closing price of 847 yen for the past three months up to said date; and 55.69% over the simple average closing price of 835 yen for the past six months up to said date) as a result of once again comprehensively considering the result of the due diligence on the Company conducted from mid-July 2023 to late August 2023 and the stock value analysis. On September 22, 2023, the Tender Offeror received a written request jointly signed by the Company and the Special Committee to the effect of requesting that the Tender Offer Price be set at 1,340 yen per share as a result of careful consideration in light of the opinions of the Special Committee and the advice from the Company's advisors since it is necessary to give utmost consideration to the interests of the Company's minority shareholders. In response to this, the Tender Offeror, on September 27, 2023, replied to the Company stating that the tender offer price of 1,300 yen is a price that adds 200 yen to the price proposed in the Letter of Intent dated August 14, 2023, and it would be difficult to propose a higher price. However, on the same day, the Tender Offeror received a reply from the Company and the Special Committee, through a document signed by both parties, requesting that the tender offer price be set at 1,310 yen, from the perspective of giving further consideration to the interests

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of minority shareholders. In response, the Tender Offeror, on September 28, 2023, carefully reconsidered respecting the opinions of the Company and the Special Committee to the fullest extent, but replied that it would be difficult to propose a higher price. In response to this, on the same day, the Tender Offeror received a reply from the Company and the Special Committee, through a document signed by both parties, stating that, predicated on the final decision being made by a resolution at the Board of Directors meeting of the Company to be held on September 29, 2023, they consent to the Tender Offeror's proposal and agree to set the tender offer price at 1,300 yen, after careful consideration based on the advice of the advisors to the Special Committee and the Company.

In light of the foregoing discussions and negotiations with the Company and the Special Committee, the Tender Offeror resolved in its board of directors' meeting held on September 29, 2023 to set the Tender Offer Price to 1,300 yen per share, and implement the Tender Offer.

(iii) Management policy after the Tender Offer

The Tender Offeror intends to maintain all the agreements executed between the two companies, including the Capital and Business Alliance Agreement, even after making the Company a wholly-owned subsidiary through this transaction. Moreover, the policy for management after becoming a wholly-owned subsidiary, including the composition of the board of directors and other structures, will be determined in consultation with the Company. Moreover, as of now, the Tender Offeror has not made any specific decisions or assumptions regarding changes to the Company's management policies, management structure, or business after becoming a wholly-owned subsidiary.

The Tender Offeror has grown by gathering like-minded home improvement stores and integrating and innovating its business foundation. After the Transaction, based on these experiences and know-how, the Tender Offeror intends to understand the competitive advantage of the Company's business, respect the Company's corporate culture, and evolve together with the Company.

(iv) Decision-making process and reasons that led to the Company agreeing to the Tender Offer

As described in "(ii) Background, purpose and (iv) Decision-making process leading to the Tender Offeror's decision to implement the Tender Offer" above, upon receipt of the Letter of Intent from the Tender Offeror on August 14, 2023, the Company appointed City-Yuwa Partners as its legal advisor and PwC Advisory as its financial advisor and its third-party valuation agent, each independent of the Company and the Tender Offeror, on August 15, 2023 in order to commence discussions with the Tender Offeror, and to consider and negotiate the Transaction with the Tender Offeror, including the pros and cons of its implementation.

Furthermore, based on the advice of City-Yuwa Partners, in order to ensure the fairness throughout the entire process of considerations and determinations on the appropriateness of the Transaction and adequacy of the conditions thereof, in light of the fact that the Transaction corresponds to the acquisition of an equity-method affiliate by the Company's major and largest shareholder, and there is a structural conflict of interest between the Tender Offeror and the Company or the Company's other shareholders, the Company established a system for engaging in discussions and negotiations related to the Transaction by forming a special committee on the same day to promptly engage in deliberations and negotiations concerning the Transaction from the perspective of enhancing the Company's corporate value and securing the interests of the Company's shareholders in general independently of the Tender Offeror (such special committee, the "Special Committee"). For the composition of the Special Committee and its specific activities, see "(ii) Establishment of a Special Committee independent of the Company and acquisition of a report from the Special Committee" under "(6) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" below.

Under the system described above, since late August 2023, the Company has engaged in multiple

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discussions and negotiations with the Tender Offeror concerning the overview of the Tender Offer, including the purpose of the Transaction described in the Letter of Intent, influence that the Transaction will have on the Company, details of the management policy after the Transaction, and terms and conditions of the Tender Offer Price based on the negotiation policy confirmed in advance by the Special Committee and the opinions, instructions and requests from the Special Committee at critical moments, while receiving the advice of City-Yuwa Partners and PwC Advisory. Specifically, on August 21, 2023, the Company interviewed the Tender Offeror through the Special Committee, confirmed the background on considerations up to proposing the Transaction, details of policies anticipated after the Transaction, pros and cons anticipated from the Transaction, and other details and levels of impact. During the interview, the Company held several question-and-answer (Q&A) sessions and the Tender Offeror explained that there are synergies expected to be created by the Transaction (as described in a through f above), that no significant change to the Company's management structure after the Transaction is expected, that the Tender Offeror will respect the Company's corporate culture, that there are no specific concerns to be anticipated from the delisting of the Company, and that the minimum number of shares to be purchased is planned to be a number of shares which will make the number of voting rights of the Company held by the Tender Offeror two-thirds of the Company's shares, ensuring the majority of minority condition to be fulfilled as a measure to confirm fairness (it has been reported that the Special Committee has explained that they will continue to consider this transaction). The Company then engaged in discussions and considerations regarding whether or not the Transaction will contribute to improving the Company's corporate value. Thereafter, from late August 2023, the Company commenced discussions and negotiations with the Tender Offeror concerning the Tender Offer Price. The Company received the Letter of Intent from the Tender Offeror on August 14, 2023 which assumed the Tender Offer Price at the time to be at least 1,100 yen per share. Subsequently, on August 30, 2023, as a result of carefully considering the opinions of the Special Committee and the advice of the Company's advisors, the Company provided its written request jointly signed by the Company and the Special Committee to the Tender Offeror requesting that the Tender Offer Price be increased in light of the results of PwC Advisory's estimate of the value of the Company's shares and the level of premium ratios in recent cases of privatizations of listed companies that are equity method affiliates, the Special Committee's opinion that it is appropriate to request the Tender Offeror to offer a higher tender offer price and the advice of the Company's advisors, and in light of the fact that the Tender Offeror is the largest shareholder of the Company, owning approximately 30% of the Company, and that the Transaction involves structural conflicts of interest, and it is necessary to consider the interests of the minority shareholders of the Company as much as possible. In response, on August 31, 2023, the Tender Offeror made a written proposal addressed to the Company that the Tender Offer Price be increased to 1,200 yen per share. Nevertheless, based on the same reasons as those described above, the Company determined that it would be appropriate to once again request a higher Tender Offer Price, and submitted a written request jointly signed by the Company and the Special Committee to the Tender Offeror on September 11, 2023 for requesting the presentation of a higher Tender Offer Price. Thereafter, on September 12, 2023, the Tender Offeror made a written proposal addressed to the Company that the Tender Offer Price be increased to 1,250 yen per share. Nevertheless, the Company determined that it would be appropriate to request a further increase in the Tender Offer Price in light of the standards of the premium levels in the privatization cases of listed companies, which are equity method affiliates in recent years, which are similar to the present case, and, on September 14, 2023, once again submitted a written request jointly signed by the Company and the Special Committee to the Tender Offeror requesting the presentation of a higher Tender Offer Price.

In response, on September 21, 2023, the Tender Offeror made a written proposal addressed to the Company that the Tender Offer Price be increased to 1,300 yen per share as a result of comprehensively considering the result of the due diligence on the Company conducted from mid-

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July 2023 to late August 2023 and the stock value analysis. Nevertheless, the Company determined that it would be appropriate to request a further increase in the Tender Offer Price after giving consideration to the interests of the Company's minority shareholders, the results of PwC Advisory's estimate of the value of the Company's shares and the standards of the premium levels in the privatization cases of listed companies, which are equity method affiliates in recent years, which are similar to the present case, and, on September 22, 2023, once again submitted a written request jointly signed by the Company and the Special Committee to the Tender Offeror requesting that the Tender Offer Price be set at 1,340 yen per share, explaining that the Company needs to give utmost consideration to the interests of the Company's minority shareholders and the request has been made after careful consideration of the opinions of the Special Committee and the advice from the Company's advisors. Subsequently, in light of this, the Tender Offeror, on September 27, 2023, responded to the Company, stating that as a final consideration, the tender offer price of 1,300 yen is a price that adds 200 yen to the price proposed in the Letter of Intent dated August 14, 2023, and it would be challenging to propose a higher price. On the same day, the Company and the Special Committee, through a document co-signed by both parties, submitted a reply to the Tender Offeror requesting that the tender offer price be set at 1,310 yen, from the viewpoint of giving further consideration to the interests of minority shareholders.

In response to this, the Tender Offeror, on September 28, 2023, after carefully reconsidering to respect the opinions of the Company and the Special Committee to the fullest extent, replied that it would be challenging to propose a higher price. In response to this, the Company and the Special Committee, having made five requests for price increases and having judged that they had sufficiently exhausted the negotiations, through a document co-signed by both parties, after careful consideration based on the advice of the advisors to the Special Committee and the Company, conditioned on the final decision being made by a resolution at the Board of Directors meeting of the Company to be held on September 29, 2023, accepted the Tender Offeror's proposal and agreed to set the tender offer price at 1,300 yen..

Based on the foregoing discussions and negotiations with the Tender Offeror, the Company and the Tender Offeror reached an agreement for setting the Tender Offer Price to 1,300 yen on September 29, 2023.

In the course of the foregoing considerations and negotiations, the Special Committee received reports as needed from the Company and PwC Advisory as the Company's financial advisor and third-party valuation agent concerning the evaluation of the share value, confirmed matters and offered opinions. Specifically, as described in "(ii) Establishment of a Special Committee independent of the Company and acquisition of a report from the Special Committee" and "(iii) Acquisition of a stock valuation report from a third-party valuation agent independent of the Company" under "(6) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" below, the Company has received the confirmation and approval of the Special Committee concerning the rationality of the contents, important preconditions and preparation process of the business plan from the term ending February 2024 to the term ending February 2028 prepared by the Company (the "Business Plan"), which was prepared based on several assumptions including the assumption that the Company's sales will not reach the target value stated in the Medium-Term Plan announced by the Company on April 11, 2023, but that profit margin will remain at the same level. Moreover, in negotiating with the Tender Offeror, the Company is taking measures according to the negotiation policy deliberated and determined by the Special Committee, and the Company is immediately reporting to the Special Committee each time that it receives a proposal from the Tender Offeror on the Tender Offer Price, and has heretofore taken measures according to the opinions, instructions and requests from the Special Committee.

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The Company has received the submission of a written report dated September 28, 2023 (the “Report”) from the Special Committee (for an overview of the Report, see “(ii) Establishment of a Special Committee independent of the Company and acquisition of a report from the Special Committee” under “(6) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest” below).

Subsequently, in light of the financial advice received from PwC Advisory and the stock valuation report on the Company Stock submitted on September 28, 2023 (the “Company Stock Valuation Report”), and the legal advice received from City-Yuwa Partners, the Company carefully considering the appropriateness of the Transaction, including the Tender Offer, and the adequacy of the terms and conditions of the Transaction, including the Tender Offer Price, while fully respecting the opinions of the Special Committee.

Consequently, the Company reached a conclusion that it is essential to build a more in-depth collaborative partnership with the Tender Offeror through the Transaction despite the concern of a potential conflict of interest between the Tender Offeror and the Company’s general shareholders. Since the Company will be able to leverage management the Tender Offeror’s procurement networks, human resources, know-how, logistic networks and other management resources by becoming the Tender Offeror’s wholly owned subsidiary on September 28, 2023, the Company determined that becoming the Tender Offeror’s wholly owned subsidiary will contribute to improving the Company’s corporate value.

The Company is expecting the following synergies through the Transaction.

(a) Improvement of profitability

The Company believes that, by integrating the product development capabilities of the Company and the Tender Offeror through further personnel exchanges and the like, it will be possible to enhance the lineup of highly profitable private brand products, and increase the net sales composition ratio of the private brand products in the Company. Furthermore, while the Company is also currently engaged in some of these measures, it is anticipated that the Company’s profitability can be improved through the reduction of procurement costs through the joint purchase of products, reduction of logistic costs through warehouse sharing and joint delivery, reduction of labor hours through alleviation of the operational burden of the HQ management division, and streamlining of operations through mutual utilization of human resources.

(b) Organic utilization of resources of both companies to improve operational efficiency and disseminate know-how

The Company believes that operations can be streamlined through the streamlining of logistics and delivery to the stores of both companies located throughout Japan and the integration of systems of the store operations of both companies. Furthermore, flexible store management will become possible by creating a system that allows stores to complement each other through the dispatch and exchange of personnel between adjacent stores. In addition, it is expected that, in addition to receiving know-how in store management through personnel exchanges between stores, the Company will be able to further expand services such as the renovation business that the Company is currently implementing.

(c) Promotion of Omni-Channel Retailing and DX

By jointly using the online shopping platform owned by the Tender Offeror, it will be possible to increase the sales volume of the Company’s products and enable customers who have purchased the Tender Offeror’s products to pick up the products at the Company’s stores. By doing so, the Company will be able to improve customer convenience and satisfaction. In addition, although it is expected that DX will be a huge cost burden for the Company on its own, through the joint use described above it will be possible to introduce DX at a low cost and it is expected that the Company will also be able to receive know-how related to the development of DX.

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In general, the disadvantages of delisting include the inability to raise funds through equity financing from the capital markets and the loss of the benefits of being a publicly listed company, such as increased name recognition and social credibility. However, the Company believes that it will be able to secure the necessary funds in light of the fact that, in terms of capital, the Tender Offeror can provide support and, in terms of liabilities, the Company will become a wholly owned subsidiary of the Tender Offeror and is expected to raise funds mainly through the Tender Offeror Group's financing in the future. In addition, the Target Comp'ny's name recognition, brand power, and social credibility, which are important for the Company in terms of recruiting human resources, are largely acquired and maintained through its business activities and can be realized through diligent business execution even after the Transaction. Therefore, the Company believes that the impact of the delisting on the Company will be limited.

Furthermore, the Company determined that the Tender Offer will provide the Company's shareholders an opportunity to sell their Company Stock at a price added with a reasonable premium because (i) the Tender Offer Price exceeds the upper limit of the range of the calculation results based on the market price analysis and comparable company analysis and falls within the range of the calculation results based on the Discounted Cash Flow Analysis (the "DCF Analysis") among the results of the calculation of the share value of the Company Stock performed by PwC Advisory; (ii) the Tender Offer Price has been added with a premium of 56.63% relative to the closing price (830 yen) of the Company Stock on September 28, 2023, which is the business day preceding the date of announcement of the Tender Offer, on the Prime Market of the Tokyo Stock Exchange, a premium of 50.64% relative to the simple average closing price (863 yen) for the past one (1) month (August 29, 2023 to September 28, 2023) up to September 28, 2023, a premium of 52.94% relative to the simple average closing price (850 yen) for the past three (3) months (June 29, 2023 to September 28, 2023) up to September 28, 2023, and a premium of 55.50% relative to the simple average closing price (836 yen) for the past six (6) months (March 29, 2023 to September 28, 2023) up to September 28, 2023, respectively. In addition, while the foregoing premium levels relative to the simple average closing price for the past 1 months and the past 3 months up to September 28, 2023, the business day preceding the date of announcement of the Tender Offer, are slightly lower, the Company considers the foregoing premium levels relative to the simple average closing price on the business day preceding the date of announcement of the Tender Offer and for the past 6 months up to September 28, 2023 to be reasonable in comparison to the premium levels seen in 11 other tender offer cases (i.e., 44.60% over the closing price on the business day preceding the announcement date, 51.71% over the simple average closing price for the most recent one month, 57.30% over the simple average closing price for the most recent three months and 56.88% over the simple average closing price for the most recent six months) of a controlling shareholder making a listed equity-method affiliate its wholly owned subsidiary conducted during the period from June 28, 2019, the date of the announcement of "Guidelines on the Fair M&A Practices" by the Ministry of Economy, Trade and Industry (the "M&A Guidelines"), to September 28, 2023]; (iii) in deciding the Tender Offer Price, measures for ensuring the fairness of the Tender Offer Price and measures for avoiding conflicts of interest described in "(6) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" below have been taken, and it is acknowledged that consideration has been given to the interests of minority shareholders; (iv) the Tender Offer Price has been decided upon the Company and the Tender Offeror engaging in discussions and negotiations multiple times upon the foregoing measures being taken; (v) in deciding the Tender Offer Price, the Company reported to the Special Committee, in a timely manner, on the progress and details of discussions and negotiations related to the Transaction between the Company and the Tender Offeror and held the Special Committee and discussed the policies on discussions and negotiations, the Special Committee expressed its opinions at the crucial moments of discussions and negotiations, and the Company engaged in the discussions and negotiations with the Tender Offeror by fully respecting the opinions, instructions and requests of

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the Special Committee, and the Company received the final proposal of 1,300 yen from the Tender Offeror as a result of the Special Committee becoming substantially involved in the negotiation process with the Tender Offeror; and (vi) the Transaction has been determined as not being detrimental to the Company's minority shareholders even in the Report acquired from the Special Committee.

Based on the foregoing background, the Company, in its board of directors' meeting held on September 29, 2023, determined that the Transaction including the Tender Offer can realize the synergies of (a) to (c) above through its implementation, will therefore contribute to improving the Company's corporate value, the terms and conditions of the Transaction including the Tender Offer Price are adequate, and the Tender Offer will provide the Company's shareholders an opportunity to sell their Company Stock at a price added with a reasonable premium, thereby expressed its opinion of agreeing to the Tender Offer, and recommended the Company's shareholders to tender their shares in the Tender Offer.

(3) Matters Concerning Valuation

(i) Name of Valuation Organization and Relationship with the Company and Tender Offeror

In expressing its opinion concerning the Tender Offer Price, the Company has requested PwC Advisory, a third-party valuation agent independent of the Tender Offeror and the Company, to calculate the share value of the Company and acquired the Company Stock Valuation Report on September 28, 2023 in order to ensure the fairness of the decision-making process of the Tender Offer Price presented by the Tender Offeror.

PwC Advisory is not a related party of the Company or the Tender Offeror, and does not have any material interest in the Transaction, including the Tender Offer. Furthermore, the compensation to be paid to PwC Advisory in relation to the Transaction includes a success fee to be paid on the condition that the Transaction is completed. The Company determined that independence will not be denied, just because a success fee to be paid on the condition that the Tender Offer is completed is included in the compensation, when taking into account the general practice in similar transactions and the pros and cons of a compensation system that would impose a corresponding financial burden on the Company even if the Transaction is not completed, and thereby appointed PwC Advisory as the Company's financial advisor and third-party valuation agent based on the foregoing compensation system. The Company has not acquired an opinion on the fairness of the Tender Offer Price (fairness opinion) from PwC Advisory since the Tender Offeror and the Company are taking various measures for ensuring the fairness of the Tender Offer as described in "(6) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" in consideration of the interests of minority shareholders.

(ii) Outline of Computation

PwC Advisory considered the calculation method to be adopted for calculating the share value of the Company Stock among multiple share value calculation methods, and, based on the belief that it would be appropriate to evaluate the share value of the Company multilaterally on the premise that the Company is a going concern, calculated the share value of the Company by adopting the market price analysis since the Company is listed on the Prime Market of the Tokyo Stock Exchange and has a market stock price, the comparable company analysis since there are similar listed companies that can be compared with the Company and the share value can be estimated through comparison with such similar listed companies, and the DCF Analysis so as to reflect in the evaluation the status

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of future business activities of the Company. The range of share value per share of the Company Stock calculated in each of the foregoing methods is as follows.

Market price analysis: 830 yen to 863 yen

Comparable company analysis: 749 yen to 823 yen

DCF Analysis: 1,166 yen to 1,590 yen

The market price analysis, with the calculation base date as September 28, 2023, showed that the value per share of the Company Stock was in the range of 830 yen to 863 yen, based on the following prices up to the calculation base date of the Company Stock on the Prime Market of the Tokyo Stock Exchange: the base date closing price of 830 yen; the simple average closing price of 863 yen and the volume weighted average price of 860 yen for the past one (1) month (rounded down to the nearest whole yen; hereinafter, the same applies to all simple average closing prices in this paragraph); the simple average closing price of 850 yen and the volume weighted average price of 850 yen for the past three (3) months; and the simple average closing price of 836 yen and the volume weighted average price of 836 yen for the past six (6) months .

In the comparable company analysis, the share value of the Company Stock was evaluated through comparison with the financial indexes showing the market stock price and profitability of listed companies engaged in businesses similar to the Company, and the value per share of the Company Stock was calculated as being in the range of 749 yen to 823 yen.

In the DCF Analysis, the corporate value and the share value of the Company were evaluated by first estimating the amount of future free cash flow that the Company is expected to generate in and after the 2nd quarter of the fiscal year ending February 2024 based on various factors such as the Business Plan provided by the Company and publicly disclosed information and then deriving the present value of that amount using a certain discount rate, and then the share value per share of the Company Stock was calculated to be in the range of 1,166 yen to 1,590 yen. Since it is difficult to specifically estimate the synergies that are expected to be realized through the Transaction at this point in time, they have not been factored in the Business Plan. Furthermore, concerning the Business Plan used as the basis of calculation in the DCF Analysis, there is no fiscal year in which a significant increase or decrease in profits is expected in comparison to the previous fiscal year.

The Business Plan used by PwC Advisory to calculate the value of the Company's shares using the DCF Analysis was prepared based on the assumption that the Company's sales will not reach the target value stated in the Medium-Term Plan announced by the Company on April 11, 2023, but that profit margin will remain at the same level (because of the assumption that sales will not reach the target, the figures for operating income and net income will not reach the target of the Medium-Term Plan either). This is due to the following reasons.

The Medium-Term Plan sets net sales of 110 billion yen and operating profits of 9 billion yen as targets for the fiscal year ending February 2028, but it also lists four priority measures, including strengthening of sales capabilities and sales bases, and these are target values based on the assumption that all expected effects of these measures are achieved, and their maximum values are indicated. Meanwhile, as also indicated in the financial results for the first quarter of the fiscal year ending February 2024, in the retail industry, competition with other companies in the same industry and other business categories is becoming increasingly intense, and personal consumption continues to be sluggish due to rising prices. In addition, sales of products whose demand had surged from COVID-19 have stagnated due to the relaxation of regulations related to COVID-19, making it difficult to maintain and increase sales mainly at existing stores. The situation continues to be such that it is not possible to predict with a high degree of certainty that the effects of the priority measures in the Medium-Term Plan will be realized in all areas (it is noted that the Company, in its second-quarter financial results brief announced on September 29, 2023, has downwardly revised its full-

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year earnings forecast for the fiscal year ending February 2024. For details, please refer to the Company's second-quarter financial results brief.). Thus, the Company determined that it would be more appropriate to consider the adequacy of the Tender Offer Price by calculating the Company's objective and rational corporate value based on forecasts that are more in line with the current situation than the initial numerical targets set in the Medium-Term Plan. In the course of creating the numerical values for the Business Plan, the Special Committee conducted interviews directly with the management of the Company, and found no circumstances that would cast doubt on the objectivity or rationality of such creation process, and it has been confirmed that the Business Plan was properly created.

(Note) In calculating the share value of the Company Stock, PwC Advisory in principle used the information provided by the Company and publicly disclosed information as is on the premise that such materials and information are all accurate and complete and that there are no facts that have not been disclosed to PwC Advisory which would have a significant impact in calculating the share value of the Company Stock, and PwC Advisory did not independently examine the accurateness and completeness of such materials and information on the premise that they are all accurate and complete. In addition, information concerning the financial forecasts of the Company (including the Business Plan and other information) is based on the premise that they have been reasonably prepared based on the best forecasts and judgment currently available to the Company's management. Furthermore, PwC Advisory did not independently evaluate or appraise the assets and liabilities of the Company and its affiliates (including off-the-book assets and liabilities and other contingent liabilities), or request such evaluation or appraisal to a third-party institution. Calculation of the share value of the Company Stock by PwC Advisory reflects the foregoing information up to September 28, 2023. Additionally, the Special Committee has held a Q&A session with the Company concerning the financial forecasts, and confirmed the rationality of the contents and preconditions thereof.

(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called "two-step acquisition")

As stated in the section titled "(i) Overview of the Tender Offer" above, the Tender Offeror is contemplating turning the Company into a wholly owned subsidiary of the Tender Offeror, and if the Tender Offer is completed but the Tender Offeror is unable to acquire all of the Company Stock (excluding the Company Stock held by the Tender Offeror and the treasury shares held by the Company) based on the Tender Offer, after the completion of the Tender Offer, the Tender Offeror, for the purpose of purchasing all of the Company Stock (excluding the Company Stock held by the Tender Offeror and the treasury shares held by the Company), intends to implement the Squeeze-out Procedures:

(i) Demand for shares cash-out

If, upon completion of the Tender Offer, the Tender Offeror owns 90% or more of the voting rights of all shareholders of the Company and the Tender Offeror becomes a special controlling shareholder as set forth in Article 179, Paragraph 1 of the Companies Act, the Tender Offeror plans to request all of the Company's shareholders that did not accept the Tender Offer (excluding the Tender Offeror and the Company) (the "Shareholders Subject to Shares Cash-Out") to sell all of the Company Stock they own pursuant to the provisions of Part II, Chapter II, Section 4-2 of the Companies Act (the "Demand for Shares Cash-Out"), promptly after the completion of the settlement of the Tender Offer. In the Demand for Shares Cash-Out, the Tender Offeror plans to set forth that the amount equivalent to the Tender Offer Price will be delivered to the Shareholders Subject to Shares Cash-Out as the price per share of the Company Stock. In such case, the Tender Offeror will notify the Company of it and will require the Company to approve the Demand for Shares Cash-Out. If the Company approves the Demand for Shares Cash-Out by a resolution of its board of directors, in accordance

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with the procedures set forth in the relevant laws and ordinances, without individual approvals by the Shareholders Subject to Shares Cash-Out, the Tender Offeror will acquire, as of the acquisition date set forth in the Demand for Shares Cash-Out, all of the Company Stock held by the Shareholders Subject to Shares Cash-Out. The Tender Offeror plans to deliver the amount equivalent to the Tender Offer Price to each of such Shareholders Subject to Shares Cash-Out as the price per share of the Company Stock held by each of the Shareholders Subject to Shares Cash-Out. According to the Company Press Release, if the Company receives from the Tender Offeror its intention to Demand for Shares Cash-Out and the notice regarding the matters set forth in each item of Article 179-2, Paragraph 1 of the Companies Act, the board of directors of the Company plans to approve the Demand for Shares Cash-Out.

If the Demand for Shares Cash-Out is made as a provision under the Companies Act for protecting the rights of minority shareholders in relation to the Demand for Shares Cash-Out, the Shareholders Subject to Shares Cash-Out may file a petition with a court to determine the sale price of the Company Stock that they own, pursuant to the provisions of Article 179-8 of the Companies Act and other relevant laws or ordinances.

(ii) Share consolidation

If, after the completion of the Tender Offer, the Tender Offeror owns less than 90% of the Company's voting rights, the Tender Offeror plans to request the Company, promptly after the payment of the Tender Offer is completed, to hold an extraordinary meeting of shareholders (the "Extraordinary Shareholders' Meeting") around mid-January 2024 that will resolve proposals including: (a) a proposal regarding consolidation of the Company Stock (the "Share Consolidation") under Article 180 of the Companies Act and (b) a proposal regarding an amendment to the articles of incorporation subject to the Share Consolidation becoming effective for the purpose of abolishing the provision regarding the number of shares constituting one unit of stock. The Tender Offeror is scheduled to agree to each of the foregoing proposals in the Extraordinary Shareholders' Meeting.

