

FANCL Corporation  
TSE Prime Market: 4921

**Notice of Expression of Our Affirmative Opinion regarding, and Recommendation to Tender in, the Tender Offer for the Company's Shares etc. by Kirin Holdings Company, Limited**

**Yokohama**, June 14, 2024—FANCL Corporation (the “Company”) hereby announces that, at the Board of Directors meeting held today, with regard to the tender offer for the Company’s common stock (the “Company Shares”) and the Stock Acquisition Rights (as defined in “2. Price of tender offer” below ) by Kirin Holdings Company, Limited (the “Tender Offeror”) (the “Tender Offer”), the Company resolved that the Company (i) expresses its affirmative opinion regarding the Tender Offer, (ii) recommends that its shareholders tender their shares in the Tender Offer, and (iii) leaves the decision up to the holders of Stock Acquisition Rights (the “Stock Acquisition Rights Holders”) whether or not to tender their Stock Acquisition Rights in the Tender Offer. The aforementioned resolution of the Board of Directors meeting was adopted on the assumption that, after the Tender Offer and the series of subsequent procedures, the Tender Offeror is making the Company a wholly-owned subsidiary of the Tender Offeror and the Company Shares shall be delisted.

1. Summary of the Tender Offeror

(1) Name	Kirin Holdings Company, Limited	
(2) Address	10-2 Nakano 4-chome, Nakano-ku, Tokyo	
(3) Title/name of representative	Takeshi Minakata, Representative Director of the Board, President & COO	
(4) Details of business	Formulation and management control of the group's management strategy	
(5) Share capital	¥102,046 million (as of March 31, 2024)	
(6) Date of establishment	February 23, 1907	
(7) Major shareholders and shareholding ratio (as of December 31, 2023)	The Master Trust Bank of Japan, Ltd. (Trust Account)	17.76
	Custody Bank of Japan, Ltd. (Trust Account)	7.10
	Meiji Yasuda Life Insurance Company (Standing proxy: Custody Bank of Japan, Ltd.)	3.86
	STATE STREET BANK AND TRUSTCOMPANY505001 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	2.19
	SMBC Nikko Securities Inc.	1.98

	STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1.96
	SSBTC CLIENT OMNIBUS ACCOUNT (standing proxy: Tokyo Branch, The Hong Kong Shanghai Banking Corporation Limited)	1.25
	JAPAN SECURITIES FINANCE CO., LTD.	1.23
	JP Morgan Securities Japan Co., Ltd.	1.15
	THE BANK OF NEW YORK MELLON 140044 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1.05
(8) Relationship between the Company and the Tender Offeror		
Capital relationship	The Tender Offeror owns 39,540,400 Company Shares (Ownership Ratio (Note 1) 32.52 %), and the Company is an affiliate accounted for by the equity method of the Tender Offeror.	
Personnel relationship	One of the Company's directors is concurrently serving as the director of the Tender Offeror, and another director formerly belonged to the Tender Offeror. In addition, one of the Company's company auditors formerly belonged to the Tender Offeror. In addition, as of April 1, 2024, 12 employees of the Tender Offeror are seconded to the Company, and 4 of the Company's employees are seconded to the Tender Offeror.	
Transactional relationship	The Tender Offeror has executed a capital and business alliance agreement with the Company. There is also a transactional relationship between the Tender Offeror and the Company regarding raw materials, products, etc.	
Applicable status of related parties	The Company is an affiliate accounted for by the equity method of the Tender Offeror and falls under a related party of the Tender Offeror.	

(Note 1) "Ownership Ratio" means the ratio (rounded to the second decimal place) of the number of Company Shares to the number of shares (121,591,800 shares) (the "Total Number of Shares After Accounting for Diluted Shares") which is (i) the total number of issued shares of the Company (130,353,200 shares) as of March 31, 2024 described in the "Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (under Japanese GAAP)" (the "Company's Summary of Financial Results") submitted by the Company on May 8, 2024, plus the number of shares (432,400 shares), the number of the Company Shares which are the subject of the 2,475 Stock Acquisition Rights remaining as of March 31, 2024 (Note 2), minus the number of treasury shares (9,193,800 shares) held by the Company as of March 31, 2024 described in the Company's Summary of Financial Results (provided, however, that this does not include the number of the Company Shares (206,039 shares) held by the officer compensation BIP (Board Incentive Plan) trust (the "BIP Trust") currently

as of March 31, 2024) . Hereinafter the same.

(Note 2) The breakdown of Stock Acquisition Rights remaining as of today (2,475) is as follows.

Name of Stock Acquisition Rights	Number of Stock Acquisition Rights as of today	Number of Company Shares to be issued (shares)	Ownership Ratio (%)
The Fifth Series Stock Acquisition Rights of 2007	38	7,600	0.01%
The Sixth Series Stock Acquisition Rights of 2008	68	13,600	0.01%
The Seventh Series Stock Acquisition Rights of 2009	49	9,800	0.01%
The Eighth Series Stock Acquisition Rights of 2010	105	21,000	0.02%
The Tenth Series Stock Acquisition Rights of 2011	150	30,000	0.02%
The Twelfth Series Stock Acquisition Rights of 2012	193	38,600	0.03%
The Thirteenth Series Stock Acquisition Rights of 2013	253	50,600	0.04%
The Fifteenth Series Stock Acquisition Rights of 2014	188	37,600	0.03%
The Sixteenth Series Stock Acquisition Rights of 2015	192	38,400	0.03%
The Seventeenth Series Stock Acquisition Rights of 2016	228	45,600	0.04%
The Eighteenth Series Stock Acquisition Rights of 2017	218	43,600	0.04%
The Nineteenth Series Stock Acquisition Rights of 2018	167	33,400	0.03%
The Twentieth Series Stock Acquisition Rights of 2019	319	31,900	0.03%
The Twenty-First Series Stock Acquisition Rights of 2020	307	30,700	0.03%
Total	2,475	432,400	0.36%

2. Price of tender offer

- (1) JPY 2,690 per common stock (the "Tender Offer Price").
- (2) Stock acquisition rights (the stock acquisition rights in (i) through (xiv) below are collectively referred to as the "Stock Acquisition Rights" and the price of tender offer per Stock Acquisition Right in the Tender Offer shall be collectively referred to as the "Stock Acquisition Right Purchase Price".)

- (i) The fifth series stock acquisition rights of 2007 issued pursuant to the resolution of the Board of Directors of the Company held on November 12, 2007 (the “Fifth Series Stock Acquisition Rights”) (exercise period is from December 4, 2007 to December 3, 2037): JPY 1 per stock acquisition right
- (ii) The sixth series stock acquisition rights of 2008 issued pursuant to the resolution of the Board of Directors of the Company held on November 14, 2008 (the “Sixth Series Stock Acquisition Rights”) (exercise period is from December 2, 2008 to December 1, 2038): JPY 1 per stock acquisition right
- (iii) The seventh series stock acquisition rights of 2009 issued pursuant to the resolution of the Board of Directors of the Company held on November 12, 2009 (the “Seventh Series Stock Acquisition Rights”) (exercise period is from December 2, 2009 to December 1, 2039): JPY 1 per stock acquisition right
- (iv) The eighth series stock acquisition rights of 2010 issued pursuant to the resolution of the Board of Directors of the Company held on November 15, 2010 (the “Eighth Series Stock Acquisition Rights”) (exercise period is from December 2, 2010 to December 1, 2040): JPY 1 per stock acquisition right
- (v) The tenth series stock acquisition rights of 2011 issued pursuant to the resolution of the Board of Directors of the Company held on November 14, 2011 (the “Tenth Series Stock Acquisition Rights”) (exercise period is from December 2, 2011 to December 1, 2041): JPY 1 per stock acquisition right
- (vi) The twelfth series stock acquisition rights of 2012 issued pursuant to the resolution of the Board of Directors of the Company held on November 12, 2012 (the “Twelfth Series Stock Acquisition Rights”) (exercise period is from December 4, 2012 to December 3, 2042): JPY 1 per stock acquisition right
- (vii) The thirteenth series stock acquisition rights of 2013 issued pursuant to the resolution of the Board of Directors of the Company held on November 14, 2013 (the “Thirteenth Series Stock Acquisition Rights”) (exercise period is from December 3, 2013 to December 2, 2043): JPY 1 per stock acquisition right
- (viii) The fifteenth series stock acquisition rights of 2014 issued pursuant to the resolution of the Board of Directors of the Company held on October 30, 2014 (the “Fifteenth Series Stock Acquisition Rights”) (exercise period is from December 2, 2014 to December 1, 2044): JPY 1 per stock acquisition right
- (ix) The sixteenth series stock acquisition rights of 2015 issued pursuant to the resolution of the Board of Directors of the Company held on October 29, 2015 (the “Sixteenth Series Stock Acquisition Rights”) (exercise period is from December 2, 2015 to December 1, 2045): JPY 1 per stock acquisition right
- (x) The seventeenth series stock acquisition rights of 2016 issued pursuant to the resolution of the Board of Directors of the Company held on October 28, 2016 (the “Seventeenth Series Stock Acquisition Rights”) (exercise period is from December 2, 2016 to December 1, 2046): JPY 1 per stock acquisition right
- (xi) The eighteenth series stock acquisition rights of 2017 issued pursuant to the resolution of the Board of Directors of the Company held on October 30, 2017 (the “Eighteenth Series Stock Acquisition Rights”) (exercise period is from December 2, 2017 to December 1, 2047): JPY 1 per stock acquisition right
- (xii) The nineteenth series stock acquisition rights of 2018 issued pursuant to the resolution of the Board of Directors of the Company held on October 30, 2018 (the “Nineteenth Series Stock Acquisition

Rights”) (exercise period is from December 4, 2018 to December 3, 2048): JPY 1 per stock acquisition right

(xiii) The twentieth series stock acquisition rights of 2019 issued pursuant to the resolution of the Board of Directors of the Company held on October 30, 2019 (the “Twentieth Series Stock Acquisition Rights”) (exercise period is from December 3, 2019 to December 2, 2049): JPY 1 per stock acquisition right

(xiv) The twenty-first series stock acquisition rights of 2020 issued pursuant to the resolution of the Board of Directors of the Company held on November 4, 2020 (the “Twenty-First Series Stock Acquisition Rights”) (exercise period is from December 2, 2020 to December 1, 2050): JPY 1 per stock acquisition right

### 3. Details of, and grounds and reasons for, the opinion on the Tender Offer

#### (1) Details of the opinion on the Tender Offer

The Company resolved at its Board of Directors meeting held today, with the participation in the deliberations and resolutions of all seven of the Company’s nine directors excluding Shinro Fujita and Junko Tsuboi, all of whom are disinterested directors, and by an unanimous vote of all the directors who attended the resolution, based on the grounds and reason stated in “(iii) Decision-making process and the reasons that led to the Company’s decision in favor of the Tender Offer” of “(2) Ground and reasons for the opinion on the Tender Offer” below, that the Company (i) expresses its affirmative opinion regarding the Tender Offer, (ii) recommends that its shareholders tender their shares in the Tender Offer, and (iii) leaves the decision to the Stock Acquisition Rights Holders whether or not to tender their Stock Acquisition Rights in the Tender Offer.

For details of the decision-making process of Board of Directors of the Company, please refer below to “(viii) Receipt of unanimous approval of all disinterested directors of the Company and the opinion of all disinterested Company Auditors of the Company that they have no objection” of “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest”.

#### (2) Grounds and reasons for the opinion on the Tender Offer

The description of the Tender Offeror in this section (2) is based on the explanation provided by the Tender Offeror.

##### (i) Outline of the Tender Offer

As of today, the Tender Offeror is the largest shareholder which is a major shareholder of the Company, which owns 39,540,400 shares (Ownership Ratio: 32.52%) of the Company listed on the Prime Market of Tokyo Stock Exchange, Inc. (the “TSE”), and the Company is an affiliate accounted for by the equity method of the Tender Offeror.

According to “Notice regarding the Commencement of the Tender Offer towards the Share Certificates, etc. of FANCL CORPORATION (securities code 4921)” announced by the Tender Offeror today, at the Tender Offeror’s Board of Directors meeting held on the same day, the Tender Offeror resolved to implement the Tender Offer as part of the transaction for acquiring all of the issued shares of the Company (provided, however, that this includes the Company Shares delivered

through the exercise of the Stock Acquisition Rights and excludes the Company Shares directly held by the Tender Offeror and treasury shares held by the Company; hereinafter the same) and the Stock Acquisition Rights, and making the Company a wholly-owned subsidiary of the Tender Offeror (the "Transaction").

Upon the Tender Offer, the Company and the Tender Offeror have executed a tender offer agreement dated June 14, 2024 (the "Tender Offer Agreement; for details of the Tender Offer Agreement, please refer below to "4. Matters concerning material agreements related to the Tender Offer"). It is said that the Tender Offeror shall commence the Tender Offer on the condition that the conditions precedent set forth in the Tender Offer Agreement (Note 1) (the "Conditions Precedent of the Tender Offer") are satisfied (or are waived at the discretion of the Tender Offeror) (Note 2).

(Note 1) (1) All the representations and warranties of the Company (Note 3) are true and accurate in material respects, (2) the obligations to be performed or complied with by the Company under the Tender Offer Agreement (Note 4) are all performed or complied with in material respects, (3) no material adverse effects have become evident or have occurred on and after the execution date of the Tender Offer Agreement, (4) the resolution of the Board of Directors in favor of the Tender Offer, to recommend tender to the shareholders of the Company, and to leave the decision as to whether to tender to the Stock Acquisition Rights Holders of the Company has been legally and validly made as an expression of the Company's opinion regarding the Tender Offer on the execution date of the Tender Offer Agreement, and the Company has announced its contents, and no resolution to withdraw the resolution in favor or to change to something not falling under resolution in favor or conflicting resolution have been made by the Company as of the commencement date of the Tender Offer, (5) unannounced material facts regarding the Company (meaning the material facts set forth in Article 166 Paragraph 2 of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the "Act")) or facts such as tender offer (meaning the facts set forth in Article 167 Paragraph 2 of the Act) do not exist, (6)(i) no decisions, etc. of judicial or administrative agencies to restrict or prohibit the Transaction exist, (ii) no filings, lawsuits or proceedings requesting to restrict or prohibit the Transaction are pending at any judicial or administrative agencies, (7)(i) in all countries or areas requiring licenses or permits, etc. under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended; the "Anti-Monopoly Act") or other competition laws of foreign countries in relation to the Tender Offer, all such licenses and permits, etc. have been acquired or performed, (and if there is a waiting period) the waiting period has elapsed (including the receipt of Notice related to Non-Issuance of Cease and Desist Orders), or it is reasonably prospectively that these shall be completed within the Tender Offer Period, (ii) it is reasonably prospectively that the fair trade commission or other judicial or administrative agencies related to the competition law of such country or area shall not take measures or proceedings to obstruct the implementation of the Tender Offer.

(Note 2) The Tender Offer Agreement provides that the Tender Offeror shall be entitled to waive any condition of the Conditions Precedent of the Tender Offer at its discretion.

(Note 3) For the contents of the representations and warranties of the Company under the Tender

Offer Agreement, please refer below to “4. Matters concerning material agreements related to the Tender Offer”.

(Note 4) For the contents of the Company’s obligations under the Tender Offer Agreement, please refer below to “4. Matters concerning material agreements related to the Tender Offer”.

In the Tender Offer, as the Tender Offeror intends to make the Company a wholly-owned subsidiary of the Tender Offeror, the Tender Offeror sets the minimum number of tendered shares to be purchased at 41,117,700 shares (Ownership Ratio: 33.82%) (Note 5); and if the total number of the Company’s Share certificates, etc. tendered in the Tender Offer (the “Tendered Shares, Etc.”) is less than the minimum number of tendered shares to be purchased (41,117,700), the Tender Offeror will not purchase the Tendered Shares, Etc. Meanwhile, since the purpose of the Tender Offer is to make the Company a wholly-owned subsidiary of the Tender Offeror, the maximum number of tendered shares to be purchased has not been set, and if the total number of the Tendered Shares, Etc. is no less than the minimum number of tendered shares to be purchased, the Tender Offeror shall purchase all of the Tendered Shares, Etc.

(Note 5) The minimum number of tendered shares to be purchased is set at the number of shares (41,117,700 shares) which is said to be (I) (A) the number of voting rights (806,581) equivalent to  $\frac{2}{3}$  (two-thirds) (fractions less than one shall be rounded up) of the number of voting rights (1,209,871) related to (i) the total number of issued shares of the Company (130,353,200 shares) current as of March 31, 2024 described in the Company’s Summary of Financial Reports, plus (ii) the number of the Company Shares (10,600 shares) which is the subject of the 78 Stock Acquisition Rights which is the total of the 12 of the Eighteenth Series Stock Acquisition Rights, the 16 of the Nineteenth Series Stock Acquisition Rights, the 27 of the Twentieth Series Stock Acquisition Rights, and the 23 of the Twenty-First Series Stock Acquisition Rights prospected to become exercisable during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting (defined in “(ii) Share Consolidation” of “(5) Policy on reorganization, etc. after the Tender Offer (matters relating to the so-called two-stage takeover)” below; the same hereinafter), from among the Stock Acquisition Rights (130,363,800 shares), minus (iii) the number of treasury shares held by the Company (9,193,800) currently as of the same date (described in the Company’s Summary of Financial Reports (provided, however, that this does not include the number of the Company Shares held by the BIP Trust currently as of the same date (206,039 shares), minus (iv) the number of the Company Shares held by BIP Trust currently as of the same date (206,039 shares) (120,963,961 shares), plus (v) the total number of the Company Shares (23,205 shares) scheduled to be sold in the market or delivered to the trust beneficiaries by the BIP Trust during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting (120,987,166 shares), multiplied by (B) 1 share unit of the Company (100 shares) (80,658,100 shares), minus (II) the number of Company Shares (39,540,400 shares) held by the Tender Offeror (41,117,700 shares). This minimum number of tendered shares to be purchased was set because, while the Tender Offeror intends to make the Company a wholly-owned subsidiary in the Tender Offer, since the special resolution of the

general meeting of shareholders provided in Article 309 Paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same) is a requirement for the Tender Offeror to implement the procedures of share consolidation as described in “(5) Policy on reorganization, etc. after the Tender Offer (matters relating to the so-called two-stage takeover)”, in order to steadily implement of the Transaction, it is rendered so that the Tender Offeror owns 2/3 (two-thirds) or more of the voting rights of the total shareholders of the Company after the Tender Offer (provided, however, that this excludes the voting rights related to the Company Shares held by the BIP Trust around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting).

The minimum number of tendered shares to be purchased is set at the number of shares (41,117,700 shares) which is said to be in excess of the number of the Company Shares (40,723,400 shares; the number of shares equivalent to so-called “majority of minority”) equivalent to the majority (407,234) of the number of voting rights (814,467) related to (i) the total number of issued shares of the Company (130,353,200 shares) current as of March 31, 2024 described in the Company’s Summary of Financial Reports, plus (ii) the number of the Company Shares (10,600 shares) which is the subject of the 78 Stock Acquisition Rights which is the total of the 12 of the Eighteenth Series Stock Acquisition Rights, the 16 of the Nineteenth Series Stock Acquisition Rights, the 27 of the Twentieth Series Stock Acquisition Rights, and the 23 of the Twenty-First Series Stock Acquisition Rights prospected to become exercisable during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholder’s Meeting, from among the Stock Acquisition Rights (130,363,800 shares), minus (iii) the number of treasury shares held by the Company (9,193,800 shares) currently as of the same date (described in the Company’s Summary of Financial Reports (provided, however, that this does not include the number of the Company Shares held by BIP Trust currently as of the same date (206,039 shares) and the number of the Company Shares (206,039 shares) held by BIP Trust currently as of the same date (120,963,961 shares), plus (iv) the total of the Company Shares (23,205 shares) scheduled to be sold in the market or delivered to the trust beneficiaries by the BIP Trust during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting (120,987,166 shares), minus (iv) the number of Company Shares held by the Tender Offeror (81,446,766 shares) (39,540,400 shares).

With respect to the number of the Company Shares (432,400 shares) which are the subject of the Stock Acquisition Rights, (i) while the Stock Acquisition Rights Holders are entitled to exercise the Stock Acquisition Rights only all at once, limited to the period from day following the day on which either positions of the Company’s director or Executive Officer was lost till the day on which ten (10) days elapse in relation to the Stock Acquisition Rights receiving allocation based on the position of the Company’s director or Executive Officer, and limited to the period during day following the day on which the position of the director of the Company’s subsidiary was lost till the day on which ten (10) days elapse in relation to the Stock Acquisition Rights receiving allocation based on the position of the director of the Company’s subsidiary (each term for exercising such rights accompanying the loss of position above shall hereinafter



be collectively referred to as the “Condition for Exercise Regarding Loss of Position”), while there exist currently as of today as Stock Acquisition Rights Holders the current 4 directors, current 10 Executive Officers and current 1 Deputy Executive Officer of the Company as well as the current 2 directors of the Company’s subsidiary, the current 1 Deputy Executive Officer of the Company and 1 director of the Company’s subsidiary (such current Deputy Executive Officer of the Company and such current director of the Company’s subsidiary shall hereinafter be collectively referred to as the “Prospected Stock Acquisition Rights Exercisers”) are prospected to become able to exercise the Stock Acquisition Rights and to exercise the Stock Acquisition Rights due to satisfying the Condition for Exercise Regarding Loss of Position, and since a maximum of 10,600 shares in total of the Company Shares may be issued or transferred to the Prospected Stock Acquisition Rights Exercisers due to the exercise of the Stock Acquisition Rights during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting, the Tender Offeror is said to be adding to the number of the Company Shares which shall be the basis for setting the minimum number of tendered shares to be purchased as described in (ii) above within this Note to the maximum number of shares in total (10,600 shares) which may be issued or transferred to the Prospected Stock Acquisition Rights Exercisers during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting upon setting the minimum number of tendered shares to be purchased. On the other hand, (ii) since (a) there are no persons, from among the Stock Acquisition Rights Holders other than the Prospected Stock Acquisition Rights Exercisers, who shall become able to exercise the Stock Acquisition Rights due to satisfying the Condition for Exercise Regarding Loss of Position, and it is not envisaged that the Company Shares shall be issued or transferred due to the exercise of the Stock Acquisition Rights owned by the Stock Acquisition Rights Holders other than the Prospected Stock Acquisition Rights Exercisers during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting, and (b) as described in “(5) Policy on reorganization, etc. after the Tender Offer (matters relating to the so-called two-stage takeover)” below, in the event that the Tender Offer is completed but not all of the Stock Acquisition Rights could be obtained in the Tender Offer and the Stock Acquisition Rights remain without being exercised, the Tender Offeror plans to request the Company to perform the procedures reasonably required for the implementation of the Transaction such as making a recommendation to waive the Stock Acquisition Rights to the Stock Acquisition Rights Holders (if the Prospected Stock Acquisition Rights Exercisers exercise the Stock Acquisition Rights, it excludes such Prospected Stock Acquisition Rights Exercisers), and at the same time, the Company intends to promptly cooperate on and after the date of commencement of settlement related to the Tender Offer if it receives such request, the Tender Offeror is said not to be adding to the number of the Company Shares which shall be the basis of the setting of the minimum number of tendered shares to be purchased as described in (i) through (iii) above in this Note the number of the Company Shares (421,800 shares) which are the subject of the Stock Acquisition Rights owned by the Stock Acquisition Rights Holders other than the Prospected Stock Acquisition Rights Exercisers upon setting

the minimum number of tendered shares to be purchased.

In addition, as described in the “Notice regarding Introduction of the Performance-Linked Stock Compensation Plan” announced by the Company on May 19, 2021, the voting rights related to the Company Shares held by the BIP Trust shall not be exercised during the trust term (such trust term is till September 2024), and since there is no possibility that such voting rights would be exercised even at the Extraordinary Shareholders’ Meeting scheduled to be held with the record date being around August 2024, as described in (iv) above in this Note, the Tender Offeror is said not to be adding the number of the Company Shares (206,039 shares) held by the BIP Trust currently as of March 31, 2024 to the number of the Company Shares which forms the basis of the setting of the minimum number of tendered shares to be purchased. Provided, however, that while the Performance-Linked Stock Compensation Plan provides that, upon granting to the Company’s directors and Executive Officers targeted by such plan (the “Plan Target Persons”) the points in accordance with the number of months serving in the position of the Plan Target Persons and the attainment of the performance objectives of the Company’s Medium Management Plan at a certain timing every year, after the beneficial rights of such Plan Target Persons are fixed and become trust beneficiaries, the BIP Trust shall deliver to such trust beneficiaries the Company Shares of a number obtained by multiplying the number calculated at a percentage of one (1) share per 1 point by 0.5 (the parts less than the number of unit shares of the Company Shares shall be rounded up), and the number of the Company Shares obtained by deducting the number of such shares delivered from the number calculated at a percentage of one (1) share per 1 point shall be sold in the market and the sales price shall be supplied to such trust beneficiaries, from among the Company Shares held by the BIP Trust currently as of March 31, 2024, since the voting rights related to the Company Shares scheduled to be sold in the market or delivered to the trust beneficiaries from the BIP trust during the period after the same date till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting shall become exercisable at the Extraordinary Shareholders’ Meeting, as described in (v) above of this Note, the Tender Offeror is said to be adding to the number of the Company Shares which forms the basis of the setting of the minimum number of tendered shares to be purchased the total number of the Company Shares (23,205 shares) scheduled to be sold in the market or delivered to the trust beneficiaries from the BIP Trust during the period from after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting.