If the proposal regarding the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, as of the effective date of the Share Consolidation, the number of the Company Stock held by the shareholders of the Company will be changed in proportion to the ratio for the Share Consolidation approved at the Extraordinary Shareholders' Meeting. In the case where any fractional share less than one share arises as a result of the Share Consolidation, the amount of cash to be obtained by selling the Company Stock in the amount equivalent to the aggregate of such fractional shares (if there are any fractional shares less than one share in the aggregate, such fraction will be discarded; hereinafter the same) to the Company or the Tender Offeror, etc., will be delivered to the shareholders of the Company holding such fractional shares pursuant to Article 235 of the Companies Act and other relevant laws or ordinances. With respect to the sale price of the Company Stock in the amount equivalent to the aggregate of such fractional shares, the Tender Offeror plans to request the Company to determine such price so that the amount of money to be delivered to each of the Company's shareholders (excluding the Tender Offeror and the Company) who did not tender their shares in the Tender Offer as a result of such sale will be equal to the amount obtained by multiplying (a) the Tender Offer Price by (b) the number of the Company Stock held by such shareholder, and file a petition with a court for permission for such voluntary sale. The proportion of consolidation of the Company Stock has yet to be determined as of the submission date of this Tender Offer Statement; however, so that the Tender Offeror will be the sole holder of all of the Company Stock (excluding the treasury shares held by the Company), a determination will be requested to the effect that the number of Company Stock shares held by Company shareholders (excluding the Tender Offeror and the Company) who did not tender their shares in the Tender Offer will be a fractional number less than one share. According to the press release from the Company, it is planned that, should this tender offer be successful, the Company intends to comply with these requests made by the Tender Offeror.

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In the case where the Share Consolidation is conducted as a provision under the Companies Act for protecting the rights of minority shareholders in relation to the Share Consolidation and any fractional share less than one share arises as a result of performing the Share Consolidation, when certain conditions are satisfied, the shareholders of the Company may request the Company to purchase at a fair price all of its fractional shares less than one share and file a petition with a court for determination of the price of the Company Stock pursuant to the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws or ordinances. It is not intended in the Tender Offer to solicit the affirmative vote by the Company's shareholders at the Extraordinary Shareholders' Meeting.

In connection with the procedures described in (i) and (ii) above, while much time may be required for taking the procedures or the manner of taking the procedures may change depending on the revision and enforcement of relevant laws and ordinances and circumstances related to the interpretation by authorities, even in such a case, if the Tender Offer is completed, the method of ultimately delivering money to the shareholders of the Company (excluding the Tender Offeror and the Company) who did not tender their shares in the Tender Offer is scheduled to be adopted, and the amount of money to be delivered to such shareholders of the Company in the foregoing case is scheduled to be calculated to be as the price obtained by multiplying the Tender Offer Price by the number of the Company Stock held by such shareholders of the Company. With that said, however, if a petition is filed with a court to determine the sale price of the Company Stock in the Demand for Shares Cash-Out or to determine the price with respect to the request to purchase shares which is made in relation to the Share Consolidation, the sale price of the Company Stock held by the shareholders of the Company that filed such petition or the price with respect to the request to purchase shares subject to such petition will ultimately be determined by a court.

Specific procedures and the schedule thereof in each case above will be announced by the Company once they are determined through mutual discussions between the Tender Offeror and the Company.

Shareholders of the Company should consult with tax advisors and other professionals under their own responsibility regarding tax implications in relation to the tender in the Tender Offer or any of the procedures above.

(5) Possibility of delisting and reasons therefor

As of the submission date of this Tender Offer Statement, the Company Stock is listed on the Prime Market of the Tokyo Stock Exchange. However, since the Tender Offeror has not set the maximum number of Share Certificates, etc. to be purchased, etc. in the Tender Offer, depending on the result of the Tender Offer, the Company Stock may be delisted pursuant to the procedures prescribed by the Tokyo Stock Exchange in accordance with the Tokyo Stock Exchange's criteria for delisting.

In addition, even if the Company Stock does not fall under such criteria at the time of the completion of the Tender Offer, since the Tender Offeror is scheduled to take the procedures for acquiring all of the Company Stock (excluding the Company Stock held by the Tender Offeror and the treasury shares held by the Company) as described in "(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called "two-step acquisition")" above, if the Tender Offeror takes each of such procedures, the Company Stock will fall be delisted pursuant to the criteria for delisting of the Tokyo Stock Exchange. After the Company Stock is delisted, the Company Stock can no longer be traded on the Prime Market of the Tokyo Stock Exchange.

(6) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest

As of the date of submission of this Tender Offer Statement, while the Company is not a subsidiary of the Tender Offeror and the Tender Offer does not correspond to a tender offer by a controlling shareholder, in light of the following facts; namely, (i) the Company is the Tender Offeror's equity-method affiliate,

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(ii) two (2) of the ten (10) directors of the Company are concurrently serving as the directors of the Tender Offeror, and (iii) if the Tender Offeror becomes the Company's controlling shareholder after the Tender Offer is completed, the transaction for causing the Company to become the Tender Offeror's wholly owned subsidiary, which is scheduled after the Tender Offer is completed (see "(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called "two-step acquisition")" below), will correspond to the "important transaction with the controlling shareholder" prescribed in the Code of Conduct of the Tokyo Stock Exchange, and the Transaction will be conducted as a series of the foregoing transactions, the Tender Offeror and the Company have taken the following measures from the perspective of ensuring the fairness of the Tender Offer, eliminating arbitrariness of the Company's decision-making regarding the Transaction, ensuring the fairness, transparency and objectivity of the Company's decision-making process, and avoiding any suspicion of conflicts of interest from the stage of the Tender Offer.

- (i) Acquisition of a stock valuation report from a third-party valuation agent that is independent of the Tender Offeror

In determining the Tender Offer Price, the Tender Offeror requested SMBC Nikko Securities, a financial advisor to the Tender Offeror, to calculate the equity value of the Company Stock as a third-party valuation agent independent of the Tender Offeror and the Company. SMBC Nikko Securities is a member of the SMBC group of companies, the same as Sumitomo Mitsui Banking Corporation. Sumitomo Mitsui Banking Corporation has the status of a shareholder of the Tender Offeror and plans to lend the Tender Offeror the funds for the settlement of the Tender Offer, and also conducts loan transactions, etc. with the Tender Offeror and the Company as part of its normal banking transactions. However, in light of SMBC Nikko Securities' track record as a calculation agent, the Tender Offeror has considered the following measures and factors and determined to appoint SMBC Nikko Securities as its third-party valuation agent: (i) prescribed information blocking measures have been taken between the department of SMBC Nikko Securities that conducts the valuation of the Company Stock and other departments of SMBC Nikko Securities; (ii) appropriate conflict-of-interest management system, including information blocking measures, has also been established between SMBC Nikko Securities and Sumitomo Mitsui Banking Corporation; (iii) when performing its duties as financial advisor and third-party valuation agent, SMBC Nikko Securities' independence is ensured as the Tender Offeror and SMBC Nikko Securities conduct transactions under the same terms and conditions as arm's-length transactions; and (iv) SMBC Nikko Securities is not a related party of either the Tender Offeror or the Company, creating no particular issues when evaluating the equity value of the Company Stock at the request of the Tender Offeror.

SMBC Nikko Securities considered the calculation method to be adopted for calculating the share value of the Company Stock among multiple share value calculation methods, and, since the Company is listed on the Prime Market of the Tokyo Stock Exchange and has a market stock price, estimation of the share value is possible based on market price analysis and comparable company analysis. Thus, the share value of the Company Stock was calculated using the comparable company analysis and the Discounted Cash Flow Analysis (the "DCF Analysis") so as to reflect in the evaluation the status of future business activities, and the Tender Offeror obtained the stock valuation report concerning the share value of the Company Stock (the "Stock Valuation Report") from SMBC Nikko Securities on September 28, 2023. The Tender Offeror has not obtained a fairness opinion of the Tender Offer Price from SMBC Nikko Securities because the Tender Offeror believes that the interests of minority shareholders of the Company have been fully considered through the implementation of the measures set forth in "(6) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" herein.

The calculation result of the share value of the Company Stock per share performed by SMBC Nikko Securities is as follows.

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Market price analysis: 836 yen to 863 yen

Comparable company analysis: 687 yen to 912 yen

DCF Analysis: 710 yen to 1,508 yen

The market price analysis, with the calculation base date as September 28, 2023, showed that the value per share of the Company Stock was in the range of 836 yen to 863 yen, based on the following prices up to the calculation base date of the Company Stock on the Prime Market of the Tokyo Stock Exchange: the simple average closing price for the past one (1) month (863 yen); the simple average closing price for the past three (3) months up (850 yen); and the simple average closing price for the past six (6) months (836 yen).

In the comparable company analysis, the share value of the Company Stock was evaluated through comparison with the financial indexes showing the market stock price and profitability of listed companies engaged in businesses similar to the Company, and the value per share of the Company Stock was calculated as being in the range of 687 yen to 912 yen.

In the DCF Analysis, the corporate value and the share value of the Company were evaluated by first estimating the amount of future free cash flow that the Company is expected to generate in and after the 2nd quarter of the fiscal year ending February 2024 based on the business plan of the Company from the fiscal year ending February 2024 through the fiscal year ending February 2028 and publicly disclosed information, and then deriving the present value of that amount using a certain discount rate. This analysis showed that the value per share of the Company Stock was in the range of 710 yen to 1,508 yen. It should be noted that the Business Plan on which the DCF Analysis was premised does not anticipate a large increase or decrease in earnings. Furthermore, the expected synergies to be realized through the implementation of the Transaction are not taken into account because it is difficult to make detailed estimate of the impact on earnings at this point.

In determining the Tender Offer Price, the Tender Offeror took comprehensively into account several factors, including the valuation results in the Stock Valuation Report received from SMBC Nikko Securities, the results of due diligence performed by the Tender Offeror on the Company from mid-July 2023 to late August 2023, the likelihood of the Company's board of directors supporting the Tender Offer, the trend of the market price of the Company Stock (closing price during the period of the past 6 months up to September 28, 2023 was 785 yen to 885 yen), and the outlook for tendering of shares in the Tender Offer, and based on the results of the discussion and negotiation with the Company and the Special Committee, ultimately set the Tender Offer Price at 1,300 yen per share through a resolution at the board of directors' meeting held on September 29, 2023. The price of 1,300 yen determined as the Tender Offer Price is higher than the upper limits of the calculation results of the value per share of the market price analysis and the comparable company analysis, and within the range of the value per share of the DCF Analysis, in the Stock Valuation Report.

The Tender Offer Price of 1,300 yen per share represents (a) a premium of 56.63% on 830 yen, which is the closing price of the Company Stock on the Prime Market of the Tokyo Stock Exchange on September 28, 2023, the business day immediately preceding the date of notice of commencement of the Tender Offer; (b) a premium of 56.63% on 863 yen, which is the simple average closing price for the one (1) month immediately preceding September 28, 2023; (c) a premium of 52.94% on 850 yen, which is the simple average closing price for the three (3) months immediately preceding September 28, 2023; and (d) a premium of 55.50% on 836 yen, which is the simple average closing price for the six (6) months immediately preceding September 28, 2023.

The Tender Offeror has acquired 5,500,000 shares of the Company Stock on October 11, 2022 at 1,300 yen per share from an asset management company through a negotiated transaction. While its

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price is the same as the Tender Offer Price, the acquisition price in October 2022 was determined through negotiations with the counterparty, and its premium was 44.12% over the closing price of 902 yen per share on October 7, 2022, the business day immediately preceding the acquisition date. On the other hand, the Tender Offer Price has a premium of 56.63% over the closing price of 830 yen per share on September 28, 2023, the business day immediately preceding the announcement of the Tender Offer, and was decided through negotiations with the Company and the Special Committee.

- (ii) Establishment of a Special Committee independent of the Company and acquisition of a written report from the Special Committee

For the purpose of eliminating arbitrariness of the Company's decision-making regarding the Transaction and ensuring the fairness, transparency and objectivity of the decision-making process, the Company established, based on a resolution of the Company's board of directors' meeting held on August 15, 2023, a Special Committee which is independent of the Tender Offeror and the Company and composed of members including outside experts (three (3) persons including Tsutomu Chinone who is the Company's outside director (audit and supervisory committee member) and independent officer, Kazumi Yoshida (attorney) who is the Company's outside director (audit and supervisory committee member) and independent officer, and Yoshiyuki Wada (certified public accountant, representative director of KIC Co., Ltd.) who is an outside expert). The Company has had these three (3) persons as the members of the Special Committee from the beginning, and has never replaced the members of the Special Committee. Furthermore, Tsutomu Chinone as the Company's outside director (audit and supervisory committee member) and independent officer has assumed the position of the chairperson of the Special Committee through the mutual election of members of the Special Committee. While Tsutomu Chinone previously worked for JOYO BANK, Ltd., a major shareholder of the Company (the sixth largest shareholder of the Company as of February 28, 2023 according to the Annual Securities Report for the fiscal year ended February 2023 of the Company), he resigned from his position as the representative director of Joyo Industrial Research Institute Ltd., a wholly owned subsidiary of JOYO BANK, Ltd., on June 2020, and thereafter has not been an officer or an employee of JOYO BANK, Ltd. or its wholly owned subsidiary to date, nor is he in a position or relationship of receiving instructions from these companies. Thus, it has been determined that the fact that Tsutomu Chinone previously worked for JOYO BANK, Ltd. does not correspond to circumstances that would deny his independence as a member of the Special Committee. In addition, the Company is currently requesting Yoshiyuki Wada to serve as an outside expert based on his extensive experience as a certified public accountant in transactions which are similar to the Transaction.

The compensation of members of the Special Committee is only a fixed fee that will be paid regardless of the success or failure of the Transaction, and does not include any success fee that is conditional on the announcement or completion of the Transaction.

Based on the foregoing resolution of the board of directors' meeting, the Company has requested the Special Committee to advise on the following matters: (i) legitimacy and rationality of the purpose of the Transaction (including whether the Transaction will contribute to improving the Company's corporate value), (ii) fairness of the conditions of the Transaction (including the Tender Offer Price in the Tender Offer), (iii) fairness of the negotiation process and decision-making procedures regarding the Transaction, (iv) whether the Transaction (including the Company expressing its opinion in favor of the Tender Offer and recommending the Company's shareholders to tender their shares in the Tender Offer, and other decisions related to the procedures of the Transaction to be taken by the Company) is detrimental to the Company's minority shareholders, and, (v) in light of (i) to (iv) above, appropriateness of the Company's board of directors expressing its opinion in favor of the Tender Offer, and recommending the Company's shareholders to tender

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their shares in the Tender Offer ((i) to (v) above are hereinafter collectively referred to as the “Matters to be Advised”), and submit a written report on these Matters to be Advised to the Company’s board of directors.

Furthermore, in the foregoing board of directors’ meeting, the Company resolved to fully respect the Special Committee’s report on the Matters to be Advised, in light of the purpose that the Special Committee was established, in the Company’s board of directors’ meeting for deliberating the details of its position statement concerning the Tender Offer, and, if the Special Committee determines that the conditions of the Transaction are inappropriate, the Company’s board of directors will not support the Tender Offer. In addition, based on the foregoing resolution of the board of directors’ meeting, the Company has granted the Special Committee (a) the authority to conduct negotiations with the Tender Offeror on its own, and, even when the Company’s in-house personnel or advisors are to conduct negotiations with the Tender Offeror, the authority to substantially influence the negotiation process of the conditions of the Transaction by receiving reports in a timely manner, and expressing opinions, giving instructions and making requests at critical moments, (b) authority to appoint outside advisors (financial advisor, third-party valuation agent, legal advisor, etc.) on its own as needed (costs required in such case will be borne by the Company), or nominate or approve (including subsequent approval) the outside advisors appointed by the Company, and (c) authority to request the Company’s officers and employees as well as outside advisors to collect any and all information required for advising on the Matters to be Advised. Based on the authority granted in (b) above, the Special Committee, in its first meeting held on August 15, 2023, confirmed that there is no problem concerning the independence and expertise of the outside advisors appointed by the Company, and approved the appointment of City-Yuwa Partners as the legal advisor and PwC Advisory as the financial advisor.

The Special Committee held a total of 10 meetings from August 15, 2023 to September 28, 2023, and also expressed opinions, exchanged information and gathered information through email and other methods outside of the meetings, and engaged in discussions as needed to carefully consider the Matters to be Advised. Specifically, the Special Committee received explanations from the Company regarding the details of the Company’s business description and performance trends, major management issues, anticipated advantages and disadvantages to the Company’s business as a result of the Transaction, contents of the Company’s business plan and calculation procedures, etc. used as the basis for considering the terms and conditions of the Transaction, and held a Q&A session. Furthermore, the Special Committee received explanations from the Tender Offeror regarding the review process that led to the proposal of the Transaction, details of the measures anticipated after the Transaction, details and extent of the anticipated advantages, disadvantages and other impacts of the Transaction, and the Company’s management policies scheduled after the Transaction, and held a Q&A session. In addition, the Special Committee received explanations from PwC Advisory as the Company’s financial advisor and third-party valuation agent regarding the calculation of the share value of the Company Stock, held a Q&A session concerning the calculation process, and considered the rationality of the calculation results. In considering the foregoing matters, the Special Committee received advice as needed from City-Yuwa Partners, the Company’s legal advisor, regarding the measures for ensuring the fairness of the Transaction and measures for avoiding conflicts of interest, including the significance and role of the Special Committee.

Subsequently, the Special Committee received reports from the Company in a timely manner concerning the progress and details of the discussions and negotiations related to the Transaction between the Company and the Tender Offeror, offered opinions to the Company a total of 5 times to the effect that it should request the Tender Offeror to increase the Tender Offer Price, and became substantially involved in the negotiation process with the Tender Offeror as a result of the Company conducting negotiations with the Tender Offeror pursuant to the foregoing opinions.

As a result of carefully deliberating and considering the Matters to be Advised based on the

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foregoing background, the Special Committee unanimously submitted, on September 28, 2023, the Report including the following subject matter to the Company's board of directors.

(a) Contents of the Report

- (i) The Transaction will contribute to improving the corporate value of the Company, and the purpose thereof is considered to be legitimate and reasonable.
- (ii) Fairness has been ensured in the conditions of the Transaction, including the Tender Offer Price.
- (iii) Fairness has been ensured in the negotiation process and decision-making procedures related to the Transaction.
- (iv) The Transaction (including the Company expressing its opinion in favor of the Tender Offer and recommending the Company's shareholders to tender their shares in the Tender Offer, and other decisions related to the procedures of the Transaction to be taken by the Company) is not detrimental to the Company's minority shareholders.
- (v) Taking into considerations (i) to (iv) above, the Company expressing its opinion in favor of the Tender Offer in the Company's board of directors' meeting and recommending the Company's shareholders to tender their shares in the Tender Offer are both considered to be reasonable.

(b) Reasons for the Report

- (i) Legitimacy and rationality of the purpose of the Transaction (including whether the Transaction will contribute to improving the Company's corporate value)

As we consider the following points comprehensively, we conclude that the Transaction will contribute to improving the corporate value of the Company, and the purpose thereof is considered to be legitimate and reasonable.

- According to the Company, the business environment surrounding the Company is expected to be increasingly competitive with other companies in the same industry and other business categories. In addition, the Company is expected to face demographic issues due to the declining birthrate and aging population, environmental issues such as climate change and de-carbonization, soaring raw material and energy prices, and the possibility of natural disasters and pandemics, and their impact on earnings is expected to increase year by year. Under these circumstances, the Company began discussions with the Tender Offeror in April 2016 to form a business alliance and integrate their operations. The Tender Offeror, then, subscribed to a third-party allotment of new shares by entering into the Capital and Business Alliance Agreement with the Company, making the Tender Offeror the largest shareholder owning more than 20% of the Company's shares at the time, including indirect holdings, and the Company an affiliate of the Tender Offeror accounted for by the equity method. In November 2022, the Tender Offeror further acquired the Company's shares through an over-the-counter transaction, making Tender Offeror own more than 31% of the Company's shares, including indirect holdings. Since the Tender Offeror and the Company entered into the Capital and Business Alliance Agreement, the Tender Offeror and the Company have been cooperating in areas, mainly in the areas of products, logistics, and sales promotion, such as through joint purchasing through unification of suppliers, reduction of procurement costs by introducing common products, joint marketing measures by unifying private brands of the two companies, store remodeling to introduce common store formats, improvement of efficiency in purchasing and logistics management, and joint distribution. As a result of these efforts, the two companies have improved the top line by strengthening product

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competitiveness, reduced the cost of sales ratio, improved the price-to-sales ratio and operating profit ratio, and increased management efficiency. In line with the Company's first medium-term management plan, which was scheduled to be completed in the fiscal year ended February 28, 2023, the Company focused on product integration with the Tender Offeror and remodeling to introduce the Tender Offeror's shelf layout, and completely remodeled 105 stores. The company also closed unprofitable stores that were not expected to improve profitability. With these initiatives, the Company has been promoting the creation of a profitable structure by substantially improving profits, mainly by improving gross profit margin. Against this backdrop, the Company has announced its second medium-term management plan, or the Medium-term Plan, announced on April 11, 2023, for the fiscal year ending February 28, 2024 and beyond, in order to further evolve the profit structure it has built up to date and achieve sustainable growth. The plan is based on four key strategies: (a) strengthening sales capabilities, (b) reinforcing sales bases, (c) strengthening collaboration with the Tender Offeror, and (d) strengthening sustainability. The Company aims to enhance its corporate value by implementing these measures. As for the industry as a whole, the net sales have been hovering at around 4 trillion yen, and although they increased slightly due to the so-called COVID pandemic special demand, they have remained mostly flat due to the declining birthrate, aging population, intensifying competition from other industries, and the impact of Internet shopping and so forth. Since there are still a large number of companies in the industry, intensifying competition is inevitable. The Company's internal factors have led to a proliferation of stores, and the Company's stores have been opened in populated areas based on the concept of a wide trade area, which has led to a thin dominance in each region. The Company's stores are spread out, resulting in a lack of dominance in individual areas. The company needs to rebuild its dominance in the Chiba area and other areas as soon as possible. As we have been around for many years, we have the advantage of having secured good locations for stores. However, the number of small stores that are 30 to 40 years old is increasing, and the company recognizes that it may become difficult to maintain store number and their competitiveness unless it takes measures such as expansion, floor space expansion, and relocation. The above descriptions of the business environment and management issues are not particularly unreasonable in light of the interviews with the Company and the Tender Offeror, as well as other publicly available informatio.

- According to The Company, the synergy effects of the Company becoming a wholly-owned subsidiary of the Tender Offeror through the Transaction include:
 - (a) improved profit margins;
 - By integrating the product development capabilities of the Company and the Tender Offeror through personnel exchanges and other means, the Company will be able to expand the lineup of high-margin private brand products and increase the sales composition of private brand products;
 - The Company will be able to maintain low procurement costs through common procurement of products, reduce logistics costs by sharing warehouses and delivery channels, reduce working hours by unifying the head office administration department, and improve operational efficiency through mutual utilization of human resources, which have already been partially implemented since the signing of the Capital and Business Alliance Agreement,
 - (b) streamlining of operations and penetration of know-how through organic utilization of the Company's and the Tender Offeror Group's resources; and

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- The Company and the Tender Offeror will be able to improve operational efficiency by streamlining logistics and delivery to the Company and the Tender Offeror group stores located throughout Japan, and by unifying the systems related to store operations between the two companies;
 - The Company and the Tender Offeror Group will be able to operate their stores more efficiently by creating a system where they can mutually dispatch and exchange of personnel between neighboring stores as necessary;
 - The Company will be able to benefit from the know-how of store operations through the exchange of personnel between their stores and the Tender Offeror Group's, and will also be able to further expand its remodeling business and other services that the Company is currently implementin
- (c) expected joint use of the Tender Offeror's Omni-Channel Retailing and promotion of DX.
- The Company and the Tender Offeror are in agreement on most of the points above, and the Tender Offeror is not in agreement with the Company's explanation, and there is nothing particularly unreasonable in their explanations. In addition, the Capital and Business Alliance Agreement was concluded on the premise of starting discussions on the business alliance and future management integration in April 2016, and although the Capital and Business Alliance Agreement has not been verified over a long period of time on the premise of executing the Transaction, at least in the abstract, there have been discussions between the two companies with a view to the possibility of management integration. Although the Capital and Business Alliance Agreement was concluded on the premise that the Transaction would be executed, and although it has not been verified over a long period of time on the assumption that the Transaction would be executed, the two companies have been discussing the possibility of management integration, at least in the abstract, and some synergies have been verified through the implementation of some measures ahead of others, and the two companies appear to be aware of the possibility of synergies with a concrete image. In light of the above, there is a certain rationality in the judgment that the Transaction will contribute to the improvement of the Company's corporate value in comparison with the case where the Company continues to develop its business independently as a listed company.
 - We have examined the potential disadvantages of the delisting of the Company's shares as a result of the Transaction through interviews with the Company and the Tender Offeror; It is expected to have a limited impact on its business partners, future capital procurement, its compliance system, future recruitment of human resources, and existing employees. The impact of the Tender Offeror's actions is considered to be limited, and there is no specific possibility that the disadvantages of the Tender Offeror's actions will exceed the expected benefits.
- (ii) Fairness of the conditions of the Transaction (including the Tender Offer Price in the Tender Offer)
- Considering the following points, we believe that fairness has been ensured in the conditions of the Transaction, including the Tender Offer Price.
- The Tender Offer Price exceeds the upper limits of the range of the calculation results based on the market price analysis and the comparable company analysis, and is within the range of the caclualtion results based on the DCF Analysis, each performed by PwC Advisory.
 - Based on PwC Advisory's explanations regarding the calculation results, we do not find anything particularly unreasonable in the selection of calculation methods or the specific calculation formulas used for each of the calculation method. The Business Plan used as the

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basis for PwC Advisory's DCF Analysis differs from the Medium-Term Plan. According to the Company, the differences stem from the fact that the Medium-Term Plan is based on the target figures that were originally set under the optimistic assumption that all of the measures taken to strengthen the four focus areas, such as strengthening sales capabilities and sales bases, will have full effect that they were intended to have. In reality, as stated in the financial results for the first quarter of the fiscal year ending February 28, 2024, this was not the case as the Company was facing increasingly intense competition from other companies in the same industry and other business categories, and personal consumption remains stagnant due to rising prices. In addition, the deregulation of the COVID pandemic-related restrictions has resulted in stagnation in sales of products for which demand had surged due to the pandemic. Therefore, the Company has decided that the Tender Offer Price should be calculated based on projections more in line with the current situation, rather than the original target figures of the Medium-Term Plan. The Company has prepared this Business Plan based on more reasonable grounds, taking a more conservative approach. In light of the Company's explanations regarding the process of formulation of the Business Plan and major preconditions, there are no reasons to suspect that the Company arbitrarily set the values of the Business Plan for the Transaction, or to question the objectivity or rationality of the process of its formulation. PwC Advisory also confirmed the reasonableness of the Business Plan by asking the Company questions, and also confirmed the reasonableness of the content and assumptions of the Business Plan. In addition, there was no unreasonable involvement from the Tender Offeror in the process of formulating this Business Plan, and there were no particular reasons to doubt the Company's independence. Therefore, it is acceptable to use this Business Plan as the basis for the calculation of the DCF Analysis. In addition, as a result of the Q&A session with PwC Advisory regarding the specific calculation process under the DCF Analysis, no unreasonable points were found in the calculation process for the discount rate and residual value calculation method used in light of current valuation practices. Therefore, the calculation based on the DCF Analysis is reasonable to a certain extent.

- As described above, the results of PwC Advisory's calculation of the value of the Company's shares are reasonable to a certain degree, and the Tender Offer Price is at a reasonable level in light of such calculation results.
- Since the publication of the M&A Guidelines on June 28, 2019, and up to September 28, 2023, considering the average premium levels calculated based on the closing prices on the business day before the announcement, the simple average closing prices of the most recent one month, three months, and six months for the 11 similar cases (i.e., cases of other tender offers for the purpose of taking a listed company, which is also an equity method affiliate of a tender offeror, private) announced the premium level (moreover, the tender offer price represents a premium added to the Company's stock closing price and the simple average closing prices over the past 1 month, 3 months, and 6 months up to the day before the announcement date, September 28, 2023. Specifically, the tender offer price is a 56.63% premium over the closing price of ¥830 on September 28, 2023, a 50.64% premium over the simple average closing price of ¥863 for the past 1 month (from August 29, 2023, to September 28, 2023), a 52.94% premium over the simple average closing price of ¥850 for the past 3 months (from June 29, 2023, to September 28, 2023), and a 55.50% premium over the simple average closing price of ¥836 for the past 6 months (from March 29, 2023, to September 28, 2023)) applied to this tender offer price is relatively inferior to the premium levels applied to the simple average closing prices of the most recent one month, three months, and six months as of September 28, 2023, the business day before the

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announcement. However, it is at a level comparable to them. The premium level applied to the closing price on the business day before the announcement exceeds the aforementioned other cases. To quantify, the average premiums are 44.60% for the closing price on the business day before the announcement, 51.71% for the simple average closing price of the most recent one month, 57.30% for the simple average closing price of the most recent three months, and 56.88% for the simple average closing price of the most recent six months. Given this, in comparison with other company cases, it can be said that the premium level applied to the tender offer price is at a reasonably comparable level.

- When giving comprehensive consideration to the above, it is considered that the Tender Offer Price of 1,300 yen per share of the Company Stock is rational to a certain degree.
- In the Tender Offer, the Tender Offeror has set the minimum number of shares to be purchased, and, if the total number of Tendered Share Certificates, etc. falls short of the minimum number of shares to be purchased, the Tender Offeror will not purchase all of the Tendered Share Certificates, etc. The minimum number of shares to be purchased exceeds a majority of the number of the Company Stock held by the Company's shareholders that have no stake in the Tender Offeror; that is, exceeds the number corresponding to the so-called majority of minority. Consequently, if the Tender Offeror is unable to obtain the approval of a majority of the Company's shareholders other than the stakeholders of the Tender Offeror, the Tender Offeror will not conduct the Transaction, including the Tender Offer, by respecting the intention of the Company's minority shareholders, and it could be said that consideration has been given to ensure the fairness of the Tender Offer.
- As the Squeeze-out Procedures, demand for shares cash-out and consolidation of shares are scheduled, and in either case the appraisal rights or pricing rights of the shareholders who did not tender their Shares in the Tender Offer are ensured. Furthermore, according to the Tender Offeror, the Squeeze-out Procedures are scheduled to be taken promptly after the completion of settlement of the Tender Offer, and moreover, (a) in the case of demand for shares cash-out, the Tender Offeror will deliver to each shareholder, as consideration per share, money in the same amount as the Tender Offer Price, and, (b) in the case of consolidation of shares, with respect to the sale price of the Company Stock in the amount equivalent to the aggregate of fractional shares arising from the consolidation of shares, the Tender Offeror plans to request the Company to determine such price so that the amount of money to be delivered to each of the Company's shareholders who did not tender their shares in the Tender Offer as a result of such sale will be equal to the amount obtained by multiplying the Tender Offer Price by the number of the Company Stock held by such shareholder, and file a petition with a court for permission of such voluntary sale. As described above, in the Transaction including the Tender Offer, it could be said the consideration is given to the interests of minority shareholders who did not tender their shares in the Tender Offer to deal with the issue of so-called coercive behavior, and it is considered that the conditions related to the Squeeze-out Procedures are rational to a certain degree.
- As described in (iii) below, it is considered that fairness has been ensured in the negotiation process and decision-making procedures related to the Transaction, and it is acknowledged that the conditions of the Transaction, including the Tender Offer Price, have been decided upon going through the foregoing fair procedures.

- (iii) Fairness of the negotiation process and decision-making procedures regarding the Transaction
Fairness has been ensured in the negotiation process and decision-making procedures related to the Transaction.

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- In considering the Transaction, the Company has established the Special Committee as a part of its measures to ensure fairness from the perspective of eliminating the arbitrariness of the Company's decision-making regarding the Transaction and avoiding conflicts of interest. The Special Committee was established before commencing the specific negotiations of the Tender Offer Price, and reasons for suspecting the independence of each member cannot be acknowledged. Furthermore, in passing a resolution for establishing the Special Committee, the Company's board of directors has granted the Special Committee (I) the authority to conduct negotiations with the Tender Offeror on its own, and, even when the Company's in-house personnel or advisors are to conduct negotiations with the Tender Offeror, the authority to substantially influence the negotiation process of the conditions of the Transaction by receiving reports in a timely manner, and expressing opinions, giving instructions and making requests at critical moments, (II) authority to appoint outside advisors on its own as needed (costs required in such case will be borne by the Company), or nominate or approve (including subsequent approval) the outside advisors appointed by the Company, and (III) authority to request the Company's officers and employees as well as outside advisors to collect any and all information required for advising on the Matters to be Advised, respectively. In response, the Special Committee confirmed that there is no problem concerning the independence of the financial advisor and third-party valuation agent, and the legal advisor, appointed by the Company, and approved their appointment as the Company's advisors, etc. In addition, in passing a resolution for establishing the Special Committee, the Company's board of directors resolved to fully respect the Special Committee's report on the Matters to be Advised in the Company's board of directors' meeting for deliberating the details of its position statement concerning the Tender Offer, and, if the Special Committee determines that the conditions of the Transaction are inappropriate, the Company's board of directors will not support the Tender Offer, and consideration is given for ensuring the effectiveness of the decisions made by the Special Committee. As described above, after taking practical measures for improving the effectiveness of the Special Committee, the Special Committee engaged in considerations and made decisions concerning the appropriateness of the Transaction, adequacy of the terms and conditions, and fairness of the procedures from the position of improving the corporate value and looking after the interests of the minority shareholders.
- In order to ensure the fairness and appropriateness of the decision-making of the Company regarding the Transactions, the Company has received the Company Stock Valuation Report from PwC Advisory as an independent financial advisor and third-party valuation agent, and is receiving receiving legal advice regarding the decision-making process and method of the Company's board of directors regarding the Transactions, including the Tender Offer, and other points of concern when making decisions regarding the Transactions, including the Tender Offer, from City-Yuwa Partners as its independent legal advisor. While the Company has not obtained a so-called fairness opinion from PwC Advisory, in Japan, under circumstances where the effectiveness of a fairness opinion as a measure to ensure fairness is not interpreted as being uniform, circumstances where the obtainment of a fairness opinion is essential in order to consider the appropriateness of the Transaction could not be acknowledged in light of the course of considerations of the Transaction, and, even if a fairness opinion is not obtained, it is considered that fairness in the negotiation process and decision-making procedures related to the Transaction will not be denied.
- The Special Committee received reports from the Company in a timely manner concerning the progress and details of the discussions and negotiations related to the Transaction between the Company and the Tender Offeror, offered opinions to the Company, and thereby

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became substantially involved in the negotiation process thereof, and no particular unreasonable point could be found in relation to the foregoing negotiation process from the perspective of giving consideration to the interests of the Company's minority shareholders.

- Among the 10 (ten) directors of the Company, while Koji Jitsukawa and Toshimitsu Shimizu are concurrently serving as directors of the Tender Offeror, from the perspective of eliminating the possibility of being influenced from the issue of conflict of interest as much as possible and ensuring the fairness of the Transaction, these two (2) directors are not scheduled to participate in any deliberations and resolutions concerning the agenda of voting for the Tender Offer in the Company's board of directors' meeting. Moreover, these two (2) directors have not participated in any discussions and negotiations with the Tender Offeror from the standpoint of the Company. In addition to the above, no fact which infers that a person suspected as lacking independence of the Tender Offeror has wrongfully influenced the decision-making process of the Company in the course of discussions, considerations and negotiations related to the Transaction could be acknowledged.
 - As a result of setting the tender offer period (the "Tender Offer Period") to 30 business days, which is longer than the statutory minimum tender offer period of 20 business days, the Tender Offeror has ensured the opportunity for the Company's shareholders to give careful consideration on the appropriateness of the Transaction and the adequacy of the Tender Offer Price, and make proper decision on whether to tender their shares in the Tender Offer. Furthermore, the Tender Offeror and the Company have not reached any kind of agreement which would restrict the Counterbid Proposer from contacting the Company, such as an agreement which prohibits the Company coming into contact with the Counterbid Proposer, and consideration is given for ensuring the fairness of the Tender Offer by not hindering opportunities for a competitive purchase.
 - In the press release concerning the Transaction, a certain level of disclosure of information related to the Special Committee, information related to the details of the calculation results of the share value of the Company Stock, information related to the background and details up to conducting the Transaction, and information related to the specific background of discussions and negotiations of the terms and conditions conducted between the Company and the Tender Offeror is scheduled, and it is acknowledged that a certain level of information for the Company's shareholders to determine the appropriateness of the terms and conditions is scheduled to be disclosed.
- (iv) Whether the Transaction (including the Company expressing its opinion in favor of the Tender Offer and recommending the Company's shareholders to tender their shares in the Tender Offer, and other decisions related to the procedures of the Transaction to be taken by the Company) is detrimental to the Company's minority shareholders.

As described above, we conclude that (i) the Transaction will contribute to improving the corporate value of the Company, and the purpose thereof is considered to be legitimate and reasonable, (ii) fairness is ensured in the conditions of the Transaction, including the Tender Offer Price, and (iii) fairness has been ensured in the negotiation process and decision-making procedures related to the Transaction. Furthermore, since no special circumstances in which the Transaction could be detrimental to the Company's minority shareholders other than the points considered above, (iv) the Transaction (including the Company expressing its opinion in favor of the Tender Offer and recommending the Company's shareholders to tender their shares in the Tender Offer, and other decisions related to the procedures of the Transaction to be taken by the Company) is not detrimental to the Company's minority shareholders.

- (v) In light of (i) to (iv) above, appropriateness of the Company's board of directors expressing its opinion in favor of the Tender Offer, and recommending the Company's shareholders to tender

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their shares in the Tender Offer.

As we holistically consider (i) to (iv) above, the Company expressing its opinion in favor of the Tender Offer in the Company's board of directors' meeting and recommending the Company's shareholders to tender their shares in the Tender Offer are both considered reasonable.

(iii) Acquisition of advice from a law firm independent of the Company

In order to ensure the fairness and appropriateness of the decision-making of the Company's board of directors regarding the Transactions, including the Tender Offer, the Company has appointed City-Yuwa Partners as its legal advisor independent of the Tender Offeror and the Company, and is receiving legal advice regarding the decision-making process and method of the Company's board of directors regarding the Transactions, including the Tender Offer, and other points of concern when making decisions regarding the Transactions, including the Tender Offer.

City-Yuwa Partners is not a related party of the Tender Offeror or the Company, and does not have a material interest in the Transaction, including the Tender Offer. In addition, the compensation of City-Yuwa Partners related to the Transaction is only a fixed fee that will be paid regardless of the success or failure of the Transaction, and does not include any success fee that is conditional on the announcement or completion of the Transaction. In addition, at the first meeting held on August 15, 2023, the Special Committee confirmed that there were no problems with the independence and expertise of City-Yuwa Partners, and has approved the appointment of City-Yuwa Partners as the Company's legal advisor.

(iv) Stock Valuation Report and Fairness Opinion Obtained by Special Committee from Independent Third-Party Valuation Organization

The Company, as described in "(ii) Establishment of a Special Committee independent of the Company and acquisition of a written report from the Special Committee" above, has appointed PwC Advisory as an independent third-party appraiser separate from the Tender Offeror and the Company. The Company have received advice and assistance from a financial perspective, including the valuation of the Company's shares and advice on negotiation strategies with the Tender Offeror, from PwC Advisory. Additionally, The Company have acquired the Company Stock Valuation Report dated September 28, 2023, from them. The Company has not obtained a fairness opinion from PwC Advisory, as the Company believed that other measures adopted by the Company were sufficient to ensure the fairness of the transaction terms, including the Tender Offer price, to guarantee the fairness of the transaction terms related to this transaction.

Furthermore, PwC Advisory does not fall under a related party of the Tender Offeror or the Company and does not have significant interests in this transaction, including the Tender Offer.

(v) Unanimous approval of all non-interested directors (including audit and supervisory committee members) of the Company

As a result of carefully discussing and considering the various terms and conditions related to the Tender Offer presented by the Tender Offeror in light of the legal advice from City-Yuwa Partners concerning the decision-making process and method and other points of concern related to the Transaction, details of the Company Stock Valuation Report, and the Report acquired from the Special Committee, as described in the section titled "(iv) Decision-making process and reasons that led to the Company agreeing to the Tender Offer" under "(ii) Background, purpose and decision-making process of the Tender Offer, and management policy after the Tender Offer" above, the Company passed a resolution in its board of directors' meeting held on September 29, 2023 to the effect that the Company will express its opinion in support of the Tender Offer with the unanimous

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approval of 7 directors among the 10 directors who participated in the deliberations and resolution, and recommend that the Company's shareholders tender their shares in the Tender Offer.

In the Company's board of directors' meeting indicated above, the risk of being affected by a conflict of interest has been eliminated as much as possible. Among the ten (10) directors of the Company, Koji Jitsukawa and Toshimitsu Shimizu are concurrently serving as directors of the Tender Offeror, and, from the perspective of ensuring the fairness of the Transaction, they did not participate in any deliberations and resolutions of the foregoing board of directors' meeting, and have not participated in any discussions and negotiations with the Tender Offeror in relation to the Transaction from the standpoint of the Company.

In addition, among the ten (10) directors of the Company, Tsukasa Ojima is concurrently serving as the executive officer of AEON Co., Ltd., a major shareholder of the Company (the fourth largest shareholder of the Company as of February 28, 2023 according to the Annual Securities Report for the fiscal year ended February 2023 of the Company). In light of the possibility that the interests of minority shareholders of the Company may not necessarily be aligned with this major shareholder and as a precautionary measure, he did not participate in any deliberations and resolutions of the foregoing board of directors' meeting, and has not participated in any discussions and negotiations with the Tender Offeror in relation to the Transaction from the standpoint of the Company.

While Tsutomu Chinone previously worked for JOYO BANK, Ltd., a major shareholder of the Company (the sixth largest shareholder of the Company as of February 28, 2023 according to the Annual Securities Report for the fiscal year ended February 2023 of the Company), he resigned from his position as the representative director of Joyo Industrial Research Institute Ltd., a wholly owned subsidiary of JOYO BANK, Ltd., on June 2020, and thereafter has not been an officer or an employee of JOYO BANK, Ltd. and its wholly owned subsidiary to date, nor is he in a position or relationship of reporting to these companies. Thus, the Company has determined that the fact that Tsutomu Chinone previously worked for JOYO BANK, Ltd. does not amount to circumstances that would deny his independence as a member of the Special Committee or circumstances that would result in a conflict of interest with the minority shareholders. Furthermore, while Katsuyoshi Ota, the Company's director previously worked for The Chiba Bank, Ltd., a major shareholder of the Company (the fifth largest shareholder of the Company as of February 28, 2023 according to the Annual Securities Report for the fiscal year ended February 2023 of the Company), he resigned from the company on October 2011, and thereafter has not been an officer or an employee of The Chiba Bank, Ltd. and its wholly owned subsidiary to date, nor is he in a position or relationship of reporting to these companies. Thus, the Company has determined that the fact that Katsuyoshi Ota previously worked for The Chiba Bank, Ltd. does not amount to circumstances that would deny his independence as a member of the Special Committee or circumstances that would result in a conflict of interest with the minority shareholders.

(vi) Absence of an agreement for restricting contact with a Counterbid Proposer

The Tender Offeror and the Company have not reached any kind of agreement which restricts an acquisition proposer (the "Counterbid Proposer") from contacting the Company, such as an agreement which prohibits the Company coming into contact with the Counterbid Proposer, and consideration is given for ensuring the fairness of the Tender Offer by not hindering opportunities for a competitive purchase.

(vii) Setting of lower limit which satisfies the majority of minority condition

The minimum number of shares of the Company Stock to be purchased (20,807,500 shares, shareholding ratio: 35.68%) in the Tender Offer is greater than the number (20,379,232 shares) obtained by adding the number of shares (513,437 shares) held by DCM Co., Ltd. and scheduled to be tendered in the Tender Offer to the number (19,865,795 shares) obtained by dividing by two the

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number of shares (39,731,590 shares) obtained by deducting the number of treasury shares (6,827,457 shares) held by the Company as of August 31, 2023 and the number of shares (18,581,137 shares; including shares indirectly held through DCM Co., Ltd.) held by the Tender Offeror from the total number of issued shares (65,140,184 shares) of the Company as of August 31, 2023 indicated in the Company's 2nd Quarter Financial Results. In other words, the Tender Offer cannot be completed unless the approval of a majority of the Company Stock held by the Company's shareholders that do not have any stake in the Tender Offeror, and emphasis is placed on the intention of the Company's minority shareholders. Thus, the so-called "majority of minority" condition has been satisfied.

- (viii) Measures to ensure that the Company's shareholders have an opportunity to make an appropriate decision on whether to tender their shares in the Tender Offer

As stated in "(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called "two-step acquisition")" above, the Tender Offeror (i) is scheduled to request the Company to hold an extraordinary shareholders meeting including the agenda of making a demand for shares cash-out of all of the Company Stock or partially amending the articles of incorporation for abolishing the provision concerning share units on the condition of share consolidation or the effectuation of share consolidation, promptly after the completion of the settlement of the Tender Offer, according to the number of shares acquired by the Tender Offeror based on the completion of the Tender Offer, and will not adopt a method that does not ensure the appraisal rights or pricing rights of the Company's shareholders, and (ii) will ensure that the Company's shareholders have an opportunity to make an appropriate decision on whether to tender their shares in the Tender Offer, and give consideration so that this will not result in coercive behavior, since the money to be delivered as consideration to the Company's shareholders (excluding the Tender Offeror and the Company) in the event of a demand for shares cash-out or share consolidation has been clarified as being calculated to be the same as the price obtained by multiplying the Tender Offer Price by the number of Company Stock held by the Company's shareholders.

In addition, the Tender Offeror has set the Tender Offer Period to thirty (30) business days, which is longer than the statutory minimum tender offer period of 20 business days. By setting a relatively long Tender Offer Period, the Tender Offeror aims to secure an appropriate opportunity for all shareholders of the Company to decide whether to tender their shares in the Tender Offer and an opportunity for persons other than the Tender Offeror to make competing offers for purchase of the Company Stock.

4. Matters concerning material agreements related to the Tender Offer

In implementing the Tender Offer, while DCM Co., Ltd. has not reached an agreement with the Tender Offeror to the effect of tendering its Company Stock (513,437 shares, shareholding ratio: 0.88%) in the Tender Offer, it has announced on September 29, 2023 that it will tender all of its Company Stock in the Tender Offer.

5. Details of Provision of Benefits from the Offeror or a Special Related Party of the Offeror

Not applicable.

6. Response Policy with respect to Basic Policy Related to Corporate Control of Company

Not applicable.

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7. Questions to the Tender Offeror

Not applicable.

8. Request for Postponement of Tender Offer Period

Not applicable.

9. Future Prospects

Please refer to the above “3. Contents, Basis of and Reason for Opinions on Tender Offer, Etc.” specifically “(2) Basis and Reason for Opinions on Tender Offer” including “(ii) Background, purpose and decision-making process leading to the Tender Offeror’s decision to implement the Tender Offer” and “(iii) Management policy after the Tender Offer” as well as “(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called “two-step acquisition”)” and “(5) Possibility of delisting and reasons therefor”

10. Others

- (1) Revisions to Dividend Forecasts of the Fiscal Year Ending February 29, 2024 and Abolishment of Shareholder Benefit Plan

The Company has resolved at the Board of Directors meeting held today, contingent upon the successful conclusion of this Tender Offer, to revise the dividend forecast for the fiscal year ending February 2024, to not distribute a year-end dividend for the fiscal year ending February 2024, and to abolish the shareholder benefits program targeting all shareholders listed or recorded in the shareholder register as of the end of February 2024. For more details, please refer to “Notice Concerning Revisions to Dividend Forecasts of the Fiscal Year Ending February 29, 2024 and Abolishment of Shareholder Benefit Plan” which the Company has announced as of today.

- (2) Announcement of the Second Quarter Financial Results for the Fiscal Year Ending in February 2024

The Company has announced “Non-consolidated Financial Results for the Three (3) Months Ended August 31 2023(Under Japanese GAAP)” as of today. For more details, please refer to the contents of the announcement.

End

Reference: “Notice Concerning Commencement of the Tender Offer for the Shares of Keiyo Co., Ltd.” dated September 29, 2023 (Appendix)

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DISCLAIMER

The Tender Offer is intended for the common stock of the Company, which is a company established in Japan. The Tender Offer will be conducted in compliance with the procedures and disclosure standards prescribed in the laws of Japan, and such procedures and standards are not necessarily identical to those applicable in the United States. In particular, Sections 13(e) and 14(d) of the U.S. Securities Exchange Act of 1934 (as amended; the same applies hereinafter) and the rules promulgated thereunder do not apply to the Tender Offer, and the Tender Offer is not intended to comply with the procedures or standards set forth in any such provisions. All financial information contained in this Tender Offer Statement and its reference documents is prepared based on the generally accepted accounting principles of Japan, and such accounting standards may be considerably different from the generally accepted accounting principles of the U.S. and other countries. In addition, since the Tender Offeror and the Company are legal entities incorporated outside of the United States and all or some of their officers may not be U.S. residents, it may become difficult to exercise any rights or make claims arising under the U.S. securities laws. Furthermore, in the event of a violation of the U.S. securities laws, it may not be possible to commence a legal action against companies or their officers outside the United States before courts outside the United States. In addition, there is no guarantee that companies and their respective subsidiaries and affiliates outside the United States can be subjected to the jurisdiction of U.S. courts.

Unless otherwise described, all procedures related to the Tender Offer shall be conducted entirely in the Japanese language. All or any part of the documents related to the Tender Offer is prepared in the English language. If there is any inconsistency between the English documentation and the Japanese documentation, the Japanese documentation shall prevail.

This press release includes “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934. Actual results may differ substantially from these forward-looking statements due to known or unknown risks, uncertainties or other factors. Neither the Tender Offeror nor any of its affiliates guarantee that the results expressed or implied as “forward-looking statements” will be achieved. The “forward-looking statements” included in this Tender Offer Statement and its reference documents have been prepared based on information available to the Tender Offeror as of the date of filing of this Tender Offer Statement, and neither the Tender Offeror nor any of its affiliates will be responsible for updating or otherwise revising such forward-looking statements in order to reflect any future event or circumstances, unless otherwise required by law or regulation.

The financial advisors of the Tender Offeror and the Company and the tender offer agent (including their respective affiliates) may, within their ordinary course of business, purchase, or conduct any act toward the purchase of, the shares of the common stock of the Company for their own account or for their customers' accounts outside the Tender Offer prior to the commencement of, or during, the period of the Tender Offer in accordance with the requirements of Rule 14e-5(b) under the U.S. Securities Exchange Act of 1934 and to the extent permissible under the laws related to financial instruments and exchanges and other applicable laws and regulations in Japan.



September 29, 2023

To whom it may concern:

Company: DCM Holdings Co., Ltd.
(Securities code: 3050 Prime Market of the Tokyo Stock Exchange)

Representative
: President and COO Yasunori Ishiguro
Executive Officer

Inquiries: Finance & Investor Relations Hisakazu Kato
(TEL: +81-(0)3-5764-5214)

**Notice Concerning Commencement of the Tender Offer
for the Shares of Keiyo Co., Ltd. (Securities code: 8168)**

DCM Holdings Co., Ltd. (the “Tender Offeror”) hereby announces that, at the meeting of its board of directors held today, the Tender Offeror resolved to acquire the common stock (the “Target Company Stock”) of Keiyo Co., Ltd. (the “Target Company”) (Securities code: 8168, the Prime Market of the Tokyo Stock Exchange Inc. (the “Tokyo Stock Exchange”)) through the tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) (the “Act”).

1. Purpose of Purchase and Related Transactions

(1) Overview of the Tender Offer

As of today, the Target Company is an equity-method affiliate of the Tender Offeror, and the Tender Offeror holds in aggregate 18,581,137 shares (shareholding ratio (Note): 31.86%) of the Target Company Stock, which are listed on the Prime Market of the Tokyo Stock Exchange, by directly holding 18,067,700 shares (shareholding ratio: 30.98%) and indirectly holding 513,437 shares (shareholding ratio: 0.88%) via a wholly owned subsidiary of the Tender Offeror, DCM Co., Ltd.

(Note) “Shareholding ratio” means the ratio to 58,312,727 shares, which is the total number of issued shares of the Target Company as of August 31, 2023 (65,140,184 shares) set forth in the “Unconsolidated Financial Results for the 2nd Quarter of Fiscal Year Ending February 2024 (Prepared in Conformity with Japanese GAAP)” (the “Target Company’s 2nd Quarter Financial Results”), as announced by the Target Company today, less the number of the treasury shares held by the Target Company as of the same date (6,827,457 shares) (being rounded to the second decimal place; hereinafter the same shall apply with respect to the shareholding ratio unless provided otherwise).

The Tender Offeror resolved at a meeting of its board of directors held today to implement the Tender Offer as part of the transaction (the “Transaction”) to acquire all of the Target Company Stock (excluding the Target Company Stock held by the Tender Offeror and the treasury shares held by the Target Company) with the aim of making the Target Company a wholly owned

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subsidiary of the Tender Offeror.

Since the Tender Offeror intends to make the Target Company a wholly owned subsidiary of the Tender Offeror and intends to acquire all of the Target Company Stock (excluding the Target Company Stock held by the Tender Offeror and the treasury shares held by the Target Company) in the Tender Offer, the Tender Offeror has not set an upper limit on the number of shares to be purchased. Meanwhile, the Tender Offeror has set 20,807,500 shares (shareholding ratio: 35.68%) as the minimum number of shares to be purchased in the Tender Offer. If the total number of Share Certificates, etc. tendered in the Tender Offer (the “Tendered Share Certificates, etc.”) falls short of the minimum number of shares to be purchased, the Tender Offeror will not purchase all of the Tendered Share Certificates, etc. If the total number of Tendered Share Certificates, etc. is greater than the minimum number of shares to be purchased, the Tender Offeror will purchase all of the Tendered Share Certificates, etc. The minimum number of shares to be purchased (20,807,500 shares) has been set to be equal to the number of shares (20,807,500 shares) calculated by deducting the number of the Target Company Stock held by the Tender Offeror as of today (18,067,700 shares) from the number of the Target Company Stock that results in at least two-thirds of the total number of votes of the Target Company Stock (38,875,200 shares), which in turn is calculated by multiplying $\frac{2}{3}$ (388,752 votes, rounded up to the nearest whole number) of the total number of votes of the Target Company Stock (583,127 votes) by the share unit (100 shares) of the Target Company Stock. The total number of votes of the Target Company Stock (583,127 votes) is calculated by deducting the number of treasury shares (6,827,457 shares) held by the Target Company as of August 31, 2023 from the total number of issued shares (65,140,184 shares) of the Target Company Stock as of August 31, 2023 indicated in the Target Company’s 2nd Quarter Financial Results, and dividing such net number by the share unit (100 shares) of the Target Company Stock. The reason for the foregoing minimum number of shares to be purchased is so that the Tender Offeror will hold two-thirds or more of the voting rights of all shareholders of the Target Company after the Tender Offer in order to ensure the implementation of the Transaction as the Tender Offeror intends to make the Target Company its wholly owned subsidiary in the Tender Offer, and a special resolution in the shareholders meeting prescribed in Article 309, Paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same) is required when taking the procedures of share consolidation described in “(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called “two-step acquisition”).”

In implementing the Tender Offer, the Tender Offeror has received an endorsement from DCM Co., Ltd. today to the effect of tendering all of its Target Company Stock (513,437 shares, shareholding ratio: 0.88%) in the Tender Offer.

If the Tender Offeror was not able to acquire all of the Target Company Stock (excluding the Target Company Stock held by the Tender Offeror and the treasury shares held by the Target Company) based on the Tender Offer despite the Tender Offer being completed, the Tender Offeror is scheduled to acquire all of the Target Company Stock (excluding the Target Company Stock held by the Tender Offeror and the treasury shares held by the Target Company) by implementing the series of procedures for causing the Tender Offeror to be the only shareholder of the Target Company (the “Squeeze-out Procedures”) as described in “(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called “two-step acquisition”)” below.