Since the Tender Offeror intends to make the Company a wholly-owned subsidiary of the Tender Offeror, if the Tender Offeror is unable to acquire all of our issued shares through the Tender Offer, the Tender Offeror plans to make the Company private after the conclusion of the Tender Offer by implementing a series of procedures (the “Squeeze-Out Procedure”) in order for the Tender Offeror to acquire all of shares of the Company and make the Company a wholly-owned subsidiary of the Tender Offeror, as described below in “(5) Policy on reorganization, etc. after the Tender Offer (matters relating to the so-called two-stage takeover)”.

- (ii) Background, purpose, and decision-making process that led to the Tender Offeror's decision to implement the Tender Offer

The Company has been provided with the following explanation by the Tender Offeror regarding the background, purpose, and decision-making process that led the Tender Offeror's decision to implement the Tender Offer.

The Tender Offeror was established in February 1907 as Kirin Brewery Co., Ltd., and was listed on the TSE in July 1907. Using its strengths in fermentation and biotechnology that have been cultivated through its beer business since its foundation, since the 1980s onward, the Tender Offeror has made inroads into pharmaceuticals businesses and refined its R&D expertise for more than 100 years. In July 2007, the Tender Offeror transitioned to a pure holding company, and currently as of today, it has 179 consolidated subsidiaries and 29 affiliates accounted for by equity method (including the Company) (the Tender Offeror and its affiliates accounted for by the equity method and subsidiaries shall hereinafter be collectively referred to as the "Tender Offeror Group"). The Tender Offeror Group announced in February 2019 "Kirin Group Vision 2027 (KV2027)" ("KV2027"), a long-term vision with which it aims to become "a global leader in CSV, creating value across our world of Food & Beverages to Pharmaceuticals". In addition, the Tender Offeror, fulfilling its role as "A Responsible Alcohol Producer," identified "Health and Well-Being," "Community Engagement" and "The Environment" as key issues in "Kirin Group's CSV Purpose," which is the long-term non-financial goals formulated in the course of promoting CSV management (Note 1), and is working on achieving sustainable growth through resolving these issues. Under KV2027, the Tender Offeror aims to transform unmet needs that are becoming increasingly evident in line with rising awareness on health concerns into growth opportunities through fermentation and biotechnology that are the strengths of the Tender Offeror; the Tender Offeror determined to establish the "Health Science domain (health science business)" in addition to its "Food & Beverages domain (alcoholic beverages business and beverages business)" and the "Pharmaceuticals domain (pharmaceuticals business)". Since then, the Tender Offeror has continued to strengthen this business to make it a long-term growth driver. As part of these efforts, in August 2023, the Tender Offeror completed the acquisition of Blackmores Limited, an Australian-based listed company operating a natural health business in the Asia-Pacific region, and made it a wholly-owned subsidiary of the Tender Offeror, and thereby acquired a strong business base in the Asia-Pacific markets.

- (Note 1) CSV is an abbreviation for "Creating Shared Value," which means to achieve enhancement of corporate value through both "creating social value" and "creating economic value" by addressing

On the other hand, the Company was established as Japan Fine Chemical Sales Corporation in August 1981 starting out from mail-order cosmetic sales business individually launched in April 1980 to resolve cosmetic pollution, which was a social problem at that time. In July 1982, the trade name of the Company was subsequently changed to the current FANCL Corporation, and then, after the absorption-type merger in March 1993, in which the Company was substantially a surviving

company to change the par value of the Company Shares, the Company listed shares as over-the-counter registered securities of the Japan Securities Dealers Association in November 1998, and the Company was listed on the First Section of the TSE in December 1999. After that, due to the revision of the market classification of the TSE, in April 2022, the Company moved from the First Section of the TSE to the Prime Market of the TSE, where the Company is today. In 1994, the Company sold health foods that was generally highly-priced at that time at affordable prices as “supplements” with scientific backing, and has been working on health issues. Since then, the Company has been developing its business mainly in the cosmetics business and nutritional supplements business, and the Company announced “VISION 2030”, a long-term vision of the Company in March 2018 (the “VISION 2030”), and the Company aims to become a trusted and loved corporate group that supports the beautiful, healthy and prosperous lives of customers around the world in the fields of “Beauty” and “Health”. In Japan, amidst the sluggish growth of “healthy life expectancy” that enables people to live independently and in good health without any difficulty in their daily lives, we aim to grow by tackling such social issues as our mission of “extending healthy life expectancy” and contributing to the reduction of medical expenses by providing health food with solid functions. The Company’s Group (which refers to the Company and its subsidiaries and affiliates; hereinafter the same) consists of 11 subsidiaries and one affiliate as of today.

Against the backdrop of this shared philosophy and direction of aiming for growth through solving social issues, the Tender Offeror entered into a capital and business alliance agreement (the “Capital and Business Alliance Agreement”) with the Company on August 6, 2019, and also with regard to the capital relationship, the Tender Offeror became the largest shareholder which is a major shareholder of the Company by executing share purchase agreements with Kenji Ikemori, the founder of the Company, 5 other individuals and their asset management company on the same date and acquiring the 39,540,400 Company Shares (The ratio against the number of shares (119,819,500 shares) obtained by multiplying the number of voting rights (1,198,195) of all shareholders of the Company as of March 31, 2019 described on the Annual Securities Report for the 39th Business Period submitted by the Company on June 24, 2019, by 100, number of shares constituting one unit: 33.00% (rounded to the second decimal place)) (the “Transaction Accounted for by the Equity Method”) on September 6, 2019.

As from the execution of the Capital and Business Alliance Agreement, the Tender Offeror and the Company collaborated to create synergies in the areas of “Development of materials, products and brand,” “Co-development of products and business,” and “Mutual utilization of business platform.” However, the Tender Offeror and the Company gradually considered the possibility of creating synergies beyond these areas for both companies. Furthermore, with the impact of infections of the COVID-19, which spread after the Tender Offeror and the Company announced their respective long-term visions, KV2027 and VISION2030, and the increase in average life expectancy, there has been an increasing interest in life-induced disease and healthy life expectancy. This led to a further increase in health awareness and changes in consumption dynamics worldwide. Amid the growing needs to resolve the social issues related to “Health and Well-being” in a broad sense, in order to promptly address these issues, the Tender Offeror and the Company came to believe that further advancement of the capital relationship between them,

establishment of a structure that enables more flexible and drastic measures to create synergies through integrated group management, and implementation of various measures will lead to the maximization of the corporate value of both companies.

Under these circumstances, the Tender Offeror continued to consider the possibility of further strengthening the alliance, including an additional acquisition of the Company Shares. In late July 2023, the Tender Offeror began full-scale consideration of the Transaction, upon believing that making the Company a wholly-owned subsidiary of the Tender Offeror will make it possible to maximize the value of the Company brand by the Tender Offeror's strengthening investment in the Company brand, further strengthen the function of utilizing purchasing data through the sharing of infrastructure for e-commerce and online and catalogue sales, and accelerate the Company's overseas development through collaboration with Blackmores Limited, which has a strong business foundation in the Asia-Pacific market, thereby enhancing the respective corporate values of the Tender Offeror and the Company.

Subsequently, in late August 2023, the Tender Offeror appointed Nagashima Ohno & Tsunematsu as its legal advisor independent of the Tender Offeror and the Company, and in late October 2023, the Tender Offeror appointed Nomura Securities Co., Ltd. ("Nomura Securities") as its financial advisor independent of the Tender Offeror and the Company. From early December 2023, the Tender Offeror examined specific measures to enhance the Company's corporate value, in addition to basic matters such as the transaction structure and schedule, and on February 21, 2024, the Tender Offeror made a proposal to the Company regarding the Transaction, including making the Company a wholly-owned subsidiary of the Tender Offeror.

To this, after receiving the proposal regarding the Transaction from the Tender Offeror on February 21, 2024, in light of the fact that although the Tender Offeror does not fall under the Company's controlling shareholder, etc., it is the Company's largest shareholder which is a major shareholder and other related company and the Transaction falls under a transaction in which there typologically exist structural conflict of interest issues and information asymmetry issues, the Company immediately established a system for performing review, negotiations and decision-making related to the Transaction from the perspectives of enhancing the Company's corporate value and ensuring the interests of the minority shareholders of the Company in a position independent from the Tender Offeror in order to ensure fairness of the Transaction similarly as transactions with controlling shareholders, etc.

Specifically, as described in "(iii) Decision-making process and the reasons that led to the Company's decision in favor of the Tender Offer" below, the Company established a Special Committee (defined in "(iii) Decision-making process and the reasons that led to the Company's decision in favor of the Tender Offer" below; the same hereinafter) by a resolution of the Company's Board of Directors meeting held on February 22, 2024, and inquired the Special Committee about such matters as the fairness of procedures and appropriateness of transaction terms in the Transaction (for such matters as the specific inquiry matters to the Special Committee, review process and decision-making contents, please refer to "(iii) Establishment of Special Committee at the Company and procurement of a report from the Special Committee" of "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender

Offer Price and measures to avoid conflicts of interest” below). In addition, upon the establishment of the Special Committee, the Board of Directors meeting of the Company resolved that it shall respect to the maximum extent the decision of the Special Committee upon making decisions regarding the Transaction and that it shall not agree to the Transaction if the Special Committee determines that the purpose or transaction terms of the Transaction are inadequate, and also has granted the Special Committee the authority to independently appoint attorneys, valuation institutions, certified public accountants and other advisors as well as the authority to request professional advice to the advisors of the Company, at the Company’s expense if necessary. As described in “(iii) Establishment of special committee at the Company and procurement of a report from the special committee” of “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest” below, based on its authority above, the Special Committee appointed PLUTUS CONSULTING Co., Ltd (“PLUTUS”) as its own third-party valuation institution independent from the Tender Offeror and the Company in late March 2024, and Mori Hamada & Matsumoto (“MHM”) as its own legal advisor independent from the Tender Offeror and the Company in early April of the same year, respectively. The Special Committee also appointed PLUTUS as its own financial advisor independent from the Tender Offeror and the Company in the middle of April 2024.

Furthermore, after the Company received the proposal regarding the Transaction from the Tender Offeror on February 21, 2024, in late February 2024, the Company appointed UBS Securities Japan Co., Ltd. (“UBS Securities”) as its own financial advisor and third-party valuation institution independent from the Company and the Tender Offeror and Uryu & Itoga (“U&I”) as a legal advisor independent from the Company and the Tender Offeror in relation to the Transaction to review the proposal.

Furthermore, as described in “B. Process of the review” of “(iii) Establishment of special committee at the Company and procurement of a report from the special committee” of “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest” below, the Company confirmed with the Special Committee that there are no issues with the independence and expertise of UBS Securities, the financial advisor and third-party valuation institution of the Company, as well as U&I, the legal advisor of the Company, and received approval of their appointments.

In addition, as described in “(vii) Establishment of independent review system at the Company” of “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest” below, the Company internally established a system to perform reviews, negotiations and decision-makings regarding the Transaction (including the scope and work duties of the officers and employees of the Company involved in reviews, negotiations and decision-makings regarding the Transaction) in a position independent from the Tender Offeror, and received approval of the Special Committee that there are no issues with such review system from the perspectives of independence and fairness.

Subsequently, the Tender Offeror conducted due diligence on the Company from early April 2024 (the due diligence was completed in the middle of May, 2024). In addition, the Tender Offeror and the Company repeatedly discussed and examined the synergies between the both companies’

groups.

As a result of the discussion and examination, the Tender Offeror has determined that, after making the Company a wholly-owned subsidiary of the Tender Offeror, it is feasible to seek to build a business model that is unparalleled through the mutually complementary relationship of each company's unique strengths and establish a competitively advantageous position that will contribute to resolving health issues. Specifically, the Tender Offeror's strengths lie in the development of ingredients using fermentation and biotechnology, marketing and sales capabilities developed through its Food & Beverages Business, and the foundation of a natural health business in the Asia-Pacific region, excluding Japan, that was obtained through the acquisition of Blackmores Limited. The Tender Offeror believes that the Company's strengths lie in (i) outstanding customer relations honed through its directly managed channels (online and catalogue, and directly managed stores), which accounted for 70% of its sales for the fiscal year ended March 31, 2024; (ii) technology to commercialize products by utilizing insights obtained from customers' voices in applied research in order to eliminate "negative" elements like "worry," "inconvenience," and "dissatisfaction" from the world, which the Company has consistently pursued since its establishment; and (iii) brand power built up through these efforts. The Tender Offeror believes that it will become possible to further strengthen the relationship with customers by building a business model that leverages the respective strengths of both companies' groups, by utilizing insights gained from strong relationships with customers to commercialize products incorporating the ingredients created through the natural process of fermentation, and by delivering those products to consumers through a wide range of channels and regions, including Direct to Consumer (Dtc) channels and overseas regions. The Tender Offeror is confident that this will allow both companies' groups to achieve sustainable growth while maximizing their brand value and corporate value.

In addition, the following various synergies can be expected to result from the Tender Offeror's making the Company a wholly-owned subsidiary of the Tender Offeror. Some of these synergies include items that are expected to be realized to a certain extent under the current framework of the Capital and Business Alliance; however, there are items that can be realized only by making the Company a wholly-owned subsidiary of the Tender Offeror through the Transaction, and more resources of the Tender Offeror Group can be utilized thereby. Therefore, the Tender Offeror recognizes that the effect of synergies can be maximized.

The Tender Offeror also considered matters that could generally be affected by the delisting of the Company from the perspectives of the Company's financing, social reputation or reputation among its business partners, employee motivation and other related matters, as well as the possibility of a resulting decrease in the loyalty of individual shareholders who are also loyal users of the Company's products. However, the Tender Offeror believes that the impact from the above perspectives will be limited due to the fact that, even after the Transaction, the Company will remain a member of the group of listed companies, i.e., the Tender Offeror Group, and due to the alternative measures, etc., that the Tender Offeror will be able to provide to the Company by making the Company a wholly-owned subsidiary of the Tender Offeror.

(i) Channel synergies

- Development of products by utilizing the extensive domestic sales networks of both

- companies' groups
- Promotion of an integrated sales strategy through the dissolution of the competitive relationship resulting from making the Company a wholly-owned subsidiary of the Tender Offeror
- Value propositions to meet address skincare needs that have not been met in "Pharmaceuticals," a business domain of the Tender Offeror Group, in addition to unmet needs in the other business domains of "Food & Beverages" and "Health Science"
- (ii) Best practice sharing synergies
  - Utilization of the Tender Offeror Group's research and marketing capabilities, product development capabilities and organizational management know-how
  - Enhancement of functions for and efficiency of utilizing purchasing data through the sharing of infrastructure for e-commerce and online and catalogue sales
- (iii) Overseas expansion synergies
  - Acceleration of the Company's overseas expansion by leveraging the Tender Offeror Group's global business foundations (sales channels, regulatory knowledge, and human resources) across the Asia-Pacific region
- (iv) Technology synergies
  - Further promotion of development and market creation in respect of products with a high degree of differentiation and superiority, by deepening joint research that has already produced a certain level of results, such as expanding the scope of application of the Tender Offeror Group's immunological research results and proprietary ingredients to the Company Group's cosmetics and supplements.
  - Utilization, in the Tender Offeror Group's products, of the Company Group's technology for the efficacy of absorption of products into the body
- (v) Functional standardization and shared synergies
  - Standardization and strengthening of collaboration among supplement manufacturing bases, logistics networks, and administrative divisions such as planning, IT, general affairs, and finance.
- (vi) ESG synergies
  - Strengthening of ESG initiatives through horizontal development of environmental and packaging technologies

Furthermore, based on, among others, the results of the due diligence on the Company conducted by the Tender Offeror during the period from early April 2024 to the middle of May 2024, the Tender Offeror submitted an initial proposal (the "Initial Proposal") in writing to the Company on May 9, 2024, setting the purchase price of the Company Common Stock to be proposed in the Tender Offer (the "Tender Offer Price") at JPY 2,300 (JPY 2,300 is the amount obtained by adding up each of the following premiums: a premium of 25.24% (rounded to the second decimal places; hereinafter the same applies to the calculation of the ratio of the premium) on JPY 1,836.5, which was the closing price of the Company Shares on the Prime Market of the TSE on May 8, 2024, the business day immediately preceding the date on which such proposal was made, i.e., May 9, 2024; a premium of 22.73% on JPY 1,874, which was the simple average of the closing prices for the preceding one (1) month period until the same date (any amount less than one yen has been



rounded to the nearest one yen; hereinafter the same applies to the calculation of the simple average of closing prices); a premium of 14.71% on JPY 2,005, which was the simple average of the closing prices for the preceding three (3) month period until the same date, and a premium of 6.48% on JPY 2,160, which was the simple average of the closing prices for the preceding six (6) month period until the same date.) and setting the purchase price of each right of the Stock Acquisition Rights to be proposed in the Tender Offer (the “Stock Acquisition Right Purchase Price”) at JPY 1. In response to the Initial Proposal, on May 13, 2024, the Tender Offeror received a request from the Company to consider reviewing the Tender Offer Price from the viewpoint of giving consideration to the interests of minority shareholders of the Company in light of the initial analysis of the value of the shares by the financial advisors of the Company and the Special Committee, respectively.

In response to such request from the Company, on May 21, 2024, the Tender Offeror submitted to the Company a second proposal (the “Second Proposal”) in writing, setting the Tender Offer Price at JPY 2,450 (JPY 2,450 is the amount obtained by adding up each of the following premiums: a premium of 21.95% on JPY 2,009.0, which was the closing price of the Company Shares on the Prime Market of the TSE on May 20, 2024, the business day immediately preceding the date on which such proposal was made, i.e., May 21, 2024; a premium of 27.54% on JPY 1,921, which was the simple average of the closing prices for the preceding one (1) month period until the same date; a premium of 23.12% on JPY 1,990, which was the simple average of the closing prices for the preceding three (3) month period until the same date, and a premium of 14.17% on JPY 2,146, which was the simple average of the closing prices for the preceding six (6) month period until the same date.) and setting the Stock Acquisition Right Purchase Price at JPY 1. In response to the Second Proposal, on May 24, 2024, the Tender Offeror received a request from the Company to consider reviewing the Tender Offer Price from the viewpoint of giving consideration to the interests of minority shareholders of the Company in light of the initial analysis of the value of the shares by the financial advisors of the Company and the Special Committee, respectively.

In response to such request from the Company, on May 29, 2024, the Tender Offeror submitted to the Company a third proposal (the “Third Proposal”) in writing, setting the Tender Offer Price at JPY 2,550 (JPY 2,550 is the amount obtained by adding up each of the following premiums: a premium of 29.38% on JPY 1,971.0, which was the closing price of the Company Shares on the Prime Market of the TSE on May 28, 2024, the business day immediately preceding the date on which such proposal was made, i.e., May 29, 2024; a premium of 30.04% on JPY 1,961, which was the simple average of the closing prices for the preceding one (1) month period until the same date; a premium of 28.98% on JPY 1,977, which was the simple average of the closing prices for the preceding three (3) month period until the same date, and a premium of 19.61% on JPY 2,132, which was the simple average of the closing prices for the preceding six (6) month period until the same date) and setting the Stock Acquisition Right Purchase Price at JPY 1. In response to the Third Proposal, on May 31, 2024, the Tender Offeror received a request from the Company to consider reviewing the Tender Offer Price from the viewpoint of giving consideration to the interests of minority shareholders of the Company in light of the initial analysis of the value of the shares by the financial advisors of the Company and the Special Committee, respectively.

In response to such request from the Company, on June 4, 2024, the Tender Offeror submitted to

the Company a fourth proposal (the “Fourth Proposal”) in writing, setting the Tender Offer Price at JPY 2,585 (JPY 2,585 is the amount obtained by adding up each of the following premiums: a premium of 32.50% on JPY 1,951.0, which was the closing price of the Company Shares on the Prime Market of the TSE on June 3, 2024, the business day immediately preceding the date on which such proposal was made, i.e., June 4, 2024; a premium of 30.69% on JPY 1,978, which was the simple average of the closing prices for the preceding one (1) month period until the same date; a premium of 31.02% on JPY 1,973, which was the simple average of the closing prices for the preceding three (3) month period until the same date, and a premium of 21.82% on JPY 2,122, which was the simple average of the closing prices for the preceding six (6) month period until the same date) and setting the Stock Acquisition Right Purchase Price at JPY 1. In response to the Fourth Proposal, on June 6, 2024, the Tender Offeror received a request from the Company to consider reviewing the Tender Offer Price from the viewpoint of giving consideration to the interests of minority shareholders of the Company in light of the initial analysis of the value of the shares by the financial advisors of the Company and the Special Committee, respectively.

In addition, the Tender Offeror and the Special Committee exchanged opinions on the Tender Offer Price on two occasions, June 7 and June 11, 2024.

Subsequently, based on the results of the exchange of opinion, the Tender Offeror made a fifth proposal (the “Fifth Proposal”) in writing to the Company on June 12, 2024, setting the Tender Offer Price at JPY 2,690 (JPY 2,690 is the amount obtained by adding up each of the following premiums: a premium of 40.36% on JPY 1,916.5, which was the closing price of the Company Shares on the Prime Market of the TSE on June 11, 2024, the business day immediately preceding the date on which such proposal was made, i.e., June 12, 2024; a premium of 35.65% on JPY 1,983, which was the simple average of the closing prices for the preceding one (1) month period until the same date; a premium of 36.76% on JPY 1,967, which was the simple average of the closing prices for the preceding three (3) month period until the same date; and a premium of 27.73% on JPY 2,106, which was the simple average of the closing prices for the preceding six (6) month period until the same date.) and setting the Stock Acquisition Right Purchase Price at JPY 1. In response to the Fifth Proposal, on June 13, 2024, the Tender Offeror received a response from the Company stating that it would accept the Fifth Proposal with a Tender Offer Price of JPY 2,690.

As a result of the above, on June 13, 2024, the Tender Offeror and the Company agreed to set the Tender Offer Price at JPY 2,690 (JPY 2,690 is the amount obtained by adding up each of the following premiums: a premium of 42.06 % on JPY 1,893.5, which was the closing price of the Company Shares on the Prime Market of the TSE on June 12, 2024, the business day immediately preceding the date on which the agreement was reached, i.e., June 13, 2024; a premium of 35.93% on JPY 1,979, which was the simple average of the closing prices for the preceding one (1) month period until the same date; a premium of 37.04% on JPY 1,963, which was the simple average of the closing prices for the preceding three (3) month period until the same date, and a premium of 27.97% on JPY 2,102, which was the simple average of the closing prices for the preceding six (6) month period until the same date.) and set the Stock Acquisition Right Purchase Price at JPY 1.

Accordingly, the Tender Offeror is said to have executed the Tender Offer Agreement on June 14,

2024, and to have decided to implement the Tender Offer as a part of the Transaction. For details of the Tender Offer Agreement, please refer below to “4. Matters Concerning Material Agreements Related to Tender Offer”.

(iii) Decision-making process and the reasons that led to the Company’s decision in favor of the Tender Offer

A. Proposal from the Tender Offeror and details of the development of review system

Following receipt of the proposal for the Transaction from the Tender Offeror on February 21, 2024, the Company immediately established a system for reviewing, negotiating, and making decisions on the Transaction independently from the Tender Offeror and from the viewpoint of enhancing the corporate value of the Company and securing the interests of minority shareholders of the Company, in order to secure the fairness of the Transaction, in accordance with the transactions with controlling shareholders, in light of the fact that although the Tender Offeror does not fall under the Company’s controlling shareholder, etc., it is the Company’s largest shareholder which is a major shareholder and other related company, and the Transaction falls under a transaction in which there typologically exist structural conflict of interest issues and information asymmetry issues.