According to the “Notice Concerning Announcement of Opinion Regarding the Tender Offer for the Shares of the Company by DCM Holdings Co., Ltd. and Recommendation to Tender” (the “Target Company Press Release”) announced by the Target Company today, the Target Company resolved to express its opinion in favor of the Tender Offer and to recommend that shareholders of the Target Company tender their shares in the Tender Offer at the meeting of its board of directors held today.

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For details of the foregoing resolutions of the board of directors' meeting of the Target Company, see the Target Company Press Release and the section titled "(v) Unanimous approval of all non-interested directors (including audit and supervisory committee members) of the Target Company" under "(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" below.

(2) Background, purpose and decision-making process of the Tender Offer, and management policy after the Tender Offer

(i) Background, purpose and decision-making process leading to the Tender Offeror's decision to implement the Tender Offer

The following descriptions concerning the Target Company are based on the explanations received from the Target Company, the Target Company Press Release and other information published by the Target Company.

The Tender Offeror is a holding company established as DCM Japan Holdings Co., Ltd. in September 2006 through a joint share transfer by the three (3) companies, Kahma Co., Ltd., Daiki Co., Ltd. and Homac Corp., mainly engaged in the home improvement store business. In September 2006, the Tender Offeror's shares were listed on the First Section of the Tokyo Stock Exchange, First Section of Osaka Securities Exchange, Inc. (the "Osaka Securities Exchange"), First Section of Nagoya Stock Exchange, Inc. (the "Nagoya Stock Exchange") and Sapporo Securities Exchange Co., Ltd. (the "Sapporo Securities Exchange"). In September 2009, the Tender Offeror's shares were delisted from the Osaka Securities Exchange, the Nagoya Stock Exchange and the Sapporo Securities Exchange. Due to the revision of the market classification of the Tokyo Stock Exchange in April 2022, the shares of the Tender Offeror are currently listed on the Prime Market of the Tokyo Stock Exchange. The Tender Offeror changed its trade name to DCM Holdings Co., Ltd. on June 1, 2010, and on March 1, 2015 changed the trade names of its consolidated subsidiaries Kahma Co., Ltd., Daiki Co., Ltd. and Homac Corp. to DCM Kahma Co., Ltd. ("DCM Kahma"), DCM Daiki Co., Ltd. ("DCM Daiki") and DCM Homac Co., Ltd. ("DCM Homac"), respectively. The Tender Offeror made Sanwado Corp. its wholly owned subsidiary on July 1, 2015 (changed its trade name to DCM Sanwa Co., Ltd. on the same day; hereinafter referred to as "DCM Sanwa") and made Kuroganeya Co., Ltd. its wholly owned subsidiary on December 1, 2016 (changed its trade name to DCM Kuroganeya Co., Ltd. on the same day; hereinafter referred to as "DCM Kuroganeya") through a share exchange, and the Tender Offeror has been actively expanding its scope of business and enhancing its business base by merging with companies that agree with the Tender Offeror's philosophy of "Serving / Creation / Unity" and support the realization of the Tender Offeror's philosophy of two "DCMs" ("Demand Chain Management" and "Do Create Mystyle (Giving Shape to Your Life Dreams)").

The Tender Offeror aims to become an indispensable presence in society by responding flexibly to changes in the environment and creating systems and corporate culture that are desirable to society, and is therefore working to strengthen product development, improve its ability to propose products with an emphasis on "experience", propose products with an emphasis on "convenience," "fun," and "products of value", and thereby create "attractive stores" that are supported by customers. In order to respond more quickly and effectively to changes in customers' consumption behavior from "things" to "experience," changes in the social environment such as aging and population decline, and changes in digital technology in the Japanese economy such as the increasing use of e-commerce (Note 1) and cashless payments, the entire home improvement store business operated by the Tender Offeror has been transferred to DCM Co., Ltd., and the five (5) companies of DCM Kahma, DCM Daiki,

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DCM Homic, DCM Sanwa and DCM Kuroganeya as the home improvement store business subsidiaries have been merged with DCM Co., Ltd. on March 1, 2021, and on September 1, 2022 the store names throughout Japan have been unified to DCM. In addition, based on a capital and business alliance, the Tender Offeror is supplying products to T.O. Retailing Co., Ltd., which operates home improvement stores mainly in Hakodate, Hokkaido, and Kanseki Co., Ltd., which operates home improvement stores mainly in Tochigi Prefecture. In addition, on March 24, 2022, the Tender Offeror established a wholly owned subsidiary XPRICE, Inc., a specialty e-commerce business which sells a wide range of products with a focus on home appliances. With the addition of an e-commerce business company to the Tender Offeror Group (as defined below), the Tender Offeror will work with DCM Co., Ltd., which operates a home improvement store business centered on physical stores, to improve customer convenience, and further the growth of the Tender Offeror Group. As of today, the Tender Offeror has 7 consolidated subsidiaries and 1 equity method affiliate (together with the Tender Offeror, hereinafter collectively referred to as the “Tender Offeror Group”). As of today, the Tender Offeror Group operates 676 stores in 37 prefectures, and, according to the August 15, 2023 edition of “Diamond Home Center” by Diamond Retail Media Co., Ltd., is a home improvement store group that ranks second in Japan in terms of consolidated sales during the fiscal year ended February 2023.

(Note 1) E-commerce (Electronic Commerce) is a form of transaction in which contracts and payments are made via networks such as the Internet, and is also called EC.

Meanwhile, the Target Company was established in May 1952 as Keiyo Sangyo Co., Ltd. In April 1979, the Target Company changed its trade name to Keiyo Co., Ltd. In December 1984, the Target Company was listed on the Second Section of the Tokyo Stock Exchange. In August 1998, the Target Company’s listing was moved to the First Section of the Tokyo Stock Exchange. Due to the revision of the Tokyo Stock Exchange’s market classification in April 2022, the Target Company’s listing has been moved from the First Section to the Prime Market of the Tokyo Stock Exchange.

Since entering the home improvement store business in September 1974, the Target Company has expanded its store area from the Kanto region to the Tohoku, Koshin, Tokai and Kinki regions, and has continued to develop stores in line with regional demand. In addition, based on the corporate philosophy of “creating a society where many people can enjoy a rich and diverse lifestyle every day through chain store management,” the Target Company has been providing convenient shopping and low prices to meet customer needs, and offering a wide variety of products. By expanding the assortment of products, the Target Company has been striving to provide products and services that match the lifestyles of customers.

When looking at the business environment, in the environment surrounding the Target Company, it is expected that competition with other companies in the same industry and other business formats will intensify, and population problems caused by the declining birthrate and aging population and population decline, environment issues such as climate change and decarbonization, environmental and social issues such as soaring raw material and energy prices and response to natural disasters and pandemics, are expected to have an increasing impact on profits year by year.

Under the foregoing circumstances, the Target Company entered into a capital and business alliance agreement (the “Capital and Business Alliance Agreement”) with the Tender

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Offeror in January 2017. In addition, the Target Company began focusing on the introduction and remodeling of the Tender Offeror's shelf space as well as product integration with the Tender Offeror, and had completely remodeled 105 stores, in line with its first medium-term management plan covering the period from the fiscal year ended February 2017 to the fiscal year ended February 2023 announced on April 5, 2016 (at the time of the announcement, the plan set the fiscal year ended February 2021 as the final year, but as stated in the "Notice Concerning Revision of Medium-Term Management Plan" announced by the Target Company on August 7, 2018, the Target Company revised the numerical targets as well as the final year of the plan set as the fiscal year ended February 2023). At the same time, the Target Company began closing unprofitable stores that were unlikely to improve their profits, thereby significantly improving its profit with a focus on improving its gross profit margins and creating a profit structure. From the fiscal year 2023 and onward, the Target Company has formulated its second medium-term management plan covering the period from the fiscal year ending February 2024 to the fiscal year ending February 2028 (the "Medium-Term Plan") in order to further evolve its profit structure it has built up to date and to achieve sustainable growth, and is working in accordance with the following policies.

1. Vision

Through "*shinka*", we will become a company that creates a richer lifestyle.

We will pursue sustainable management based on keywords of four types of "*shinka*".

- *Shinka* (真価) = Gain confidence and trust and become a company that is needed by society.
- *Shinka* (進化) = Accurately comprehend social issues and respond flexibly.
- *Shinka* (新化) = Boldly take on new challenges and initiatives.
- *Shinka* (深化) = Pursue overall optimization and pursue the truth.

2. Mission

We will become a helpful supporter of customers to support their lifestyle.

- Helpful = Being considerate in solving the customers' "problems".
- Lifestyle = Being able to cover the total lifestyle of customers.
- Supporter = Being a present that respects customers and is trusted by customers.

3. Value

We will always take action from the customer's perspective by emphasizing harmony between numbers and conditions.

- Always take action from the customer's perspective = Take action by giving utmost priority to the customer orientation as the basis of value.
- Emphasizing harmony between numbers and conditions = Build a sustainable business foundation by improving both numbers and conditions.

In addition, the Target Company has set the following four (4) priority measures; namely, (i) strengthening of sales capabilities, (ii) strengthening of sales bases, (iii) strengthening of cooperation with the Tender Offeror, and (iv) strengthening of sustainability, and is aiming to improve its corporate value by implementing these measures.

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The Tender Offeror and the Target Company have executed the Capital and Business Alliance Agreement in January 2017 as described above. The Capital and Business Alliance Agreement will realize synergies through the formation of a mutual cooperative relationship and improve the corporate values of the Tender Offeror and the Target Company since it is expected that both companies will mutually enjoy benefits such as the streamlining of operations, increase of net sales and reduction of costs in purchases, sales promotion and store management from the expansion of the management scale based on the business alliance of both companies, and regional complementarity is expected as a result of each company having a strong base and with few overlapping stores. Pursuant to the Capital and Business Alliance Agreement, the Tender Offeror acquired 12,567,700 shares (shareholding ratio (Note 2) at the time: 19.29%) of the Target Company Stock at a price of 550 yen per share through third-party allotment (issuance of new shares and disposal of treasury shares) of the Target Company, and consequently became the largest shareholder holding 13,081,137 shares (shareholding ratio (Note 2) at the time: 20.08%) of the Target Company Stock, including the 513,437 shares (shareholding ratio (Note 2) at the time: 0.79%) owned by its wholly owned subsidiary DCM Homac (merged with DCM Co., Ltd. on March 1, 2021), and the Target Company became its equity-method affiliate. On October 11, 2022, in order to strengthen the relationship between the two companies based on the Capital and Business Alliance Agreement, the Tender Offeror acquired 5,500,000 shares of the Target Company Stock from an asset management company through a negotiated transaction at a price of 1,300 yen per share, bringing its shareholding to 18,067,700 shares (shareholding ratio (Note 3) at the time: 30.28%) on a non-consolidated basis and 18,581,137 shares (shareholding ratio (Note 3) at the time: 31.14%) on a consolidated basis (i.e., including 513,437 shares (shareholding ratio (Note 3) at the time: 0.86%) held by its wholly owned subsidiary DCM Co., Ltd.).

(Note 2) Shareholding ratio (rounded to the second decimal place) relative to the number of shares (65,140,157 shares) obtained by adding the number of shares (12,567,700 shares), which were issued or disposed based on the third-party allocation of shares, to the number of shares (52,572,457 shares) obtained by deducting the number of treasury shares (6,903,827 shares) from the total number of issued shares (59,476,284 shares) of the Target Company as of November 30, 2016.

(Note 3) Shareholding ratio (rounded to the second decimal place) relative to the number of shares (59,676,329 shares) obtained by deducting the number of treasury shares (5,463,855 shares) from the total number of issued shares (65,140,184 shares) of the Target Company as of August 31, 2022.

Ever since the Tender Offeror and the Target Company executed the Capital and Business Alliance Agreement in January 2017, they have collaborated in various ways, mainly in the areas of products, logistics, and sales promotion. Specifically, the two companies have implemented joint purchasing by unifying suppliers, reduced purchasing costs by introducing common products, implemented joint marketing measures by unifying the private brands of both companies under the “DCM brand,” renovated stores for introducing a common store format, streamlined purchasing and logistics management, and established a joint logistics network. In addition to deepening exchanges by mutually dispatching officers and employees, the Tender Offeror Group and the Target Company have worked together to develop new store locations and properties by sharing various business management know-how of both companies, conducting research and taking other measures to effectively and flexibly open stores in favorable locations, and also adopting some of the best practices of both companies regarding store management, such as store layout and zoning, at the group stores to make

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them more attractive and efficient. Additionally, the know-how of both companies is utilized in the development of private brand products, leading to the development of products that are more attractive to consumers and environmentally friendly. The effects of these efforts have been realized in the form of improved top lines, lower cost of sales ratios, improved mark-up ratios and operating profit margins, and improved management efficiency by strengthening the product capabilities of the Tender Offeror Group and the Target Company. Going forward, both companies will continue to further strengthen collaboration among the foregoing initiatives, improve the efficiency of store operations through system unification, and create new collaborations in sales measures such as Omni-Channel Retailing (Note 4) and DX (Note 5), which will consequently lead to the increased profits for both companies.

(Note 4) Omni-Channel Retailing is a sales strategy that utilizes all sales channels such as physical stores, EC sites and social media to create contact points with customers and approach them.

(Note 5) DX (Digital Transformation) refers to the transformation of products, services, and business models based on the needs of customers and society by utilizing data and digital technology in response to drastic changes in the business environment, and to simultaneously transform the operations themselves, organizations, processes, and corporate culture and climate, and thereby establish a competitive advantage.

In Japan's economy, although restrictions on movement due to the effects of COVID-19 have been eased and economic activity is showing signs of normalcy, the future continues to remain uncertain due to soaring energy and raw material prices, and drastic exchange rate fluctuations.

The domestic retail industry is facing a severe business environment, including stagnation in consumer spending as consumers become more protective of their lives due to rising prices for electricity and daily necessities. In addition, competition beyond the boundaries of business categories is expected to become even more intense. In the home improvement store market, where the market size is not expected to expand, the number of stores is increasing and the size of stores is also increasing due to aggressive store openings, and competition is currently intensifying. Under the foregoing environment, the Tender Offeror Group considers that it is necessary to respond more quickly and effectively than ever to the changes in consumer behavior from "things" to "experience", changes in lifestyles after COVID-19, changes in the social environment such as the aging of society and population decline, and changes and evolution of digital technology in the Japanese economy, such as the expanded use of e-commerce and cashless payments. Consequently, based on the third medium-term management plan (covering the period from the fiscal year 2023 to the fiscal year 2025) formulated in April 11, 2023, the Tender Offeror Group is working on the following priority measures with the 2030 vision of "integrated business that comprehensively makes people's lives more comfortable."

(a) Store strategy centered on existing store reform

The Tender Offeror Group will promote a store strategy centered on existing store reforms by forming an in-house refurbishment team to clarify the role of each store based on its size, and strive to create more accessible and convenient stores.

(b) Further pursuit of low-cost operations

The Tender Offeror Group will work on low-cost operations by actively developing rational schemes and store tools and reducing and streamlining store through planogram reform,

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logistics reform, and DX promotion.

(c) Creation of original “BOPIS” (Note 6) style

The Tender Offeror Group will strive to improve the user-friendliness of customers by promoting seamless integration of physical stores and online businesses, building the Tender Offeror Group’s unique BOPIS style, and creating a new form of home improvement stores.

(Note 6) BOPIS (Buy Online Pick-up In Store) is a system that allows customers to pick up products purchased online, such as on e-commerce sites, at a physical store.

(d) Deepening the private brand product development system

The Tender Offeror Group will focus on developing products in areas with strong business characteristics (DIY, gardening, pet supplies, SDGs-related) and mid-priced products, expand the sales composition ratio of private brand products, and work to improve gross profit margins.

(e) Expansion of business fields through promotion of M&A

The Tender Offeror Group will aim to expand the location of store areas and the business scale of home improvement stores, as well as expand sales channels for private brand products. The Tender Offeror Group will also actively promote M&A through collaboration and co-creation with the aim of expanding business areas through cross-industrial collaboration and strengthening of functions in order to transform into an integrated business that comprehensively makes people’s lives more comfortable.

(f) Human capital management

The Tender Offeror Group will work to create a culture that respects individual values and an environment that fosters growth and self-actualization, as well as work to foster employees’ awareness of improving corporate value, such as by introducing an “ESOP (Employee Stock Ownership Plan) trust,” and promote “robust management.”

(g) Sustainability

The Tender Offeror Group will aim to become a value-creating company that realizes “comfortable living and housing” through DIY centered on the eight priority issues (materiality) of the SDGs, fulfill its social mission as a home improvement store, and build a management foundation that supports sustainable growth.

In order for the Tender Offeror Group and the Target Company to continuously increase their corporate value, the Tender Offeror believes that it is necessary to strengthen the relationship between the two companies more than ever, concentrate management resources, increase productivity, and make flexible decisions swiftly based on intuition.

Nevertheless, since the Target Company is an independent listed company and needs to conduct business operations in consideration of the interests of minority shareholders other than the Tender Offeror, the inability to share highly confidential information such as customer information and sales information between the Tender Offeror Group and the Target Company prevents the timely mutual utilization of customer bases and business resources. In addition, while utilizing such information in an organized manner, there are certain restrictions on the Tender Offeror Group and the Target Company as a whole to adopt an optimal and unified management strategy, rather than an optimal management strategy for each company of the Tender Offeror Group or the Target Company. Therefore, in mid-April

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2023, in order to enable the Tender Offeror Group and the Target Company to operate as a single entity, the Tender Offeror began considering the possibility of making the Target Company a wholly owned subsidiary of the Tender Offeror. In early May 2023, the Tender Offeror Group reached the conclusion that in order to enhance the corporate value of both companies, making the Target Company its wholly owned subsidiary is the best option, as it would enhance the productivity of the Target Company and the Tender Offeror Group by leveraging on the collective strength as a single group and enable more flexible and unified decision-making processes by eliminating restrictions on collaboration with the Target Company which already procures most of its products from the Tender Offeror Group through the Capital and Business Alliance Agreement and has implemented the Tender Offeror Group's store system. In addition, the Tender Offeror has determined in early May 2023 that conducting the Tender Offer is the most appropriate method of making the Target Company a wholly owned subsidiary because the consideration is in cash, which make it easy to understand; it provides the Target Company's shareholders with an opportunity to consider the Tender Offer based on the Target Company's statement of opinion regarding the Tender Offer; and it will not cause a dilution of the Tender Offeror's shares. The Tender Offeror believes the following synergies can be expected to be realized by making the Target company its wholly owned subsidiary. Although the Target Company will not be able to raise funds from the capital market as the Target Company will become an unlisted company through the Transaction, the Tender Offeror will remain as a listed company and can raise funds from the capital market, enabling the Target Company to raise funds through the Tender Offeror as a member of the Tender Offeror Group. The Target Company will be a wholly owned subsidiary of the Tender Offeror, which is a listed company, and therefore, the Tender Offeror believes that there will be no concerns regarding the Target Company's creditworthiness. In addition, although the Target Company will become an unlisted company, the Tender Offeror believes that there will be no concern that the Target Company's compliance system will be weakened as a result of becoming a wholly owned subsidiary of the Tender Offeror since the Tender Offeror is a listed company and the vast majority of the compliance governance requirements for listed companies will still apply to the Target Company as it will be subject to the robust compliance governance system of the Tender Offeror Group. Although the Target Company is already well known in the industry, the Tender Offeror believes that no particular disadvantages in recruiting personnel will arise as the Target Company will be able jointly conduct nationwide recruiting activities as a member of the Tender Offeror Group.

(a) Increase in sales and improvement in profit margin by unifying sales promotion activities and expanding sales of private brand products

Sales of the Tender Offeror's private brand "DCM Brand" products for the Tender Offer Group's fiscal year ended February 2023 were approximately 90.1 billion yen (101.7% of the previous fiscal year; ratio to total sales of approximately 26.2%), and the Tender Offeror considers that these products have been highly valued by its customers. The Tender Offeror intends to continue expanding the sales of private brand products and increase the sales ratio of private brand products to total sales to 35.0% in the fiscal year 2025 and 50.0 % in the fiscal year 2030.

Since entering into the Capital and Business Alliance Agreement with the Tender Offeror, the Target Company has promoted a switch from its traditional private brand "D2 Original" to the Tender Offeror's "DCM Brand". The Target Company's net loss of 4,316,000,000 yen in the fiscal year ended February 2016 turned positive since the fiscal year ended February 2017, reaching a net income of 3,694,000,000 yen in the most recent fiscal year ended February 2023, and the Target Company's earning power has

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significantly improved.

The Tender Offeror has been developing, producing, and planning the strategies for supplying private brand products that meet local needs, including those supplied to the Target Company's stores under the Capital and Business Alliance Agreement. In order to effectively increase the Tender Offeror's sales through the Target Company, it seems to make sense for the Tender Offeror to integrate the Target Company's marketing activities into the Tender Offeror's, but so long as the Target Company remains a listed company independent of the Tender Offeror, there are restrictions as to the extent that both companies could unify marketing efforts. After the Target Company becomes a wholly owned subsidiary of the Tender Offeror through this Transaction, both companies will be able to collectively manage customers' store card information and sales information at stores, thereby completely integrating marketing activities and optimizing marketing efforts at the national level and at the regional level. In particular, such integration of marketing activities will enable both companies to strengthen the marketing of the private brand products under the "DCM brand", by increasing the scale and frequency thereof. Through such collective marketing efforts, the Tender Offeror believes that it will be able to increase sales of private brand products and their sales ratio to total sales, thereby further improving total sales and profit margins of both companies.

(b) Improvement of product development capabilities

The Tender Offeror values "product development from the customer's perspective" and develops products while always considering "what is the value that customers really need?" The Tender Offeror's private brand products are of "satisfactory quality" and "reasonable pricing" by narrowing down the necessary functions according to the customer's TPOS (Time, Place, Occasion, Style). Ever since the Capital and Business Alliance Agreement, both companies have worked to develop products that meet the needs of customers and local communities by incorporating the know-how of private brand product development cultivated by each company. In addition, since each company has different areas of strength and there is little overlap in store locations, it has become possible to have contact with a wide range of customer bases, which enabled the more accurate comprehension of customer needs, and this has led to improved product development capabilities. Since the product development know-hows of both companies are highly confidential trade secrets that were cultivated through years of hard work at both companies, there was a limitation as to how open one company could be with one another about its product development know-hows under the current regime. The Tender Offeror believes that, once the Target Company becomes its wholly owned subsidiary, both companies will be able to completely share the know-hows with each other and integrate the product development functions of both companies. Furthermore, through the Transaction, the Tender Offeror Group will strengthen its relationship with the Target Company, promote cooperation between the two companies, and further improve its product development capabilities by combining the human resources, information, and know-hows in product development of both companies, thereby providing more attractive products for the customers.

(c) Profit improvement by leveraging economies of scale

The collaboration between the two companies through the Capital and Business Alliance Agreement have achieved results in the form of profit improvement through reduction of procurement costs and improvement of markups through joint purchasing of common products, reduction of advertising expenses, expanded effect of sales promotions through

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common use of flyers, and streamlining of logistics through joint delivery and mutual utilization of logistics centers. After the Transaction, the Tender Offeror believes that the two companies will be able to fully integrate these efforts, which will expand the scale of management, enable more efficient operations that take advantage of economies of scale and further cost reductions and rationalization, improving profits.

(d) Mutual utilization of management resources and know-how

The Tender Offeror possesses management resources such as its own logistics center in addition to its specialized know-how in developing sales floors for products for professionals, renovation and housing materials, and know-how in developing private brand products. Meanwhile, the Target Company is working to revitalize products and sales floors and expand the renovation business by strengthening its expertise in DIY, gardening, and pets, and by strengthening product proposals that match regional characteristics, and this area falls under the growth market targeted by the Tender Offeror in its medium-term management plan. Through the Transaction, the Tender Offeror believes that both companies will be able to combine the know-how and management resources of each business format, store development function, store management and operation, etc., and exchange the specialists (expert personnel) of both companies to create more attractive stores and realize more efficient and efficient store-opening, review store management and product lineups, and strengthen the profitability of both companies. As the recruitment of new graduates is expected to become more difficult in the future, the Tender Offeror and the Target Company can also jointly engage in recruitment activities and human resource development.

(e) Reduction of selling, general and administrative expenses

Through the Transaction, the Tender Offeror believes that both companies will be able to reduce selling, general and administrative expenses, including logistics costs through warehouse sharing and joint delivery, equipment costs through the joint procurement of fixtures and equipment, labor costs through integration of tasks and sharing of human resources, transaction costs such as franchise fees, system IT related costs, facility management and real estate management costs, and human resource training related costs through sharing of other operations and mutual utilization of human resources. Additionally, the Target Company can expect reductions in various listing-related expenses after the Target Company becomes an unlisted company.

(f) Streamlining and coordination of sales measures through system development and integration

Currently, both companies have their own systems and are investing in DX separately, but after the Transaction, since there will no longer be any restriction in the sharing of information, the Tender Offeror believes that it will be possible to pull both companies' human resources together to develop systems and further accelerate development and integration. In such a case, it will be possible to intensively proceed with optimal system development for both companies in one place upon clarifying the issues of both companies and it will also be possible to realize the reduction of costs such as system development costs and maintenance costs.

By promoting DX together, it will be possible to reduce the total working hours of store staff of the Target Company and improve the profitability at each store. In addition,

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through system integration, by eliminating differences in store operations between the two companies, exchanges between the two companies will become seamless, and it will be possible to create synergies in a short period of time by accelerating the integration process, which is expected to require much more time under normal circumstances.

From the perspective of Omni-Channel Retailing development, by introducing BOPIS, which enables the receipt of the Target Company's products at the Tender Offeror's stores, to the Target Company's stores, the store network will expand mainly in the Kanto region, and it will be possible to win new customers and improve the user-friendliness of customers.

Smoother DX promotion can also be expected by collaborating and utilizing the human resources and know-how of both companies in efforts such as store and headquarters business reforms, development of sales floor guidance tools, and initiatives for digital marketing measures.

Against this backdrop, in late May 2023, the Tender Offeror appointed SMBC Nikko Securities Inc. ("SMBC Nikko Securities") as its financial advisor and third-party valuation agent independent of the Tender Offeror and the Target Company, and Sato Sogo Law Office as its legal advisor, and began specific discussions regarding the Transaction. On June 9, 2023, the Tender Offeror approached the Target Company with a proposal to make the Target Company a wholly owned subsidiary through a tender offer, and on the same day, received a response from the Target Company stating that it would proceed to discuss the matter with the Tender Offeror. Subsequently, in light of the progress of the due diligence on the Target Company conducted from mid-July 2023 to late August 2023, on August 14, 2023, the Tender Offeror submitted an initial letter of intent regarding the Transaction (the "Letter of Intent"), laying out its basic expectations for the Transaction, including the fact that Target Company will become a wholly owned subsidiary of the Tender Offeror through the Transaction, the management strategy after the Transaction, the anticipated schedule, and the expected purchase price of the Target Company Stock in the Tender Offer (the "Tender Offer Price") of 1,100 yen per share (which reflects premiums of 27.46% (being rounded to the second decimal place; hereinafter the same shall apply with respect to the calculation of premiums unless provided otherwise) over the closing price of 863 yen on August 10, 2023, the business day immediately preceding the date of the Letter of Intent; 29.56% over the simple average closing price of 849 yen (being rounded to the nearest whole number; hereinafter the same shall apply with respect to the simple average closing price unless provided otherwise) for the past one month up to said date; 33.17% over the simple average closing price of 826 yen for the past three months up to said date; and 32.05% over the simple average closing price of 833 yen for the past six months up to said date).