Specifically, as described in “(iii) Establishment of special committee at the Company and procurement of a report from the special committee” of “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest” below, by the resolution of the Company’s Board of Directors meeting held on February 22, 2024, the Company established a special committee (the “Special Committee”) comprised of 3 persons, namely, Mr. Keiichiro Hashimoto (independent director of the Company, outside director as well as chairperson of the board and the audit committee of INFRONEER Holdings Inc., as well as former representative director chairman and CEO of Metropolitan Expressway Company Limited), Mr. Mitsuaki Nakakubo (independent director of the Company, attorney, partner at Asahi Law Offices) and Mr. Akira Matsumoto (independent director of the Company, certified public accountant, representative director and president of MIT Corporate Advisory Services Co., Ltd.), and consulted with the Special Committee regarding such matters as the appropriateness of the procedures of the Transaction and the adequacy of the transaction terms (for such matters as the specific matters consulted to the Special Committee, review process and decision contents, please see “(iii) Establishment of special committee at the Company and procurement of a report from the special committee” of “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest” below). In addition, upon the establishment of the Special Committee, the Board of Directors meeting of the Company resolved that it shall respect to the maximum extent the decision of the Special Committee upon making decisions regarding the Transaction and that it shall not agree to the Transaction if the Special Committee determines that the purpose or transaction terms of the Transaction are inadequate, and also has granted the Special Committee the authority to independently appoint attorneys, valuation institutions, certified public accountants and other advisors as

well as the authority to request professional advice to the advisors of the Company, at the Company's expense if necessary. As described in "(iii) Establishment of special committee at the Company and procurement of a report from the special committee" of "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest" below, based on its authority above, the Special Committee appointed PLUTUS as its own third party valuation institution independent from the Tender Offeror and the Company in late March 2024, and MHM as its own legal advisor independent from the Tender Offeror and the Company in early April of the same year, respectively. The Special Committee also appointed PLUTUS as its own financial advisor independent from the Tender Offeror and the Company in the middle of April 2024. Furthermore, after the Company received the proposal regarding the Transaction from the Tender Offeror on February 21, 2024, in late February, 2024, the Company appointed UBS Securities as its own financial advisor and third-party valuation institution independent from the Company and the Tender Offeror and U&I as a legal advisor independent from the Company and the Tender Offeror in relation to the Transaction to review the proposal. In addition, as described in "B. Process of the review" of "(iii) Establishment of special committee at the Company and procurement of a report from the special committee" of "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest" below, the Company confirmed with the Special Committee that there are no issues with the independence and expertise of UBS Securities, the financial advisor and third party valuation institution of the Company, as well as U&I, the legal advisor of the Company, and received approval of their appointments. Furthermore, as described in "(vii) Establishment of independent review system at the Company" of "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest" below, the Company internally established a system to perform reviews, negotiations and decision-makings regarding the Transaction (including the scope and work duties of the officers and employees of the Company involved in reviews, negotiations and decision-makings regarding the Transaction) in a position independent from the Tender Offeror, and received approval of the Special Committee that there are no issues with such review system from the perspectives of independence and fairness.

#### B. Review and negotiation process

After organizing the system above, based upon the negotiation policy and the opinions, directions and requests, etc. in important negotiation aspects confirmed in advance by the Special Committee, the Company received a report regarding the value calculation results of the Company Shares, advice regarding the policy for negotiation with the Tender Offeror, and other advice from financial perspectives from UBS Securities, as well as legal advice regarding such matters as the measures to ensure the fairness of the procedures in the Transaction from U&I, and the Company has been carefully reviewing the propriety and appropriateness of the transaction terms, of the Transaction based upon these.

Also based upon the advice from the Special Committee, in late February 2024 and thereafter, the Company repeatedly reviewed the rationale of the Transaction and the envisaged synergy based upon discussions with the Tender Offeror through due diligence. In addition, in the middle of April 2024, the Special Committee made inquiries to the Tender Offeror mainly regarding such matters as the rationale of the Transaction and the details of the envisaged synergy. The Special Committee received replies to each of the questions above from the Tender Offeror in early May, 2024. Furthermore, the Special Committee has also been proceeding with discussions regarding such matters as the rationale and purpose of the Transaction, the Company's management tasks of which the Tender Offeror is aware, and the management policy of the Company after the Transaction, by implementing an interview to the Tender Offeror regarding the replies to each of the questions above in the middle of May, 2024. For the contents of the replies from the Tender Offeror regarding such matters as the rationale of the Transaction and the details of the envisaged synergy, please refer below to "(ii) Background, purposes, and decision-making process that led to the Tender Offeror's decision to implement the Tender Offer" above.

With respect to the Tender Offer Price, on May 9, 2024, the Company received the Initial Proposal from the Tender Offeror to render the Tender Offer Price as JPY 2,300 and all Stock Acquisition Right Purchase Prices as JPY 1. In response to this, the Company made a request for a reconsideration on May 13, 2024 on the grounds that the Tender Offer Price cannot be said to have reflected consideration for the interests of the minority shareholders of the Company at all, based on the preliminary analysis regarding the share value by the respective financial advisors of the Company and the Special Committee, as well as the premium levels in past cases similar to the Transaction.

On May 21, 2024, the Company received the Second Proposal from the Tender Offeror to render the Tender Offer Price as JPY 2,450 and the Stock Acquisition Right Purchase Price as JPY 1. In response to this, the Company made a request for a reconsideration on May 24, 2024 on the grounds that the Tender Offer Price cannot be said to have reflected consideration for the interests of the minority shareholders of the Company at all, based on the initial analysis regarding the share value by the respective financial advisors of the Company and the Special Committee, as well as the premium levels in past cases similar to the Transaction.

On May 29, 2024, the Company received the Third Proposal from the Tender Offeror to render the Tender Offer Price as JPY 2,550 and the Stock Acquisition Right Purchase Price as JPY 1. In response to this, the Company made a request for a reconsideration on May 31, 2024 on the grounds that the Tender Offer Price cannot be said to have reflected consideration for the interests of the minority shareholders of the Company, based on the initial analysis regarding the share value by the respective financial advisors of the Company and the Special Committee, as well as the premium levels in past cases similar to the Transaction.

On June 4, 2024, the Company received the Fourth Proposal from the Tender Offeror to render the Tender Offer Price as JPY 2,585 and the Stock Acquisition Right Purchase Price as JPY 1. Towards this, the Company made a request for review once more on June 6, 2024 on the grounds that the Tender Offer Price cannot be said to consider the interests of the minority shareholders of the Company at all, given the initial analysis regarding the share value by the

respective financial advisors of the Company and the Special Committee, as well as the premium levels in past cases similar to the Transaction.

In addition, in light of the circumstances of negotiations between the Company and the Tender Offeror, the Special Committee exchanged opinions on the Tender Offer Price with the Tender Offeror twice, on June 7, 2024 and June 11, 2024, and informed that the contents of the Tender Offeror's Fourth Proposal could not be said to consider the interests of the minority shareholders of the Company at all.

Thereafter, the Company received the Fifth Proposal from the Tender Offeror to render the Tender Offer Price as JPY 2,690 and the Stock Acquisition Right Purchase Price as JPY 1 on June 12, 2024. In response to this, on June 13, 2024, the Company replied that it accepts the Fifth Proposal to render the Tender Offer Price as JPY 2,690, with the reservation that the final decision-making of the Company shall be determined after the resolution of the Company's Board of Directors based upon the report, etc. of the Special Committee.

C. Contents of the Company's decision

Under the foregoing processes, at the Company's Board of Directors meeting held on June 14, 2024, based upon the legal advice received from U&I, the advice from financial perspectives received from UBS Securities and the share valuation report regarding the valuation results of the Company Shares received from UBS Securities on June 13, 2024 (the "Share Valuation Report (UBS Securities)"), as well as the share valuation report regarding the results of the valuation of the Company Shares received through the Special Committee (the "Share Valuation Report (PLUTUS)") and the opinion letter stating that the transaction terms related to the Transaction including the Tender Offer Price are fair (the "Fairness Opinion") received through the Special Committee, the Company carefully performed discussions and reviews as to whether or not the Transaction including the Tender Offer contributes to the enhancement of the Company's corporate value, and as to whether or not the transaction terms related to the Transaction including the Tender Offer Price are adequate, with respect to the maximum extent for the contents of the decision of the Special Committee indicated in the report submitted by the Special Committee to the Company's Board of Directors on June 14, 2024 (the "Report").

As a result, the Company reached the conclusion that the Transaction contributes to the enhancement of the Company's corporate value as below.

Since its foundation, the Company has rendered as its basic management policy "create a system to eliminate 'negatives'", and has been developing such things as *Mutenka* (without using any damaging additives) cosmetics, nutritional supplements, germinated brown rice and kale juice business.

The Company has been endeavoring to provide value related to "beauty" and "health" based upon the "3rd Medium Term Management Plan 'Forward 2023'" (from the year ended March 31, 2022 to the year ended March 31, 2024) with the initial fiscal year being the year ended March 31, 2022. Based upon its achievements, on May 8, 2024, the Company announced the "4th Medium Term Management Plan 'Revitalize 2026'", a medium-term management plan

with the initial fiscal year being the year ending March 31, 2025 and the final fiscal year as the year ending March 31, 2027 (the “Company Management Plan”). The specific contents of endeavors in the Company Management Plan are as follows.

(Basic policy)

The FANCL Group will polish its brand, strengthen ties with customers, and realize continuous growth both in and outside of Japan together with the entire company.

(Business strategies)

(i) Cosmetics business

a. FANCL cosmetics

Based upon the absolute value of “safety and security” of *Mutenka* cosmetics, create and propose new values and evolve into a global brand with a focus on “eliminating bad skin conditions” utilizing the strengths of the brand.

(Product strategies)

- Pursue four plans for the Japan market: “expand basic skin care users”, “expand share in the cleansing/facial wash market”, “cross-sell to basic skin care users”, and “explore new business areas”.
- Implement proactive new product launches and renewals in the basic skin care and cleansing areas to further strengthen the brand’s customer base, achieve acquisition of new customers and expand sales by trading into new business areas, such as a skin care line for men and kids.

(Overseas strategies)

Promote product development as well as information development and transmission towards the Asia region with a focus on “eliminating bad skin conditions”.

b. Attenir cosmetics

Expand “age group targeting” and “channel development” to further strengthen Attenir as a one and only anti-aging care brand that provides luxury brand quality at a reasonable price.

(Product strategies)

- Strengthen each item of cleansing, face washing, basic skin care and special care which are the major products, and strengthen connections for each product category, thereby aiming for the growth of the entire brand.
- Enhance outreach to and expand lineup of items for consumers in their 30s and 50s other than the core target group (those in their 40s), thereby aiming to acquire new customers.

(Sales strategies)

Domestically, strengthen ties with customers of the company’s online and catalogue sales and direct stores, and expand external online platforms and wholesale to cosmetic select shops

and cosmetics exclusive stores, thereby endeavoring to develop new connections between the brand and customers.

(Overseas strategies)

In addition to cross-border EC towards China, commence general trade and EC development towards countries mainly in the Asian region, thereby strengthening global development.

c. BRANCHIC

Aim for growth both in and outside Japan as a pre-stage brand differing from the FANCL brand. Proceed with strengthening Chinese cross-border EC and development of products in accordance with local needs, thereby endeavoring to expand the brand in China.

(ii) Nutritional supplements business

Based on the three basic policies of “brand development”, “establishment of strong product portfolio for pre-seniors and women”, “expansion of development into China and the Asian region”, determine a product strategy focusing on customers in and outside of Japan, thereby creating firm trust with customers and leading to business growth.

(Product strategies)

- In the pre-senior category, strengthen the preexisting products of “enkin” and “rakuhiza”, and expand the category by renewals and line-up development. Eliminate negatives occurring with age and develop “anti-aging” products corresponding to needs to maintain health, thereby developing new customer layers.
- In the category directed towards women, develop flagship products corresponding to “beauty” needs, thereby expanding sales. Develop products corresponding to the needs of women facing changes in hormone balance, thereby aiming to acquire new customers.

(Overseas strategies)

- Similarly as in Japan, make and organize strategies focusing on customers and nurture the brand in China.
- Establish a team exclusively for overseas strategy and development, and expand developments in countries other than China.

(Sales channel strategies)

- Make maximum use of various resources such as IT and data, and synthesize the strengths of mail order and directly operated stores, thereby reinforcing ties with customers and enhancing LTV.

(i) Online and catalogue sales

- Realize optimum approach matching such targets as mother generations and seniors, thereby acquiring new customers and strengthening engagement.
- Create online events and experiencing opportunities such as counseling and factory



observation, thereby enhancing customer experience value.

- Continuously reinforce external mail order as a place for new connections and experiences for customers. In addition to strengthening marketing in major malls, also expand product development and reinforce concurrent selling in the same category, and develop products exclusively for external mail order, thereby aiming to increase sales.

(ii) Direct store sales

- Using smartphone for service to customers uniformly managing customer information, strengthen communications and counseling matching customer needs even if during a short period of time, thereby providing service to customers emphasizing with each customer.
- Renovate stores with equipment and functions matching the region, commercial facility at the store location and customer layers where customers would enjoy going to, thereby deepening ties with customers.

(iii) Wholesales

- Utilizing the strengths of having many sales locations in customers' circulation paths in their daily lives, transmit the value provided by the brand from sales locations as new connection with customers, thereby promoting understanding and empathy towards the brand by customers.
- In addition to maintenance and expansion of shares of category No. 1 of our main products "mild cleansing series" and "Calolimit series", newly introduce new categories and items, thereby increasing sales.

(Strengthening the management base)

(i) Research

- Uniformly perform material search to basic and applied research and product development all at once, and promote research and development corresponding to social tasks and needs.
- Perform product development in accordance with local demands and laws and regulations overseas, and promote globalization.

(ii) Manufacturing

- Further strengthen the quality control system by transforming consciousness by advance prevention and activities to prevent recurrence, thereby continuously providing safety and security products.
- Consider enhancing the activation ratio of production equipment and expanding production areas, and commence creating a system for sales increase, thereby expanding production capacity.
- Reinforce energy saving activities and implement endeavors to promote energy creation and to protect the ecosystem of the areas of each factory, thereby promoting sustainability.

(iii) IT system

- Build a unique IT basic system further developing the “FIT3” system which collects and analyzes not only customers’ purchase history but action information leading to purchase, thereby deepening understanding of customers and taking an optimum approach.
- Commence reconstruction of the ERP system which the Company has been building a business model for integrated manufacturing and sales, thereby realizing data driven management.

(iv) Logistics

- In addition to internalizing the operations of the Kansai Logistics Center and performing uniform management, utilize the new WMS (warehouse management system), thereby realizing quality enhancement, productivity enhancement and cost reduction.
- Reducing carbon dioxide emission by visualizing the carbon dioxide emission volume as well as rendering lighter the packaging by product development assessment (Design for Logistics; packaging design from the perspective of logistics) and enhancing loading efficiency, thereby reducing burden on the environment.

(v) Personnel

- Establish skills which should be strengthened to realize the management strategy such as “management”, “global”, “digital and DX” and “marketing”. Prepare a portfolio for each skill, and perform personnel placement and development in accordance therewith.
- In order to develop overseas business, expand opportunities for education of not only language ability but also understanding of different cultures and management, thereby expanding personnel engaged in global business.

(Promotion of sustainability)

Establish the 3 important themes of “A Prosperous Environment”, “Healthy Living” and “A Thriving Society For All”, and promote such themes towards realizing a future aimed by the FANCL group.

(i) A Prosperous Environment

- With utmost priority for measures towards climate change, appreciate nature in all aspects of corporate activities, thereby contributing to preservation of the rich earth environment.

(ii) Healthy Living

- Through unique products and services, contribute to lengthening the healthy lifespan and enhancing the quality of life of people around the world.

(iii) A Thriving Society For All

- Create a society where each and every person shines at one’s respective places by respecting each other’s differences and mutually respecting each other.

(Numerical targets)

In order to further promote management conscious of the profitability and investment

efficiency of each business, the Company establishes ROE (return on equity) and ROIC (return on invested capital) as KPI. For the year ending March 31, 2027, which is the final fiscal year of the Company's Management Plan, the Company aims to achieve consolidated sales of JPY 133,000 million, operating profits of JPY 19,000 million, ROE 13.6% and ROIC 13.6%.

After the Transaction Accounted for by the Equity-Method, the Company has been proceeding with creating synergy in the areas of "product development" and "channel infrastructure" as the creation of synergy based upon the Capital Business Alliance with the Tender Offeror Group. The contents of the specific endeavors are as follows.

- Since the pandemic of COVID-19, the Company performed development and sales of supplements utilizing the unique materials of the Tender Offeror Group in fields such as "sleep" and "brain function" as well as "immunity" for which market demand is increasing.
- The Company is developing and commercializing materials which the Tender Offeror Group has been researching as food, as raw materials unique to cosmetics.
- In addition to the materials and other items developed and sold as above, the Company has established joint research themes with the Tender Offeror Group and are performing broad joint research.
- In addition to performing entrustment acceptance production and OEM supply of products for B to C of the Tender Offeror Group, the Company has been procuring raw materials from the Tender Offeror Group and jointly purchasing electric energy, thereby leading to cost reduction.
- The Company is accepting the secondment of personnel with marketing experience or expertise in data utilization from the Tender Offeror Group to the Company as personnel exchange. From the Company side, the Company is seconding personnel with expertise in health food business strategy and CRM to the Tender Offeror Group.
- In the area of resources circulation, the Company is engaged in cooperative business such as using reprocessed resin derived from containers of the Tender Offeror Group in the containers of cosmetics of the Company.
- In the area of sustainability, the Company is receiving high expertise and know-how regarding sustainability from the Tender Offeror Group, and the Company are leading it to the enhancement of the Company's endeavor levels for sustainability.

On the other hand, at the time of implementation of the Transaction Accounted for by the Equity Method, the plan was to create synergy in both areas of "product development" and "channel infrastructure", and the Company understands that large synergy is being created in "product development" as above; however the Company understands that the results achieved in the area of "channel infrastructure" are not as the Company initially envisaged. Specifically, although the Company planned mutual customer referral to channels held by both companies and sales of products of both companies' groups, the Company is of the understanding that the Company has not attained the results as the Company had initially

envisaged.

With respect to this point, although the Company is an affiliate accounted for by the equity method of the Tender Offeror, since the Company is not a subsidiary of the Tender Offeror, the Company is of the understanding that there are limits such as psychological obstructions and limitations to the sharing sales information and know-how among the both groups of companies due to such restrictions as competition related laws and regulations and terms of contracts with third parties which prohibit information disclosure to parties other than group companies in a parent-subsidary relationship.

In addition, the Company understands that, even if the Company becomes a subsidiary of the Tender Offeror, under the circumstances where minority shareholders exist in the Company, there exists a potential conflict of interest relationship between the Tender Offeror and the minority shareholders of the Company, and there exists an aspect that it would be difficult to proactively invest in the Company the management resources held by the Tender Offeror Group.

In the event that the Tender Offer is completed and the Transaction is implemented, since the Company will become a wholly-owned subsidiary of the Tender Offeror, it will become possible to make maximum use of the various resources held by the Tender Offeror Group, thereby accelerating both business of “beauty” and “health” at once, and realizing maximization of the corporate value of the Company Group. Specifically, the Company considers that the following synergies can be realized, and since this would lead to resolution of the tasks faced by the Company, the Company considers that the implementation of the Transaction would contribute to the enhancement of corporate value of the Company.

(a) Acceleration of synergy towards attainment of aim common to the group

The Company will become a wholly-owned subsidiary of the Tender Offeror by the Transaction and will be clearly positioned as a subsidiary as the center of the health science business of the Tender Offeror Group; thereby the Company considers that it will become possible for the Company to more flexibly and promptly utilize the management resources of the Tender Offeror under a business strategy unified with the group and to maximize the synergy effect in an even more shorter period of time.

(b) Creation of innovation due to deepening the joint research development activities

The Tender Offeror Group has strengths in basic research from long term perspectives such as by performing raw material development in the areas of fermentation and biotechnology which is a core technology since its foundation, and the Company Group is skilled at applied research (product development) based upon the promotion of safety and functionalization research and scientific grounds. The research and development activities by both company groups are mutually supplementary, and are proceeding with joint projects in many research areas such as the development of raw materials of cosmetics, research of intestine environment, research of brain function, even in joint research development in the preexisting capital business alliance.

However, since the Company remained an affiliate accounted for by the equity method of the

Tender Offeror, the Company understood that, with respect to the sharing of know-how and technical information, etc. between both company groups, there were psychological obstructions or limitations due to such restrictions as competition related laws and regulations and terms of contracts with third parties which prohibit information disclosure to parties other than the group companies in a parent-subsidary relationship.

The Company considers that these restrictions and obstructions would be eliminated by making the Company as a wholly-owned subsidiary of the Tender Offeror, and further deepening of the joint research development activities would be realized, for instance, such as by both companies sharing information at a research stage earlier than currently and accelerating the speed of product development, and furthermore, as a single group it can also project a unified and united direction in research development strategies, thereby leading to creation of further innovation.

(c) Promotion of sales strategy unified as a group

As also described in (b) above, in the current Capital Business Alliance, while product development was making good results, a unified sales strategy of sales among both company groups was not yet projected, for instance, both companies were partially competing at the sales locations of wholesales channels for a part of the products of both companies.

The Company considers that the promotion of sales strategy more unified as a Tender Offeror Group would become possible and could lead to sales of products which is more effective and efficient, by the Company becoming a wholly-owned subsidiary of the Tender Offeror through the Transaction.

(d) Further reinforcement of the sharing of information and management resources

Information and management resources considered to be further shared by the Company becoming a wholly-owned subsidiary of the Tender Offeror are not limited to such items as know-how and technical information in research development activities, but also envisage sales information as well as know-how of marketing and organization management of the Tender Offeror Group, as well as know-how related to venture investment, M&A and ESG at the Tender Offeror Group. In addition, when the Company considers global development in the future, by the utilization of the Tender Offeror's overseas bases and by becoming a wholly-owned subsidiary of the Tender Offeror in particular, the Company considers that it would become possible to include as options such matters as the construction of a cooperative system with Blackmores Limited, a health food (natural food) company of Australia which is similarly under the Tender Offeror Group, upon eliminating risks under the competition laws between the Tender Offeror Group and the Company.

In this manner, the Company considers that it would become possible for the Company to make maximum use of the information and management resources held by the Tender Offeror Group by the implementation of the Transaction, and that it would become possible to realize such matters as the expansion of sales of the Company's products, enhancement of business efficiency, and expansion of business through overseas development and M&A.

In the event that the Company becomes a wholly-owned subsidiary of the Tender Offeror and the Company Shares are delisted, as general disadvantages accompanying delisting, the Company will not be able to procure funds from the capital market, and the Company will not be able to enjoy the advantages of being a listed company such as acquiring social trust from the outside including business acquaintances and maintaining popularity, and there also may be a decline in the brand image. However, since the abundant cash of the Tender Offeror Group (cash and cash equivalent of JPY 151,207 million (as of the end of March 2024, consolidated)) may be utilized in terms of procurement of funds, the Company does not consider that it would have any impact upon fund procurement. In addition, since the relationship of trust of business acquaintances is already established to a certain degree and the preexisting transactional relationships are not considered to be largely lost due to delisting, and the image of the Tender Offeror which is a company listed on the Prime Market of the TSE is extremely positive and the Company's social trust and popularity is expected to be maintained or enhanced by becoming a wholly-owned subsidiary of the Tender Offeror, and the trust accumulated and popularity acquired through previous business operations are not considered to be immediately lost due to delisting, the Company considers that the impact of such disadvantages will be limited after the Transaction and that it would not overshadow the advantages of the prospected increase of the Company's corporate value above.

In addition, since the Company determined that the Tender Offer Price of JPY 2,690 per share falls under the following, on June 14, 2024, the Company replied to the Tender Offeror that it accepts the proposal of the price above, and the Company and the Tender Offeror reached a final agreement on the price terms. (i) As described above in "B. Review and negotiation process", it is a price agreed upon as a result of engaging in sufficient negotiations repeatedly with the Tender Offeror with the substantial involvement of the Special Committee, upon the Company taking the measures to ensure the fairness of the transaction terms related to the Transaction including the Tender Offer Price described below in "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest"; (ii) as described below in "(i) Procurement of the Share Valuation Report from the Company's independent financial advisor and third-party valuation institution" of "(3) Matters related to Calculation", according to the Share Valuation Report (UBS Securities) obtained from UBS Securities, a third-party valuation institution independent from the Company and the Tender Offeror, from among the calculation results of the share value of the Company in the Share Valuation Report (UBS Securities), it exceeds the scope of the calculation results by the market share price method and the comparable company analysis, and it is within the scope of the calculation results by the discounted cash flow method (the "DCF method"), and at the same time it is a price close to the median of the range; (iii) as described below in "(ii) Procurement of the Share Valuation Report and the Fairness Opinion from the Special Committee's independent financial advisor and third-party valuation institution" of "(3) Matters related to Calculation", according to the Share Valuation Report (PLUTUS) obtained by the Special Committee from PLUTUS, which is independent

from the Company and the Tender Offeror, from among the calculation results of the Company Shares in the Share Valuation Report (PLUTUS), it exceeds the scope of the calculation results by the market share price method and the comparable company analysis, and it is within the scope of the calculation results by the DCF method and it is above the median of the range; (iv) as described below in “(ii) Procurement of the Share Valuation Report and the Fairness Opinion from the Special Committee’s independent financial advisor and third-party valuation institution” of “(3) Matters related to Calculation”, PLUTUS has issued the Fairness Opinion, which states that the Tender Offer Price which is in amount of JPY 2,690 per share is fair from a financial viewpoint for the Company’s shareholders excluding the Tender Offeror; (v) while it is a price adding a premium of 42.74% to the closing price of JPY 1,884.5 of the Company’s common stock in the prime market of the TSE on June 13, 2024, and a price adding a premium of JPY 36.27% to the closing price simple average value of JPY 1,974 of the immediately preceding one (1) month, and a price adding a premium of 37.17% to the closing price simple average value of JPY 1,961 of the immediately preceding three (3) months, and a price adding a premium of 28.16% to the closing price simple average value of JPY 2,099 of the immediately preceding six (6) months, even in comparison with the 29 cases (the average values/medians of the premium level are as follows: 43.0%/40.5% immediately prior to the announcement date, 45.4%/43.1% in the immediately preceding one (1) month, 48.9%/46.1% in the immediately preceding three (3) months, and 49.9%/50.3% in the immediately preceding six (6) months) of tender offer transactions with conflict of interest relationship (management buyout transactions, or transactions with the purpose of making consolidated subsidiaries or affiliated companies accounted for by the equity method wholly-owned subsidiaries of a listed parent company) of a total transaction amount of JPY 50 billion or more completed during the period from June 28, the date on which “Fair M&A Guidelines – Raising Corporate Value and Ensuring Shareholders’ Interests” was announced by the Ministry of Economy, Trade and Industry, until May 31, 2024, it can be evaluated as being a reasonable level attached with a premium comparable in relation to the market share value immediately prior to the announcement date (although, with respect to the respective premiums for the closing price simple average value in the immediately preceding three (3) months and the closing price simple average value in the immediately preceding six (6) months, it is lower than the premium level above, it is judged to be a reasonable level, upon determining that the market share value of the Company Shares in the immediately preceding one (1) month formed after the announcement of the Company’s Summary of Consolidated Financial Results and the Company’s Management Plan most reflects the corporate value of the Company and due to the fact that sufficient premium is ensured in relation to the market share value in such period).

Furthermore, with respect to the Stock Acquisition Right Purchase Price, the Stock Acquisition Rights are granted to the Directors and Executive Officers of the Company as well as the directors of the Company’s subsidiary as compensation upon resignation linked to the stock price, and as the conditions for the exercise of such rights, the rights are only exercisable for all the Stock Acquisition Rights at once, only during the period from the day following the day

on which the positions of the Director or Executive Officer of the Company was lost till the day on which ten (10) days have elapsed in relation to the Stock Acquisition Rights receiving allocation based on the positions of the Director or Executive Director of the Company, and only during the period from the day following the day on which the position of the director of the Company's subsidiary was lost till the day on which ten (10) days have elapsed in relation to the Stock Acquisition Rights receiving allocation based on the position of the Director of the Company' subsidiary, within the period during which the Stock Acquisition Rights are exercisable, and considering such matters as that such rights cannot be exercised even if the Tender Offeror obtained the Stock Acquisition Rights, the Company determined that it was reasonable to render all the Stock Acquisition Right Purchase Price as JPY 1.

As per "(i) Overview of the Tender Offer" above, (i) if the Tender Offeror is unable to obtain all the Stock Acquisition Rights even in the Tender Offer even though the Tender Offer was completed, and the Stock Acquisition Rights remain without being exercised, the Tender Offeror plans to make the Company to perform the procedures reasonably required to implement the Transaction such as recommending the Stock Acquisition Rights Holders (in the event that a Prospected Stock Acquisition Rights Exerciser exercises Stock Acquisition Right, then, excluding such Prospected Stock Acquisition Rights Exerciser) to perform the procedures reasonably required to implement the Transaction such as recommending to waive the Stock Acquisition Rights, and (ii) in order for the economic interests which should be enjoyed by the Stock Acquisition Rights Holders not to be impaired and for no excessive interests to be granted to the Stock Acquisition Rights Holders, the Tender Offeror intends to make determinations regarding the introduction and implementation of the new officer compensation plan, which makes allowance for economic interests substantially equivalent to such economic interests, upon discussion with the Company and the Stock Acquisition Rights Holders after the completion of the Tender Offer. Given these, although the Tender Offer provides a reasonable opportunity to the Stock Acquisition Rights Holders to sell the Stock Acquisition Rights, the Company determined that it would be appropriate to leave the decision up to the Stock Acquisition Rights Holders as to whether or not to tender their Stock Acquisition Rights in the Tender Offer.

As per the above, the Company determined that the Transaction contributes to the enhancement of the Company's corporate value, and that the Tender Offer Price and the Stock Acquisition Right Purchase Price are adequate prices securing the interests which should be enjoyed by the Company's shareholders and Stock Acquisition Rights Holders, and that the Tender Offer provides a reasonable opportunity for the Company's shareholders and Stock Acquisition Rights Holders to sell the shares and Stock Acquisition Rights, and at the Company's Board of Directors meeting held on June 14, 2024, the Company resolved to express its affirmative opinion regarding the Tender Offer, and to recommend its shareholders to tender their shares in the Tender Offer, and to leave the decision up to the Stock Acquisition Rights Holders as to whether or not to tender their Stock Acquisition Rights in the Tender Offer. For the details of the decision-making process at such Board of Directors meeting, please see "(viii) Receipt of unanimous approval of all disinterested directors of the Company and the



opinion of all disinterested Company Auditors of the Company that they have no objection” of “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest” below.

(iv) Management policy after the Tender Offer

After the Tender Offeror makes the Company its wholly-owned subsidiary, the Tender Offeror is said to be desiring to discuss with the Company again and to implement the measures to maximize the synergy and to maximize the corporate value of the Company group described in “(ii) Background, Purpose, and Decision-making Process that led to the Tender Offeror’s decision to implement the Tender Offer”. In the implementation of such measures, the Tender Offeror is said to endeavor to enhance the corporate value by accelerating the profit growth of the entire Tender Offeror Group by maintaining such matters as the founding ideal, management ideal, corporate name, product name and brand of the Company Group, and sharing between the Tender Offeror and the Company the common understanding that connecting with each individual customer through communications in the “domains from Food & Beverages to Pharmaceuticals”, and the domains of “Beauty” and “Health”, supports the customer base and supplements each other, thereby further enhancing the customer relations capacity, and promoting business in close alliance with the Company Group.

With respect to the initial management policy of the Company after the Transaction, the Tender Offeror and the Company have agreed in the Tender Offer Agreement to (i) abolish the Company’s Board of Directors and to render the number of directors as 3 (from among which 1 shall be full-time and 2 shall be part-time, and the 2 part-time directors shall be designated by the Tender Offeror), (ii) abolish the Company’s board of company auditors and to render the number of Company Auditors as 1 (the Company Auditor shall be designated by the Tender Offeror), and (iii) render the full-time director in (i) above as the representative director, as described in “4. Matters concerning material agreements related to the Tender Offer” below, for the purposes of such matters as flexibly and speedily operating business under the Health Science Business Department of the Tender Offeror. The policy of the Tender Offeror to maintain the employment of the Company’s employees even after the completion of the Tender Offer, and it is also considering to provide highly motivated employees with opportunities and environments to play an active part in the entire Tender Offeror Group. There are no other matters which have been determined as of the present, and are scheduled to be determined in accordance with discussions between the Tender Offeror and the Company.

In addition, with respect to the Stock Acquisition Rights, since the Stock Acquisition Right Purchase Price is JPY 1, and as described in “(5) Policy on reorganization, etc. after the Tender Offer (matters relating to the so-called two-stage takeover)” below, in the event that although the Tender Offer is completed the Tender Offeror cannot obtain all of the Stock Acquisition Rights in the Tender Offer and Stock Acquisition Rights remain without being exercised, the Tender Offeror plans to request the Company to perform procedures reasonably required for the implementation of the Transaction such as recommending the Stock Acquisition Rights Holders (if the Prospected Stock Acquisition Rights Exerciser exercises the Stock Acquisition Right, then, excluding such Prospected Stock Acquisition Rights Exerciser) to waive the Stock Acquisition Rights, and the

Performance-Linked Stock Compensation Plan targeting the Company's directors (excluding outside directors and non-resident) and Executive Officers, etc. is scheduled to be abolished after the Transaction, as described in "4. Matters concerning material agreements related to the Tender Offer" below, the Tender Offeror and the Company have agreed, in order for the economic interests which should be enjoyed by the Stock Acquisition Rights Holders as well as the economic interests which should be enjoyed by the Company's directors and Executive Officers, etc. under the Performance-Linked Stock Compensation Plan not to be impaired, to engage in discussion and perform review towards the introduction and implementation of a new officer compensation plan which makes allowance for these economic interests. The specific contents of the officer compensation plan are said to be scheduled to be determined upon discussion with the Company promptly after the date of commencement of settlement related to the Tender Offer after the completion of the Tender Offer. The Tender Offeror is said to be considering that such officer compensation plan does not contravene with the intent of uniformity regulations of the Tender Offer Price since such officer compensation plan is scheduled to be determined upon discussion with the Company after the completion of the Tender Offer independently from tender in the Tender Offer by the Stock Acquisition Rights Holders without being subject to the condition that tender in the Tender Offer by the Stock Acquisition Rights Holders is implemented, so that the economic interests which should be enjoyed by the Stock Acquisition Rights Holders are not impaired and no excessive interests are granted to the Stock Acquisition Rights Holders, in light of the process under which the Stock Acquisition Rights were granted as compensation equivalent to retirement benefits.

(3) Matters related to Calculation

(i) Procurement of the Share Valuation Report from the Company's independent financial advisor and third-party valuation institution

A. Name of the valuation institution and relationship with the Company and the Tender Offeror

In expressing its opinion related to the Tender Offer, in order to ensure the fairness of the decision-making process for the Tender Offer Price presented by the Tender Offeror, the Company requested UBS Securities, which is the Company's financial advisor and third-party valuation institution independent from the Tender Offeror and the Company, to calculate the share value of the Company Shares and, on June 13, 2024, obtained the Share Valuation Report (UBS Securities) which is subject to the conditions precedent set forth in (Note 1) to B. below and other certain conditions. UBS Securities does not fall under a related party of the Company or the Tender Offeror and has no material interest in the Transaction including the Tender Offer. The Company has not obtained from UBS Securities an opinion letter (fairness opinion) concerning the fairness of the Tender Offer Price based upon other measures to ensure the fairness of the Tender Offer Price implemented in relation to the Transaction or measures to avoid conflicts of interest (for the specific details, please refer below to "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest"). The remuneration to UBS Securities in connection with the Transaction consists of solely contingency fees payable subject to conditions such as the successful completion of the

Transaction. The Company understands that, as a general theory, adoption of contingency fees would incentivize the service provider to complete the transaction and may affect its independence, however, in light of UBS Securities' achievements as financial advisor in similar transactions and its social reputation among other factors, the Company determined that it would be able to receive fair and objective advice even under such compensation structure of solely contingency fees, and considering such matters as the general practices in similar transactions and the appropriateness of the compensation structure in which the Company would bear corresponding monetary burden in the event that the Transaction is not successfully completed, the Company decided that the independence would not be negated due to the compensation being contingency fees paid subject to the successful completion of the Tender Offer and appointed UBS Securities as the Company's financial advisor and third-party valuation institution under the compensation structure above.

**B. Summary of calculation**

Upon reviewing the calculation method which should be used in the calculation of the share value of the Company from among multiple share value calculation methods, on the premise that the Company is a going concern, based on the idea that it is appropriate to evaluate the share value of the Company from multiple aspects, UBS Securities analyzes the share value of the Company under the conditions and other certain terms described in (Note 1) below by using the market share price method due to the fact that the Company is listed on the prime market of the TSE and share price exists, the comparable company analysis due to the fact that there exist multiple listed companies comparable to the Company and it is possible to analogize the share value of the Company by the comparable company analysis, and the DCF method in order to reflect the future business activity circumstances in the valuation. According to UBS Securities, the scopes of the share value per one (1) Company Share based upon each method above are as follows. For the conditions precedent and considerations in relation to the preparation of the Share Valuation Report (UBS Securities) by UBS Securities and the valuation analysis that serves as a basis therefor, please refer below to (Note 1).

Market share price method:	from JPY 1,884.5 to JPY 2,099
Comparable company analysis:	from JPY 1,915 to JPY 2,598
DCF method:	from JPY 2,356 to JPY 3,205

Under the market share price method, with the calculation base date being June 13, 2024, based upon the base date closing price of JPY 1,884.5 of the Company Shares in the prime market of the TSE, the closing price simple average value of JPY 1,974 of the immediately preceding one (1) month (from May 14, 2024 to June 13, 2024), the closing price simple average value of JPY 1,961 of the immediately preceding three (3) months (from March 14, 2024 to June 13, 2024), and the closing price simple average value of JPY 2,099 of the immediately preceding six (6) months (from December 14, 2023 to June 13, 2024), the scope of the value per share of the Company Shares is calculated as from JPY 1,884.5 to JPY 2,099. Under the comparable company analysis, the share value of the Company is valued using

the ratio of EBITDA to the corporate value and the ratio of net profit to the market capitalization upon selecting Shiseido Company, Limited, KOSE Corporation, POLA ORBIS HOLDING INC. and ROHTO Pharmaceutical Co., Ltd. as comparable listed companies deemed comparable with the Company, and the scope of the value per share of the Company Shares is calculated (Note 2) as from JPY 1,915 to JPY 2,598.

Under the DCF method, based on the financial forecast of the Company considering various factors such as the business plan from the year ending March 31, 2025 to the year ending March 31, 2029 prepared by the Company (the “Business Plan”) and publicly announced information, the corporate value and share value of the Company are evaluated by discounting the Company’s free cash flow to the current value at a certain discount rate, and the scope of the share value per share of the Company’s Shares is calculated (Note 2) as from JPY 2,356 to JPY 3,205. A discount rate from 7.0% to 7.5% is adopted, and permanent growth rate method and multiple method is adopted in the calculation of the terminal value, and calculation is made using a permanent growth rate method from 1.5% to 2.0% and a ratio of EBITDA to the corporate value from 11.5 times to 15.5 times. The Business Plan does not include business years in which substantial increase or decrease of profit is prospected. Also, the Business Plan is not premised upon the implementation of the Tender Offer. Therefore, the synergy effect expected to be realized by the completion of the Tender Offer is not added to the Business Plan or the valuation.

The figures of the Company’s financial forecast which are the premises of the calculation under the DCF method are as follows.

(Unit: billions of yen)

	Year ending March 31, 2025	Year ending March 31, 2026	Year ending March 31, 2027	Year ending March 31, 2028	Year ending March 31, 2029
Sales	118.5	125.0	133.0	140.0	148.0
Operating profit	14.5	17.0	19.0	21.0	23.0
EBITDA	18.3	20.8	22.8	24.8	26.8
Free cash flow	11.4	11.8	12.5	14.1	15.4

As described in “(iii) Establishment of special committee at the Company and procurement of a report from the special committee” of “(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest” below, the Special Committee has confirmed that the Business Plan is not unreasonable upon confirming such matters as its contents, the important conditions precedent and the reasonability of its preparation process.

(Note 1) The Share Valuation Report (UBS Securities) has been delivered solely for the Board of Directors of the Company to examine, in its capacity, the Tender Offer Price from a financial point of view. The Share Valuation Report (UBS Securities) does not express

any opinion or view on the consideration to be received by holders of any kind of securities (including the Stock Acquisition Rights), creditors, or other stakeholders of the Company in connection with the Transaction. The Share Valuation Report (UBS Securities) does not express any opinion or view on the following: (a) the terms of, or other aspects of, the Transaction (including, without limitation, the manner or structure of the Transaction or other elements) or (b) the relative advantage of the Transaction compared with other strategies or transactions that may be adopted or implemented by the Company, or business decision-making related to promoting or implementing the Transaction. Furthermore, the Share Valuation Report (UBS Securities) does not express any opinion or make any recommendations in connection with the Transaction or any matters related thereto, as to whether the Company's shareholders should tender their shares in the Transaction, or how they should exercise their voting rights or conduct themselves. The Share Valuation Report (UBS Securities) also does not express any opinion or view on the fairness (whether financial or otherwise), as compared with the Tender Offer Price in the Transaction, of the amount, nature, or other aspects of any remuneration for officers, directors, or employees of any party to the Transaction. The Share Valuation Report (UBS Securities) does not express any opinion on the price at which the Company Shares should be transacted at any time, including after the Transaction is publicly announced or commences.

In preparing the Share Valuation Report (UBS Securities), UBS Securities has assumed and relied upon the accuracy and completeness of the assumptions and information that were publicly available or were furnished to UBS Securities by the Company or its other advisors or were otherwise reviewed by UBS Securities for the purposes of preparing the Share Valuation Report (UBS Securities). The content of the assumptions and information has not been independently verified by UBS Securities or any of its directors, officers, employees, agents, representatives and/or, advisers, or any other person.

No representation, warranty, or undertaking, express or implied, is or will be given by UBS Securities or its directors, officers, employees, agents, representatives, or advisors in relation to the accuracy, completeness, reliability, or sufficiency of the information contained in the Share Valuation Report (UBS Securities) or the reasonableness of any assumption contained in the Share Valuation Report (UBS Securities).

The Share Valuation Report (UBS Securities) is provided solely for the benefit of the Board of Directors of the Company, and the Company's shareholders and other persons should not rely upon the Share Valuation Report (UBS Securities) and will not be conferred any interests, rights, or remedies by the Share Valuation Report (UBS Securities).

By receiving the Share Valuation Report (UBS Securities), the Company acknowledges and agrees that to the maximum extent permitted by law, except in the case of fraud and save as provided in the engagement letter, UBS Securities and its directors, officers, employees, agents, representatives and advisors expressly disclaim any liability which

may arise from the Share Valuation Report (UBS Securities), or any other written or oral information provided in connection with the Share Valuation Report (UBS Securities), and any errors contained therein or omissions therefrom.

The Share Valuation Report (UBS Securities) may also contain forward-looking statements, projections, estimates, forecasts, targets, and/or opinions (collectively, the "Forecasts") provided to UBS Securities by the Company, and UBS Securities has relied upon the opinion of the Company as to the reasonableness and achievability of the Forecasts (and the assumptions and bases thereof). UBS Securities has assumed that the Forecasts represent the best assessments and judgments of the management the Company which were available at the time of the Share Valuation Report (UBS Securities) and that the Forecasts will be realized in the amounts and time periods contemplated by the management of the Company. All assumptions contained in the Share Valuation Report (UBS Securities) have been discussed and agreed with the Company. The Forecasts involve significant assumptions and subjective judgments which may or may not prove to be correct, and there can be no assurance that any Forecasts are a reliable indicator of future performance, nor that they are attainable or will be realized. No representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any Forecasts contained in the Share Valuation Report (UBS Securities). The Share Valuation Report (UBS Securities) was prepared based on the economic, regulatory, market, and other conditions as in effect on the date thereof and the information made available to UBS Securities as of the same date. Subsequent changes in these conditions may affect the information contained in the Share Valuation Report (UBS Securities). The Share Valuation Report (UBS Securities) speaks as at the date thereof (unless an earlier date is otherwise indicated therein), and in furnishing the Share Valuation Report (UBS Securities), no obligation is undertaken, nor is any representation or undertaking given, by any person: (i) to provide the Company with any additional information, (ii) to update, revise, or re-affirm any information in the Share Valuation Report (UBS Securities), including any Forecasts, or (iii) to correct any inaccuracies therein which may become apparent.

The analyses conducted by UBS Securities described in the Share Valuation Report (UBS Securities) are summaries of the material financial analyses presented by UBS Securities to the Board of Directors of the Company in connection with the Share Valuation Report (UBS Securities) and are not comprehensive descriptions of all analyses undertaken or information referred to by UBS Securities in connection with the Share Valuation Report (UBS Securities). The preparation of the Share Valuation Report (UBS Securities) and its underlying analysis are a complex analytical process involving various judgments about the appropriateness and relevance of methods of financial analysis and the application of those methods to the particular circumstances; therefore, a part or summary of the analysis results do not necessarily accurately present all aspects of the analyses. UBS Securities' analysis results must be considered holistically, and reference to a part or summary thereof, without considering

all of such analysis results as a whole, may give rise to failure to obtain a correct understanding of the processes underlying UBS Securities' analyses. None of the companies reviewed in UBS Securities' analyses as a comparable company is identical to any business units or subsidiaries of the Company, and these companies were selected because they were publicly traded companies with businesses that, for purposes of UBS Securities' analyses, could be considered similar to those of the Company. The analyses made by UBS Securities necessarily involve complex considerations and judgments concerning differences in financial and business characteristics of the companies reviewed for comparison with the Company and other factors that could affect these companies.

In preparing the Share Valuation Report (UBS Securities), UBS Securities has: (i) not made any independent valuation or appraisal of the physical assets and liabilities of the Company or any other company referred to in the Share Valuation Report (UBS Securities), nor been furnished with any such valuation or appraisal; (ii) not carried out any assessment as to the commercial merits of the Transaction; (iii) not conducted any legal, tax, accounting, or other analysis in respect of the Transaction, and where relevant, has relied solely upon the judgments of the relevant professional advisors in these areas; and (iv) assumed that in the course of obtaining any regulatory or third party approvals, consents, and releases for the Transaction, no delay, limitation, restriction, or condition would be imposed that would have an adverse effect on the Company, any other company referred to in the Share Valuation Report (UBS Securities), or the Transaction.

UBS Securities is acting as financial advisor of the Company in connection with the Transaction and receives remuneration for its services as financial advisor, and such remuneration consists of solely contingency fees payable subject to the successful completion of the Transaction. In addition, the Company has agreed to indemnify UBS Securities for all costs borne by UBS Securities in relation to UBS Securities' involvement and certain liabilities arising out of UBS Securities' engagement.

(Note 2) The number of the shares used in calculating of the value per share of the Company Shares is the Total Number of Shares After Accounting Diluted Shares (121,591,800 shares).

#### C. Summary of calculation of the Stock Acquisition Rights

The Company has not obtained a valuation report or Fairness Opinion from a third-party valuation institution regarding the Stock Acquisition Right Purchase Price. The Stock Acquisition Rights have been granted to the Company's directors and Executive Officers as well as the directors of the Company's subsidiaries as compensation upon resignation linked to the stock price, and as the terms of the exercise of such rights, the rights are only exercisable for all the Stock Acquisition Rights at once, only during the period from the day following the day on which the positions of the Company's director or Executive Officer was lost till the day on which ten (10) days have elapsed in relation to the Stock Acquisition Rights receiving allocation based on the positions of the Company' director or Executive Director,

and only during the period from the day following the day on which the position of the director of the Company's subsidiary was lost till the day on which ten (10) days have elapsed in relation to the Stock Acquisition Rights receiving allocation based on the position of the director of the Company' subsidiary, within the period during which the Stock Acquisition Rights are exercisable, and considering such matters as that such rights cannot be exercised even if the Tender Offeror obtained the Stock Acquisition Rights, all the Stock Acquisition Right Purchase Prices have been rendered as JPY 1.

(ii) Procurement of the Share Valuation Report and the Fairness Opinion from the Special Committee's independent financial advisor and third-party valuation institution

A. Name of the valuation institution and relationship with the Company and the Tender Offeror

As described in "(iii) Establishment of special committee at the Company and procurement of a report from the special committee" of "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest" below, the Special Committee appointed PLUTUS as a unique financial advisor and third-party valuation institution independent from the Company and the Tender Offeror, and obtained a Share Valuation Report (PLUTUS) on June 13, 2024. In addition, the Special Committee requested PLUTUS to submit a Fairness Opinion, and obtained it on June 13, 2024.

PLUTUS does not fall under a related party of the Company or the Tender Offeror, and does not have any material interested relationship in relation to the Transaction including the Tender Offer. PLUTUS's compensation related to the Transaction is said to be calculated by adding the fixed compensation to be paid regardless of the completion or non-completion of the Transaction to the number of hours worked multiplied by the hourly charge, and does not include any contingency fee paid on such terms as the completion or non-completion of the Transaction.

B. Summary of the calculation related to the Company Shares

Upon reviewing the calculation method which should be used in the calculation of the share value of the Company from among multiple share value calculation methods, on the premise that the Company is a going concern, based on the idea that it is appropriate to evaluate the share value of the Company from multiple aspects, PLUTUS evaluates the share price of the Company by using the market share price method due to the fact that the Company is listed on the prime market of the TSE and share price exists, and the comparable company analysis due to the fact that there exist multiple listed companies comparable to the Company and it is possible to analogize the share value of the Company by the comparable company analysis, and the DCF method in order to reflect the future business activity circumstances in the valuation. The scopes of the share value per one (1) Company Share valued by PLUTUS based upon each method above are as follows.