Upon receiving the Letter of Intent from the Tender Offeror on August 14, 2023 and in response thereto, on August 15, 2023, the Target Company commenced discussions with the Tender Offeror and appointed Citi Yuwa Partners as its legal advisor and PwC Advisory LLC ("PwC Advisory") as its financial advisor and its third-party valuation agent, each independent of the Target Company and the Tender Offeror Group, to assess the pros and cons of the Transaction and to negotiate with the Tender Offeror. Subsequently, on the same day, the Target Company replied to the Tender Offeror Group through PwC Advisory to the effect that it would commence consideration of the Letter of Intent

Since the submission of the Letter of Intent on August 14, 2023, the Tender Offeror has held several rounds of discussions and negotiations with the Target Company, including the

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Special Committee (as defined in “(ii) Decision-making process and reasons that led to the Target Company agreeing to the Tender Offer” below) established by the Target Company, regarding the overview of the Tender Offer, including the purpose of the Transaction described in the Letter of Intent, influence that the Transaction will have on the Target Company, details of the management policy after the Transaction described in the Letter of Intent. Specifically on August 21, 2023, the Tender Offeror held several question-and-answer (“Q&A”) sessions and explained to the Special Committee that there are synergies expected to be created by the Transaction (as described in (a) through (f) above), that no significant change to the Target Company’s management structure after the Transaction is expected (for the details of the management policy of the Target Company after the Transaction as currently envisioned by the Tender Offeror, please see “(iii) Management policy after the Tender Offer” below), that the Tender Offeror will respect the Target Company’s corporate culture, that there are no specific concerns to be anticipated from the delisting of the Target Company, and that the minimum number of shares to be purchased is planned to be a number of shares which will make the number of voting rights of the Target Company held by the Tender Offeror two-thirds of the Target Company’s shares, ensuring the majority of minority condition to be fulfilled as a measure to confirm fairness. The Special Committee explained that it will continue to consider the Transaction. Thereafter, the Tender Offeror commenced discussions and negotiations with the Target Company, including the Special Committee, concerning the Tender Offer Price. With regard to the Tender Offer Price, on August 30, 2023, the Tender Offeror received a written request jointly signed by the Target Company and the Special Committee stating that, in light of the fact that the Tender Offeror is the largest shareholder of the Target Company, owning approximately 30% of the Target Company, and that the Transaction involves structural conflicts of interest, the Target Company believes that it is necessary to consider the interests of the minority shareholders of the Target Company as much as possible, and that a higher tender offer price should be considered after taking into consideration the opinions of the Special Committee and the advice of the Target Company’s advisors. In response to this written request, on August 31, 2023, the Tender Offeror proposed a revised Tender Offer Price of 1,200 yen per share (which reflects premiums of 42.86% over the closing price of 840 yen on August 30, 2023, the business day immediately preceding the date of the response; 40.85% over the simple average closing price of 852 yen for the past one month up to said date; 44.06% over the simple average closing price of 833 yen for the past three months up to said date; and 44.40 % over the simple average closing price of 831 yen for the past six months up to said date) after carefully consider the following factors: (i) the Tender Offeror’s ownership ratio of the votes after the completion of settlement of the Tender Offer is expected to exceed 66.6%; and (ii) the Tender Offeror has considered the content and result of the due diligence on the Target Company conducted from mid-July 2023 to late August 2023 and the share value analysis as a whole when determining the Tender Offer Price. On September 11, 2023, the Tender Offeror received a written request jointly signed by the Target Company and the Special Committee to the effect of requesting the presentation of a higher price for the Tender Offer Price as a result of careful consideration in light of the opinions of the Special Committee and the advice from the Target Company’s advisors since it is necessary to give utmost consideration to the interests of the Target Company’s minority shareholders. In response, on September 12, 2023, the Tender Offeror proposed a revised Tender Offer Price of 1,250 yen per share (which reflects premiums of 42.21% over the closing price of 879 yen on September 11, 2023, the business day immediately preceding the date of proposal; 45.35% over the simple average closing price of 860 yen for the past one month up to said date; 48.46% over the simple average closing price of 842 yen for the past three months up to said date; and 50.24% over the simple average closing price of 832 yen for the past six months up to said date) as a result of once again comprehensively considering the result of the due diligence on the Target Company conducted from mid-July

2023 to late August 2023 and the stock value analysis. On September 14, 2023, the Tender Offeror received a written request jointly signed by the Target Company and the Special Committee to the effect of requesting the presentation of a higher price for the Tender Offer Price as a result of careful consideration in light of the opinions of the Special Committee and the advice from the Target Company's advisors since it is necessary to give utmost consideration to the interests of the Target Company's minority shareholders. In response, on September 21, 2023, the Tender Offeror proposed to the Target Company a revised Tender Offer Price of 1,300 yen per share (which reflects premiums of 52.05% over the closing price of 855 yen on September 20, 2023, the business day immediately preceding the date of proposal; 50.12% over the simple average closing price of 866 yen for the past one month up to said date; 53.48% over the simple average closing price of 847 yen for the past three months up to said date; and 55.69% over the simple average closing price of 835 yen for the past six months up to said date) as a result of once again comprehensively considering the result of the due diligence on the Target Company conducted from mid-July 2023 to late August 2023 and the stock value analysis. On September 22, 2023, the Tender Offeror received a written request jointly signed by the Target Company and the Special Committee to the effect of requesting that the Tender Offer Price be set at 1,340 yen per share as a result of careful consideration in light of the opinions of the Special Committee and the advice from the Target Company's advisors since it is necessary to give utmost consideration to the interests of the Target Company's minority shareholders. In response, on September 27, 2023, the Tender Offeror replied to the Target Company that the Tender Offer Price of 1,300 yen per share reflects an increase of 200 yen per share from the price proposed in the Letter of Intent dated August 14, 2023, and that it was difficult to further increase the Tender Offer Price from 1,300 yen per share. On the same day, the Tender Offeror received a written request jointly signed by the Target Company and the Special Committee to the effect of requesting that the Tender Offer Price be set at 1,310 yen per share from the viewpoint of further consideration for the interests of the Target Company's minority shareholders. In response, on September 28, 2023, the Tender Offeror replied that even after the Tender Offeror again carefully discussed to respect the opinions of the Target Company and the Special Committee to the maximum extent, it remained difficult to further increase the Tender Offer Price from 1,300 yen per share. On the same day, the Tender Offeror received a written response jointly signed by the Target Company and the Special Committee that after careful consideration based on the opinions of the Special Committee and the advice from the Target Company's advisors, they accept the Tender Offeror's proposal and informally agree to set the Tender Offer Price at 1,300 yen per share on the assumption that the final decision will be made by a resolution of the board of directors of the Target Company to be held on September 29, 2023.

In light of the foregoing discussions and negotiations with the Target Company and the Special Committee, the Tender Offeror resolved in its board of directors' meeting held today to set the Tender Offer Price to 1,300 yen per share, and implement the Tender Offer.

(ii) Decision-making process and reasons that led to the Target Company agreeing to the Tender Offer

As described in "(i) Background, purpose and decision-making process leading to the Tender Offeror's decision to implement the Tender Offer" above, upon receipt of the Letter of Intent from the Tender Offeror on August 14, 2023, the Target Company appointed City-Yuwa Partners as its legal advisor and PwC Advisory as its financial advisor and its third-party valuation agent, each independent of the Target Company and the Tender Offeror, on August 15, 2023 in order to commence discussions with the Tender Offeror, and to consider and negotiate the Transaction with the Tender Offeror, including the pros and cons of its

implementation.

Furthermore, based on the advice of City-Yuwa Partners, in order to ensure the fairness throughout the entire process of considerations and determinations on the appropriateness of the Transaction and adequacy of the conditions thereof, in light of the fact that the Transaction corresponds to the acquisition of an equity-method affiliate by the Target Company's major and largest shareholder, and there is a structural conflict of interest between the Tender Offeror and the Target Company or the Target Company's other shareholders, the Target Company established a system for engaging in discussions and negotiations related to the Transaction by forming a special committee on the same day to promptly engage in deliberations and negotiations concerning the Transaction from the perspective of enhancing the Target Company's corporate value and securing the interests of the Target Company's shareholders in general independently of the Tender Offeror (such special committee, the "Special Committee"). For the composition of the Special Committee and its specific activities, see "(ii) Establishment of a Special Committee independent of the Target Company and acquisition of a report from the Special Committee" under "(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" below.

Under the system described above, since late August 2023, the Target Company has engaged in multiple discussions and negotiations with the Tender Offeror concerning the overview of the Tender Offer, including the purpose of the Transaction described in the Letter of Intent, influence that the Transaction will have on the Target Company, details of the management policy after the Transaction, and terms and conditions of the Tender Offer Price based on the negotiation policy confirmed in advance by the Special Committee and the opinions, instructions and requests from the Special Committee at critical moments, while receiving the advice of City-Yuwa Partners and PwC Advisory. Specifically, on August 21, 2023, the Target Company interviewed the Tender Offeror through the Special Committee, confirmed the background on considerations up to proposing the Transaction, details of policies anticipated after the Transaction, pros and cons anticipated from the Transaction, and other details and levels of impact. During the interview, the Target Company held several Q&A sessions and the Tender Offeror explained that there are synergies expected to be created by the Transaction (as described in (a) through (f) under "(i) Background, purpose and decision-making process leading to the Tender Offeror's decision to implement the Tender Offer" above), that no significant change to the Target Company's management structure after the Transaction is expected, that the Tender Offeror will respect the Target Company's corporate culture, that there are no specific concerns to be anticipated from the delisting of the Target Company, and that the minimum number of shares to be purchased is planned to be a number of shares which will make the number of voting rights of the Target Company held by the Tender Offeror two-thirds of the Target Company's shares, ensuring the majority of minority condition to be fulfilled as a measure to confirm fairness. The Special Committee explained that it will continue to consider the Transaction. The Target Company then engaged in discussions and considerations regarding whether or not the Transaction will contribute to improving the Target Company's corporate value. Thereafter, from late August 2023, the Target Company commenced discussions and negotiations with the Tender Offeror concerning the Tender Offer Price. The Target Company received the Letter of Intent from the Tender Offeror on August 14, 2023 which assumed the Tender Offer Price at the time to be at least 1,100 yen per share. Subsequently, on August 30, 2023, as a result of carefully considering the opinions of the Special Committee and the advice of the Target Company's advisors, the Target Company provided its written request jointly signed by the Target Company and the Special Committee to the Tender Offeror requesting that the Tender Offer Price be increased in light

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of the results of PwC Advisory's estimate of the value of the Target Company's shares and the level of premium ratios in recent cases of privatizations of listed companies that are equity method affiliates, the Special Committee's opinion that it is appropriate to request the Tender Offeror to offer a higher tender offer price and the advice of the Target Company's advisors, and in light of the fact that the Tender Offeror is the largest shareholder of the Target Company, owning approximately 30% of the Target Company, and that the Transaction involves structural conflicts of interest, and it is necessary to consider the interests of the minority shareholders of the Target Company as much as possible. In response, on August 31, 2023, the Tender Offeror made a written proposal addressed to the Target Company that the Tender Offer Price be increased to 1,200 yen per share. Nevertheless, based on the same reasons as those described above, the Target Company determined that it would be appropriate to once again request a higher Tender Offer Price, and submitted a written request jointly signed by the Target Company and the Special Committee to the Tender Offeror on September 11, 2023 for requesting the presentation of a higher Tender Offer Price. Thereafter, on September 12, 2023, the Tender Offeror made a written proposal addressed to the Target Company that the Tender Offer Price be increased to 1,250 yen per share. Nevertheless, the Target Company determined that it would be appropriate to request a further increase in the Tender Offer Price in light of the standards of the premium levels in the privatization cases of listed companies, which are equity method affiliates in recent years, which are similar to the present case, and, on September 14, 2023, once again submitted a written request jointly signed by the Target Company and the Special Committee to the Tender Offeror requesting the presentation of a higher Tender Offer Price. In response, on September 21, 2023, the Tender Offeror made a written proposal addressed to the Target Company that the Tender Offer Price be increased to 1,300 yen per share as a result of comprehensively considering the result of the due diligence on the Target Company conducted from mid-July 2023 to late August 2023 and the stock value analysis. Nevertheless, the Target Company determined that it would be appropriate to request a further increase in the Tender Offer Price after giving consideration to the interests of the Target Company's minority shareholders, the results of PwC Advisory's estimate of the value of the Target Company's shares and the standards of the premium levels in the privatization cases of listed companies, which are equity method affiliates in recent years, which are similar to the present case, and, on September 22, 2023, once again submitted a written request jointly signed by the Target Company and the Special Committee to the Tender Offeror requesting that the Tender Offer Price be set at 1,340 yen per share, explaining that the Target Company needs to give utmost consideration to the interests of the Target Company's minority shareholders and the request has been made after careful consideration of the opinions of the Special Committee and the advice from the Target Company's advisors. In response, on September 27, 2023, the Tender Offeror replied to the Target Company that, as a final consideration, the Tender Offer Price of 1,300 yen per share reflects an increase of 200 yen per share from the price proposed in the Letter of Intent dated August 14, 2023, and that it was difficult to further increase the Tender Offer Price from 1,300 yen per share. On the same day, the the Target Company and the Special Committee submitted a written request jointly signed by both parties to the Tender Offeror to the effect of requesting that the Tender Offer Price be set at 1,310 yen per share from the viewpoint of further consideration for the interests of the Target Company's minority shareholders. In response, on September 28, 2023, the Tender Offeror replied that even after the Tender Offeror again carefully discussed to respect the opinions of the Target Company and the Special Committee to the maximum extent, it remained difficult to further increase the Tender Offer Price from 1,300 yen per share. In response, given the fact that the Target Company and the Special Committee have made five (5) requests to increase the Tender Offer Price so far, the Target Company and the Special Committee determined that the negotiations have been fully exhausted, and submitted a written response jointly signed by both parties to

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the Tender Offeror stating that after careful consideration based on the opinions of the Special Committee and the advice from the Target Company's advisors, they accept the Tender Offeror's proposal and informally agree to set the Tender Offer Price at 1,300 yen per share on the assumption that the final decision will be made by a resolution of the board of directors of the Target Company to be held on September 29, 2023.

Based on the foregoing discussions and negotiations with the Tender Offeror, the Target Company and the Tender Offeror reached an agreement for setting the Tender Offer Price to 1,300 yen on September 28, 2023.

In the course of the foregoing considerations and negotiations, the Special Committee received reports as needed from the Target Company and PwC Advisory as the Target Company's financial advisor and third-party valuation agent concerning the evaluation of the share value, confirmed matters and offered opinions. Specifically, as described in "(ii) Establishment of a Special Committee independent of the Target Company and acquisition of a report from the Special Committee" and "(iv) Acquisition of a stock valuation report from a third-party valuation agent independent of the Target Company" under "(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" below, the Target Company has received the confirmation and approval of the Special Committee concerning the rationality of the contents, important preconditions and preparation process of the business plan from the term ending February 2024 to the term ending February 2028 prepared by the Target Company (the "Business Plan"), which was prepared based on several assumptions including the assumption that the Target Company's sales will not reach the target value stated in the Medium-Term Plan announced by the Target Company on April 11, 2023, but that profit margin will remain at the same level. Moreover, in negotiating with the Tender Offeror, the Target Company is taking measures according to the negotiation policy deliberated and determined by the Special Committee, and the Target Company is immediately reporting to the Special Committee each time that it receives a proposal from the Tender Offeror on the Tender Offer Price, and has heretofore taken measures according to the opinions, instructions and requests from the Special Committee.

The Target Company has received the submission of a written report dated September 28, 2023 (the "Report") from the Special Committee (for an overview of the Report, see "(ii) Establishment of a Special Committee independent of the Target Company and acquisition of a report from the Special Committee" under "(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" below).

Subsequently, in light of the financial advice received from PwC Advisory and the stock valuation report on the Target Company Stock submitted on September 28, 2023 (the "Target Company Stock Valuation Report"), and the legal advice received from City-Yuwa Partners, the Target Company carefully considering the appropriateness of the Transaction, including the Tender Offer, and the adequacy of the terms and conditions of the Transaction, including the Tender Offer Price, while fully respecting the opinions of the Special Committee.

Consequently, the Target Company reached a conclusion that it is essential to build a more in-depth collaborative partnership with the Tender Offeror through the Transaction despite the concern of a potential conflict of interest between the Tender Offeror and the Target Company's general shareholders. Since the Target Company will be able to leverage management the Tender Offeror's procurement networks, human resources, know-how,

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logistic networks and other management resources by becoming the Tender Offeror's wholly owned subsidiary on September 28, 2023, the Target Company determined that becoming the Tender Offeror's wholly owned subsidiary will contribute to improving the Target Company's corporate value.

The Target Company is expecting the following synergies through the Transaction.

(a) Improvement of profitability

The Target Company believes that, by integrating the product development capabilities of the Target Company and the Tender Offeror through further personnel exchanges and the like, it will be possible to enhance the lineup of highly profitable private brand products, and increase the net sales composition ratio of the private brand products in the Target Company. Furthermore, while the Target Company is also currently engaged in some of these measures, it is anticipated that the Target Company's profitability can be improved through the reduction of procurement costs through the joint purchase of products, reduction of logistic costs through warehouse sharing and joint delivery, reduction of labor hours through alleviation of the operational burden of the HQ management division, and streamlining of operations through mutual utilization of human resources.

(b) Organic utilization of resources of both companies to improve operational efficiency and disseminate know-how

The Target Company believes that operations can be streamlined through the streamlining of logistics and delivery to the stores of both companies located throughout Japan and the integration of systems of the store operations of both companies. Furthermore, flexible store management will become possible by creating a system that allows stores to complement each other through the dispatch and exchange of personnel between adjacent stores. In addition, it is expected that, in addition to receiving know-how in store management through personnel exchanges between stores, the Target Company will be able to further expand services such as the renovation business that the Target Company is currently implementing.

(c) Promotion of Omni-Channel Retailing and DX

By jointly using the online shopping platform owned by the Tender Offeror, it will be possible to increase the sales volume of the Target Company's products and enable customers who have purchased the Tender Offeror's products to pick up the products at the Target Company's stores. By doing so, the Target Company will be able to improve customer convenience and satisfaction. In addition, although it is expected that DX will be a huge cost burden for the Target Company on its own, through the joint use described above it will be possible to introduce DX at a low cost and it is expected that the Target Company will also be able to receive know-how related to the development of DX.

In general, the disadvantages of delisting include the inability to raise funds through equity financing from the capital markets and the loss of the benefits of being a publicly listed company, such as increased name recognition and social credibility. However, the Target Company believes that it will be able to secure the necessary funds in light of the fact that, in terms of capital, the Tender Offeror can provide support and, in terms of liabilities, the Target Company will become a wholly owned subsidiary of the Tender Offeror and is expected to raise

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funds mainly through the Tender Offeror Group's financing in the future. In addition, the Target Company's name recognition, brand power, and social credibility, which are important for the Target Company in terms of recruiting human resources, are largely acquired and maintained through its business activities and can be realized through diligent business execution even after the Transaction. Therefore, the Target Company believes that the impact of the delisting on the Target Company will be limited.

Furthermore, the Target Company determined that the Tender Offer will provide the Target Company's shareholders an opportunity to sell their Target Company Stock at a price added with a reasonable premium because (i) the Tender Offer Price exceeds the upper limit of the range of the calculation results based on the market price analysis and comparable company analysis and falls within the range of the calculation results based on the Discounted Cash Flow Analysis (the "DCF Analysis") among the results of the calculation of the share value of the Target Company Stock performed by PwC Advisory; (ii) the Tender Offer Price has been added with a premium of 56.63% relative to the closing price (830 yen) of the Target Company Stock on September 28, 2023, which is the business day preceding the date of announcement of the Tender Offer, on the Prime Market of the Tokyo Stock Exchange, a premium of 50.64% relative to the simple average closing price (863 yen) for the past one (1) month (August 29, 2023 to September 28, 2023) up to September 28, 2023, a premium of 52.94% relative to the simple average closing price (850 yen) for the past three (3) months (June 29, 2023 to September 28, 2023) up to September 28, 2023, and a premium of 55.50% relative to the simple average closing price (836 yen) for the past six (6) months (March 29, 2023 to September 28, 2023) up to September 28, 2023, respectively. In addition, while the foregoing premium levels relative to the simple average closing price for the past one (1) month, the past three (3) months and the past six (6) months up to September 28, 2023, the business day preceding the date of announcement of the Tender Offer, are slightly lower in comparison to the average premium levels seen in 11 other tender offer cases (i.e., 44.60% over the closing price on the business day preceding the announcement date, 51.71% over the simple average closing price for the most recent one (1) month, 57.30% over the simple average closing price for the most recent three (3) months and 56.88% over the simple average closing price for the most recent six (6) months) of a controlling shareholder making a listed equity-method affiliate its wholly owned subsidiary conducted during the period from June 28, 2019, the date of the announcement of "Guidelines on the Fair M&A Practices" by the Ministry of Economy, Trade and Industry (the "M&A Guidelines"), to September 28, 2023, the Target Company considers the foregoing premium levels to be reasonable as the foregoing premium level to the closing price on the business day preceding the date of announcement of the Tender Offer exceeds the same seen in 11 other tender offer cases; (iii) in deciding the Tender Offer Price, measures for ensuring the fairness of the Tender Offer Price and measures for avoiding conflicts of interest described in "(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" below have been taken, and it is acknowledged that consideration has been given to the interests of minority shareholders; (iv) the Tender Offer Price has been decided upon the Target Company and the Tender Offeror engaging in discussions and negotiations multiple times upon the foregoing measures being taken; (v) in deciding the Tender Offer Price, the Target Company reported to the Special Committee, in a timely manner, on the progress and details of discussions and negotiations related to the Transaction between the Target Company and the Tender Offeror and held the Special Committee and discussed the policies on discussions and negotiations, the Special Committee expressed its opinions at the crucial moments of discussions and negotiations, and the Target Company engaged in the discussions and negotiations with the Tender Offeror by fully respecting the opinions, instructions and requests of the Special Committee, and the Target Company received the final proposal of

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1,300 yen from the Tender Offeror as a result of the Special Committee becoming substantially involved in the negotiation process with the Tender Offeror; and (vi) the Transaction has been determined as not being detrimental to the Target Company's minority shareholders even in the Report acquired from the Special Committee.

Based on the foregoing background, the Target Company, in its board of directors' meeting held today, determined that the Transaction including the Tender Offer can realize the synergies of (a) to (c) above through its implementation, will therefore contribute to improving the Target Company's corporate value, the terms and conditions of the Transaction including the Tender Offer Price are adequate, and the Tender Offer will provide the Target Company's shareholders an opportunity to sell their Target Company Stock at a price added with a reasonable premium, thereby expressed its opinion of agreeing to the Tender Offer, and recommended the Target Company's shareholders to tender their shares in the Tender Offer.

(iii) Management policy after the Tender Offer

Even after making the Target Company its wholly owned subsidiary through the Transaction, the Tender Offeror will continue to maintain all agreements executed between the two companies, including the Capital and Business Alliance Agreement. The management policy after becoming a wholly owned subsidiary, including the composition of the board of directors, etc., will be determined through consultation with the Target Company. Currently, the Tender Offeror has not made any specific determination or assumption as to changes to the management policies, management structure and businesses of the Target Company after the Tender Offeror makes the Target Company its wholly owned subsidiary.

The Tender Offeror has grown by gathering like-minded home improvement stores and integrating and innovating its business foundation. After the Transaction, based on these experiences and know-how, the Tender Offeror intends to understand the competitive advantage of the Target Company's business, respect the Target Company's corporate culture, and evolve together with the Target Company.

(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest

As of today, while the Target Company is not a subsidiary of the Tender Offeror and the Tender Offer does not correspond to a tender offer by a controlling shareholder, in light of the following facts; namely, (i) the Target Company is the Tender Offeror's equity-method affiliate, (ii) two (2) of the ten (10) directors of the Target Company are concurrently serving as the directors of the Tender Offeror, and (iii) if the Tender Offeror becomes the Target Company's controlling shareholder after the Tender Offer is completed, the transaction for causing the Target Company to become the Tender Offeror's wholly owned subsidiary, which is scheduled after the Tender Offer is completed (see "(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called "two-step acquisition")" below), will correspond to the "important transaction with the controlling shareholder" prescribed in the Code of Conduct of the Tokyo Stock Exchange, and the Transaction will be conducted as a series of the foregoing transactions, the Tender Offeror and the Target Company have taken the following measures from the perspective of ensuring the fairness of the Tender Offer, eliminating arbitrariness of the Target Company's decision-making regarding the Transaction, ensuring the fairness, transparency and objectivity of the Target Company's decision-making process, and avoiding any suspicion of conflicts of interest from the stage of the Tender Offer.

(i) Acquisition of a stock valuation report from a third-party valuation agent that is independent of the Tender Offeror

In determining the Tender Offer Price, the Tender Offeror requested SMBC Nikko Securities, a financial advisor to the Tender Offeror, to calculate the equity value of the Target Company Stock as a third-party valuation agent independent of the Tender Offeror and the Target Company. SMBC Nikko Securities is a member of the SMBC group of companies, the same as Sumitomo Mitsui Banking Corporation. Sumitomo Mitsui Banking Corporation has the status of a shareholder of the Tender Offeror and plans to lend the Tender Offeror the funds for the settlement of the Tender Offer, and also conducts loan transactions, etc. with the Tender Offeror and the Target Company as part of its normal banking transactions. However, in light of SMBC Nikko Securities' track record as a calculation agent, the Tender Offeror has considered the following measures and factors and determined to appoint SMBC Nikko Securities as its third-party valuation agent: (i) prescribed information blocking measures have been taken between the department of SMBC Nikko Securities that conducts the valuation of the Target Company Stock and other departments of SMBC Nikko Securities; (ii) appropriate conflict-of-interest management system, including information blocking measures, has also been established between SMBC Nikko Securities and Sumitomo Mitsui Banking Corporation; (iii) when performing its duties as financial advisor and third-party valuation agent, SMBC Nikko Securities' independence is ensured as the Tender Offeror and SMBC Nikko Securities conduct transactions under the same terms and conditions as arm's-length transactions; and (iv) SMBC Nikko Securities is not a related party of either the Tender Offeror or the Target Company, creating no particular issues when evaluating the equity value of the Target Company Stock at the request of the Tender Offeror.

SMBC Nikko Securities considered the calculation method to be adopted for calculating the share value of the Target Company Stock among multiple share value calculation methods, and, since the Target Company is listed on the Prime Market of the Tokyo Stock Exchange and has a market stock price, estimation of the share value is possible based on market price analysis and comparable company analysis. Thus, the share value of the Target Company Stock was calculated using the comparable company analysis and the DCF Analysis so as to reflect in the evaluation the status of future business activities, and the Tender Offeror obtained the stock valuation report concerning the share value of the Target Company Stock (the "Stock Valuation Report") from SMBC Nikko Securities on September 28, 2023. The Tender Offeror has not obtained a fairness opinion of the Tender Offer Price from SMBC Nikko Securities because the Tender Offeror believes that the interests of minority shareholders of the Target Company have been fully considered through the implementation of the measures set forth in "(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" herein.

For an overview of the Stock Valuation Report that the Tender Offeror acquired from SMBC Nikko Securities, see "(i) Basis of calculation" and "(ii) Background of calculation" of "(4) Basis of Calculation of Purchase Price and Related Information" under "2. Overview of Purchase and Related Transactions" below.

(ii) Establishment of a Special Committee independent of the Target Company and acquisition of a written report from the Special Committee

For the purpose of eliminating arbitrariness of the Target Company's decision-making regarding the Transaction and ensuring the fairness, transparency and objectivity of the decision-making process, the Target Company established, based on a resolution of the Target Company's board of directors' meeting held on August 15, 2023, the Special Committee which

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is independent of the Tender Offeror and the Target Company and composed of members including outside experts (three (3) persons including Tsutomu Chinone who is the Target Company's outside director (audit and supervisory committee member) and independent officer, Kazumi Yoshida (attorney) who is the Target Company's outside director (audit and supervisory committee member) and independent officer, and Yoshiyuki Wada (certified public accountant, representative director of KIC Co., Ltd.) who is an outside expert). The Target Company has had these three (3) persons as the members of the Special Committee from the beginning, and has never replaced the members of the Special Committee. Furthermore, Tsutomu Chinone as the Target Company's outside director (audit and supervisory committee member) and independent officer has assumed the position of the chairperson of the Special Committee through the mutual election of members of the Special Committee. While Tsutomu Chinone previously worked for JOYO BANK, Ltd., a major shareholder of the Target Company (the sixth largest shareholder of the Target Company as of February 28, 2023 according to the Annual Securities Report for the fiscal year ended February 2023 of the Target Company), he resigned from his position as the representative director of Joyo Industrial Research Institute Ltd., a wholly owned subsidiary of JOYO BANK, Ltd., in June 2020, and thereafter has not been an officer or an employee of JOYO BANK, Ltd. or its wholly owned subsidiary to date, nor is he in a position or relationship of receiving instructions from these companies. Thus, it has been determined that the fact that Tsutomu Chinone previously worked for JOYO BANK, Ltd. does not correspond to circumstances that would deny his independence as a member of the Special Committee. In addition, the Target Company is currently requesting Yoshiyuki Wada to serve as an outside expert based on his extensive experience as a certified public accountant in transactions which are similar to the Transaction. The compensation of members of the Special Committee is only a fixed fee that will be paid regardless of the success or failure of the Transaction, and does not include any success fee that is conditional on the announcement or completion of the Transaction.