Market share price method:	from JPY 1,884.5 to JPY 2,099
Comparable company analysis:	from JPY 1,953 to JPY 2,171



DCF method:

from JPY 2,149 to JPY 3,067

Under the market share price method, with the calculation base date being June 13, 2024, based upon the base date closing price of JPY 1,884.5 of the Company Shares in the prime market of the TSE, the closing price simple average value of JPY 1,974 of the immediately preceding one (1) month (from May 14, 2024 to June 13, 2024), the closing price simple average value of JPY 1,961 of the immediately preceding three (3) months (from March 14, 2024 to June 13, 2024), and the closing price simple average value of JPY 2,099 of the immediately preceding six (6) months (from December 14, 2023 to June 13, 2024), the scope of the value per share of the Company Shares is calculated as from JPY 1,884.5 to JPY 2,099. Under the comparable company analysis, the share value of the Company is valued using the ratio of EBITDA to the corporate value and the ratio of EBITDA upon selecting Shiseido Company, Limited, KOSE Corporation, POLA ORBIS HOLDING INC. and ROHTO Pharmaceutical Co., Ltd. as comparable listed companies deemed comparable with the Company, and the scope of the value per share of the Company Shares is calculated as from JPY 1,953 to JPY 2,171.

Under the DCF method, on the premise of various factors such as the Business Plan prepared by the Company and publicly announced information, the corporate value and share value of the Company are evaluated by discounting the free cash flow prospected to be created by the Company on and after the year ending March 31, 2025 to the current value at a certain discount rate, and the scope of the share value per share of the Company Shares is calculated as from JPY 2,149 to JPY 3,067. The discount rate is the Weighted Average Cost of Capital, and a rate from 6.1% to 7.0% is adopted. Permanent growth rate method and multiple method is adopted in the calculation of the terminal value, and calculation of the value of the Company Shares is made using a permanent growth rate method of 0%, a ratio of EBITDA to the corporate value of 16.0 times, and a ratio of EBITDA of 11.3 times.

The Business Plan does not include business years in which substantial increase or decrease of profit is prospected. Also, the Business Plan is not premised upon the implementation of the Tender Offer. Therefore, the synergy effect expected to be realized by the completion of the Tender Offer is not added to the Business Plan or the valuation except for the effect of reduction of the cost for maintaining the listing.

The figures of the financial forecast of the Company which are the premises of calculation under the DCF method are as follows (numbers less than JPY 100,000,000,000 are rounded off).

(Unit: billions of yen)

	Year ending March 31, 2025	Year ending March 31, 2026	Year ending March 31, 2027	Year ending March 31, 2028	Year ending March 31, 2029
Sales	118.5	125.0	133.0	140.0	148.0
Operating profit	14.5	17.0	19.0	21.0	23.0

EBITDA	18.3	20.8	22.8	24.8	26.8
Free cash flow	11.6	12.1	12.8	14.4	15.7

Upon calculating the share value of the Company Shares, PLUTUS has adopted the information provided by the Company and publicly announced information, etc. as they are, and is premised upon the fact that these materials and information, etc. are entirely accurate and complete, and has not performed any independent verification regarding such accuracy or completeness. PLUTUS has not performed any independent valuation or appraisal in relation to the Company's assets or debts (including off-the-book assets or debts, or other contingent debts), and has not requested appraisal or evaluation to any third-party institution. It is based on the premise that the information related to the Company's financial forecast has been reasonably prepared based on the best judgment obtainable at the time of calculation by the Company's management. Provided, however, that with respect to the Company's business plan on which it based its calculation, PLUTUS has performed interviews multiple times and has analyzed and reviewed its contents. In addition, as described in "(iii) Establishment of special committee at the Company and procurement of a report from the special committee" of "(6) Measures to ensure the fairness of the Tender Offer, such as measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest" below, the Special Committee has confirmed that the Business Plan is not unreasonable upon confirming such matters as its contents, the important conditions precedent and the reasonability of its preparation process.

C. Summary of the valuation of the Stock Acquisition Rights

The Special Committee has not obtained a valuation report or Fairness Opinion from a third-party valuation institution regarding the Stock Acquisition Right Purchase Price. The Stock Acquisition Rights have been granted to the Company's directors and Executive Officers as well as the directors of the Company's subsidiaries as compensation upon resignation linked to the stock price, and as the terms of the exercise of such rights, the rights are only exercisable for all the Stock Acquisition Rights at once, only during the period from the day following the day on which the positions of the Company's director or Executive Officer was lost till the day on which ten (10) days have elapsed in relation to the Stock Acquisition Rights receiving allocation based on the positions of the Company' director or Executive Director, and only during the period from the day following the day on which the position of the director of the Company's subsidiary was lost till the day on which ten (10) days have elapsed in relation to the Stock Acquisition Rights receiving allocation based on the position of the director of the Company' subsidiary, within the period during which the Stock Acquisition Rights are exercisable, and considering such matters as that such rights cannot be exercised even if the Tender Offeror obtained the Stock Acquisition Rights, all the Stock Acquisition Right Purchase Prices have been rendered as JPY 1.

D. Summary of Fairness Opinion

On June 13, 2024, the Special Committee has obtained a Fairness Report from PLUTUS to the effect that the Tender Offer Price of JPY 2,690 per share is fair from the financial perspectives of the Company's shareholders excluding the Tender Offeror. The Fairness Opinion expresses the opinion that the Tender Offer Price of JPY 2,690 per share is fair from the financial perspectives of the Company's shareholders in light of such matters as the results of the valuation of the Company Shares based upon the Business Plan prepared by the Company. The Fairness Opinion has been issued by PLUTUS upon receiving disclosure from the Company of such matters as the current business circumstances and future business plans, as well as the results of calculation of the share value of the Company Shares implemented upon receiving explanation of such matters, and in addition, undergoing review of such matters as the Company's business environment, economic, market and financial circumstances to the extent deemed necessary by PLUTUS, as well as procedures for review at an examination meeting independent from PLUTUS's engagement team.

(Note) Upon preparing the Fairness Opinion, PLUTUS is based upon the premise that the basic materials provided by the Company and generally publicized materials, as well as the information heard from the Company are accurate and complete. PLUTUS has not implemented any independent investigation or verification of the accuracy or completeness thereof, and does not have such obligation. Therefore, PLUTUS does not bear any liability arising from any deficiency of such materials or non-disclosure of material facts.

PLUTUS is based upon the premise that the Business Plan and other materials which it used as basic materials for the Fairness Opinion have been reasonably prepared based upon the best prospects and decisions at the time of the preparation of such materials. PLUTUS does not guarantee its feasibility, and does not express any opinion in relation to the analysis or prospects forming the premises of the preparation of such materials or the conditions precedent forming the basis thereof.

PLUTUS is not a professional legal, accounting or tax agency. Therefore, PLUTUS does not express any opinion on any legal, accounting or tax issues regarding the Tender Offer, and does not have any such obligation.

PLUTUS has not performed any independent valuation or appraisal in relation to the Company's assets or debts (including off-the-book assets or debts, or other contingent debts), including analysis or valuation of individual assets or debts, and has not been provided with any valuation reports or appraisal reports in relation therewith. Therefore, PLUTUS has not performed any valuation on the Company's solvency either.

The Fairness Opinion expresses an opinion regarding the fairness of the Tender Offer Price from financial perspectives for the purposes of being used as reference materials when the Company reviews the fairness of the Transaction including the Tender Offer. Therefore, the Fairness Opinion does not express any opinion on the superiority or inferiority with transactions which may be options alternate to the Transaction, the benefits occurring due to the implementation of the Transaction, or the appropriateness of the implementation of the Transaction.

The Fairness Opinion does not state any opinion to any person holding the negotiable securities issued by the Company, any creditors or any other related persons. Therefore,

PLUTUS is not liable to any shareholders or third parties relying on the Fairness Opinion.

The Fairness Opinion states an opinion regarding whether or not the Tender Offer Price is fair from financial perspectives for the minority shareholders of the Company, on the premise of the financial, capital market and economic and other circumstances current as of the date of submission of the Fairness Opinion, based upon the information provided to or obtained by PLUTUS on or before such date, as of such date. PLUTUS shall not have the obligation to amend, change or supplement its opinion even if these premises change due to future changes in the circumstances.

The Fairness Opinion does not deduce or indicate any opinion other than the matters expressly described in the Fairness Opinion or in relation to any time on and after the date of submission of the Fairness Opinion.

(iii) Procurement of the Share Valuation Report from the Tender Offeror's independent financial advisor and third-party valuation institution

A. Name of the valuation institution and relationship with the Company and the Tender Offeror  
In order to ensure the fairness of the Tender Offer Price, and in determining the Tender Offer Price, the Tender Offeror requested Nomura Securities, a financial advisor, as a third-party valuation institution independent of the Tender Offeror Group, to calculate the value of the Company Share. Nomura Securities is not a related party of the Tender Offeror Group and has no material interest in the Transaction, including the Tender Offer.

B. Summary of the calculation related to the Company Shares

Nomura Securities reviewed the method of evaluation in the Tender Offer and carried out the calculation by using the market share price averaging method due to the fact that the Company Shares is listed on the prime market of the TSE, the comparable company analysis due to the fact that there exist listed companies comparable to the Company and it is possible to analogize the share value of the Company by the comparable company analysis, and the DCF method in order to reflect the future business activity circumstances in the valuation. The Tender Offeror received the Share Valuation Report (Nomura Securities) (Note 1) from Nomura Securities on June 13, 2024. The Tender Offeror has not obtained a fairness opinion from Nomura Securities with regard to the appropriateness of the Tender Offer Price since the Tender Offer judged and determined the Tender Offer Price by taking various measures 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 a Conflict of Interest" above and since engaging in consultation and negotiation with the Company.

Nomura Securities' valuation result of the value per share of the Company Shares is as follows:

Market share price averaging method:	From 1,884.5 yen to 2,099 yen
Comparable multiple valuation method:	From 1,571 yen to 2,075 yen
DCF method:	From 2,391 yen to 3,529 yen

Under the market share price method, with the calculation base date being June 13, 2024, based upon the calculation base date closing price of 1,884.5 yen of the Company Shares in the Prime Market of the TSE, the closing price simple average value of 1,927 yen of the immediately preceding five (5) business days (from June 7, 2024 to June 13, 2024 (inclusive)), the closing price simple average value of 1,974 yen of the immediately preceding one (1) month (from May 14, 2022 to June 13, 2024 (inclusive)), the closing price simple average value of 1,961 yen of the immediately preceding three (3) months (from March 14, 2024 to June 13, 2024 (inclusive)), and the closing price simple average value of 2,099 yen of the immediately preceding six (6) months (from December 14, 2023 to June 13, 2024 (inclusive)), the scope of the value per share of the Company Shares is calculated as from 1,884.5 yen to 2,099 yen.

Under the comparable multiple valuation method, the value of the Company Shares is calculated through comparisons with the financial index indicating such matters as the market price and profitability of the listed companies engaging in businesses relatively similar to the Company, and the scope of the value per share of the Company Shares is calculated as from 1,571 yen to 2,075 yen.

Under the DCF method, based on various factors such as the business plan confirmed by the Company and publicly announced information, the corporate value and share value of the Company are analyzed by discounting the free cash flow prospected to be created by the Company on and after the year ending March 31, 2025 to the current value at a certain discount rate, and the scope of the value per share of the Company Shares is calculated as from 2,391 yen to 3,529 yen.

(Note 1) In evaluating the value of the Company Shares, Nomura Securities assumed that the existing public information and all information provided to Nomura Securities were accurate and complete, and did not independently verify the accuracy and completeness of such information. Nomura Securities did not independently conduct evaluation, appraisal or assessment of the assets or liabilities (including derivative financial instruments, off-balance-sheet assets and liabilities, and other contingent liabilities) of the Company or its affiliates, including analysis and evaluation of their individual assets and liabilities, nor did it make any request to a third-party institution for appraisal or assessment of such assets or liabilities. Nomura Securities assumed that the management of the Tender Offeror reasonably reviewed and prepared information regarding the financial forecasts (including profit planning and other information) of the Company based on the best and sincere estimates and judgment currently available. The calculation by Nomura Securities reflected information and economic conditions obtained by Nomura Securities by June 13, 2024. The sole purpose of Nomura Securities' calculation is to serve as a reference for the Board of Directors of the Tender Offeror in its consideration of the value of the Company Share.

#### C. Summary of calculation of the Stock Acquisition Rights

The Tender Offeror determined that the Stock Acquisition Right Purchase Price would be 1

yen per unit after consideration of several factors, among other things, such as that of the Stock Acquisition Rights being granted to Directors and Executive Officers of the Company, and Directors of the subsidiaries of the Company as executive compensation equivalent to retirement allowance, and that of, as a condition to exercise, it being provided that the Stock Acquisition Rights Holders may exercise their Stock Acquisition Rights only in a lump sum and only if the Condition for Exercise Regarding Loss of Position is satisfied, and, therefore, the Tender Offeror may not exercise the Stock Acquisition Rights even if it acquires the Stock Acquisition Rights.

As the Tender Offeror determined the Stock Acquisition Right Purchase Price as stated above, the Tender Offeror has not obtained a share valuation report and fairness opinion from a third-party valuation institution.

(4) Possibility of delisting and reason therefor

The Company Shares are listed on the Prime Market of the TSE as of today. Because the Tender Offeror has not set a maximum number of shares to be purchased in the Tender Offer, the Company Shares may become delisted through the prescribed procedures in accordance with the TSE's delisting criteria depending on the results of the Tender Offer. Even if it does not fall under such criteria at the time of the completion of the Tender Offer, if the Squeeze-Out procedures described in "(5) Policy on reorganization, etc. after the Tender Offer (matters relating to the so-called two-stage takeover)" below are implemented after the completion of the Tender Offer, it shall fall under the delisting criteria of the TSE, and the Company Shares shall become delisted upon undergoing the prescribed procedures. After delisting, it will become impossible to perform transactions of the Company Shares in the prime market of the TSE.

(5) Policy on reorganization, etc. after the Tender Offer (matters relating to the so-called two-stage takeover)

As described in "(i) Outline of the Tender Offer" of "(2) Grounds and Reasons for the opinion on the Tender Offer" above, if the Tender Offeror is unable to obtain all or the Company Shares and the Stock Acquisition Rights (provided, however, that this excludes the Company Shares owned by the Tender Offeror and treasury shares owned by the Company), the Tender Offeror is said to be planning to render only the Tender Offeror as the Company's shareholder by the Squeeze-Out procedure below after the completion of the Tender Offer.

a. Demand for Share, etc. Cash-Out

If, upon completion of the Tender Offer, the total number of voting rights of the Company held by the Tender Offeror amounts to 90% or more of the voting rights of all shareholders of the Company and the Tender Offeror becomes a special controlling shareholder, as provided in Article 179, Paragraph 1 of the Companies Act, the Tender Offeror plans to demand, promptly after the completion of the settlement of the Tender Offer, and in accordance with the provisions of Part 2, Chapter 2, Section 4-2 of the Companies Act, that all shareholders of the Company (excluding the Tender Offeror and the Company) who do not tender their shares in the Tender Offer (the "Shareholders Subject to Cash-Out") sell all of their Company Shares (the "Demand for Share Cash-Out") and plans to demand that

all of the Stock Acquisition Rights Holders (the “Stock Acquisition Rights Holders Subject to Cash-Out”) sell all of their Stock Acquisition Rights (the “Demand for Stock Acquisition Rights Cash-Out”); and together with the “Demand for Share Cash-Out,” the “Demand for Share, etc. Cash-Out“). When exercising the Demand for Share, etc. Cash-Out, the Tender Offeror will set a cash amount equal to the Tender Offer Price to be paid to the Shareholders Subject to Cash-Out seat as the per-share consideration for the Company Shares. In addition, when exercising the Demand for Stock Acquisition Rights Cash-Out, the Tender Offeror will set a cash amount equal to the Stock Acquisition Right Purchase Price to be paid to the Stock Acquisition Rights Holders Subject to Cash-Out seat as the per-unit consideration for the Stock Acquisition Rights. In that case, the Tender Offeror will notify the Company of such intention and ask the Company to approve the Demand for Share, etc. Cash-Out. Provided the Company approves the Demand for Share, etc. Cash-Out through a Board of Directors’ resolution, the Tender Offeror will, as of the date specified in the Demand for Share, etc. Cash-Out, purchase all of the Company Shares held by the Shareholders Subject to Cash-Out and all of the Stock Acquisition Rights held by the Stock Acquisition Rights Holders Subject to Cash-Out, by following the procedures set forth in the relevant laws and regulations, without obtaining the consent of individual Shareholders Subject to Cash-Out and Stock Acquisition Rights Holders Subject to Cash-Out. The Tender Offeror will then pay cash to the Shareholders Subject to Cash-Out in an amount equal to the Tender Offer Price as the per-share consideration for the number of Company Shares they hold. In addition, the Tender Offeror will pay cash to the Stock Acquisition Rights Holders Subject to Cash-Out in an amount equal to the Stock Acquisition Right Purchase Price, as the per-unit consideration for the number of the Stock Acquisition Rights they hold.

The Company intends to approve the Demand for Share, etc. Cash-Out at the Company’s Board of Directors, if the Company receives the notice from the Tender Offeror of the Tender Offeror’s intention of Demand for Share, etc. Cash-Out and the matters set forth Article 197-2, Paragraph 1, each item of the Companies Act.

The Companies Act has a provision which intends to protect the rights of minority shareholders relating to the Demand for Share, etc. Cash-Out, Article 179-8 of the Companies Act and other relevant laws and regulations provide that the Shareholders Subject to Cash-Out may file a motion with the court to determine the sale/purchase price of the Company Shares they hold and the Stock Acquisition Rights Holders Subject to Cash-Out may file a motion with the court to determine the sale/purchase price of the Stock Acquisition Rights they hold. The sale/purchase price of the Company Shares and the Stock Acquisition Rights under this procedure will be ultimately determined by the court.

#### b. Share Consolidation

If the total number of voting rights of the Company held by the Tender Offeror is less than 90% of the voting rights of all shareholders of the Company after the Tender Offer is completed, the Tender Offeror plans to request, promptly after the completion of the settlement of the Tender Offer, and in accordance with Article 180 of the Companies Act, that the Company hold an extraordinary meeting of shareholders (the “Extraordinary Shareholders’ Meeting”) at which the Company will present proposals to approve the consolidation of the Company Shares (the “Share Consolidation”) and, subject to the Share Consolidation becoming effective, abolish the article in the Articles of

Incorporation concerning the number of shares constituting one unit. In addition, the Tender Offeror plans to request that the record date for the Extraordinary Shareholders' Meeting be a date that is after and close to the commencement date of the settlement of the Tender Offer. The Company plans to hold the Extraordinary Shareholders' meeting in response to the request from the Tender Offeror and the date of the Extraordinary Shareholders' meeting is scheduled around September 2024. The Tender Offeror plans to vote in favor of each of the above proposals at the Extraordinary Shareholders' Meeting.

In the event that the proposed Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Company will hold a proportionate number of the Company Shares in accordance with the Share Consolidation ratio approved by the Extraordinary Shareholders' Meeting. The shareholders of the Company will be paid for the fractional shares that they will be allocated as a result of the Share Consolidation, if any, with the cash to be paid for the sale of the Company Shares in a number equivalent to the total number of such fractional shares (any fractions of the total number will be rounded down; the same applies hereinafter) to the Company or the Tender Offeror, in accordance with the procedure prescribed in Article 235 of the Companies Act and other relevant laws and regulations. With regard to the sale price of the Company Shares for a number equivalent to the total number of such fractional shares, the Tender Offeror plans to request that the Company file a motion with the court to permit a voluntary sale, after setting the amount to be paid to the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Company) at the amount obtained by multiplying the Tender Offer Price by the number of the Company Shares they hold respectively. While the ratio of the Share Consolidation has not yet been determined as of the submission date of this Statement, the Tender Offeror plans to request that the number of the Company Shares to be held by the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Company) be less than one share so that only the Tender Offeror will hold all of the Company Shares (excluding the treasury shares held by the Company) after the Share Consolidation.

The Companies Act has a provision which intends to protect the rights of minority shareholders relating to the Share Consolidation, Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations provide that, in the event of the Share Consolidation, and if there are any fractional shares resulting from the Share Consolidation, the shareholders of the Company may demand that the Company purchase all of their fractional shares at fair prices and may file a motion with the court to determine the fair price of the Company Shares, if the prescribed conditions are satisfied. The purchase price per share under this procedure will be ultimately determined by the court. If the Tender Offer is completed, the Tender Offeror cannot acquire all of the Stock Acquisition Rights through the Tender Offer and the Stock Acquisition Rights remain unexercised, the Tender Offeror plans to request the Company to carry out procedures reasonably necessary for the execution of the Transaction, such as recommendation to the Stock Acquisition Rights Holders (excluding the Parties Exercising Stock Acquisition Rights, if the Parties Exercising Stock Acquisition Rights have exercised their Stock Acquisition Rights.) to abandon the Stock Acquisition Rights. If the Company receives such requests, the Company intends to cooperate immediately after the starting date of settlement of the Tender Offer.



Depending on the relevant matters such as the revisions and enforcement of the relevant laws and regulations and their interpretation by the authorities, the above procedures may require a longer time or the method to implement the procedures may be changed. However, even in such cases, if the Tender Offer is completed, the Tender Offeror intends to take a measure to eventually pay cash to shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror and the Company). The amount of cash to be paid to the respective shareholders of the Company in that event is planned to be equal to the amount calculated by multiplying the Tender Offer Price by the number of the Company Shares each shareholder of the Company holds. In addition, if cash is to be paid to the respective Stock Acquisition Rights Holders who do not tender their Stock Acquisition Rights in the Tender Offer, the amount of such cash is planned to be equal to the amount calculated by multiplying the Stock Acquisition Right Purchase Price by the number of the Stock Acquisition Rights each Stock Acquisition Rights Holders holds.

Specific procedures and the schedule thereof in the above cases shall be determined upon consultation between the Company and the Tender Offeror and announced by the Company as soon as they are determined.

Please note that the Tender Offer is not at all intended to solicit votes or support from the shareholders of the Company for the proposals in the Extraordinary Shareholders' Meeting. In addition, the shareholders of the Company and the Stock Acquisition Rights Holders are advised to consult with your certified tax accountants and other experts on your own responsibility regarding the tax treatment in respect of the Tender Offer or any of the above procedures.

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

Currently as of today, the Company is not a subsidiary of the Tender Offeror, and the Tender Offer does not fall under a tender offer by a controlling shareholder. However, in light of the facts that (i) the Tender Offeror owns 39,540,400 shares of the Company Shares (Ownership Ratio: 32.52%) and renders the Company as an Equity-Method Affiliate, (ii) from among the 9 directors of the Company, there is 1 person who concurrently serves as the director of the Tender Offeror currently (Junko Tsuboi), 1 person who used to be an Executive Officer of the Tender Offeror (Shinro Fujita), and 1 person which used to be an Executive Officer of the Tender Offeror from among the 5 Audit & Supervisory Board members of the Company (Naoya Maruo), (iii) if the Tender Offeror becomes the Company's controlling shareholder after the completion of the Tender Offer, the Squeeze-Out procedures planned after the Tender Offer (please refer above to "(5) Policy on reorganization, etc. after the Tender Offer (matters relating to the so-called two-stage takeover)") would fall under "Significant Transactions, etc. with Controlling Shareholder" provided in the Code of Corporate Conduct of the TSE and the Transaction performs these as a series of transactions, the Tender Offeror and the Company take the following measures in order to ensure the fairness of the Tender Offer from the stages of the Tender Offer, and to exclude arbitrariness of decision-makings regarding the Transaction, and to ensure the fairness, transparency and objectivity of the decision-making process at the Company, and to avoid suspicions of conflicts of interest.

The descriptions related to the Tender Offeror from among the descriptions below are based upon explanations made by the Tender Offeror.

- (i) Procurement of the Share Valuation Report from the Tender Offeror's independent financial advisor and third-party valuation institution

On June 13, 2024, the Tender Offeror is said to have obtained a Share Valuation Report (Nomura Securities) from Nomura Securities, which is a financial advisor and third-party valuation institution independent from the Tender Offeror and the Company. Nomura Securities does not fall under a related party of the Company or the Tender Offeror, and does not have any material interested relationship in relation to the Transaction including the Tender Offer.

With respect to the summary of the Tender Offeror Share Valuation Report regarding the share value of the Company which the Tender Offeror obtained from Nomura Securities, please refer above to "B. Summary of the calculation related to the Company Shares" of "(iii) Procurement of the Share Valuation Report from the Tender Offeror's independent financial advisor and third-party valuation institution" of "(3) Matters related to Calculation".

- (ii) Procurement of the Share Valuation Report from the Company's independent financial advisor and third-party valuation institution

In expressing its opinion regarding the Tender Offer, the Company has requested UBS Securities, a financial advisor as a third-party valuation institution independent from the Company and the Tender Offeror, to perform a calculation of the share value of the Company and received the Share Valuation Report (UBS Securities) on June 13, 2024. UBS Securities does not fall under a related party of the Company or the Tender Offeror and has no material interest in the Transaction, including the Tender Offer. The Company has not obtained an opinion letter (fairness opinion) regarding the fairness of the Tender Offer Price from UBS Securities.

For a summary of the Share Valuation Report (UBS Securities) regarding the share value of the Company which the Company obtained from UBS Securities, please refer above to "B. Summary of the calculation of the Company Shares" of "(i) Procurement of the Share Valuation Report from the Company's independent financial advisor and third-party valuation institution" of "(3) Matters related to Calculation".

- (iii) Establishment of Special Committee at the Company and procurement of a report from the Special Committee

- A. Background of establishment, etc.

After receiving a proposal related to the Transaction from the Tender Offeror on February 21, 2024, since although the Tender Offeror does not fall under the Company's controlling shareholder, etc., it is the Company's largest shareholder which is a major shareholder and other related company and the Transaction falls under a transaction in which there typologically exist structural conflict of interest issues and information asymmetry issues, similarly as for transactions with controlling shareholders, etc., for the purposes of taking care for the Company's decision-making related to the Transaction, and excluding arbitrariness and the likelihood of conflict of interest in the decision-making process of the Company's Board of Directors, and ensuring the fairness of the decision-making process, as well as confirming that the decision-making by the Company's Board of Directors is not disadvantageous to the

minority shareholders of the Company, based on advice from U&I, by the Board of Directors meeting dated February 22, 2024, the Company established, as a system to perform review, negotiations and decision-making related to the Transaction from the perspectives of enhancing the Company's corporate value and ensuring the interests of the minority shareholders of the Company from a position independent from the Tender Offeror, the Special Committee comprised of 3 persons, namely, Keiichiro Hashimoto (independent director of the Company, outside director as well as chairperson of the board and the audit committee of INFRONEER Holdings Inc., as well as former representative director chairman and CEO of Metropolitan Expressway Company Limited) ("Committee Head Hashimoto"), Mitsuaki Nakakubo (independent director of the Company, attorney, partner at Asahi Law Offices) ("Committee Member Nakakubo") and Akira Matsumoto (independent director of the Company, certified public accountant, representative director and president of MIT Corporate Advisory Services Co., Ltd.) (Committee Member Matsumoto"), and the Company inquired the Special Committee (i) whether the purposes of the Transaction is reasonable (including whether the Transaction contributes to enhancement of the Company's corporate value), (ii) whether the appropriateness of the transaction terms in the Transaction (including the Tender Offer Price in the Transaction) is ensured, (iii) whether sufficient care is taken for the interests of the minority shareholders of the Company through fair procedures in the Transaction, (iv) on the premises of (i) through (iii) and other matters, whether the Transaction can be considered as not being disadvantageous for the minority shareholders of the Company, (v) the appropriateness of the Company's Board of Directors to express an affirmative opinion for the Tender Offer for the Company Shares and to recommend the Company's shareholders to tender in the Tender Offer (these shall hereinafter be collectively referred to as the "Consultation Matters").

In addition, upon the establishment of the Special Committee, the Board of Directors meeting of the Company resolved that (i) the Company's Board of Directors shall respect to the maximum extent the decision of the Special Committee upon making decisions regarding the Transaction and that (ii) the Company's Board of Directors shall not agree to the Transaction if the Special Committee determines that the purpose or transaction terms of the Transaction are inadequate, and also resolved to grant the Special Committee the following authorities: (a) authority to perform examination related to the Transaction (including making inquiries and requesting explanations regarding the matters necessary for reviewing the Consultation Matters to the Company's officers and employees related to the Transaction as well as the Company's advisors related to the Transaction) at the Company's expense, (b) authority to approve the Company's review system (including attorneys, valuation institutions, certified public accountants and other advisors), (c) authority to request for a timely report of the circumstances, and to express its opinion, give instructions and make requests under material situations when the Company negotiates such matters as the transaction terms with the Tender Offeror, and (d) authority to independently appoint attorneys, valuation institutions, certified public accountants and other advisors at the Company's expense as well as to request professional advice to the Company's advisors as necessary.

## B. Process of the review

During the period from March 14, 2024, to June 13, 2024, the Special Committee held a total of 13 meetings for a total of approximately 14 hours as formal meetings. In addition, the Special Committee carefully held discussions and reviews of the Consultation Matters by gathering, reporting, information sharing, deliberations, and decision-making, through e-mail, telephone calls and other methods, between each meeting day as appropriate.

- (i) The Special Committee approved the appointment of U&I as the Company's legal advisor at the 1st Special Committee meeting held on March 14, 2024, after confirming that the independence and expertise of U&I were not an issue. In addition, at the 1st Special Committee meeting, the Special Committee approved the appointment by the Company of UBS Securities as the Company's financial advisor and third-party valuation institution after confirming that its independence and expertise were not an issue. After the 1st Special Committee meeting, the Special Committee further reviewed the independence of UBS Securities based on the remuneration of UBS Securities for the Transaction and confirmed that there were no differences from the above conclusions.
- (ii) At the 2nd Special Committee meeting held on March 29, 2024, the Special Committee reviewed the independence, expertise, and achievements of the candidates of multiple third-party valuation institutions, and then appointed PLUTUS as an independent third-party valuation institution unique to the Special Committee in consideration of its expertise and achievements, and at the 4th Special Committee meeting held on April 12, 2024, it was confirmed that there were no issues with the independence of PLUTUS. The Special Committee also appointed PLUTUS as the Special Committee's own unique financial advisor at the 5th Special Committee meeting held on April 16, 2024, after confirming once more that there were no issues with its independence and expertise.
- (iii) At the 3rd Special Committee meeting held on April 5, 2024, the Special Committee, after confirming that there were no issues with the independence and its expertise, appointed MHM as its own unique legal advisor, and received legal advice considered reasonably necessary to make a report on the Consultation Matters, including advice on measures to be taken to ensure fairness of procedures in the Transaction, as well as advice on the review and deliberations of the Consultation Matters at the Special Committee.
- (iv) The Special Committee asked the Company in advance in writing about such matters as the significance, purpose, and effects of the Transaction, the effect of the Company becoming a wholly-owned subsidiary of the Tender Offeror and delisting under the Transaction, and the group governance after the Transaction. At the 6th Special Committee meeting held on April 25, 2024 and the 12th Special Committee meeting held on June 10, 2024, the Special Committee had a question-and-answer session with Kazuyuki Shimada, the President & CEO, Representative Director of the Company, in person.
- (v) The Special Committee also asked the Tender Offeror in writing about such matters as the significance, purpose, and effects of the Transaction, the effect of the Transaction making the Company a wholly-owned subsidiary of the Tender Offeror and delisting through the Transaction, and the group governance after the Transaction. The Special Committee received a written response dated May 7, 2024, and at the 8th Special Committee meeting

held on May 17, 2024, the Special Committee conducted a question-and-answer session with Yoshinori Isozaki, Representative Director of the Board & CEO of the Tender Offeror, and Takeshi Minakata, Representative Director of the Board, President and COO of the Tender Offeror, and other persons, in person.

- (vi) At the 4th Special Committee meeting held on April 12, 2024, and the 5th Special Committee meeting held on April 16, 2024, the Special Committee received an explanation from the Company regarding the Company's Business Plan as a business plan that the Company should assume as the premise for negotiating the tender offer price under the Tender Offer, and held a question-and-answer session with the Company's Executive Officers. Subsequently, at the 7th Special Committee meeting held on May 8, 2024, the Special Committee confirmed the reasonableness of the Business Plan, and that the Business Plan would be shared with the Tender Offeror.
- (vii) The Special Committee asked PLUTUS, its own unique independent financial advisor and third-party valuation institution, to provide advice from a financial point of view, including the policy for negotiating the Tender Offer Price with the Tender Offeror. The Special Committee also asked PLUTUS to calculate the value of the Company Shares. The Special Committee received advice from PLUTUS on such matters as the reasons for choosing the calculation method, the reasons for the selection of similar companies under the comparable company analysis, the major assumptions for the calculation by the discounted cash flow method (the "DCF Method"), the calculation process in each calculation method, and the analytical of the calculation results using each calculation method. After a question-and-answer session, deliberations and discussions with PLUTUS, the Special Committee confirmed the reasonableness of such matters. The Special Committee received the share valuation report dated June 13, 2024 (the "Share Valuation Report (PLUTUS)") from PLUTUS. In addition, the Special Committee received a fairness opinion dated June 13, 2024 (the "Fairness Opinion") from PLUTUS stating that the terms and conditions of the Transaction, including the tender offer price of the Tender Offer, are fair.
- (viii) The Special Committee received from UBS Securities, the Company's financial advisor and third-party valuation institution, explanations on such matters as the Company's method of calculating the value of the Company Shares, the reason for choosing such calculation method, the reason for selecting similar companies under the comparable company analysis, the main assumptions for calculating using the DCF method, the results of calculating using the respective methods, and the level of premiums in the recent similar cases. The Special Committee confirmed the reasonableness of such matters after conducting a question- and-answer session, discussions and deliberations with UBS Securities and also obtaining advice from PLUTUS from time to time. The Special Committee received from UBS Securities, as a consequence of the final calculation, the share valuation report dated June 13, 2024 (the "Share Valuation Report (UBS Securities)").
- (ix) The Special Committee has received legal advice and explanations from U&I, the Company's legal advisor, on such matters as the measures to be taken to ensure the fairness of the procedures in the Transaction, the method and process of deliberations at the Special Committee, and the contents of the contractual negotiations with the Tender

Offeror.

- (x) Upon receiving reports from the Company and the Company's advisors from time to time on negotiations with the Tender Offeror regarding the terms and conditions of the Transaction, including the Tender Offer Price, the Special Committee reviewed and deliberated the negotiation policy based on the advice from the Company's advisors, as well as PLUTUS and MHM, stated the required views on our negotiation policy as follows, conducted negotiations with the Tender Offeror, directly to the extent deemed necessary by the Special Committee, through UBS Securities, and reached an agreement on the tender offer price of JPY 2,690 per Company Shares (the "Tender Offer Price"). Specifically, it is substantially as follows.
  - (a) At the 7th Special Committee meeting held on May 8, 2024, the Special Committee expressed its opinion that, if the initial proposal of the tender offer price that the Company receives from the Offeror is the level less than JPY 2,500, it would be appropriate to strongly request an increase in the tender offer price immediately without further consultation with the Special Committee because it cannot be said at all the interest of the minority shareholders of the Company is taken into consideration given the initial analysis of the value of the shares by the Company and the Special Committee's respective financial advisors and the premium level in the past cases similar to the Transaction.
  - (b) Between the meeting dates, the Special Committee received a report from UBS Securities that UBS Securities had received a proposal from the Tender Offeror on May 9, 2024 to increase the tender offer price to JPY 2,300 and that on May 13, 2024, UBS had strongly requested the Tender Offeror to consider an increase of the tender offer price and to make a proposal again in accordance with the opinion of the Special Committee set forth in above (a).
  - (c) At the 9th Special Committee meeting held on May 23, 2024, the Special Committee received a report from UBS Securities that UBS Securities had received a proposal from the Tender Offeror on May 21, 2024 to render the tender offer price as JPY 2,450, and expressed its opinion that it would be appropriate to strongly request an increase in the tender offer price.
  - (d) Between the meeting dates, the Special Committee received a report from UBS Securities that on May 24, 2024, UBS Securities had strongly requested the Tender Offeror to consider an increase of the tender offer price and to make a proposal again, in accordance with the opinion of the Special Committee in above (c)).
  - (e) At the 10th Special Committee meeting held on May 31, 2024, the Special Committee received a report from UBS Securities that UBS Securities had received a proposal from the Tender Offeror on May 29, 2024 to render the tender offer price as JPY 2,550, and expressed its opinion that it would be appropriate to request an increase in the tender offer price.
  - (f) Between the meeting dates, the Special Committee received a report from UBS Securities that on May 31, 2024, UBS Securities had requested the Tender Offeror to consider an increase of the tender offer price and to make a proposal again in accordance

- with the opinion of the Special Committee in above (e).
- (g) At the 11th Special Committee meeting held on June 6, 2024, the Special Committee received a report from UBS Securities that UBS Securities had received a proposal from the Tender Offeror on June 4, to render the tender offer price as JPY 2,585, and expressed its opinion that it would be appropriate to request an increase in the tender offer price.
  - (h) After the 11th Special Committee meeting held on June 6, 2024, the Special Committee received a report from UBS Securities that on June 6, 2024, UBS Securities had requested the Tender Offeror to consider an increase of the tender offer price and to make a proposal again in accordance with the opinion of the Special Committee in above (g).
  - (i) Upon the receiving the report of above (h), in light of the circumstances of negotiations between the Company and the Tender Offeror, the Special Committee exchanged opinions on the tender offer price with the Tender Offeror twice, on June 7 and June 11, 2024, and informed that the contents of the Tender Offeror's proposal date June 4, 2024 could not be said to consider the interests of the Company's minority shareholders at all.
  - (j) Between the opinion exchange as above (i) and the 13th Special Committee meeting held on June 13, 2024, the Special Committee received a report from UBS Securities that UBS Securities had received a proposal from the Tender Offeror on June 12, 2024 to render the tender offer price as JPY 2,690 and the stock acquisition rights purchase price as JPY 1.
  - (k) The Special Committee approved the said tender offer price as the Tender Offer Price at the 13th Special Committee meeting held on June 13, 2024.
- (xi) At the 9th Special Committee meeting held on May 23, 2024, the Special Committee received explanation from UBS Securities and U&I on the contents of the Tender Offer Agreement submitted by the Tender Offeror as well as the contents of the Company's comments planned to be made to it, and the Special Committee made indications regarding the provisions, etc. which the Special Committee considered that it was necessary to consider. After that, the Special Committee approved the submission of reconsidered comments in accordance with the indications made by the Special Committee. Regarding the subsequent status of negotiations of the Tender Offer Agreement, the Special Committee received reports and information sharing, from time to time, by emails between the meeting dates and at the 10th Special Committee meeting held on May 31, 2023, the 11th Special Committee meeting held on June 6, 2024, and the 13th Special Committee meeting held on June 13, 2024 from UBS Securities and U&I, and discussed the Company's policy for negotiation. Finally, at the 13th Special Committee meeting held on June 13, 2024, the Special Committee approved the contents of the Tender Offer Agreement.
- (xii) At the 11th Special Committee meeting held on June 6, 2024 and the 13th Special Committee meeting held on June 13, 2024, the Special Committee received an explanation from UBS Securities and Uryu & Itoga on the content of the draft of the "Notice of

Expression of Our Affirmative Opinion regarding, and Recommendation to Tender in, the Tender Offer for the Company's Shares etc. by Kirin Holdings Company, Limited" scheduled to be announced on June 14, 2024 (the "Press Release"), held a question-and-answer session, and confirmed that complete information disclosure was planned to be made.

C. Details of the decision

Under the process above, based on legal advice received from MHM, advice received from PLUTUS, the Share Valuation Report (PLUTUS) and the Fairness Opinion received on June 13, 2024, the Special Committee submitted to the Company's Board of Directors on June 14, 2024 a Report with substantially the following contents under the unanimous agreement of all the committee members as a result of performing careful discussion and review regarding the Consultation Matters.

(a) Contents of the report

1. It is recognized that the Transaction contributes to the enhancement of the Company's corporate value and that the purposes of the Transaction are reasonable.
2. It is recognized that the appropriateness of the Tender Offer Price and the other transaction terms in the Transaction is ensured.
3. It is recognized that sufficient care for the interests of the minority shareholders of the Company is made through fair procedures in the Transaction.
4. It is recognized that the determination of the Transaction (including the Squeeze-Out Procedures) by the Company's Board of Directors is not disadvantageous to the minority shareholders of the Company.
5. The Company's Board of Directors should resolve to express its affirmative opinion to the Tender Offer. With respect to whether or not to tender in the Tender Offer, the Company's Board of Directors should resolve to recommend its shareholders to tender their shares in the Tender Offer and to leave the decision up to the Stock Acquisition Rights Holders.

(b) Reasons for the report

1. Review of whether the Transaction contributes to the enhancement of the corporate value of the Company

(i) The Company's business environment and management issues, etc.

Since its foundation, the Company has rendered as its basic management policy "create a system to eliminate 'negatives'", and has been developing such things as *Mutenka* cosmetics, nutritional supplements, germinated brown rice and kale juice business. The Company has been endeavoring to provide value related to "beauty" and "health" based upon the "3rd Medium Term Management Plan 'Forward 2023'" (from the year ended March 31, 2022 to the year ended March 31, 2024) with the initial fiscal year being the year ended March 31, 2022. Based upon its achievements, on May 8, 2024, the Company just announced the "4th Medium Term Management Plan 'Revitalize 2026'", a medium-term management plan with the initial fiscal year being the year ending March 31, 2025 and the final fiscal year as the year ending March 31, 2027 (the "Company Management Plan").

Since becoming an affiliate accounted for by equity method of the Tender Offeror in



September 2019, the Company has been proceeding with creating synergy in the areas of “product development” and “channel infrastructure” with the Tender Offeror Group as the creation of synergy based upon the capital and business alliance (the “Capital and Business Alliance”) under the capital and business alliance agreement dated August 6, 2019 between the Company and the Tender Offeror. The Company understands that large synergy is being created in “product development” as above; however the Company understands that the results achieved in the area of “channel infrastructure” are not as the Company initially envisaged. Specifically, although the Company planned mutual customer referral to channels held by both companies and sales of products of both companies’ groups, the Company is of the understanding that the Company has not attained the results as the Company had initially envisaged. The Company acknowledges that, with regard to the sharing of the business information and know-how, etc. between the Tender Offeror Group and the Company Group, there are limits such as psychological obstructions and limitations due to such restrictions as competition related laws and regulations and terms of contracts with third parties which prohibit information disclosure to parties other than group companies in a parent-subsidary relationship.

In addition, the Company understands that, even if the Company becomes a subsidiary of the Tender Offeror, under the circumstances where minority shareholders exist in the Company, there exists a potential conflict of interest relationship between the Tender Offeror and the minority shareholders of the Company, and there exists an aspect that it would be difficult to proactively invest in the Company the management resources held by the Tender Offeror Group.

(ii) Measures to increase corporate value after the Transaction and synergies from the Transaction

A. The synergies from the Transaction anticipated by the Tender Offeror

The Tender Offeror has determined that, after it makes the Company its wholly-owned subsidiary, it is possible to build a business model like no other by the mutual supplementary relationship of the unique strengths held by both and to aim to establish a position advantageous in terms of competition which contributes to the solution of health issues. Specifically, the Tender Offeror has strengths in marketing abilities and sales abilities nurtured through material development, and alcohol and drinking business utilizing fermentation and biotechnology, and health food business in the Asia Pacific region excluding Japan obtained through the acquisition of Blackmore Limited. The Tender Offeror considers that the Company has strengths in superb customer relations ability polished through directly operated channels (mail order, directly operated stores) occupying 70% of the sales even in the fiscal year ended March 31, 2024, technology to commercialize utilizing insights gained from the voices of customers in applied research, as well as the strengths of the brand built due to these, in order to eliminate “negatives” in society such as “anxiety”, “complaints” and “inconvenience” which it has sought consistently since its

foundation. It considers that it is possible to further strengthen the relationship with customers by building a business model utilizing the respective strengths of the Tender Offeror Group and the Company Group, and commercializing the materials produced by the natural method of fermentation utilizing the insights gained from strong relations with customers, and delivering to consumers in broad channels and regions including Direct to Customer (D to C) and overseas. It is confident that it can lead to continuous growth and realize maximization of the brand value and corporate value due to this.

As for other matters, it considers that various synergy is anticipated as below by the Tender Offeror making the Company its wholly-owned subsidiary. This synergy includes items prospected to occur to a certain extent even in the current Capital Alliance framework; however, since there are items which may be realized only by making the Company a wholly-owned subsidiary of the Tender Offeror by the Transaction and it would become possible to inject more resources of the Tender Offeror Group, it is of the understanding that the synergy effect can be maximized.

(a) Channel synergy

- Product development utilizing the broad domestic sales network of both companies group;
- Promotion of integrated sales strategy by elimination of the competitive relationship accompanying making the Company a wholly-owned subsidiary;
- Proposal of values to skin care needs not satisfied in not only “food”, “health science” but also “medical” from among the business areas of the Tender Offeror Group.

(b) Synergy by sharing best practices

- Utilization of the research marketing abilities, product development abilities and organizational management know-how of the Tender Offeror Group;
- Strengthening and optimizing purchase data utilization functions by sharing EC and communications sales infrastructure

(c) Overseas development synergy

- Acceleration of overseas development of the Company utilizing the Tender Offeror Group’s global business base (sales routes, regulation expertise, personnel) throughout the Asia Pacific

(d) Technology synergy

- Development of highly differentiated products and further promotion of market creation by deepening joint research which has already produced certain results, such as developing the Tender Offeror Group’s immunity research results and unique materials to the Company Group’s cosmetics and supplements and

- expanding the utilization scope;
  - Utilization of the Company Group's internal absorption efficiency technology to the products of the Tender Offeror Group
- (e) Synergy by communalizing and sharing functions
- Commonalization and alliance reinforcement of locations manufacturing supplements and logistic networks, as well as managerial divisions such as planning, IT, general affairs and finance
- (f) ESG synergy
- Reinforcement of endeavors for ESG by horizontal development of environment technology and packaging technology

B. The synergies from the Transaction anticipated by the Company

The Company believes that in the event that the Tender Offer is completed and the Transaction is implemented and the Company becomes a wholly-owned subsidiary of the Tender Offeror, it will become possible to make maximum use of the various resources held by the Tender Offeror Group, thereby accelerating both businesses of "beauty" and "health" at once, and realizing maximization of the corporate value of the Company Group. Specifically, the Company considers that the following synergies can be realized, and since this would lead to resolution of the tasks faced by the Company, the Company considers that the implementation of the Transaction would contribute to the enhancement of corporate value of the Company.

(a) Acceleration of synergy towards attainment of aim common to the group

The Company will become a wholly owned subsidiary of the Tender Offeror by the Transaction and will be clearly positioned as a subsidiary as the center of the health science business of the Tender Offeror Group; thereby the Company considers that it will become possible for the Company to more flexibly and promptly utilize the management resources of the Tender Offeror under a business strategy unified with the group and to maximize the synergy effect in an even more shorter period of time.

(b) Creation of innovation due to deepening the joint research development activities

The Tender Offeror Group has strengths in basic research from long term perspectives such as by performing raw material development in the areas of fermentation and biotechnology which is a core technology since its foundation, and the Company Group is skilled at applied research (product development) based upon the promotion of safety and functionalization research and scientific grounds. The research and development activities by both groups are mutually supplementary, and are proceeding with joint projects in many research areas such as the development of raw materials of cosmetics, research of intestine environment, research of brain function, even in joint research development in the preexisting capital business

alliance.

However, since the Company remained an affiliate accounted for by the equity method of the Tender Offeror, the Company understood that there were psychological obstructions or limitations due to such restrictions as competition related laws and regulations and terms of contracts with third parties which prohibit information disclosure to parties other than the group companies in a parent-subsidary relationship.

The Company considers that these restrictions and obstructions would be eliminated by making the Company as a wholly-owned subsidiary of the Tender Offeror, and further deepening of the joint research development activities would be realized, for instance, such as by both companies sharing information at a research stage earlier than currently and accelerating the speed of product development, and furthermore, as a single group it can also project a unified and united direction in research development strategies, thereby leading to creation of further innovation.

(c) Promotion of sales strategy unified as a group

As also described in (b) above, in the current capital business alliance, while product development was making good results, a unified sales strategy of sales among both groups was not yet projected, for instance, both companies were partially competing at the sales locations of wholesales channels for a part of the products of both companies.

The Company considers that the promotion of sales strategy more unified as the Tender Offeror Group would become possible and could lead to sales of products which is more effective and efficient, by the Company becoming a wholly-owned subsidiary of the Tender Offeror through the Transaction.

(d) Further reinforcement of the sharing of information and management resources  
Information and management resources considered to be further shared by the Company becoming a wholly owned subsidiary of the Tender Offeror are not limited to such items as know-how and technical information in research development activities, but also envisage sales information as well as know-how of marketing and organization management of the Tender Offeror Group, as well as know-how related to venture investment, M&A and ESG at the Tender Offeror Group. Moreover, when the Company considers global development in the future, in addition to utilizing the overseas bases of the Tender Offeror Group, in particular, by becoming a wholly-owned subsidiary of the Tender Offeror, the Company considers that, upon eliminating the risks related to competition laws between the Tender Offeror Group and the Company, it would become possible to include as options such matters as the construction of a cooperative system with Blackmores Limited, a health food (natural food) company of Australia which is similarly under the Tender Offeror Group. In this manner, the Company considers that it would become possible for the Company to make maximum use of the information and management resources held

by the Tender Offeror Group by the implementation of the Transaction, and that it would become possible to realize such matters as the expansion of sales of the Company's products, enhancement of business efficiency, and expansion of business through overseas development and M&A.