Based on the foregoing resolution of the board of directors' meeting, the Target Company has requested the Special Committee to advise on the following matters: (i) legitimacy and rationality of the purpose of the Transaction (including whether the Transaction will contribute to improving the Target Company's corporate value), (ii) fairness of the conditions of the Transaction (including the Tender Offer Price in the Tender Offer), (iii) fairness of the negotiation process and decision-making procedures regarding the Transaction, (iv) whether the Transaction (including the Target Company expressing its opinion in favor of the Tender Offer and recommending the Target Company's shareholders to tender their shares in the Tender Offer, and other decisions related to the procedures of the Transaction to be taken by the Target Company) is detrimental to the Target Company's minority shareholders, and, (v) in light of (i) to (iv) above, appropriateness of the Target Company's board of directors expressing its opinion in favor of the Tender Offer, and recommending the Target Company's shareholders to tender their shares in the Tender Offer ((i) to (v) above are hereinafter collectively referred to as the "Matters to be Advised"), and submit a written report on these Matters to be Advised to the Target Company's board of directors.

Furthermore, in the foregoing board of directors' meeting, the Target Company resolved to fully respect the Special Committee's report on the Matters to be Advised, in light of the purpose that the Special Committee was established, in the Target Company's board of directors' meeting for deliberating the details of its position statement concerning the Tender Offer, and, if the Special Committee determines that the conditions of the Transaction are inappropriate, the Target Company's board of directors will not support the Tender Offer. In addition, based on the foregoing resolution of the board of directors' meeting, the Target Company has granted the Special Committee (a) the authority to conduct negotiations with

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the Tender Offeror on its own, and, even when the Target Company's in-house personnel or advisors are to conduct negotiations with the Tender Offeror, the authority to substantially influence the negotiation process of the conditions of the Transaction by receiving reports in a timely manner, and expressing opinions, giving instructions and making requests at critical moments, (b) authority to appoint outside advisors (financial advisor, third-party valuation agent, legal advisor, etc.) on its own as needed (costs required in such case will be borne by the Target Company), or nominate or approve (including subsequent approval) the outside advisors appointed by the Target Company, and (c) authority to request the Target Company's officers and employees as well as outside advisors to collect any and all information required for advising on the Matters to be Advised. Based on the authority granted in (b) above, the Special Committee, in its first meeting held on August 15, 2023, confirmed that there is no problem concerning the independence and expertise of the outside advisors appointed by the Target Company, and approved the appointment of City-Yuwa Partners as the legal advisor and PwC Advisory as the financial advisor.

The Special Committee held a total of ten (10) meetings from August 15, 2023 to September 28, 2023, and also expressed opinions, exchanged information and gathered information through email and other methods outside of the meetings, and engaged in discussions as needed to carefully consider the Matters to be Advised. Specifically, the Special Committee received explanations from the Target Company regarding the details of the Target Company's business description and performance trends, major management issues, anticipated advantages and disadvantages to the Target Company's business as a result of the Transaction, contents of the Target Company's business plan and calculation procedures, etc. used as the basis for considering the terms and conditions of the Transaction, and held a Q&A session. Furthermore, the Special Committee received explanations from the Tender Offeror regarding the review process that led to the proposal of the Transaction, details of the measures anticipated after the Transaction, details and extent of the anticipated advantages, disadvantages and other impacts of the Transaction, and the Target Company's management policies scheduled after the Transaction, and held a Q&A session. In addition, the Special Committee received explanations from PwC Advisory as the Target Company's financial advisor and third-party valuation agent regarding the calculation of the share value of the Target Company Stock, held a Q&A session concerning the calculation process, and considered the rationality of the calculation results. In considering the foregoing matters, the Special Committee received advice as needed from City-Yuwa Partners, the Target Company's legal advisor, regarding the measures for ensuring the fairness of the Transaction and measures for avoiding conflicts of interest, including the significance and role of the Special Committee.

Subsequently, the Special Committee received reports from the Target Company in a timely manner concerning the progress and details of the discussions and negotiations related to the Transaction between the Target Company and the Tender Offeror, offered opinions to the Target Company a total of five (5) times to the effect that it should request the Tender Offeror to increase the Tender Offer Price, and became substantially involved in the negotiation process with the Tender Offeror as a result of the Target Company conducting negotiations with the Tender Offeror pursuant to the foregoing opinions.

As a result of carefully deliberating and considering the Matters to be Advised based on the foregoing background, the Special Committee unanimously submitted, on September 28, 2023, the Report including the following subject matter to the Target Company's board of directors.

- (a) Contents of the Report

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- (i) The Transaction will contribute to improving the corporate value of the Target Company, and the purpose thereof is considered to be legitimate and reasonable.
 - (ii) Fairness has been ensured in the conditions of the Transaction, including the Tender Offer Price.
 - (iii) Fairness has been ensured in the negotiation process and decision-making procedures related to the Transaction.
 - (iv) The Transaction (including the Target Company expressing its opinion in favor of the Tender Offer and recommending the Target Company's shareholders to tender their shares in the Tender Offer, and other decisions related to the procedures of the Transaction to be taken by the Target Company) is not detrimental to the Target Company's minority shareholders.
 - (v) Taking into considerations (i) to (iv) above, the Target Company expressing its opinion in favor of the Tender Offer in the Target Company's board of directors' meeting and recommending the Target Company's shareholders to tender their shares in the Tender Offer are both considered to be reasonable.
- (b) Reasons for the Report
- (i) Legitimacy and rationality of the purpose of the Transaction (including whether the Transaction will contribute to improving the Target Company's corporate value)

As we consider the following points comprehensively, we conclude that the Transaction will contribute to improving the corporate value of the Target Company, and the purpose thereof is considered to be legitimate and reasonable.

- According to the Target Company, the business environment surrounding the Target Company is expected to be increasingly competitive with other companies in the same industry and other business categories. In addition, the Target Company is expected to face demographic issues due to the declining birthrate and aging population, environmental issues such as climate change and de-carbonization, soaring raw material and energy prices, and the possibility of natural disasters and pandemics, and their impact on earnings is expected to increase year by year. Under these circumstances, the Target Company began discussions with the Tender Offeror in April 2016 to form a business alliance and integrate their operations. The Tender Offeror, then, subscribed to a third-party allotment of new shares by entering into the Capital and Business Alliance Agreement with the Target Company, making the Tender Offeror the largest shareholder owning more than 20% of the Target Company's shares at the time, including indirect holdings, and the Target Company an affiliate of the Tender Offeror accounted for by the equity method. In November 2022, the Tender Offeror further acquired the Target Company's shares through an over-the-counter transaction, making Tender Offeror own more than 31% of the Target Company's shares, including indirect holdings. Since the Tender Offeror and the Target Company entered into the Capital and Business Alliance Agreement, the Tender Offeror and the Target Company have been cooperating in areas, mainly in the areas of products, logistics, and sales promotion, such as through joint purchasing through unification of suppliers, reduction of procurement costs by introducing

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common products, joint marketing measures by unifying private brands of the two companies, store remodeling to introduce common store formats, improvement of efficiency in purchasing and logistics management, and joint distribution. As a result of these efforts, the two companies have improved the top line by strengthening product competitiveness, reduced the cost of sales ratio, improved the price-to-sales ratio and operating profit ratio, and increased management efficiency. In line with the Target Company's first medium-term management plan, which was scheduled to be completed in the fiscal year ended February 28, 2023, the Target Company focused on product integration with the Tender Offeror and remodeling to introduce the Tender Offeror's shelf layout, and completely remodeled 105 stores. The company also closed unprofitable stores that were not expected to improve profitability. With these initiatives, the Target Company has been promoting the creation of a profitable structure by substantially improving profits, mainly by improving gross profit margin. Against this backdrop, the Target Company has announced its second medium-term management plan, or the Medium-Term Plan, announced on April 11, 2023, for the fiscal year ending February 28, 2024 and beyond, in order to further evolve the profit structure it has built up to date and achieve sustainable growth. The plan is based on four key strategies: (a) strengthening sales capabilities, (b) reinforcing sales bases, (c) strengthening collaboration with the Tender Offeror, and (d) strengthening sustainability. The Target Company aims to enhance its corporate value by implementing these measures. As for the industry as a whole, the net sales have been hovering at around 4 trillion yen, and although they increased slightly due to the so-called COVID pandemic special demand, they have remained mostly flat due to the declining birthrate, aging population, intensifying competition from other industries, and the impact of Internet shopping and so forth. Since there are still a large number of companies in the industry, intensifying competition is inevitable. The Target Company's internal factors have led to a proliferation of stores, and the Target Company's stores have been opened in populated areas based on the concept of a wide trade area, which has led to a thin dominance in each region. The Target Company's stores are spread out, resulting in a lack of dominance in individual areas. The company needs to rebuild its dominance in the Chiba area and other areas as soon as possible. As we have been around for many years, we have the advantage of having secured good locations for stores. However, the number of small stores that are 30 to 40 years old is increasing, and the company recognizes that it may become difficult to maintain store number and their competitiveness unless it takes measures such as expansion, floor space expansion, and relocation. The above descriptions of the business environment and management issues are not particularly unreasonable in light of the interviews with the Target Company and the Tender Offeror, as well as other publicly available information

- According to The Target Company, the synergy effects of the Target Company becoming a wholly owned subsidiary of the Tender Offeror through the Transaction include:
 - (a) improved profit margins;
 - By integrating the product development capabilities of the Target Company and the Tender Offeror through personnel exchanges and other means, the Target Company will be able to expand the lineup of high-margin private brand products and increase the sales composition of private brand products;

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- The Target Company will be able to maintain low procurement costs through common procurement of products, reduce logistics costs by sharing warehouses and delivery channels, reduce working hours by unifying the head office administration department, and improve operational efficiency through mutual utilization of human resources, which have already been partially implemented since the signing of the Capital and Business Alliance Agreement;
- (b) streamlining of operations and penetration of know-how through organic utilization of the Target Company's and the Tender Offeror Group's resources; and
 - The Target Company and the Tender Offeror will be able to improve operational efficiency by streamlining logistics and delivery to the Target Company and the Tender Offeror group stores located throughout Japan, and by unifying the systems related to store operations between the two companies;
 - The Target Company and the Tender Offeror Group will be able to operate their stores more efficiently by creating a system where they can mutually dispatch and exchange of personnel between neighboring stores as necessary;
 - The Target Company will be able to benefit from the know-how of store operations through the exchange of personnel between their stores and the Tender Offeror Group's, and will also be able to further expand its remodeling business and other services that the Target Company is currently implementing
- (c) expected joint use of the Tender Offeror's Omni-Channel Retailing and promotion of DX.

The Target Company and the Tender Offeror are in agreement on most of the points above, and the Tender Offeror is not in agreement with the Target Company's explanation, and there is nothing particularly unreasonable in their explanations. In addition, the Capital and Business Alliance Agreement was concluded on the premise of starting discussions on the business alliance and future management integration in April 2016, and although the Capital and Business Alliance Agreement has not been verified over a long period of time on the premise of executing the Transaction, at least in the abstract, there have been discussions between the two companies with a view to the possibility of management integration. Although the Capital and Business Alliance Agreement was concluded on the premise that the Transaction would be executed, and although it has not been verified over a long period of time on the assumption that the Transaction would be executed, the two companies have been discussing the possibility of management integration, at least in the abstract, and some synergies have been verified through the implementation of some measures ahead of others, and the two companies appear to be aware of the possibility of synergies with a concrete image. In light of the above, there is a certain rationality in the judgment that the Transaction will contribute to the improvement of the Target Company's corporate value in comparison with the case where the Target Company continues to develop its business independently as a listed company.

- We have examined the potential disadvantages of the delisting of the Target

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Company's shares as a result of the Transaction through interviews with the Target Company and the Tender Offeror; It is expected to have a limited impact on its business partners, future capital procurement, its compliance system, future recruitment of human resources, and existing employees. The impact of the Tender Offeror's actions is considered to be limited, and there is no specific possibility that the disadvantages of the Tender Offeror's actions will exceed the expected benefits.

- (ii) Fairness of the conditions of the Transaction (including the Tender Offer Price in the Tender Offer)

Considering the following points, we believe that fairness has been ensured in the conditions of the Transaction, including the Tender Offer Price.

- The Tender Offer Price exceeds the upper limits of the range of the calculation results based on the market price analysis and the comparable company analysis, and is within the range of the calculation results based on the DCF Analysis, each performed by PwC Advisory.
- Based on PwC Advisory's explanations regarding the calculation results, we do not find anything particularly unreasonable in the selection of calculation methods or the specific calculation formulas used for each of the calculation method. The Business Plan used as the basis for PwC Advisory's DCF Analysis differs from the Medium-Term Plan. According to the Target Company, the differences stem from the fact that the Medium-Term Plan is based on the target figures that were originally set under the optimistic assumption that the all of the measures taken to strengthen the four focus areas, such as strengthening sales capabilities and sales bases, will have full effect that they were intended to have. In reality, as stated in the financial results for the first quarter of the fiscal year ending February 28, 2024, this was not the case as the Target Company was facing increasingly intense competition from other companies in the same industry and other business categories, and personal consumption remains stagnant due to rising prices. In addition, the deregulation of the COVID pandemic-related restrictions has resulted in stagnation in sales of products for which demand had surged due to the pandemic. Therefore, the Target Company has decided that the Tender Offer Price should be calculated based on projections more in line with the current situation, rather than the original target figures of the Medium-Term Plan. The Target Company has prepared this Business Plan based on more reasonable grounds, taking a more conservative approach. In light of the Target Company's explanations regarding the process of formulation of the Business Plan and major preconditions, there are no reasons to suspect that the Target Company arbitrarily set the values of the Business Plan for the Transaction, or to question the objectivity or rationality of the process of its formulation. In addition, there was no unreasonable involvement from the Tender Offeror in the process of formulating this Business Plan, and there were no particular reasons to doubt the Target Company's independence. Therefore, it is acceptable to use this Business Plan as the basis for the calculation of the DCF Analysis. In addition, as a result of the Q&A session with PwC Advisory regarding the specific calculation process under the DCF Analysis, no unreasonable points were found in the calculation process for the discount rate and residual value calculation method used in light of current valuation practices. Therefore, the calculation based on the DCF Analysis is reasonable to a certain extent.

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- As described above, the results of PwC Advisory's calculation of the value of the Target Company's shares are reasonable to a certain degree, and the Tender Offer Price is at a reasonable level in light of such calculation results.
- In comparison to the average premium levels of 11 similar cases (i.e., cases of other tender offers for the purpose of taking a listed company, which is also an equity method affiliate of a tender offeror, private) announced during the period from June 28, 2019, the date of the announcement of M&A Guidelines, to September 28, 2023, the business day preceding the date of announcement of the Tender Offer (i.e., 44.60% over the closing price on the business day preceding the announcement date, 51.71% over the simple average closing price for the most recent one (1) month, 57.30% over the simple average closing price for the most recent three (3) months and 56.88% over the simple average closing price for the most recent six (6) months), the premium levels for the Tender Offer Price are at the same level albeit slightly lower as the premium level for the Tender Offer Price over the closing price on the business day preceding the date of announcement of the Tender Offer (i.e., 56.65% over 830 yen per share) exceeds the same average premium level seen in 11 other tender offer cases, and the premium levels for the Tender Offer Price over the simple average closing price for the past one (1) month (from August 29, 2023 to September 28, 2023) (i.e., 50.64% over 863 yen per share), the past three (3) months (from June 29, 2023 to September 28, 2023) (i.e., 52.94% over 850 yen per share) and the past six (6) months (from March 29, 2023 to September 28, 2023) (i.e., 55.50% over 836 yen per share) are slightly lower than the same average premium levels seen in 11 other tender offer cases. As such, it could be said that the premium levels for the Tender Offer Price are at reasonably equivalent levels to the average premium levels for other similar tender offer cases.
- When giving comprehensive consideration to the above, it is considered that the Tender Offer Price of 1,300 yen per share of the Target Company Stock is rational to a certain degree.
- In the Tender Offer, the Tender Offeror has set the minimum number of shares to be purchased, and, if the total number of Tendered Share Certificates, etc. falls short of the minimum number of shares to be purchased, the Tender Offeror will not purchase all of the Tendered Share Certificates, etc. The minimum number of shares to be purchased exceeds a majority of the number of the Target Company Stock held by the Target Company's shareholders that have no stake in the Tender Offeror; that is, exceeds the number corresponding to the so-called majority of minority. Consequently, if the Tender Offeror is unable to obtain the approval of a majority of the Target Company's shareholders other than the stakeholders of the Tender Offeror, the Tender Offeror will not conduct the Transaction, including the Tender Offer, by respecting the intention of the Target Company's minority shareholders, and it could be said that consideration has been given to ensure the fairness of the Tender Offer
- As the Squeeze-out Procedures, demand for shares cash-out and consolidation of shares are scheduled, and in either case the appraisal rights or pricing rights of the shareholders who did not tender their Shares in the Tender Offer are ensured. Furthermore, according to the Tender Offeror, the Squeeze-out Procedures are scheduled to be taken promptly after the completion of settlement of the Tender Offer, and moreover, (a) in the case of demand for shares cash-out, the Tender Offeror will deliver to each shareholder, as consideration per share, money in the same amount

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as the Tender Offer Price, and, (b) in the case of consolidation of shares, with respect to the sale price of the Target Company Stock in the amount equivalent to the aggregate of fractional shares arising from the consolidation of shares, the Tender Offeror plans to request the Target Company to determine such price so that the amount of money to be delivered to each of the Target Company's shareholders who did not tender their shares in the Tender Offer as a result of such sale will be equal to the amount obtained by multiplying the Tender Offer Price by the number of the Target Company Stock held by such shareholder, and file a petition with a court for permission of such voluntary sale. As described above, in the Transaction including the Tender Offer, it could be said the consideration is given to the interests of minority shareholders who did not tender their shares in the Tender Offer to deal with the issue of so-called coercive behavior, and it is considered that the conditions related to the Squeeze-out Procedures are rational to a certain degree.

- As described in (iii) below, it is considered that fairness has been ensured in the negotiation process and decision-making procedures related to the Transaction, and it is acknowledged that the conditions of the Transaction, including the Tender Offer Price, have been decided upon going through the foregoing fair procedures.
- (iii) Fairness of the negotiation process and decision-making procedures regarding the Transaction

Fairness has been ensured in the negotiation process and decision-making procedures related to the Transaction.

- In considering the Transaction, the Target Company has established the Special Committee as a part of its measures to ensure fairness from the perspective of eliminating the arbitrariness of the Target Company's decision-making regarding the Transaction and avoiding conflicts of interest. The Special Committee was established before commencing the specific negotiations of the Tender Offer Price, and reasons for suspecting the independence of each member cannot be acknowledged. Furthermore, in passing a resolution for establishing the Special Committee, the Target Company's board of directors has granted the Special Committee (a) the authority to conduct negotiations with the Tender Offeror on its own, and, even when the Target Company's in-house personnel or advisors are to conduct negotiations with the Tender Offeror, the authority to substantially influence the negotiation process of the conditions of the Transaction by receiving reports in a timely manner, and expressing opinions, giving instructions and making requests at critical moments, (b) authority to appoint outside advisors on its own as needed (costs required in such case will be borne by the Target Company), or nominate or approve (including subsequent approval) the outside advisors appointed by the Target Company, and (c) authority to request the Target Company's officers and employees as well as outside advisors to collect any and all information required for advising on the Matters to be Advised, respectively. In response, the Special Committee confirmed that there is no problem concerning the independence of the financial advisor and third-party valuation agent, and the legal advisor, appointed by the Target Company, and approved their appointment as the Target Company's advisors, etc. In addition, in passing a resolution for establishing the Special Committee, the Target Company's board of directors resolved to fully respect the Special Committee's report on the Matters to be Advised in the Target Company's board of directors' meeting for deliberating the details of its position statement concerning the Tender Offer, and, if

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the Special Committee determines that the conditions of the Transaction are inappropriate, the Target Company's board of directors will not support the Tender Offer, and consideration is given for ensuring the effectiveness of the decisions made by the Special Committee. As described above, after taking practical measures for improving the effectiveness of the Special Committee, the Special Committee engaged in considerations and made decisions concerning the appropriateness of the Transaction, adequacy of the terms and conditions, and fairness of the procedures from the position of improving the corporate value and looking after the interests of the minority shareholders.

- In order to ensure the fairness and appropriateness of the decision-making of the Target Company regarding the Transactions, the Target Company has received the Target Company Stock Valuation Report from PwC Advisory as an independent financial advisor and third-party valuation agent, and is receiving receiving legal advice regarding the decision-making process and method of the Target Company's board of directors regarding the Transactions, including the Tender Offer, and other points of concern when making decisions regarding the Transactions, including the Tender Offer, from City-Yuwa Partners as its independent legal advisor. While the Target Company has not obtained a so-called fairness opinion from PwC Advisory, in Japan, under circumstances where the effectiveness of a fairness opinion as a measure to ensure fairness is not interpreted as being uniform, circumstances where the obtainment of a fairness opinion is essential in order to consider the appropriateness of the Transaction could not be acknowledged in light of the course of considerations of the Transaction, and, even if a fairness opinion is not obtained, it is considered that fairness in the negotiation process and decision-making procedures related to the Transaction will not be denied.
- The Special Committee received reports from the Target Company in a timely manner concerning the progress and details of the discussions and negotiations related to the Transaction between the Target Company and the Tender Offeror, offered opinions to the Target Company, and thereby became substantially involved in the negotiation process thereof, and no particular unreasonable point could be found in relation to the foregoing negotiation process from the perspective of giving consideration to the interests of the Target Company's minority shareholders.
- Among the 10 (ten) directors of the Target Company, while Koji Jitsukawa and Toshimitsu Shimizu are concurrently serving as directors of the Tender Offeror, from the perspective of eliminating the possibility of being influenced from the issue of conflict of interest as much as possible and ensuring the fairness of the Transaction, these two (2) directors are not scheduled to participate in any deliberations and resolutions concerning the agenda of voting for the Tender Offer in the Target Company's board of directors' meeting. Moreover, these two (2) directors have not participated in any discussions and negotiations with the Tender Offeror from the standpoint of the Target Company. In addition to the above, no fact which infers that a person suspected as lacking independence of the Tender Offeror has wrongfully influenced the decision-making process of the Target Company in the course of discussions, considerations and negotiations related to the Transaction could be acknowledged.
- As a result of setting the tender offer period (the "Tender Offer Period") to 30 business days, which is longer than the statutory minimum tender offer period of 20 business

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days, the Tender Offeror has ensured the opportunity for the Target Company's shareholders to give careful consideration on the appropriateness of the Transaction and the adequacy of the Tender Offer Price, and make proper decision on whether to tender their shares in the Tender Offer. Furthermore, the Tender Offeror and the Target Company have not reached any kind of agreement which would restrict the Counterbid Proposer from contacting the Target Company, such as an agreement which prohibits the Target Company coming into contact with the Counterbid Proposer, and consideration is given for ensuring the fairness of the Tender Offer by not hindering opportunities for a competitive purchase.

In the press release concerning the Transaction, a certain level of disclosure of information related to the Special Committee, information related to the details of the calculation results of the share value of the Target Company Stock, information related to the background and details up to conducting the Transaction, and information related to the specific background of discussions and negotiations of the terms and conditions conducted between the Target Company and the Tender Offeror is scheduled, and it is acknowledged that a certain level of information for the Target Company's shareholders to determine the appropriateness of the terms and conditions is scheduled to be disclosed.

- (iv) Whether the Transaction (including the Target Company expressing its opinion in favor of the Tender Offer and recommending the Target Company's shareholders to tender their shares in the Tender Offer, and other decisions related to the procedures of the Transaction to be taken by the Target Company) is detrimental to the Target Company's minority shareholders

As described above, we conclude that (i) the Transaction will contribute to improving the corporate value of the Target Company, and the purpose thereof is considered to be legitimate and reasonable, (ii) fairness is ensured in the conditions of the Transaction, including the Tender Offer Price, and (iii) fairness has been ensured in the negotiation process and decision-making procedures related to the Transaction. Furthermore, since no special circumstances in which the Transaction could be detrimental to the Target Company's minority shareholders other than the points considered above, (iv) the Transaction (including the Target Company expressing its opinion in favor of the Tender Offer and recommending the Target Company's shareholders to tender their shares in the Tender Offer, and other decisions related to the procedures of the Transaction to be taken by the Target Company) is not detrimental to the Target Company's minority shareholders.

- (v) In light of (i) to (iv) above, appropriateness of the Target Company's board of directors expressing its opinion in favor of the Tender Offer, and recommending the Target Company's shareholders to tender their shares in the Tender Offer

As we holistically consider (i) to (iv) above, the Target Company expressing its opinion in favor of the Tender Offer in the Target Company's board of directors' meeting and recommending the Target Company's shareholders to tender their shares in the Tender Offer are both considered reasonable.

(iii) Acquisition of advice from a law firm independent of the Target Company

In order to ensure the fairness and appropriateness of the decision-making of the Target Company's board of directors regarding the Transactions, including the Tender Offer, the

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Target Company has appointed City-Yuwa Partners as its legal advisor independent of the Tender Offeror and the Target Company, and is receiving legal advice regarding the decision-making process and method of the Target Company's board of directors regarding the Transactions, including the Tender Offer, and other points of concern when making decisions regarding the Transactions, including the Tender Offer.

City-Yuwa Partners is not a related party of the Tender Offeror or the Target Company, and does not have a material interest in the Transaction, including the Tender Offer. In addition, the compensation of City-Yuwa Partners related to the Transaction is only a fixed fee that will be paid regardless of the success or failure of the Transaction, and does not include any success fee that is conditional on the announcement or completion of the Transaction. In addition, at the first meeting held on August 15, 2023, the Special Committee confirmed that there were no problems with the independence and expertise of City-Yuwa Partners, and has approved the appointment of City-Yuwa Partners as the Target Company's legal advisor.

(iv) Acquisition of a stock valuation report from a third-party valuation agent independent of the Target Company

In expressing its opinion concerning the Tender Offer Price, the Target Company has requested PwC Advisory, a third-party valuation agent independent of the Tender Offeror and the Target Company, to calculate the share value of the Target Company and acquired the Target Company Stock Valuation Report on September 28, 2023 in order to ensure the fairness of the decision-making process of the Tender Offer Price presented by the Tender Offeror.

PwC Advisory is not a related party of the Target Company or the Tender Offeror, and does not have any material interest in the Transaction, including the Tender Offer. Furthermore, the compensation to be paid to PwC Advisory in relation to the Transaction includes a success fee to be paid on the condition that the Transaction is completed. The Target Company determined that independence will not be denied, just because a success fee to be paid on the condition that the Tender Offer is completed is included in the compensation, when taking into account the general practice in similar transactions and the pros and cons of a compensation system that would impose a corresponding financial burden on the Target Company even if the Transaction is not completed, and thereby appointed PwC Advisory as the Target Company's financial advisor and third-party valuation agent based on the foregoing compensation system. The Target Company has not acquired an opinion on the fairness of the Tender Offer Price (fairness opinion) from PwC Advisory since the Tender Offeror and the Target Company are taking various measures for ensuring the fairness of the Tender Offer as described in "(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" in consideration of the interests of minority shareholders.

PwC Advisory considered the calculation method to be adopted for calculating the share value of the Target Company Stock among multiple share value calculation methods, and, based on the belief that it would be appropriate to evaluate the share value of the Target Company multilaterally on the premise that the Target Company is a going concern, calculated the share value of the Target Company by adopting the market price analysis since the Target Company is listed on the Prime Market of the Tokyo Stock Exchange and has a market stock price, the comparable company analysis since there are similar listed companies that can be compared with the Target Company and the share value can be estimated through comparison with such similar listed companies, and the DCF Analysis so as to reflect in the

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evaluation the status of future business activities of the Target Company. The range of share value per share of the Target Company Stock calculated in each of the foregoing methods is as follows.