C. Summary

The Special Committee has analyzed and reviewed, and recognized that the Tender Offeror and the Company have generally the same understanding, and the Special Committee has no objections to, the measures to increase corporate value by the Company Group after the Transaction, and synergies from the Transaction, and regards these as important measures that contribute to the enhancement of the Company's corporate value, including the implementation of the Transaction.

(iii) Dyssynergies from the Transaction

In the event that the Company becomes a wholly-owned subsidiary of the Tender Offeror and the Company Shares are delisted, as general disadvantages accompanying delisting, it may become impossible to procure funds from the capital market, and it may become impossible to enjoy the advantages of being a listed company such as acquiring social trust from the outside including business acquaintances and maintaining popularity, and there also may be degradation of the brand image. However, since the abundant cash of the Tender Offeror Group (cash and cash equivalent of JPY 151,207 million (end of March 2024, consolidated)) may be utilized in terms of procurement of funds, the Company does not consider that it would have any impact upon fund procurement. In addition, since the relationship of trust of business acquaintances is already established to a certain degree and the preexisting transactional relationships are not considered to be largely lost due to delisting, and the image of the Tender Offeror which is a company listed on the prime market of the TSE is extremely high and the Company's social trust and popularity is expected to be maintained or enhanced due to becoming a wholly owned subsidiary of the Tender Offeror, and the trust accumulated and popularity acquired due to previous business operations are not considered to be immediately lost due to delisting, the Company considers that the impact due to such disadvantages will be small even after the Transaction and that it would not overshadow the advantages of the prospected increase of the Company's corporate value above.

The Tender Offeror also considered the issues which may be generally affected due to the delisting of the Company from such perspectives as the Company's fund procurement, social trust or trust from business acquaintances, and motivation of employees, as well as the possibility of decrease of loyalty of the individual shareholders who are favorite users of the Company's products; however, the Tender Offeror considers that the effects from the perspectives above are limited due to such matters as the alternative measures which would become possible for the Tender Offeror to provide to the Company by the Company becoming a wholly owned subsidiary of the Tender Offeror and by the fact that the Company would be a member of the listed company

group called the Tender Offeror Group even after the Transaction.

(iv) The Company's management policy after the Transaction

After the Tender Offeror makes the Company its wholly-owned subsidiary, the Tender Offeror is said to be desiring to discuss with the Company again and to implement the measures to maximize the synergy and to maximize the corporate value of the Company group. In the implementation of such measures, the Tender Offeror is said to endeavor to enhance the corporate value by accelerating the profit growth of the entire Tender Offeror Group by maintaining such matters as the founding ideal, management ideal, corporate name, product name and brand of the Company Group, and sharing between the Tender Offeror and the Company the common understanding that connecting with each individual customer through communications in the "domains from Food & Beverages to Pharmaceuticals", and the domains of "Beauty" and "Health", supports the customer base and supplements each other, thereby further enhancing the customer relations capacity, and promoting business in close alliance with the Company Group.

With respect to the initial management policy of the Company after the Transaction, for the purposes of such matters as flexibly and speedily operating business under the Health Science Business Department of the Tender Offeror, the Tender Offeror and the Company have agreed to (i) abolish the Company's Board of Directors and to render the number of directors as 3 (from among which 1 shall be full-time and 2 shall be part-time, and the 2 part-time directors shall be designated by the Tender Offeror), (ii) abolish the Company's Board of Company Auditors and to render the number of Company Auditors as 1 (the Company Auditor shall be designated by the Tender Offeror), (iii) render the full-time director in (i) above as the representative director, in the tender offer agreement that is scheduled to be executed as of June 14, 2024 between the Tender Offeror and the Company. In addition, the policy of the Tender Offeror to maintain the employment of the Company's employees even after the completion of the Tender Offer, and it is also considering to provide highly motivated employees with opportunities and environments to play an active part in the entire Tender Offeror Group. There are no other matters which have been determined as of the present, and are scheduled to be determined in accordance with discussions between the Tender Offeror and the Company.

In addition, with respect to the Stock Acquisition Rights, since the Stock Acquisition Right Purchase Price is JPY 1, and in the event that although the Tender Offer is completed the Tender Offeror cannot obtain all of the Stock Acquisition Rights in the Tender Offer and Stock Acquisition Rights remain without being exercised, the Tender Offeror plans to request the Company to perform procedures reasonably required for the implementation of the Transaction such as recommending the Stock Acquisition Rights Holders (if the Prospected Stock Acquisition Rights Exerciser (currently as of today, this means collectively, from among the 4 current directors, 10 current Executive Officers and 1 Deputy Executive Officer of the Company and the current 2 directors of the Company's subsidiary who are Stock Acquisition Rights Exercisers, 1 current Deputy Executive Officer and 1 current director of the Company's subsidiary) exercises the Stock

Acquisition Right, then, excluding such Prospected Stock Acquisition Rights Exerciser) to waive the Stock Acquisition Rights, and the Performance-Linked Stock Compensation Plan targeting the Company's directors and Executive Officers, etc. is scheduled to be abolished after the Transaction, the Tender Offeror and the Company have agreed, in order for the economic interests which should be enjoyed by the Stock Acquisition Rights Holders as well as the economic interests which should be enjoyed by the Company's directors and Executive Officers, etc. under the Performance-Linked Stock Compensation Plan not to be impaired, to engage in discussion and perform review towards the introduction and implementation of a new officer compensation plan which makes allowance for such economic interests.

The specific contents of the officer compensation plan are said to be scheduled to be determined upon discussion with the Company promptly after the date of commencement of settlement related to the Tender Offer after the completion of the Tender Offer. The Tender Offeror is said to be considering that such officer compensation plan does not contravene with the intent of uniformity regulations of the Tender Offer Price since such officer compensation plan is scheduled to be determined upon discussion with the Company after the completion of the Tender Offer independently from tender in the Tender Offer by the Stock Acquisition Rights Holders without being subject to the condition that tender in the Tender Offer by the Stock Acquisition Rights Holders is implemented, so that the economic interests which should be enjoyed by the Stock Acquisition Rights Holders are not impaired and no excessive interests are granted to the Stock Acquisition Rights Holders, in light of the process under which the Stock Acquisition Rights were granted as compensation equivalent to retirement benefits.

(v) Summary

From the above, the Special Committee does not have any objections to the understanding of such matters as the management environment and managerial tasks of the Company above, and evaluates that the implementation of both the Transaction and the measures for enhancing corporate value after the Transaction would contribute to the enhancement of the corporate value of the Company as above. On the other hand, the Special Committee also does not have any objections to the point that the dyssynergy by the Transaction is considered to be relatively small in comparison with the merit of prospective enhancement of corporate value of the Company. In addition, regarding the management policy of the Company after the Transaction, there are no particular differences of opinion between the Tender Offeror and the Company, and there are no particular concerns. Therefore, the Transaction can be recognized to ultimately contribute to the enhancement of corporate value of the Company.

2. Review of the appropriateness of the terms of the Transaction

(i) Appropriateness of the Tender Offer Price

A. Formulation procedures and contents of the business plans

The Company obtained the Share Valuation Report (UBS Securities) on June 13,

2024 from UBS Securities which is independent from the Tender Offeror and the Company and a third-party valuation institution of the Company, and the Special Committee obtained the Share Valuation Report (PLUTUS) on June 13, 2024 from PLUTUS which is independent from the Tender Offeror and the Company and a third-party valuation institution unique to the Special Committee. Both the Share Valuation Report (UBS Securities) and the Share Valuation Report (PLUTUS) presuppose the Business Plan prepared by the Company based on the Company's Business Plan announced on May 8, 2024 (The Business Plan does not include a business year in which a substantial increase or decrease in profits is expected. The Business Plan does not presuppose the implementation of the Tender Offer. The synergies expected to be realized through the completion of the Tender Offer are not added to the Business Plan and the value calculation. Provided, however, in the value calculation by PLUTUS, only the effect of reducing listing maintenance costs is taken into account.).

As the period that the Company is able to reasonably estimate, the Business Plan uses the period up to the fiscal year ending March 31, 2029, in which 2 business years are added to the period ending March 31, 2027 which is the last fiscal year of the publicly announced management plan of the Company. In addition, the secondees from the Tender Offeror, officers who concurrently hold positions with the Tender Offeror, and other persons related to the Tender Offeror, including persons from the Tender Offeror, were not involved in the formulation procedures of the Business Plan. There is no reason to doubt the fairness of the procedures of formulating the Business Plan, and there are no unreasonable points in the contents of the Business Plan.

**B. Review of the results of calculation of UBS Securities**

**(a) Selection of Calculation Method**

Upon reviewing the calculation method which should be used in the calculation of the share value of the Company from among multiple share value calculation methods, on the premise that the Company is a going concern, based on the idea that it is appropriate to evaluate the share value of the Company from multiple aspects, UBS Securities analyzes the share value of the Company, under certain conditions, by using the market share price method due to the fact that the Company is listed on the prime market of the TSE and share price exists, and the comparable company analysis due to the fact that there exist multiple listed companies comparable to the Company and it is possible to analogize the share value of the Company by the comparable company analysis, and the DCF method in order to reflect the future business activity circumstances in the valuation. These methods adopted by UBS Securities are generally used in the calculation of the value of shares in transactions similar to the Transaction, and there are no unreasonable grounds for the use of such calculation methods by



UBS Securities.

(b) Summary of the Calculation

The ranges of values per share of Company Shares calculated by UBS Securities in the above methods are as follows:

Calculation method	Calculation results (yen)
Market share price method:	from JPY 1,884.5 to JPY 2,099
Comparable company analysis:	from JPY 1,915 to JPY 2,598
DCF method:	from JPY 2,356 to JPY 3,205

(c) Rationality of the Contents of the Calculation

a. Market share price analysis

With the calculation base date being June 13, 2024, based upon the base date closing price of JPY 1884.5 of the Company Shares in the prime market of the TSE, the closing price simple average value of JPY 1,974 of the immediately preceding one (1) month, the closing price simple average value of JPY1,961 of the immediately preceding three (3) months, and the closing price simple average value of JPY 2,099 of the immediately preceding six (6) months, UBS Securities calculates the share value of the Company. It is common to calculate the value based on these values in the market share price method, and there are no unreasonable points in the calculation by the said market share price analysis.

b. Comparable company analysis

UBS Securities makes calculations using the ratio of EBITDA to the enterprise value and the ratio of net profit to the market capitalization upon selecting Shiseido Company, Limited, KOSE Corporation, POLA ORBIS HOLDING INC. and ROHTO Pharmaceutical Co., Ltd. as comparable listed companies deemed comparable with the Company, and calculates the scope of the value per share of the Company Shares, and there are no unreasonable points.

In addition, UBS Securities uses the enterprise value/EBITDA ratio and PER as comparative indicators. In comparative analyses of comparable companies in M&A transactions, it is common to adopt the enterprise value /EBITDA ratio and PER, and there are no particularly unreasonable points.

c. DCF analysis

In DCF analyses, based on the Company's financial forecasts that take into account various factors, such as the Business Plan and publicly available information, etc., UBS Securities calculates the share value of the Company by discounting at a fixed discount rate the free cash flows of the Company to the present value. A discount rate from 7.0% to 7.5% is adopted, and permanent growth rate method and multiple method is adopted in the calculation of the terminal value, and calculation is made using a permanent growth rate method

from 1.5% to 2.0% and a ratio of EBITDA to the corporate value from 11.5 times to 15.5 times.

UBS Securities uses a weighted-average cost of capital (WACC) for the discount rate, which is the weighted average of the cost of equity capital and the cost of debt calculated based on CAPM theories commonly used in stock value calculation practices, and uses 7.0% to 7.5% as the range. There is no particular unreasonable point in explaining the basis for calculating the figures and the calculation methods used by UBS Securities.

In addition, UBS Securities uses the permanent growth rate method and the multiple method commonly used in the share value calculation practice (enterprise value /EBITDA ratio) in calculating the going-concern value, referring to Nominal GDP growth rate in countries where the Company sells as the scope of the permanent growth rate method, uses 1.5% to 2.0% , and referring to the historical EBITDA multiple level of the Company and comparable listing companies as the range of that multiple, uses 11.5 times to 15.5 times. Therefore, there is no particular unreasonable point in explaining the basis and methods of calculating the values based on UBS Securities, though the multiple range is wide.

Based on the above, no unreasonable points can be found with regard to the content of DCF analyses conducted by UBS Securities.

C. Review of the results of the calculation of PLUTUS

(a) Selection of Calculation Method

Upon reviewing the calculation method which should be used in the calculation of the share value of the Company from among multiple share value calculation methods, on the premise that the Company is a going concern, based on the idea that it is appropriate to evaluate the share value of the Company from multiple aspects, PLUTUS evaluates the share price of the Company by using the market share price method due to the fact that the Company is listed on the prime market of the TSE and share price exists, and the comparable company analysis due to the fact that there exist multiple listed companies comparable to the Company and it is possible to analogize the share value of the Company by the comparable company analysis, and the DCF method in order to reflect the future business activity circumstances in the valuation.

(b) Summary of the Results of the Calculation

The ranges of values per share of Company Shares calculated by PLUTUS in

the above methods are as follows:

Calculation method	Calculation results (yen)
Market share price method:	from JPY 1,884.5 to JPY 2,099.0
Comparable company analysis:	from JPY 1,953 to JPY 2,171
DCF method:	from JPY 2,149 to JPY 3,067

(c) Rationality of the Contents of the Calculation

a. Market share price analysis

With the calculation base date being June 13, 2024, based upon the base date closing price of JPY 1,884.5 of the Company Shares in the prime market of the TSE, the closing price simple average value of JPY 1,974.0 of the immediately preceding one (1) month, the closing price simple average value of JPY 1,961.0 of the immediately preceding three (3) months, and the closing price simple average value of JPY 2,099.0 of the immediately preceding six (6) months, PLUTUS calculates the share value of the Company. It is common to calculate the value based on these values in the market share price method, and there are no unreasonable points in the calculation by the market share price analysis.

b. Comparable company analysis

PLUTUS calculates the Company's share value through comparisons with financial indicators that indicate the market price and profitability of publicly traded companies engaged in businesses that are determined to be relatively similar to the Company.

PLUTUS has selected Shiseido Company, Limited, KOSE Corporation, POLA ORBIS HOLDINGS INC., Noevir Holdings Co., Ltd., RHOTO Pharmaceutical Co., Ltd., and Otsuka Holdings Co., Ltd., and there are no unreasonable points. In addition, PLUTUS uses the enterprise value /EBIT ratio and enterprise value/EBITDA ratio as comparative indicators. In comparative analyses of comparable companies in M&A transactions, it is common to adopt the enterprise value /EBIT ratio and enterprise value/EBITDA ratio, and there are no particularly unreasonable points.

c. DCF analysis

In DCF analysis, based on the Company's financial forecasts that take into account various factors, such as the Business Plan, publicly available information, etc., PLUTUS calculates the share value of the Company by discounting at a fixed discount rate the free cash flows that the Company expects to create after the year ending March 31, 2025 to the present value.

PLUTUS uses a weighted-average cost of capital (WACC) for the discount rate, which is the weighted average of the cost of equity capital and the cost of debt calculated based on CAPM theories commonly used in stock value calculation practices, and uses 6.1% to 7.0% as the range. There is no particular unreasonable point in explaining the basis for calculating the figures and the

calculation methods used by PLUTUS.

In addition, PLUTUS uses the permanent growth rate method and the multiples method (enterprise value/EBIT ratio and enterprise value /EBITDA ratio), which are commonly used in the stock value calculation practice, and uses 0% for the permanent growth rate, and also uses 16.0 times for the enterprise value /EBIT ratio and 11.3 times for the enterprise value /EBITDA ratio, referring to similar companies.

Based on the above, no unreasonable points can be found with respect to the calculation based on DCF analyses conducted by PLUTUS.

#### D. Premium Analysis

According to UBS Securities, the level of premiums for all 29 tender offers completed on and after June 28, 2019 when the Ministry of Economy, Trade and Industry announced the M&A Guidelines till May 31, 2024, in which the total value of the transactions is 50 billion yen or more and the target is an equity-method affiliate or a subsidiary of the tender offeror or a MBO transaction prior to the transaction is as follows.

	<b>Business Day Prior to Publication</b>	<b>1-month average</b>	<b>3-month average</b>	<b>6-month average</b>
Mean	43.0%	45.4%	48.9%	49.9%
Median	40.5%	43.1%	46.1%	50.3%

#### E. Summary

As described above, there do not exist any circumstances to doubt the fairness of the process of preparation of the Business Plan which forms the premise of the calculations in the Share Valuation Report (UBS Securities) and the Share Valuation Report (PLUTUS), and there are no unreasonable points in the contents of the Business Plan.

The calculation methods adopted by UBS Securities and PLUTUS are calculation methods generally used in share valuations in transactions of types similar to the Transaction, and there are no unreasonable points in the reasons for UBS Securities and PLUTUS to adopt each calculation method. There are also no unreasonable points in the calculation contents of the market share price analysis, comparable company analysis or DCF analysis by UBS Securities and PLUTUS.

The Tender Offer Price exceeds the maximum of the valuation range in the market share price analysis and the comparable company analysis of the Share Valuation Report (UBS Securities) and the Share Valuation Report (PLUTUS), and due to the fact that both are within the scope of valuation range of DCF analysis (In particular, in the DCF analysis of the Share Valuation Report (Plutus), it is above the median of the valuation range), the fact that it is a premium level of the previous day's closing

price of 42.7%, and the fact that premium comparable to the referenced transactions as above D. (upon determining that the market share value of the Company Shares in the immediately preceding one (1) month formed after the announcement of the Company's Summary of Consolidated Financial Results and the Company's Management Plan most reflects the corporate value of the Company and due to the fact that sufficient premium is ensured in relation to the market share value in such period), it is considered appropriate.

Considering that the Tender Offer Price is appropriate, the consideration given to the Company's shareholders in the Squeeze-Out Procedures which is an equivalent amount, is also considered appropriate.

(ii) Appropriateness of the Stock Acquisition Purchase Price

With respect to the Stock Acquisition Rights Purchase Price, the Company and the Special Committee has not obtained the valuation report and the fairness opinion from a third-party valuation institution, and has not independently verified whether the Stock Acquisition Rights Purchase Price appropriately reflects the Company's corporate value. The Stock Acquisition Rights were granted to the Company's directors and the Executive Officers as well as the directors of the Company's subsidiaries as price-linked remuneration at the time of retirement. It is not unreasonable that the Company did not conduct the above verification in light of the fact that after the completion of the Tender Offer, in order for the economic interests which should be enjoyed by the Stock Acquisition Rights Holders not to be impaired, the Company and the Tender Offeror agree to engage in discussion and perform reviews towards the introduction and implementation of the new officer compensation plan which makes allowance for such economic interests, and the Tender Offeror also plans to determine upon discussion with the Company the specific contents of the officer compensation plan promptly after the commencement date of settlement related to the Tender Offer after the completion of the Tender Offer.

(iii) Appropriateness of the Other Transaction Terms

It is envisaged that the Transaction will be effected by way of a two-stage acquisition through a tender offer and subsequent implementation of the Squeeze-Out Procedures (Demand for Shares, etc. Cash-Out or Share Consolidation).

The first step is to make a tender offer, and the second step is to make a Demand for Shares, etc. Cash-Out or Share Consolidation. This is the method generally adopted in transactions of making the company into a wholly-owned subsidiary, and it is possible to apply to the court for the decision of the price. In addition, as described in (5) (viii) below, consideration is given to the pressure.

Therefore, there are no unreasonable points in the method of the Transaction and it is considered appropriate.

(iv) Summary

As described above, the Tender Offer Price and the consideration and other terms and

conditions of the Transaction in the Squeeze-Out Procedures are considered to be reasonable.

3. Review of the fairness of the procedures of the Transaction
  - (i) Procurement of the Share Valuation Report from the Company's independent financial advisor and third-party valuation institution

The Company obtained the Share Valuation Report (UBS Securities) from UBS Securities which is the Company's third-party valuation institution and financial advisor and independent from the Tender Offeror and the Company. UBS Securities has been involved in the Transaction after receiving an inquiry from the Company to assume the position of the advisor through the internal procedures for conflict clearance, and the cases of UBS Securities with the Tender Offeror in the past had been completed. In addition, neither of these quantitatively raises concerns about UBS Securities' independence from the Tender Offeror, and there are no ongoing cases currently being requested by the Tender Offeror. Therefore, it is recognized that the independence of the Tender Offeror and the Company has been ensured. UBS Securities is involved in a wide range of industries, and although there are teams involved in sales activities, etc. to the Tender Offeror within UBS Securities, there is no relationship with the Tender Offeror with regard to the parties involved in the Transaction, and the Tender Offeror has taken measures to block access to materials and folders related to the Transaction with regard to the Tender Offeror, and this also does not deny its independence. In addition, the remuneration to UBS Securities in connection with the Transaction consists of solely contingency fees payable subject to the successful completion of the Transaction. As a general theory, the establishment of such contingency fees would give rise to an incentive to complete the transaction and it may have an effect upon independence; however, judging that the Company would be able to receive fair and objective advice even under such compensation system of solely contingency fee based upon UBS Securities' achievements of providing advice in similar transactions and its social evaluation, etc., and upon taking into account such matters as the general practices in similar transactions and the appropriateness of the compensation structure in which the Company would bear corresponding monetary burden in the event that the Transaction is not successfully completed, it can be recognized that its independence would not be negated due to the compensation being solely contingency fees payable subject to the successful completion of the Tender Offer. Accordingly, the Company obtained a share valuation report from an independent, specialized third-party valuation institution as the basis for the Company's judgment on the Transaction.

- (ii) Establishment of the Independent Special Committee in the Company
- In order to eliminate arbitrariness in the Company's decision-making regarding the Transaction and to ensure the fairness, transparency, and objectivity of the decision-making process, promptly after the receipt of the proposal for the Transaction from the Tender Offeror on February 21, 2024, based on the advice from U&I, by the resolution of

the Company's Board of Directors meeting held on February 22, 2024, the Company established the Special Committee comprised of 3 persons, Committee Head Hashimoto, Committee Member Nakakubo and Committee Member Matsumoto, all members are independent from the Tender Offer. (The members of the Special Committee have not changed since the time of the establishment of the Special Committee. The remuneration of the members of the Special Committee is calculated by multiplying the fixed amount and the working time by the time unit regardless of the contents of the Report, and it does not adopt a contingency fee subject to the condition of the completion of the Transaction.) In addition, upon the establishment of the Special Committee, the Board of Directors of the Company resolved that it shall respect to the maximum extent the decision of the Special Committee upon making decisions regarding the Transaction and that it shall not agree to the Transaction if the Special Committee determines that the purpose or transaction terms of the Transaction are inadequate, and also has granted the Special Committee (a) the authority to perform examination related to the Transaction (including making inquiries and requesting explanations regarding the matters necessary for reviewing the Inquiries to the Company's officers and employees related to the Transaction as well as the Company's advisors related to the Transaction) at the Company's expense; (b) authority to approve the Company's review system (including attorneys, valuation institutions, certified public accountants and other advisors); (c) authority to request for a timely report of the circumstances, and to express its opinion, give instructions and make requests under material situations when the Company negotiates such matters as the transaction terms with the Tender Offeror; and (d) authority to independently appoint attorneys, valuation institutions, certified public accountants and other advisors at the Company's expense as well as to request professional advice to the Company's advisors as necessary.

All the members of the Special Committee have been notified as independent directors of the Company. There are no cases where the member is an Executive Officer of the Company's parent company or sister company, an executive officer of the Company's main business partner, a consultant who receives a large amount of money or property from the Company in addition to executive compensation, or a close relative (second degree of kinship) thereof, and there is no other interest. In addition, none of the members has any material interested relationship with the Tender Offeror and does not have any material interest in the Transaction that differs from that of the minority shareholders. In addition, Committee Head Hashimoto has a wealth of management experience and expertise as the head of an organization and entity, and as an outside director of the Company, he has considerable knowledge of the Company's business and other affairs. Committee Member Nakakubo has a wealth of experience and expertise as an attorney at a law firm and as an outside director of the Company, he has considerable knowledge of the Company's business and other affairs. As a certified public accountant, Committee Member Matsumoto has expertise and expertise in finance and accounting as well as management experience and expertise as a company leader, and as an outside director of the Company, he has considerable knowledge of the Company's business and other

affairs and other matters. Therefore, all members are deemed to be qualified to examine and judge these advisory matters.