Market price analysis: 830 yen to 863 yen

Comparable company analysis: 749 yen to 823 yen

DCF Analysis: 1,166 yen to 1,590 yen

The market price analysis, with the calculation base date as September 28, 2023, showed that the value per share of the Target Company Stock was in the range of 830 yen to 863 yen, based on the following prices up to the calculation base date of the Target Company Stock on the Prime Market of the Tokyo Stock Exchange: the base date closing price of 830 yen; the simple average closing price of 863 yen and the volume weighted average price of 860 yen for the past one (1) month; the simple average closing price of 850 yen and the volume weighted average price of 850 yen for the past three (3) months; and the simple average closing price of 836 yen and the volume weighted average price of 836 yen for the past six (6) months.

In the comparable company analysis, the share value of the Target Company Stock was evaluated through comparison with the financial indexes showing the market stock price and profitability of listed companies engaged in businesses similar to the Target Company, and the value per share of the Target Company Stock was calculated as being in the range of 749 yen to 823 yen.

In the DCF Analysis, the corporate value and the share value of the Target Company were evaluated by first estimating the amount of future free cash flow that the Target Company is expected to generate in and after the 2nd quarter of the fiscal year ending February 2024 based on various factors such as the Business Plan provided by the Target Company and publicly disclosed information and then deriving the present value of that amount using a certain discount rate, and then the share value per share of the Target Company Stock was calculated to be in the range of 1,166 yen to 1,590 yen. Since it is difficult to specifically estimate the synergies that are expected to be realized through the Transaction at this point in time, they have not been factored in the Business Plan. Furthermore, concerning the Business Plan used as the basis of calculation in the DCF Analysis, there is no fiscal year in which a significant increase or decrease in profits is expected in comparison to the previous fiscal year.

The Business Plan used by PwC Advisory to calculate the value of the Target Company's shares using the DCF Analysis was prepared based on the assumption that the Target Company's sales will not reach the target value stated in the Medium-Term Plan announced by the Target Company on April 11, 2023, but that profit margin will remain at the same level (because of the assumption that sales will not reach the target, the figures for operating income and net income will not reach the target of the Medium-Term Plan either). This is due to the following reasons.

The Medium-Term Plan sets net sales of 110 billion yen and operating profits of 9 billion yen as targets for the fiscal year ending February 2028, but it also lists four priority measures, including strengthening of sales capabilities and sales bases, and these are target values based on the assumption that all expected effects of these measures are achieved, and their maximum values are indicated. Meanwhile, as also indicated in the financial results for the first quarter of the fiscal year ending February 2024, in the retail industry, competition with other companies in the same industry and other business categories is becoming increasingly

intense, and personal consumption continues to be sluggish due to rising prices. In addition, sales of products whose demand had surged from COVID-19 have stagnated due to the relaxation of regulations related to COVID-19, making it difficult to maintain and increase sales mainly at existing stores. The situation continues to be such that it is not possible to predict with a high degree of certainty that the effects of the priority measures in the Medium-Term Plan will be realized in all areas (In addition, the Target Company has revised downward its earnings forecast for the fiscal year ending February 2024 in the Target Company's 2nd Quarter Financial Results, announced on September 29, 2023. For details, please see "4. Other Items]—(2) Other Information Deemed Necessary for Investors to Determine whether to Tender their Shares through the Tender Offer—(i) Announcement of "Unconsolidated Financial Results for the 2nd Quarter of Fiscal Year Ending February 2024 (Prepared in Conformity with Japanese GAAP)" below and the Target Company's 2nd Quarter Financial Results.). Thus, the Target Company determined that it would be more appropriate to consider the adequacy of the Tender Offer Price by calculating the Target Company's objective and rational corporate value based on forecasts that are more in line with the current situation than the initial numerical targets set in the Medium-Term Plan. In the course of creating the numerical values for the Business Plan, the Special Committee conducted interviews directly with the management of the Target Company, and found no circumstances that would cast doubt on the objectivity or rationality of such creation process, and it has been confirmed that the Business Plan was properly created.

(Note) In calculating the share value of the Target Company Stock, PwC Advisory in principle used the information provided by the Target Company and publicly disclosed information as is on the premise that such materials and information are all accurate and complete and that there are no facts that have not been disclosed to PwC Advisory which would have a significant impact in calculating the share value of the Target Company Stock, and PwC Advisory did not independently examine the accurateness and completeness of such materials and information on the premise that they are all accurate and complete. In addition, information concerning the financial forecasts of the Target Company (including the Business Plan and other information) is based on the premise that they have been reasonably prepared based on the best forecasts and judgment currently available to the Target Company's management. Furthermore, PwC Advisory did not independently evaluate or appraise the assets and liabilities of the Target Company and its affiliates (including off-the-book assets and liabilities and other contingent liabilities), or request such evaluation or appraisal to a third-party institution. Calculation of the share value of the Target Company Stock by PwC Advisory reflects the foregoing information up to September 28, 2023. Additionally, the Special Committee has held a Q&A session with the Target Company concerning the financial forecasts, and confirmed the rationality of the contents and preconditions thereof.

(v) Unanimous approval of all non-interested directors (including audit and supervisory committee members) of the Target Company

As a result of carefully discussing and considering the various terms and conditions related to the Tender Offer presented by the Tender Offeror in light of the legal advice from City-Yuwa Partners concerning the decision-making process and method and other points of concern related to the Transaction, details of the Target Company Stock Valuation Report, and the Report acquired from the Special Committee, as described in the section titled "(ii) Decision-making process and reasons that led to the Target Company agreeing to the Tender

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Offer” under “(2) Background, purpose and decision-making process of the Tender Offer, and management policy after the Tender Offer” above, the Target Company passed a resolution in its board of directors’ meeting held today to the effect that the Target Company will express its opinion in support of the Tender Offer with the unanimous approval of seven (7) directors among the ten (10) directors who participated in the deliberations and resolution, and recommend that the Target Company’s shareholders tender their shares in the Tender Offer.

In the Target Company’s board of directors’ meeting indicated above, the risk of being affected by a conflict of interest has been eliminated as much as possible. Among the ten (10) directors of the Target Company, Koji Jitsukawa and Toshimitsu Shimizu are concurrently serving as directors of the Tender Offeror, and, from the perspective of ensuring the fairness of the Transaction, they did not participate in any deliberations and resolutions of the foregoing board of directors’ meeting, and have not participated in any discussions and negotiations with the Tender Offeror in relation to the Transaction from the standpoint of the Target Company.

In addition, among the ten (10) directors of the Target Company, Tsukasa Ojima is concurrently serving as the executive officer of AEON Co., Ltd., a major shareholder of the Target Company (the fourth largest shareholder of the Target Company as of February 28, 2023 according to the Annual Securities Report for the fiscal year ended February 2023 of the Target Company). In light of the possibility that the interests of minority shareholders of the Target Company may not necessarily be aligned with this major shareholder and as a precautionary measure, he did not participate in any deliberations and resolutions of the foregoing board of directors’ meeting, and has not participated in any discussions and negotiations with the Tender Offeror in relation to the Transaction from the standpoint of the Target Company.

While Tsutomu Chinone previously worked for JOYO BANK, Ltd., a major shareholder of the Target Company (the sixth largest shareholder of the Target Company as of February 28, 2023 according to the Annual Securities Report for the fiscal year ended February 2023 of the Target Company), he resigned from his position as the representative director of Joyo Industrial Research Institute Ltd., a wholly owned subsidiary of JOYO BANK, Ltd., in June 2020, and thereafter has not been an officer or an employee of JOYO BANK, Ltd. and its wholly owned subsidiary to date, nor is he in a position or relationship of reporting to these companies. Thus, the Target Company has determined that the fact that Tsutomu Chinone previously worked for JOYO BANK, Ltd. does not amount to circumstances that would deny his independence as a member of the Special Committee or circumstances that would be result in a conflict of interest with the minority shareholders. Furthermore, while Katsuyoshi Ota, the Target Company’s director previously worked for The Chiba Bank, Ltd., a major shareholder of the Target Company (the fifth largest shareholder of the Target Company as of February 28, 2023 according to the Annual Securities Report for the fiscal year ended February 2023 of the Target Company), he resigned from the company in October 2011, and thereafter has not been an officer or an employee of The Chiba Bank, Ltd. and its wholly owned subsidiary to date, nor is he in a position or relationship of reporting to these companies. Thus, the Target Company has determined that the fact that Katsuyoshi Ota previously worked for The Chiba Bank, Ltd. does not amount to circumstances that would deny his independence as a member of the Special Committee or circumstances that would be result in a conflict of interest with the minority shareholders.

(vi) Absence of an agreement for restricting contact with a Counterbid Proposer

The Tender Offeror and the Target Company have not reached any kind of agreement which restricts an acquisition proposer (the “Counterbid Proposer”) from contacting the Target Company, such as an agreement which prohibits the Target Company coming into contact with the Counterbid Proposer, and consideration is given for ensuring the fairness of the Tender Offer by not hindering opportunities for a competitive purchase.

(vii) Setting of lower limit which satisfies the majority of minority condition

The minimum number of shares of the Target Company Stock to be purchased (20,807,500 shares, shareholding ratio: 35.68%) in the Tender Offer is greater than the number (20,379,232 shares) obtained by adding the number of shares (513,437 shares) held by DCM Co., Ltd. and scheduled to be tendered in the Tender Offer to the number (19,865,795 shares) obtained by dividing by two the number of shares (39,731,590 shares) obtained by deducting the number of treasury shares (6,827,457 shares) held by the Target Company as of August 31, 2023 and the number of shares (18,581,137 shares; including shares indirectly held through DCM Co., Ltd.) held by the Tender Offeror from the total number of issued shares (65,140,184 shares) of the Target Company as of August 31, 2023 indicated in the Target Company’s 2nd Quarter Financial Results. In other words, the Tender Offer cannot be completed unless the approval of a majority of the Target Company Stock held by the Target Company’s shareholders that do not have any stake in the Tender Offeror, and emphasis is placed on the intention of the Target Company’s minority shareholders. Thus, the so-called “majority of minority” condition has been satisfied.

(viii) Measures to ensure that the Target Company’s shareholders have an opportunity to make an appropriate decision on whether to tender their shares in the Tender Offer

As stated in “(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called “two-step acquisition”)” below, the Tender Offeror (i) is scheduled to request the Target Company to hold an extraordinary shareholders meeting including the agenda of making a demand for shares cash-out of all of the Target Company Stock or partially amending the articles of incorporation for abolishing the provision concerning share units on the condition of share consolidation or the effectuation of share consolidation, promptly after the completion of the settlement of the Tender Offer, according to the number of shares acquired by the Tender Offeror based on the completion of the Tender Offer, and will not adopt a method that does not ensure the appraisal rights or pricing rights of the Target Company’s shareholders, and (ii) will ensure that the Target Company’s shareholders have an opportunity to make an appropriate decision on whether to tender their shares in the Tender Offer, and give consideration so that this will not result in coercive behavior, since the money to be delivered as consideration to the Target Company’s shareholders (excluding the Tender Offeror and the Target Company) in the event of a demand for shares cash-out or share consolidation has been clarified as being calculated to be the same as the price obtained by multiplying the Tender Offer Price by the number of Target Company Stock held by the Target Company’s shareholders.

In addition, the Tender Offeror has set the Tender Offer Period to thirty (30) business days, which is longer than the statutory minimum tender offer period of 20 business days. By setting a relatively long Tender Offer Period, the Tender Offeror aims to secure an appropriate opportunity for all shareholders of the Target Company to decide whether to tender their shares in the Tender Offer and an opportunity for persons other than the Tender Offeror to make competing offers for purchase of the Target Company Stock.

(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called “two-step acquisition”)

As stated in the section titled “(1) Overview of the Tender Offer” above, the Tender Offeror is contemplating turning the Target Company into a wholly owned subsidiary of the Tender Offeror, and if the Tender Offer is completed but the Tender Offeror is unable to acquire all of the Target Company Stock (excluding the Target Company Stock held by the Tender Offeror and the treasury shares held by the Target Company) based on the Tender Offer, after the completion of the Tender Offer, the Tender Offeror, for the purpose of purchasing all of the Target Company Stock (excluding the Target Company Stock held by the Tender Offeror and the treasury shares held by the Target Company), intends to implement the Squeeze-out Procedures:

(i) Demand for shares cash-out

If, upon completion of the Tender Offer, the Tender Offeror owns 90% or more of the voting rights of all shareholders of the Target Company and the Tender Offeror becomes a special controlling shareholder as set forth in Article 179, Paragraph 1 of the Companies Act, the Tender Offeror plans to request all of the Target Company’s shareholders that did not accept the Tender Offer (excluding the Tender Offeror and the Target Company) (the “Shareholders Subject to Shares Cash-Out”) to sell all of the Target Company Stock they own pursuant to the provisions of Part II, Chapter II, Section 4-2 of the Companies Act (the “Demand for Shares Cash-Out”), promptly after the completion of the settlement of the Tender Offer. In the Demand for Shares Cash-Out, the Tender Offeror plans to set forth that the amount equivalent to the Tender Offer Price will be delivered to the Shareholders Subject to Shares Cash-Out as the price per share of the Target Company Stock. In such case, the Tender Offeror will notify the Target Company of it and will require the Target Company to approve the Demand for Shares Cash-Out. If the Target Company approves the Demand for Shares Cash-Out by a resolution of its board of directors, in accordance with the procedures set forth in the relevant laws and ordinances, without individual approvals by the Shareholders Subject to Shares Cash-Out, the Tender Offeror will acquire, as of the acquisition date set forth in the Demand for Shares Cash-Out, all of the Target Company Stock held by the Shareholders Subject to Shares Cash-Out. The Tender Offeror plans to deliver the amount equivalent to the Tender Offer Price to each of such Shareholders Subject to Shares Cash-Out as the price per share of the Target Company Stock held by each of the Shareholders Subject to Shares Cash-Out. According to the Target Company Press Release, if the Target Company receives from the Tender Offeror its intention to Demand for Shares Cash-Out and the notice regarding the matters set forth in each item of Article 179-2, Paragraph 1 of the Companies Act, the board of directors of the Target Company plans to approve the Demand for Shares Cash-Out.

If the Demand for Shares Cash-Out is made as a provision under the Companies Act for protecting the rights of minority shareholders in relation to the Demand for Shares Cash-Out, the Shareholders Subject to Shares Cash-Out may file a petition with a court to determine the sale price of the Target Company Stock that they own, pursuant to the provisions of Article 179-8 of the Companies Act and other relevant laws or ordinances.

(ii) Share consolidation

If, after the completion of the Tender Offer, the Tender Offeror owns less than 90% of the Target Company’s voting rights, the Tender Offeror plans to request the Target Company, promptly after the payment of the Tender Offer is completed, to hold an extraordinary meeting of shareholders (the “Extraordinary Shareholders’ Meeting”) around mid-January 2024 that

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will resolve proposals including: (a) a proposal regarding consolidation of the Target Company Stock (the “Share Consolidation”) under Article 180 of the Companies Act and (b) a proposal regarding an amendment to the articles of incorporation subject to the Share Consolidation becoming effective for the purpose of abolishing the provision regarding the number of shares constituting one unit of stock. The Tender Offeror is scheduled to agree to each of the foregoing proposals in the Extraordinary Shareholders’ Meeting.

If the proposal regarding the Share Consolidation is approved at the Extraordinary Shareholders’ Meeting, as of the effective date of the Share Consolidation, the number of the Target Company Stock held by the shareholders of the Target Company will be changed in proportion to the ratio for the Share Consolidation approved at the Extraordinary Shareholders’ Meeting. In the case where any fractional share less than one share arises as a result of the Share Consolidation, the amount of cash to be obtained by selling the Target Company Stock in the amount equivalent to the aggregate of such fractional shares (if there are any fractional shares less than one share in the aggregate, such fraction will be discarded; hereinafter the same) to the Target Company or the Tender Offeror, etc., will be delivered to the shareholders of the Target Company holding such fractional shares pursuant to Article 235 of the Companies Act and other relevant laws or ordinances. With respect to the sale price of the Target Company Stock in the amount equivalent to the aggregate of such fractional shares, the Tender Offeror plans to request the Target Company to determine such price so that the amount of money to be delivered to each of the Target Company’s shareholders (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer as a result of such sale will be equal to the amount obtained by multiplying (a) the Tender Offer Price by (b) the number of the Target Company Stock held by such shareholder, and file a petition with a court for permission for such voluntary sale. The proportion of consolidation of the Target Company Stock has yet to be determined as of today; however, so that the Tender Offeror will be the sole holder of all of the Target Company Stock (excluding the treasury shares held by the Target Company), a determination will be requested to the effect that the number of Target Company Stock shares held by Target Company shareholders (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer will be a fractional number less than one share. According to the Target Company Press Release, the Target Company intends to comply with these requests by the Tender Offeror if the Tender Offer is consummated.

In the case where the Share Consolidation is conducted as a provision under the Companies Act for protecting the rights of minority shareholders in relation to the Share Consolidation and any fractional share less than one share arises as a result of performing the Share Consolidation, when certain conditions are satisfied, the shareholders of the Target Company may request the Target Company to purchase at a fair price all of its fractional shares less than one share and file a petition with a court for determination of the price of the Target Company Stock pursuant to the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws or ordinances. It is not intended in the Tender Offer to solicit the affirmative vote by the Target Company’s shareholders at the Extraordinary Shareholders’ Meeting.

In connection with the procedures described in (i) and (ii) above, while much time may be required for taking the procedures or the manner of taking the procedures may change depending on the revision and enforcement of relevant laws and ordinances and circumstances related to the interpretation by authorities, even in such a case, if the Tender Offer is completed, the method of ultimately delivering money to the shareholders of the Target Company (excluding the Tender Offeror and the Target Company) who did not tender their shares in the Tender Offer is scheduled to be adopted, and the amount of money to be delivered to such shareholders of the

[TRANSLATION]

Target Company in the foregoing case is scheduled to be calculated to be as the price obtained by multiplying the Tender Offer Price by the number of the Target Company Stock held by such shareholders of the Target Company. With that said, however, if a petition is filed with a court to determine the sale price of the Target Company Stock in the Demand for Shares Cash-Out or to determine the price with respect to the request to purchase shares which is made in relation to the Share Consolidation, the sale price of the Target Company Stock held by the shareholders of the Target Company that filed such petition or the price with respect to the request to purchase shares subject to such petition will ultimately be determined by a court.

Specific procedures and the schedule thereof in each case above will be announced by the Target Company once they are determined through mutual discussions between the Tender Offeror and the Target Company.

Shareholders of the Target Company should consult with tax advisors and other professionals under their own responsibility regarding tax implications in relation to the tender in the Tender Offer or any of the procedures above.

(5) Possibility of delisting and reasons therefor

As of today, the Target Company Stock is listed on the Prime Market of the Tokyo Stock Exchange. However, since the Tender Offeror has not set the maximum number of Share Certificates, etc. to be purchased, etc. in the Tender Offer, depending on the result of the Tender Offer, the Target Company Stock may be delisted pursuant to the procedures prescribed by the Tokyo Stock Exchange in accordance with the Tokyo Stock Exchange's criteria for delisting.

In addition, even if the Target Company Stock does not fall under such criteria at the time of the completion of the Tender Offer, since the Tender Offeror is scheduled to take the procedures for acquiring all of the Target Company Stock (excluding the Target Company Stock held by the Tender Offeror and the treasury shares held by the Target Company) as described in “(4) Policy for organizational restructuring, etc. after the Tender Offer (matters concerning so-called “two-step acquisition”)” above, if the Tender Offeror takes each of such procedures, the Target Company Stock will fall be delisted pursuant to the criteria for delisting of the Tokyo Stock Exchange. After the Target Company Stock is delisted, the Target Company Stock can no longer be traded on the Prime Market of the Tokyo Stock Exchange.

(6) Matters concerning material agreements related to the Tender Offer

In implementing the Tender Offer, while DCM Co., Ltd. has not reached an agreement with the Tender Offeror to the effect of tendering its Target Company Stock (513,437 shares, shareholding ratio: 0.88%) in the Tender Offer, it has announced today that it will tender all of its Target Company Stock in the Tender Offer.

2. Overview of Purchase and Related Transactions

(1) Overview of the Target Company

(i) Name	Keiyo Co., Ltd.	
(ii) Location	1-28-1 Mitsuwadai, Wakaba-ku, Chiba City, Chiba 264-0032, Japan	
(iii) Name and Title of Representative	President, Kouji Jitsukawa	
(iv) Major Business Activities	Management of home improvement stores	
(v) Stated Capital (as of August 31, 2023)	16,505 million yen	
(vi) Date of Establishment	May 31, 1952	
(vii) Major Shareholders and Shareholding Ratios (as of February 28, 2023)	DCM Holdings, Co., Ltd.	30.98%
	The Master Trust Bank of Japan, Ltd.	6.92%
	Keiyo Employee Shareholding Association	6.36%
	AEON Co., Ltd.	6.09%
	The Chiba Bank, Ltd.	4.49%
	The Joyo Bank, Ltd.	2.57%
	Custody Bank of Japan, Ltd.	2.27%
	MSIP CLIENT SECURITIES (Standing Proxy: Morgan Stanley MUFG Securities Co., Ltd.)	2.06%
GOLDMAN SACHS INTERNATIONAL (Standing Proxy: Goldman Sachs Japan Co., Ltd.)		1.77%
	Chibagin JCB Card Co., Ltd.	1.21%
(viii) Relationship between the Tender Offeror and the Target Company		
Capital Relationship	As of today, the Tender Offeror holds in aggregate 18,581,137 shares (shareholding ratio (Note): 31.86%) of the Target Company Stock by directly holding 18,067,700 shares (shareholding ratio: 30.98%) and indirectly holding 513,437 shares (shareholding ratio: 0.88%) via a wholly owned subsidiary of the Tender Offeror, DCM Co., Ltd.	
Personnel Relationship	Two of the 10 directors of the Target Company are currently serving as directors of the Tender Offeror.	
Business Relationship	DCM Co., Ltd., a wholly owned subsidiary of the Tender Offeror, sells products to the Target Company. In addition, the Tender Offeror and the Target Company have an alliance relationship based on a capital and business alliance agreement.	
Status as Related Party	The Target Company is an equity-method affiliate of the Tender Offeror and is a related party of the Tender Offeror.	

(Note) “Major Shareholders and Shareholding Ratios” information indicated is based on the “Status of Major Shareholders” stated in the 85th Annual Securities Report filed by the Target Company on May 24, 2023 (the “Target Company Securities Report”).

(2) Schedule and Related Information

(i) Schedule

Resolution of Board of Directors	September 29, 2023 (Friday)
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Date of Notice of Commencement of Tender Offer	October 2, 2023 (Monday) The Tender Offeror will give electronic public notice and publish to such effect in The Nihon Keizai Shimbun newspaper. (Electronic public notice address: http://disclosure2.edinet-fsa.go.jp/)
Filing Date of Tender Offer Statement	October 2, 2023 (Monday)

(ii) Initial period set at time of filing

From October 2, 2023 (Monday) to November 14, 2023 (Tuesday) (30 business days).

(iii) Possibility of extending the period of purchase at the Target Company's request

Not applicable.

(iv) Contact person for confirming the extension of the period

Not applicable.

(3) Purchase Price

1,300 yen per share of common stock

(4) Basis of Calculation of Purchase Price and Related Information

(i) Basis of calculation

In determining the Tender Offer Price, the Tender Offeror requested SMBC Nikko Securities, the Tender Offeror's financial advisor, to evaluate the share value of the Target Company Stock as a third-party valuation agent that is independent of the Tender Offeror and the Target Company.

SMBC Nikko Securities considered the calculation method to be adopted for calculating the share value of the Target Company Stock among multiple share value calculation methods, and, since the Target Company is listed on the Prime Market of the Tokyo Stock Exchange and has a market stock price, estimation of the share value is possible based on market price analysis and comparable company analysis. Thus, the share value of the Target Company Stock was calculated using the comparable company analysis and the DCF Analysis so as to reflect in the evaluation the status of future business activities, and the Tender Offeror obtained the Stock Valuation Report from SMBC Nikko Securities on September 28, 2023 concerning the share value of the Target Company Stock. The Tender Offeror has not obtained a fairness opinion of the Tender Offer Price because the Tender Offeror believes that the interests of minority shareholders of the Target Company have been fully considered through the implementation of the measures set forth in "1. Purpose of Purchase and Related Transactions—(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" above.

The calculation result of the share value of the Target Company Stock per share performed by SMBC Nikko Securities is as follows.

Market price analysis: 836 yen to 863 yen

Comparable company analysis: 687 yen to 912 yen

[TRANSLATION]

DCF Analysis: 710 yen to 1,508 yen

The market price analysis, with the calculation base date as September 28, 2023, showed that the value per share of the Target Company Stock was in the range of 836 yen to 863 yen, based on the following prices up to the calculation base date of the Target Company Stock on the Prime Market of the Tokyo Stock Exchange: the simple average closing price for the past one (1) month (863 yen); the simple average closing price for the past three (3) months up (850 yen); and the simple average closing price for the past six (6) months (836 yen).

In the comparable company analysis, the share value of the Target Company Stock was evaluated through comparison with the financial indexes showing the market stock price and profitability of listed companies engaged in businesses similar to the Target Company, and the value per share of the Target Company Stock was calculated as being in the range of 687 yen to 912 yen.

In the DCF Analysis, the corporate value and the share value of the Target Company were evaluated by first estimating the amount of future free cash flow that the Target Company is expected to generate in and after the 2nd quarter of the fiscal year ending February 2024 based on the Business Plan of the Target Company from the fiscal year ending February 2024 through the fiscal year ending February 2028 and publicly disclosed information, and then deriving the present value of that amount using a certain discount rate. This analysis showed that the value per share of the Target Company Stock was in the range of 710 yen to 1,508 yen. It should be noted that the Business Plan on which the DCF Analysis was premised does not anticipate a large increase or decrease in earnings. Furthermore, the expected synergies to be realized through the implementation of the Transaction are not taken into account because it is difficult to make detailed estimate of the impact on earnings at this point.

In determining the Tender Offer Price, the Tender Offeror took comprehensively into account several factors, including the valuation results in the Stock Valuation Report received from SMBC Nikko Securities, the results of due diligence performed by the Tender Offeror on the Target Company from mid-July 2023 to late August 2023, the likelihood of the Target Company's board of directors supporting the Tender Offer, the trend of the market price of the Target Company Stock (closing price during the period of the past six (6) months up to September 28, 2023 was 785 yen to 885 yen), and the outlook for tendering of shares in the Tender Offer, and based on the results of the discussion and negotiation with the Target Company and the Special Committee, ultimately set the Tender Offer Price at 1,300 yen per share through a resolution at the board of directors' meeting held on September 29, 2023. The price of 1,300 yen per share determined as the Tender Offer Price is higher than the upper limits of the calculation results of the value per share of the market price analysis and the comparable company analysis, and within the range of the value per share of the DCF Analysis, in the Stock Valuation Report.

SMBC Nikko Securities has a status as the Tender Offeror's shareholder (as of February 28, 2023, a major shareholder holding 2,915,000 shares (ration relative to total number of issued shares excluding treasury shares: 2.03%)), and is a member of the SMBC group companies as with Sumitomo Mitsui Banking Corporation. While Sumitomo Mitsui Banking Corporation has a status as the Tender Offeror's shareholder, is scheduled to lend the settlement funds for the Tender Offer to the Tender Offeror, and is conducting financing transactions as a part of the ordinary banking transactions to the Tender Offeror and the Target Company, in light of the track record of SMBC Nikko Securities as a valuation agent, the Tender Offeror has appointed SMBC Nikko Securities as its financial advisor and third-party valuation agent in light of the following facts; namely, prescribed information barrier measures have been taken between the business division of SMBC Nikko Securities to evaluate the share value of the Target Company Stock and other business divisions as the

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measures to prevent adverse effects, a proper conflict of interest management system, such as information barrier measures, has also been established between SMBC Nikko Securities and Sumitomo Mitsui Banking Corporation, independence as a financial advisor and a third-party valuation agent has been secured since the Tender Offeror and SMBC Nikko Securities are conducting transactions under terms and conditions that are the same as general business partners, SMBC Nikko Securities does not correspond to a related party of the Tender Offeror or the Target Company, and there is no particular problem in the Tender Offeror requesting SMBC Nikko Securities to evaluate the share value of the Target Company Stock.

The Tender Offer Price of 1,300 yen per share represents (a) a premium of 56.63% on 830 yen, which is the closing price of the Target Company Stock on the Prime Market of the Tokyo Stock Exchange on September 28, 2023, the business day immediately preceding the date of notice of commencement of the Tender Offer; (b) a premium of 50.64% on 863 yen, which is the simple average closing price for the one (1) month immediately preceding September 28, 2023; (c) a premium of 52.94% on 850 yen, which is the simple average closing price for the three (3) months immediately preceding September 28, 2023; and (d) a premium of 55.50% on 836 yen, which is the simple average closing price for the six (6) months immediately preceding September 28, 2023.

The Tender Offeror has acquired 5,500,000 shares of the Target Company Stock on October 11, 2022 at 1,300 yen per share from an asset management company through a negotiated transaction. While there is no difference between the acquisition price in October 2022 and the Tender Offer Price, the acquisition price in October 2022 was determined through negotiations with the counterparty, and its premium was 44.12% over the closing price of 902 yen per share on October 7, 2022, the business day immediately preceding the acquisition date. On the other hand, the Tender Offer Price has a premium of 56.63% over the closing price of 830 yen per share on September 28, 2023, the business day immediately preceding the announcement of the Tender Offer, and was decided through negotiations with the Target Company and the Special Committee.

(ii) Background of calculation

(Background to the determination of the Tender Offer Price)

On June 9, 2023, the Tender Offeror approached the Target Company with a proposal to make the Target Company a wholly owned subsidiary through a tender offer, and on the same day, received a response from the Target Company stating that it would proceed to discuss the matter with the Tender Offeror. In light of the progress of the due diligence on the Target Company conducted from mid-July 2023 to late August 2023, on August 14, 2023, the Tender Offeror submitted to the Target Company its Letter of Intent, laying out its basic expectations for the Transaction, including the fact that Target Company will become a wholly owned subsidiary of the Tender Offeror through the Transaction, the management strategy after the Transaction, the anticipated schedule, and the Tender Offer Price of at least 1,100 yen per share (which reflects premiums of 27.46% over the closing price of 863 yen on August 10, 2023, the business day immediately preceding the date of the Letter of Intent; 29.56% over the simple average closing price of 849 yen for the past one month; 33.17% over the simple average closing price of 826 yen for the past three months; and 32.05% over the simple average closing price of 833 yen for the past six months). Thereafter, the Tender Offeror has held several rounds of discussions and negotiations with the Target Company, including the Special Committee, regarding the Tender Offer Price. On August 30, 2023, the Tender Offeror received a written request jointly signed by the Target Company and the Special Committee stating that, in light of the fact that the Tender Offeror is the largest shareholder of the Target Company, owning approximately 30% of the Target Company, and that the Transaction involves structural conflicts of interest, the Target Company believes that it is necessary to consider the interests of the minority shareholders of the Target Company as much as possible,

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and that a higher tender offer price should be considered after taking into consideration the opinions of the Special Committee and the advice of the Target Company's advisors. In response to this written request, on August 31, 2023, the Tender Offeror proposed a revised Tender Offer Price of 1,200 yen per share (which reflects premiums of 42.86% over the closing price of 840 yen on August 30, 2023, the business day immediately preceding the date of the response; 40.85% over the simple average closing price of 852 yen for the past one month up to said date; 44.06% over the simple average closing price of 833 yen for the past three months up to said date; and 44.40 % over the simple average closing price of 831 yen for the past six months up to said date) after carefully consider various factors, including the fact that the Tender Offeror's ownership ratio of the votes after the completion of settlement of the Tender Offer is expected to exceed 66.6%. On September 11, 2023, the Tender Offeror received a written request jointly signed by the Target Company and the Special Committee to the effect of requesting the presentation of a higher price for the Tender Offer Price as a result of careful consideration in light of the opinions of the Special Committee and the advice from the Target Company's advisors since it is necessary to give utmost consideration to the interests of the Target Company's minority shareholders. In response, on September 12, the Tender Offeror proposed a revised Tender Offer Price of 1,250 yen per share (which reflects premiums of 42.21% over the closing price of 879 yen on September 11, 2023, the business day immediately preceding the date of proposal; 45.35% over the simple average closing price of 860 yen for the past one month up to said date; 48.46% over the simple average closing price of 842 yen for the past three months up to said date; and 50.24% over the simple average closing price of 832 yen for the past six months up to said date) as a result of once again comprehensively considering the result of the due diligence on the Target Company conducted from mid-July 2023 to late August 2023 and the stock value analysis. On September 14, 2023, the Tender Offeror received a written request jointly signed by the Target Company and the Special Committee to the effect of requesting the presentation of a higher price for the Tender Offer Price as a result of careful consideration in light of the opinions of the Special Committee and the advice from the Target Company's advisors since it is necessary to give utmost consideration to the interests of the Target Company's minority shareholders. In response, on September 21, 2023, the Tender Offeror proposed to the Target Company a revised Tender Offer Price of 1,300 yen per share (which reflects premiums of 52.05% over the closing price of 855 yen on September 20, 2023, the business day immediately preceding the date of proposal; 50.12% over the simple average closing price of 866 yen for the past one month up to said date; 53.48% over the simple average closing price of 847 yen for the past three months up to said date; and 55.69% over the simple average closing price of 835 yen for the past six months up to said date) as a result of once again comprehensively considering the result of the due diligence on the Target Company conducted from mid-July 2023 to late August 2023 and the stock value analysis. On September 22, 2023, the Tender Offeror received a written request jointly signed by the Target Company and the Special Committee to the effect of requesting that the Tender Offer Price be set at 1,340 yen per share as a result of careful consideration in light of the opinions of the Special Committee and the advice from the Target Company's advisors since it is necessary to give utmost consideration to the interests of the Target Company's minority shareholders. In response, on September 27, 2023, the Tender Offeror replied to the Target Company that the Tender Offer Price of 1,300 yen per share reflects an increase of 200 yen per share from the price proposed in the Letter of Intent dated August 14, 2023, and that it was difficult to further increase the Tender Offer Price from 1,300 yen per share. On the same day, the Tender Offeror received a written request jointly signed by the Target Company and the Special Committee to the effect of requesting that the Tender Offer Price be set at 1,310 yen per share from the viewpoint of further consideration for the interests of the Target Company's minority shareholders. In response, on September 28, 2023, the Tender Offeror replied that even after the Tender Offeror again carefully discussed to respect the opinions of the Target Company and the Special Committee to the maximum extent, it remained difficult to further increase the Tender Offer Price from 1,300 yen per share. On the same day, the Tender Offeror received a written response jointly signed by the Target Company and the Special Committee that after careful consideration based on the

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opinions of the Special Committee and the advice from the Target Company's advisors, they accept the Tender Offeror's proposal and informally agree to set the Tender Offer Price at 1,300 yen per share on the assumption that the final decision will be made by a resolution of the board of directors of the Target Company to be held on September 29, 2023.

In light of the foregoing discussions and negotiations with the Target Company and the Special Committee, the Tender Offeror resolved in its board of directors' meeting held on September 29, 2023 to set the Tender Offer Price to 1,300 yen, and implement the Tender Offer.

(a) Name of third party from which an opinion was obtained in performing the calculation

In determining the Tender Offer Price, the Tender Offeror referred to the Stock Valuation Report submitted by SMBC Nikko Securities, a third-party valuation agent that is independent of the Tender Offeror and the Target Company. SMBC Nikko Securities is not a related party to the Tender Offeror or the Target Company, and has no material interest in the Tender Offer. In addition, the Tender Offeror has not obtained a fairness opinion of the Tender Offer Price from SMBC Nikko Securities because the Tender Offeror believes that the interests of minority shareholders of the Target Company have been fully considered through the implementation of the measures set forth in "1. Purpose of Purchase and Related Transactions—(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest" above.

(b) Outline of the opinion

SMBC Nikko Securities evaluated the share value of the Target Company Stock by using the market price analysis, comparable company analysis and DCF Analysis. The ranges of the value per share of the Target Company Stock shown by each analysis are as follows:

Market price analysis: 836 yen to 863 yen

Comparable company analysis: 687 yen to 912 yen

DCF Analysis: 710 yen to 1,508 yen

(c) Background to the determination of the Tender Offer Price based on the opinion

In determining the Tender Offer Price, the Tender Offeror took comprehensively into account several factors, including the valuation results in the Stock Valuation Report received from SMBC Nikko Securities, the results of due diligence performed by the Tender Offeror on the Target Company from mid-July 2023 to late August 2023, the likelihood of the Target Company's board of directors supporting the Tender Offer, the trend of the market price of the Target Company Stock (closing price during the period of the past six (6) months up to September 28, 2023 was 785 yen to 885 yen), and the outlook for tendering of shares in the Tender Offer, and based on the results of the discussion and negotiation with the Target Company and the Special Committee, ultimately set the Tender Offer Price at 1,300 yen per share through a resolution at the board of directors' meeting held on September 29, 2023.

(iii) Relationship with the third-party valuation agent

SMBC Nikko Securities is not a related party to the Tender Offeror or the Target Company, and has no material interest in the Tender Offer.

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(5) Number of Share Certificates, etc. to Be Purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
40,245,027 (shares)	20,807,500 (shares)	- (shares)

(Note 1) If the total number of Tendered Share Certificates, etc. falls short of the minimum number of shares to be purchased (20,807,500 shares), all of the Tendered Share Certificates, etc. will not be purchased by the Tender Offeror. If the total number of Tendered Share Certificates, etc. is equal to or greater than the minimum number of shares to be purchased (20,807,500 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, etc.

(Note 2) Because the maximum number of shares to be purchased has not been set in the Tender Offer, the number of shares to be purchased is indicated as being the maximum number of shares (40,245,027 shares) that the Tender Offeror may acquire in the Tender Offer. This maximum number of shares was obtained by deducting the number of treasury shares (6,827,457 shares) held by the Target Company as of August 31, 2023 and the number of Target Company Stock (18,067,700 shares) held by the Tender Offeror from the total number of issued shares (65,140,184 shares) as of August 31, 2023 as indicated in the Target Company's 2nd Quarter Financial Results.

(Note 3) Shares constituting less than a unit will also be subject to purchase through the Tender Offer. The Target Company may purchase its own shares in accordance with procedures stipulated in the law during the Tender Offer Period from any shareholder who exercises the right to require the Target Company to purchase shares constituting less than a unit under the Companies Act.

(Note 4) The Tender Offeror does not intend to acquire, through the Tender Offer, any treasury shares held by the Target Company.

(6) Change of Shareholding Ratio of Share Certificates, etc. Due to Purchase

Number of voting rights pertaining to Share Certificates, etc. held by Tender Offeror prior to the purchase	180,677 votes	(shareholding ratio prior to the purchase: 30.98%)
Number of voting rights pertaining to Share Certificates, etc. held by special interested parties prior to the purchase	6,768 votes	(shareholding ratio prior to the purchase: 1.16%)
Number of voting rights pertaining to Share Certificates, etc. to be held by Tender Offeror after the purchase	583,127 votes	(shareholding ratio after the purchase: 100.00%)
Number of voting rights pertaining to Share Certificates, etc. to be held by special interested parties after the purchase	— votes	(shareholding ratio after the purchase: —%)
Total number of voting rights of all shareholders, etc. of the Target Company	582,629 votes	

(Note 1) “Number of voting rights pertaining to Share Certificates, etc. held by special interested parties prior to the purchase” and “Number of voting rights pertaining to Share Certificates, etc. to be held by special interested parties after the purchase” represent the total number of voting rights pertaining to the Share Certificates, etc. held by the respective special interested parties (provided, however, that, among the special interested parties, excluding parties that are excluded from the special

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interested parties based on Article 3, Paragraph 2, Item (1) of the the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer (Finance Ministry Ordinance No. 38 of 1990, as amended) (the “TOB Ordinance”) in the calculation of the shareholding ratio of the Share Certificates, etc. in the respective items of Article 27-2, Paragraph 1 of the Act).

- (Note 2) “Total number of voting rights of all shareholders, etc. of the Target Company” represents the number of voting rights of all shareholders as indicated in the Target Company Securities Report; provided, however, that, because shares less than one unit are also subject to the Tender Offer, in the calculation of “shareholding ratio prior to the purchase” and “shareholding ratio after the purchase”, the number of votes (583,127 votes) pertaining to the number of shares (58,312,727 shares), which has been obtained by deducting the number of treasury shares (6,827,457 shares) held by the Target Company as of August 31, 2023 from the total number of issued shares (65,140,184 shares) of the Target Company as of August 31, 2023 as indicated in the Target Company’s 2nd Quarter Financial Results, has been used as the denominator.
- (Note 4) “Shareholding ratio prior to the purchase” and “shareholding ratio after the purchase” have been rounded to two decimal places.

(7) Aggregate Purchase Price: 52,318,535,100 yen

The aggregate purchase price has been obtained by multiplying the number of shares to be purchased in the Tender Offer (40,245,027 shares) by the Tender Offer Price per share (1,300 yen).

(8) Method of Settlement

- (i) Name and address of the head office of the financial instruments business operators / banks in charge of settlement for purchase, etc.**

SMBC Nikko Securities Inc.: 3-3-1 Marunouchi, Chiyoda-ku, Tokyo

- (ii) Settlement commencement date**

November 20, 2023 (Monday)

- (iii) Method of settlement**

A notice of purchase by way of the Tender Offer will be mailed to the address or location of each Tendering Shareholder, etc. (or the Standing Proxy in the case of a Foreign Shareholder, etc.) promptly after the end of the Tender Offer Period. The foregoing notice will be delivered via an electromagnetic method for tendering through Nikko Easy Trade.

Payment of the purchase price will be made in cash. The sales price of the Share Certificates, etc. that were purchased shall be remitted by the tender offer agent to the place designated by the Tendering Shareholder, etc. (or the Standing Proxy in the case of a Foreign Shareholder, etc.) promptly on or after the commencement date of settlement according to the instructions given by the Tendering Shareholder, etc. (or the Standing Proxy in the case of a Foreign Shareholder, etc.).

- (iv) Method of returning Share Certificates, etc.**

If all of the Tendered Share Certificates, etc. are not purchased in accordance with the terms described in the section titled “(i) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and details thereof” or “(ii) Conditions of withdrawal, etc. of the Tender

Offer, details thereof and method of disclosure of withdrawal” under “(9) Other conditions and methods of Purchase, etc.” below, the tender offer agent will restore the Share Certificates, etc. that need to be returned to the state at the time that the Share Certificates, etc. were tendered on the tender offer agent’s Tendering Shareholder’s Account (“state at the time that the Share Certificates, etc. were tendered” means the state in which the execution of the tender or order for the Tender Offer was cancelled) after two (2) business days following the last day of the Tender Offer Period (the day of the withdrawal, etc. if the Tender Offer is withdrawn, etc.).

(9) Other Conditions and Methods of Purchase

(i) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and details thereof

If the total number of Tendered Share Certificates, etc. falls short of the minimum number of shares to be purchased (20,807,500 shares), all of the Tendered Share Certificates, etc. will not be purchased by the Tender Offeror. If the total number of Tendered Share Certificates, etc. is equal to or greater than the minimum number of shares to be purchased (20,807,500 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, etc.

(ii) Conditions of withdrawal, etc. of the Tender Offer, details thereof and method of disclosure of withdrawal

The Tender Offer may be withdrawn upon the occurrence of any event listed in Article 14, Paragraph 1, Item 1(a) to (j) and (m) to (s), Item 3(a) to (h) and (j), as well as Article 14, Paragraph 2, Items 3 through 6 of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended) (the “Enforcement Order”). In the Tender Offer, the “acts equivalent to those set forth in (a) to (i)” in Article 14, Paragraph 1, Item 3(j) of the Enforcement Order means where it is found that there is a false statement regarding, or an omission of, a material matter to be stated, in the statutory disclosure documents which the Target Company submitted in the past, and where the Tender Offeror was not aware of the false statement or the omission and, despite using due care, the Tender Offeror was unable to be aware of the false statement or the omission.

Should the Tender Offeror intend to withdraw the Tender Offer, it will give public notice thereof through electronic disclosure as well as in the Nihon Keizai Shimbun; provided, that if it is difficult to give such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice promptly thereafter.

(iii) Conditions of reduction of purchase price, details thereof and method of disclosure of reduction

Pursuant to Article 27-6, Paragraph 1, Item 1 of the Act, if the Target Company takes any action set forth in Article 13, Paragraph 1 of the Enforcement Order during the Tender Offer Period, the Tender Offeror may reduce the Tender Offer Price pursuant to the standards set forth in Article 19, Paragraph 1 of the TOB Ordinance. Should the Tender Offeror intend to reduce the Tender Offer Price, it will give public notice thereof through electronic disclosure as well as in the Nihon Keizai Shimbun; provided, that if it is difficult to give such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice promptly thereafter. If the Tender Offer Price is reduced, the Tender Offeror will purchase the Tendered Share Certificates, etc. tendered on or prior to the public notice at the reduced Tender Offer Price.

(iv) Matters concerning Tendering Shareholder, etc.' right of cancellation of contract

The Tendering Shareholder, etc. may cancel a contract related to the Tender Offer at any time during the Tender Offer Period.

When cancelling the contract related to the Tender Offer, the Tendering Shareholder, etc. shall deliver or send a document (the "Cancellation Notice") to the following person to the effect of cancelling the contract related to the Tender Offer by 15:30 on the last day of the Tender Offer Period (since business hours differ depending on the branch office, please take procedures upon confirming the business hours of the branch office that you will use in advance); provided, however, when sending the Cancellation Notice, the Cancellation Notice must reach the following person by 15:30 on the last day of the Tender Offer Period (since business hours differ depending on the branch office, please take procedures upon confirming the business hours of the branch office that you will use in advance).

For cancelling a contract applied through Nikko Easy Trade, the Tendering Shareholder, etc. shall log onto Nikko Easy Trade and take cancellation procedures by 15:30 on the last day of the Tender Offer Period according to the method described on the screen.

Party authorized to receive cancellation documents:

SMBC Nikko Securities Inc.; 3-3-1 Marunouchi, Chiyoda-ku, Tokyo

(other branch offices of SMBC Nikko Securities Inc. throughout Japan)

No payment of compensation for damages or penalty will be demanded of any Tendering Shareholder by the Tender Offeror even if the Tendering Shareholder cancels a contract. The cost of returning the Tendered Share Certificates, etc. will be borne by the Tender Offeror. When the cancellation of a contract is requested, the Tendered Share Certificates, etc. will be returned promptly after the completion of procedures of the cancellation request according to the method described in the section titled "(iv) Method of returning Share Certificates, etc." under "(8) Method of settlement" above.

(v) Method of disclosure if the conditions or other terms of the Tender Offer are changed

The Tender Offeror may change the conditions, etc. for the Tender Offer during the Tender Offer Period, except where it is prohibited pursuant to Article 27-6, Paragraph 1 of the Act and Article 13 of the Enforcement Order. Should any terms or conditions of the Tender Offer be changed, the Tender Offeror will give public notice thereof through electronic disclosure as well as in the Nihon Keizai Shimbun; provided, that if it is difficult to make such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice promptly thereafter. Should any terms or conditions of the Tender Offer be changed, the purchase of the Tendered Share Certificates, etc. tendered on or prior to the date of such public notice will also be made in accordance with the terms and conditions as changed.

(vi) Method of disclosure if an amended statement is submitted

If the Tender Offeror submits an amendment to the Tender Offer Statement to the Director-General of Kanto Local Finance Bureau (except in the case prescribed in the proviso of Article 27-8, Paragraph 11 of the Act), the Tender Offeror will promptly make an official announcement of the details of such amended statement to the extent relevant to the contents of the public notice of the Tender Offer, pursuant to the method set forth in Article 20 of the TOB Ordinance. The Tender Offeror will also promptly amend the explanatory statement and provide the amended explanatory statement to the Tendering Shareholder, etc. who have

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received the original explanatory statement. If the extent of the amendment is limited, however, the Tender Offeror will convey the changes to the Tendering Shareholder, etc. by way of preparing and delivering to the Tendering Shareholder, etc. a document stating the reason for the amendment, the matters amended and the details thereof.

(vii) Method of disclosure of results of the Tender Offer

The Tender Offeror will announce the results of the Tender Offer in accordance with methods stipulated in Article 9-4 of the Enforcement Order and Article 30-2 of the TOB Ordinance on the day following the last day of the Tender Offer Period.

(10) Date of Notice of Commencement of the Tender Offer

October 2, 2023 (Monday)

(11) Tender Offer Agent

SMBC Nikko Securities Inc. 3-3-1 Marunouchi, Chiyoda-ku, Tokyo

3. Policy after the Tender Offer and Future Outlooks

(1) Policy after the Tender Offer

For details of the policy and outlooks after the Tender Offer, please see the section titled “(iii) Management policy after the Tender Offer” under “(2) Background, purpose and decision-making process of the Tender Offer, and management policy after the Tender Offer” under “1. Purpose of Purchase and Related Transactions” above.

(2) Impact on the Tender Offer’s Consolidated Results and Future Outlooks

The impact of the Tender Offer on the Tender Offeror’s business performance is currently under scrutiny. If the need to revise the business performance forecast arises or any fact that should be announced arises, it will be announced promptly.

(Reference) Forecast of consolidated financial results for the year ending February 29, 2024 (from March 1, 2023) to February 29, 2024) as announced on April 11, 2023 and June 30, 2023, and historical consolidated financial results for the year ended February 28, 2023

(in millions of yen)

	Operating revenue	Operating profit	Ordinary profit	Profit attributable to owners of parent
Forecast consolidated financial results (the	494,000	31,000	30,600	18,700

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year ending February 29, 2024)				
Historical consolidated financial results (the year ended February 28, 2023)	476,821	30,068	29,555	18,135

4. Other Items

(1) Agreements between the Tender Offeror and the Target Company or their respective Officers, and Related Details

According to the Target Company Press Release, the Target Company resolved at its board of directors' meeting held today to express an opinion in favor of the Tender Offer, and to recommend that all shareholders of the Target Company tender their shares in the Tender Offer.

For details of the foregoing board of directors' meeting of the Target Company, refer to the Target Company Press Release and “(v) Unanimous approval of all non-interested directors (including audit and supervisory committee members) of the Target Company” of “(3) Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest” of “1. Purpose of Purchase and Related Transactions” above.

(2) Other Information Deemed Necessary for Investors to Determine whether to Tender their Shares through the Tender Offer

(i) Announcement of “Unconsolidated Financial Results for the 2nd Quarter of Fiscal Year Ending February 2024 (Prepared in Conformity with Japanese GAAP)”

The Target Company announced today the Target Company's 2nd Quarter Financial Results. The outline of the Target Company's 2nd Quarter Financial Results in the announcement is as stated below. According to the Target Company, the Target Company's 2nd Quarter Financial Results did not undergo the quarterly review by the auditor under Article 193-2, Paragraph 1 of the Companies Act. The outline below is an excerpt from the information disclosed by the Target Company. For details, refer to the Target Company's 2nd Quarter Financial Results.

(i) Profit and loss

Accounting period	Cumulative accounting period for 2nd quarter of fiscal year ending February 2024 (from March 1, 2023 to August 31, 2023)
Net sales	48,180 million yen

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Accounting period	Cumulative accounting period for 2nd quarter of fiscal year ending February 2024 (from March 1, 2023 to August 31, 2023)
Cost of sales	30,331 million yen
Selling, general and administrative expenses	15,739 million yen
Non-operating income	188 million yen
Non-operating expenses	33 million yen
Net income for the quarter	1,950 million yen

(ii) Per share information

Accounting period	Cumulative accounting period for 2nd quarter of fiscal year ending February 2024 (from March 1, 2023 to August 31, 2023)
Net profit per share for the quarter	33.45 yen
Dividend per share	7.25 yen

According to the Target Company's 2nd Quarter Financial Results, the Target Company has revised its full-year earnings forecast for the fiscal year ending February 2024. The following summary of the announcement is an excerpt of the announcement made by the Target Company. Please refer to the Target Company's 2nd Quarter Financial Results for further details.

Forecast of consolidated financial results for the fiscal year ending February 2024

	Operating revenue	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	(in millions of yen)	(in millions of yen)	(in millions of yen)	(in millions of yen)	(in yen)
Previous forecast (A)	95,600	5,400	5,650	3,750	64.31
Amended forecast (B)	93,300	5,250	5,450	3,600	61.74
Increase or decrease (B-A)	-2,300	-150	-200	-150	—

[TRANSLATION]

Rate of increase or decrease (in %)	-2.4%	-2.8%	-3.5%	-4.0%	—
(Reference) Historical results for the fiscal year ended February 2023	95,592	5,241	5,520	3,694	62.10

(ii) Amendment of dividend forecast for the fiscal year ending February 2024 and abolition of shareholder special benefit plan

In the board of directors' meeting held today, the Target Company passed a resolution for amending the dividend forecast for the term ending February 2024, suspending any dividend payment for the term ending February 2024, and abolishing the shareholder special benefit plan, on the condition that the Tender Offer is completed. For details, see the "Notice Concerning Amendment of Dividend Forecast for the Fiscal Year Ending February 2024 and Abolition of Shareholder Special Benefit Plan" announced by the Target Company today.

DISCLAIMER

The Tender Offer is intended for the common stock of the Target Company, which is a company established in Japan. The Tender Offer will be conducted in compliance with the procedures and disclosure standards prescribed in the laws of Japan, and such procedures and standards are not necessarily identical to those applicable in the United States. In particular, Sections 13(e) and 14(d) of the U.S. Securities Exchange Act of 1934 (as amended; the same applies hereinafter) and the rules promulgated thereunder do not apply to the Tender Offer, and the Tender Offer is not intended to comply with the procedures or standards set forth in any such provisions. All financial information contained in this Tender Offer Statement and its reference documents is prepared based on the generally accepted accounting principles of Japan, and such accounting standards may be considerably different from the generally accepted accounting principles of the U.S. and other countries. In addition, since the Tender Offeror and the Target Company are a legal entities incorporated outside of the United States and all or some of their officers may not be U.S. residents, it may become difficult to exercise any rights or make claims arising under the U.S. securities laws. Furthermore, in the event of a violation of the U.S. securities laws, it may not be possible to commence a legal action against companies or their officers outside the United States before courts outside the United States. In addition, there is no guarantee that companies and their respective subsidiaries and affiliates outside the United States can be subjected to the jurisdiction of U.S. courts.

Unless otherwise described, all procedures related to the Tender Offer shall be conducted entirely in the Japanese language. All or any part of the documents related to the Tender Offer is prepared in the English language. If there is any inconsistency between the English documentation and the Japanese documentation, the Japanese documentation shall prevail.

This press release includes “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934. Actual results may differ substantially from these forward-looking statements due to known or unknown risks, uncertainties or other factors. Neither the Tender Offeror nor any of its affiliates guarantee that the results expressed or implied as “forward-looking statements” will be achieved. The “forward-looking statements” included in this Tender Offer Statement and its reference documents have been prepared based on information available to the Tender Offeror as of the date of filing of this Tender Offer Statement, and neither the Tender Offeror nor any of its affiliates will be responsible for updating or otherwise revising such forward-looking statements in order to reflect any future event or circumstances, unless otherwise required by law or regulation.

The financial advisors of the Tender Offeror and the Target Company and the tender offer agent (including their respective affiliates) may, within their ordinary course of business, purchase, or conduct any act toward the purchase of, the shares of the common stock of the Target Company for their own account or for their customers’ accounts outside the Tender Offer prior to the commencement of, or during, the period of the Tender Offer in accordance with the requirements of Rule 14e-5(b) under the U.S. Securities Exchange Act of 1934 and to the extent permissible under the laws related to financial instruments and exchanges and other applicable laws and regulations in Japan. If any information concerning such purchase is disclosed in Japan, the disclosure of such information will be made in the United States in a similar manner.