The Special Committee confirmed that there are no issues regarding UBS Securities and U&I with their independence from the Tender Offeror and the Company and their expertise, and approved the Company's appointment of them as the Company's financial advisor and legal advisor respectively. In addition, the Special Committee has confirmed and approved that there are no problems with the system for considering the Transaction, which the Company has established internally, from the viewpoint of independence.

In addition, the Special Committee confirmed that there are no issues regarding PLUTUS and MHM with their independence from the Tender Offeror and the Company and their expertise, and appoints each of them as the Special Committee's own financial advisor and legal advisor. Based on the advice of MHM, the Special Committee reviewed such matters as the contents of the security measures for fairness in the Transactions, and confirmed that proper security measures for fairness have been taken and are functioning effectively in the Transactions.

The Special Committee then reviewed (i) the materials and documents submitted by the Tender Offeror and the Company, and (ii) the Special Committee's written inquiries and questions and answers to the Tender Offeror and the Company. In addition, the Special Committee was substantially involved in the overall process of negotiations with the Tender Offeror by holding meetings of the Special Committee to discuss such matters as the policy of discussions and negotiations, and by expressing its opinions on multiple occasions after receiving timely reports from the Company and its advisors on the details of discussions and negotiations concerning the Transaction between the Tender Offeror and the Company. The Special Committee also exchanged opinions regarding the Tender Offer Price with the Tender Offeror, directly to the extent deemed necessary by the Special Committee.

Therefore, in the Transaction, since the mechanism by which the Board of Directors of the Company makes decisions with the maximum respect for the contents of the judgment of the Special Committee is secured, and the authorities necessary for the effective functioning of the Special Committee were granted, it is considered that the Special Committee functioned effectively.

- (iii) Procurement of the Share Valuation Report and the Fairness Opinion from the Special Committee's independent financial advisor and third-party valuation institution

The Special Committee has obtained the Share Valuation Report (PLUTUS) from PLUTUS which is a financial advisor and third-party valuation institution unique to the Special Committee and is independent from the Tender Offeror and the Company. The Special Committee also obtained the Fairness Opinion on the Tender Offer Price from PLUTUS as of June 13, 2024. In addition, there are no ongoing contractual relationships or matters between PLUTUS and the Tender Offeror and the Company, and in light of the recent business relationship with both companies, PLUTUS is recognized to be independent from the Tender Offeror and the Company, and the remuneration for



PLUTUS in this case is assumed to be a fixed amount of remuneration to be paid regardless of the completion or non-completion of the Transaction plus the number of hours worked multiplied by the hourly charge, and since such remuneration does not include contingency fees payable subject to the condition of such matters as the completion of the Transaction, independence from the completion of the Tender Offer is also recognized.

Accordingly, it can be said that the Special Committee obtained a share valuation report from an independent, specialized third-party valuation institution as a basis for judgment on the consideration of the Transaction.

(iv) Advice from the independent law firm in the Special Committee

The Board has appointed MHM as its own unique legal advisor and has received legal advice, including advice on measures to be taken to ensure the fairness of the processes in the Transaction, as well as on the review and deliberation of the Consultation Matters at the Special Committee. In the light of the fact that there is no advisory contract between MHM and the Tender Offeror and the Company, and that no cases of MHM with the Tender Offeror and the Company in the past quantitatively give rise to concern about the independence from the Tender Offeror and the Company, the independence of MHM from the Tender Offeror and the Company is recognized, and the remuneration for MHM in this case is assumed to be a time charge, and therefore, the independence from the completion of the Transaction is also recognized.

(v) Acquisition of professional advice, etc. from independent external professionals

The Company has appointed U&I on February 22, 2024 as a legal advisor independent from the Tender Offeror and the Company to obtain professional advice on the fairness and appropriateness of the Company's Board of Directors in the decision-making process for the Tender Offer, and has received legal advice from U&I as to the manner and process of the Company's Board of Directors' decision-making, including the various procedures relating to the Tender Offer, and other points of concern. U&I has not executed an advisory contract, etc. with the Tender Offeror, and there are no cases which are currently requested to be handled. On the other hand, U&I has executed an advisory contract with the Company, and there are cases which U&I is actually requested to handle. However, in March 2023, the transaction amount was less than 0.1% of the consolidated sales amount of the Company, and about 0.2% in the preceding fiscal year. It is substantially the same as these in relation to cases other than the Transaction which U&I is currently being requested to handle. Therefore, it is recognized that U&I's independence from the Tender Offeror and the Company is secured. Also, as the fee for U&I for the Transaction is time charged, independence from the completion or non-completion of the Transaction is also be recognized.

The Company appointed UBS Securities as of February 22, 2024, as a financial advisor independent from the Tender Offeror and the Company, and has been advised by UBS Securities on the negotiation policy for the Transaction in order to obtain professional

advice on the negotiations relating to the Transaction. The independence of UBS Securities is described in (i) above.

Accordingly, the Company is deemed to have obtained independent professional advice from external professionals.

(vi) Establishment of an independent review system in the Company

The Company has internally established within the Company a system to review, negotiate and make decisions on the Transaction in a position independent from the Tender Offeror, from the perspectives of excluding structural conflict of interest issues.

Specifically, on and after the time that the Company received a proposal regarding the Tender Offer from the Tender Offeror on February 21, 2024, the Company decided not to cause the Company's officers and employees who concurrently serve or concurrently act as the officers and employees of each of the group companies of the Tender Offeror, or who are seconded from or formerly belonged to such group (such officers and employees include Shinro Fujita and Junko Tsuboi who are the directors of the Company as well as Naoya Maruo who is the auditor of the Company) to become involved in the negotiation process regarding the transaction terms related to the Transaction including the Tender Offer Price between the Company and the Tender Offeror, from the perspectives of excluding structural conflict of interest issues. The Company has obtained approval from the Special Committee that there are no issues regarding the review system of the Transaction built internally within the Company including the handlings above, from the perspectives of independence and fairness.

In addition, in the resolution of the Board of Directors dated February 22, 2024, the Company decided not to participate in the deliberations and resolutions of Shinro Fujita who is a director of the Company and formerly belonged to the Tender Offeror, and Junko Tsuboi who is a director of the Company concurrently serving as a director of the Tender Offeror, from the viewpoint of eliminating as much as possible the risk of structural conflicts of interest and information asymmetry problems in the Transaction. All seven directors of the Company, excluding the above-mentioned directors, have deliberated and made such resolutions unanimously. In addition, Naoya Maruo, the Company's Corporate Auditor, who formerly belonged to the Tender Offeror, did not attend the Board of Directors meeting from the same viewpoint, and all the 4 Corporate Auditors of the Company other than Naoya Maruo attended the Board of Directors meeting above and expressed their opinion of having no objection to the resolution above.

In the future too, Shinro Fujita and Junko Tsuboi will not participate in the deliberations and resolutions of the Board of Directors, and Naoya Maruo will not attend the Board of Directors meetings and will not express his opinions.

Based on the above, it can be deemed that the Company has established a system to exclude relevant directors from the process of reviewing and negotiating the Transaction, and to conduct examinations and negotiations independently from the Tender Offeror.

(vii) Establishment of measures to ensure purchase opportunities from other purchasers

While the shortest period provided by laws and regulations in relation to the Tender Offer Period is twenty (20) business days, the Tender Offeror is said to have set the period as thirty (30) business days. By setting the Tender Offer Period for a long period of time in light of the shortest period provided in laws and regulations, it is said that the Tender Offeror is contemplating to ensure an appropriate decision-making opportunity for the Company's shareholders and Stock Acquisition Rights Holders as to whether to tender in the Tender Offer, and also to ensure an opportunity for parties other than the Tender Offeror to purchase, etc. the Company Shares, thereby ensuring the appropriateness of the Tender Offer Price.

In addition, the Tender Offer Agreement provides that, in the case where a transaction which may obstruct or render difficult the implementation of all or a part of the Transaction (including a tender offer targeting all or a part of the Company Shares by a third party; "Competitive Transaction") is commenced, the Company shall be entitled to change or revoke the expression of its affirmative opinion to the Tender Offer in the event that (i) upon the taking into account the transaction price, transaction timing, specificity of the proposal contents, attributes of such third party, past transaction achievements and definiteness of fund procurement, definiteness of transaction implementation and other circumstances, the Company's Board of Directors reasonably determines that such Competitive Transaction enhances the Company's corporate value and contributes to the common interests of the shareholders more than the Transaction in comparison, (ii) the Company gives written notice to the Tender Offeror to such effect and all the material terms of such Competitive Transaction and grants an opportunity to amend the terms of the Transaction or the other terms of the Transaction and to submit to the Company the amended terms within five (5) business days calculating from the day following the day on which the Tender Offer receives such notice, and (iii) even upon taking into account such amended terms (if the Tender Offeror did not make any amendments, then based on the terms prior to making amendments), the Company's Board of Directors reasonably determines that such Competitive Transaction enhances the Company's corporate value and contributes to the common interests of the shareholders more than the Transaction in comparison, and that not changing or revoking its resolution of expressing its affirmative opinion to the Tender Offer may constitute a breach of the obligation of due care of a prudent manager of the Company's directors. No agreement has been made to the effect that the Company would make payment of the Tender Offeror of monies such as breakup fee (indemnity) in the event that the Company decides to change or revoke its affirmative opinion in accordance with the agreement above.

Accordingly, it is recognized that there is an environment in which other potential purchasers can make counter-proposals and that so-called indirect market checks are conducted, which secures the appropriateness of the Tender Offer Price.

- (viii) Establishment of measures to ensure opportunity for the Company's shareholders to make an appropriate decision on whether to tender their shares in the Tender Offer
  - (i) The Tender Offeror is said to be planning to make Demand for Shares, etc. Cash-Out

or to request the Company to hold the extraordinary general shareholders meeting which includes as its agenda making partial amendments to the articles of incorporation for abolishing the provisions of the number of unit shares on the condition of the Share Consolidation or the effectuation of the Share Consolidation, in accordance with the number of shares which the Tender Offeror shall obtain by the completion of the Tender Offer, promptly after the completion of settlement of the Tender Offer, and the Tender Offeror is said not to adopt a method under which the right of claim to purchase shares or the right of claim to determine the price is not ensured to the Company's shareholders, and (ii) since the Tender Offeror is clarifying that, upon making Demand for Shares, etc. Cash-Out or performing the Share Consolidation, the money delivered as consideration to the Company's shareholders shall be calculated so that it would be the same as the amount obtained by multiplying the Tender Offer Price by the number of the Company Shares owned by each such shareholder (excluding the Company and the Tender Offeror), and the money delivered as consideration to the Stock Acquisition Rights Holders shall be calculated so that it would be the same as the amount obtained by multiplying the Stock Acquisition Right Purchase Price by the number of Stock Acquisition Rights respectively owned by each such Stock Acquisition Rights Holder, the Tender Offeror is said to be taking care to ensure that the Company's shareholders have the opportunity to appropriately decide whether or not to tender in the Tender Offer and that there would not occur any pressure thereby.

In addition, while the shortest period provided by laws and regulations for the purchase related to the Tender Offer Period is twenty (20) business days, the Tender Offeror is said to have set the period as thirty (30) business days. By setting the Tender Offer Period for a relatively long period of time, it is said that the Tender Offeror is contemplating to ensure an appropriate decision-making opportunity for the Company's shareholders and Stock Acquisition Rights Holders as to whether to tender in the Tender Offer, thereby ensuring the appropriateness of the Tender Offer Price.

Accordingly, it is recognized that the M&A Guidance provides for practical measures that are desirable and eliminates the pressure.

- (ix) Establishment of the minimum number of tendered shares to be purchased attaining "majority of minority"

The Tender Offeror has set a minimum number of tendered shares to be purchased in the Tender Offer, and the Tender Offeror is said not to perform purchase, etc. of the entire Tendered Shares, Etc. if the total number of tendered shares, etc. falls short of the minimum number of tendered shares to be purchased (41,117,700). On the other hand, the Tender Offeror has not set a maximum number of tendered shares to be purchased in the Tender Offer, and therefore the Tender Offeror is said to perform purchase, etc. of the entire Tendered Shares, Etc. if the total number of tendered shares, etc. is not less than the minimum number of tendered shares to be purchased.

In addition, the minimum number of tendered shares to be purchased is said to exceed the number of the Company Shares (40,723,400 shares; the number of shares equivalent

to so-called “majority of minority”) equivalent to the number equivalent to the majority (407,234) of the number of voting rights (814,467) related to the number of shares (81,446,766 shares) which is (i) the total number of issued shares of the Company (130,353,200 shares) current as of March 31, 2024 described in the Company’s Summary of Financial Reports, plus (ii) the number of the Company Shares (10,600 shares) which is the subject of 78 of the Stock Acquisition Rights which is the total of 12 of the Eighteenth Series Stock Acquisition Rights, 16 of the Nineteenth Series Stock Acquisition Rights, 27 of the Twentieth Series Stock Acquisition Rights, 23 of the Twenty-First Stock Acquisition Rights which are prospected to become exercisable during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting, from among the Stock Acquisition Rights (130,363,800 shares), minus (iii) treasury shares held by the Company currently as of the same date described in the Company’s Summary of Financial Reports (provided, however, that this does not include the number of the Company Shares (206,039 shares) possessed by the BIP Trust currently as of the same date) (9,193,800, minus (iv) the number of the Company Shares (206,039 shares) held by the BIP Trust currently as of the same date (120,963,961 shares), plus (v) the total number of the Company Shares (23,205 shares) scheduled to be sold in the market or delivered to the trust beneficiaries by the BIP Trust during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting (120,987,166 shares, minus (vi) the number of the Company Shares (39,540,400 shares) held currently as of today by the Tender Offeror (81,446,766 shares).

In this manner, the Tender Offeror is said not to perform the Transaction including the Tender Offer in the event that majority agreement of the Company’s disinterested shareholders and Tender Offeror cannot be obtained, and the Tender Offeror is said to have set the minimum number of tendered shares to be purchased placing importance upon the intent of the Company’s shareholders and Stock Acquisition Rights Holders.

As a result, it can be said that an appropriate minimum number of tendered shares to be purchased is set, and it is recognized that the fairness of the procedures is ensured in the Transaction.

(x) Full disclosure of information to minority shareholders

As for the information on the Special Committee, full information disclosure is planned with regard to (a) the process of the Special Committee’s reviews and (b) the grounds and reasons for the Special Committee’s determination on the pros and cons of the Transaction, the validity of the transaction terms, and the fairness of the procedures.

In addition, full information disclosure is also planned with regard to (c) the process that led to the implementation of the Transaction, etc., (d) the specific contents of the interests held by the directors, etc. of the Company in relation to the Transaction, whether or not such Directors, etc. were involved in the process of forming the transaction terms, and (e) the share value calculation report and fairness opinion obtained by the Company’s Board of Directors and the Special Committee.

Therefore, in the Transaction, it is deemed that the Company plans to make full information disclosure that will contribute to the judgment of minority shareholders.

(xi) Summary

Based on the above, in light of the fact that sufficient fairness security measures have been taken in the Transaction, it is deemed that fair procedures have been implemented from the viewpoint of promoting the interests of minority shareholders and that due consideration has been given to the interests of minority shareholders through fair procedures.

4. Conclusion

From the above, as described in 1. above, the Transaction is considered to contribute to the enhancement of the Company's corporate value, and the purpose of the Transaction is considered to be reasonable. As described in (4) above, the appropriateness of the transaction terms of the Transaction is considered to be ensured. As described in (5) above, fair procedures are implemented in the Transaction from the perspective of ensuring the interests of the minority shareholders of the Company, and sufficient consideration is given to the interests of the minority shareholders of the Company. Accordingly, it is appropriate for the Company's Board of Directors to resolve to express an affirmative opinion for the Tender Offer and to recommend the Company's shareholders to tender in the Tender Offer.

However, as described in (4)(ii) above, the Company has not independently verified whether or not the Stock Acquisition Rights Purchase Price for the Stock Acquisition Rights appropriately reflects the Company's corporate value, and it is appropriate to resolve that the decision on whether or not to tender in the Tender Offer shall be left to the judgment of the Stock Acquisition Rights Holders.

Therefore, it is not detrimental to the minority shareholders of the Company for the Company's Board of Directors to decide to implement the Transaction, including the Squeeze-Out Procedure.

(iv) Procurement of the Share Valuation Report and the Fairness Opinion from the Special Committee's independent financial advisor and third-party valuation institution

As described in "(iii) Establishment of Special Committee at the Company and procurement of a report from the Special Committee" above, the Special Committee has appointed PLUTUS as a third-party valuation institution independent from the Company and the Tender Offeror, and has obtained a Share Valuation Report (PLUTUS) on June 13, 2024. In addition, the Special Committee has also obtained an opinion letter (fairness opinion) regarding the fairness of the Tender Offer Price from PLUTUS on June 13, 2024.

PLUTUS does not fall under a related party of the Company or the Tender Offeror, and does not have any material interested relationship in relation to the Transaction including the Tender Offer. PLUTUS's compensation related to the Transaction is said to be calculated by adding the fixed compensation to be paid regardless of the completion or non-completion of the Transaction to the

number of hours worked multiplied by the hourly charge, and does not include any contingency fee paid on such terms as the completion or non-completion of the Transaction.

For a summary of the Share Valuation Report (PLUTUS) regarding the share value of the Company which the Special Committee obtained from PLUTUS, please refer above to “B. Summary of the calculation related to the Company Shares” of “(ii) Procurement of the Share Valuation Report from the Special Committee’s independent financial advisor and third-party valuation institution” of “(3) Matters related to calculation”.

(v) Advice from an independent law firm at the Special Committee

As described in “(iii) Establishment of Special Committee at the Company and procurement of a report from the Special Committee” above, the Special Committee has appointed MHM as a legal advisor independent from the Company and the Tender Offeror, and has received legal advice including advice on such matters as the measures which should be taken to ensure the fairness of the procedures in the Transaction, the Company’s decision-making method and its process regarding the Transaction.

MHM does not fall under a related party of the Company or the Tender Offeror, and does not have any material interested relationship in relation to the Transaction including the Tender Offer. Compensation to Mori Hamada & Matsumoto is said to be calculated by multiplying the number of hours worked by the hourly charge regardless of the completion or non-completion of the Transaction, and does not include any contingency fee paid on the terms of the completion or non-completion of the Transaction.

(vi) Advice from an independent law firm at the Company

In order to ensure the fairness and appropriateness of the decision-making of the Company’s Board of Directors regarding the Transaction, the Special Committee has appointed U&I as a legal advisor independent from the Company and the Tender Offeror, and has received legal advice including advice on such matters as the measures which should be taken to ensure the fairness of the procedures in the Transaction, the Company’s decision-making method and its process regarding the Transaction.

U&I does not fall under a related party of the Company or the Tender Offeror, and does not have any material interested relationship in relation to the Transaction including the Tender Offer. Compensation to U&I is said to be calculated by multiplying the number of hours worked by the hourly charge regardless of the completion or non-completion of the Transaction, and does not include any contingency fee paid on the terms of the completion or non-completion of the Transaction.

(vii) Establishment of independent review system at the Company

As described in “A. Proposal from the Tender Offeror and details of the development of review system” of “(iii) Decision-making process and the reasons that led to the Company’s decision in favor of the Tender Offer” of “(2) Grounds and reasons for the opinion on the Tender Offer” of “3. Details of, and grounds and reasons for, the opinion on the Tender Offer” above, the Company has internally built within the Company a system to review, negotiate and make decisions on the

Transaction in a position independent from the Tender Offeror, from the perspectives of excluding structural conflict of interest issues.

Specifically, on and after the time that the Company received a proposal regarding the Tender Offer from the Tender Offeror on February 21, 2024, the Company decided not to cause the Company's officers and employees who concurrently serve or concurrently act as the officers and employees of each of the group companies of the Tender Offeror, or who are seconded from or formerly belonged to such group (such officers and employees include Shinro Fujita and Junko Tsuboi who are the directors of the Company as well as Naoya Maruo who is the auditor of the Company) to become involved in the negotiation process regarding the transaction terms related to the Transaction including the Tender Offer Price between the Company and the Tender Offeror, from the perspectives of excluding structural conflict of interest issues.

The Company has obtained approval from the Special Committee that there are no issues regarding the review system of the Transaction built internally within the Company including the handlings above, from the perspectives of independence and fairness.

- (viii) Receipt of unanimous approval of all disinterested directors of the Company and the opinion of all disinterested Audit & Supervisory Board members of the Company that they have no objection Based on the Share Valuation Report (UBS Securities) obtained from UBS Securities and the legal advice from U&I, with respect to a maximum extent for the contents of the Report submitted by the Special Committee, the Company has carefully discussed and reviewed the terms and conditions of the Tender Offer. As a result, as described in “(iii) Decision-making process and the reasons that led to the Company's decision in favor of the Tender Offer” of “(2) Grounds and reasons for the opinion on the Tender Offer” above, at the Company's Board of Directors meeting held on June 14, 2024, the Company resolved to express its opinion in favor of the Tender Offer, and to recommend its shareholders to tender their shares in the Tender Offer, and to leave the decision up to the Stock Acquisition Rights Holders as to whether or not to tender their Stock Acquisition Rights in the Tender Offer.

In the resolution of the Board of Directors above, from among 9 directors of the Company, 7 directors excluding Shinro Fujita and Junko Tsuboi participated, and the resolution was unanimously adopted by all the directors who participated. Since, from among the Company's directors, Shinro Fujita formerly belonged to the Tender Offeror and Junko Tsuboi concurrently serves as the Tender Offeror's director, they did not participate in the deliberation and resolution in the Board of Directors meeting above from the perspectives of excluding to the extent possible any likelihood of the deliberation and resolution at the Board of Directors meeting being impacted by structural conflict of interest issues and information asymmetry issues regarding the Transaction, and did not participate in the discussion and negotiation with the Tender Offeror regarding the Tender Offer from the Company's position,

From among the 5 Board of Company Auditors members of the Company, all 4 excluding Naoya Maruo attended the Board of Directors meeting above and all of the attending Board of Company Auditors members expressed their opinion that they have no objection to the resolution above. Since Naoya Maruo formerly belonged to the Tender Offeror, he did not attend the Board of Directors meeting above, and refrained from expressing his opinion, from the perspectives of



excluding to the extent possible any likelihood of the deliberation and resolution at the Board of Directors meeting being impacted by structural conflict of interest issues and information asymmetry issues regarding the Transaction.

(ix) Establishment of measures to ensure purchase opportunities from other purchasers

While the shortest period provided by laws and regulations in relation to the Tender Offer Period is twenty (20) business days, the Tender Offeror is said to have set the period as thirty (30) business days. By setting the Tender Offer period for a relatively long period of time in light of the shortest period provided in laws and regulations, it is said that the Tender Offeror is contemplating to ensure an appropriate decision-making opportunity for the Company's shareholders and Stock Acquisition Rights Holders as to whether to tender in the Tender Offer, and also to ensure an opportunity for parties other than the Tender Offeror to purchase, etc. the Company Shares, thereby ensuring the appropriateness of the Tender Offer Price.

In addition, the Tender Offer Agreement provides that, in the case where a transaction which may obstruct or render difficult the implementation of all or a part of the Transaction (including a tender offer targeting all or a part of the Company Shares by a third party; "Competitive Transaction") is commenced, the Company shall be entitled to change or revoke the expression of its affirmative opinion to the Tender Offer in the event that (i) upon taking into account the transaction price, transaction timing, specificity of the proposal contents, attributes of such third party, past transaction achievements and definiteness of fund procurement, definiteness of transaction implementation and other circumstances, the Company's Board of Directors reasonably determines that such Competitive Transaction enhances the Company's corporate value and contributes to the common interests of the shareholders more than the Transaction in comparison, (ii) the Company gives written notice to the Tender Offeror to such effect and all the material terms of such Competitive Transaction and grants an opportunity to amend the terms of the Transaction or the other terms of the Transaction and to submit to the Company the amended terms within five (5) business days calculating from the day following the day on which the Tender Offer receives such notice, and (iii) even upon taking into account such amended terms (if the Tender Offeror did not make any amendments, then based on the terms prior to making amendments), the Company's Board of Directors reasonably determines that such Competitive Transaction enhances the Company's corporate value and contributes to the common interests of the shareholders more than the Transaction in comparison, and that not changing or revoking its resolution of expressing its affirmative opinion to the Tender Offer may constitute a breach of the obligation of due care of a prudent manager of the Company's directors, and at the same time, the Company obtains a written opinion to the same effect from the Company's lawyers or the Special Committee gives a written opinion which is in favor of the Company's changing or revoking the resolution of the affirmative opinion. No agreement has been made to the effect that the Company would make payment of the Tender Offeror of monies such as breakup fee (indemnity) in the event that the Company decides to change or revoke its affirmative opinion in accordance with the agreement above. For details of the Tender Offer Agreement, please refer below to "4. Matters concerning material agreements related to the Tender Offer".

- (x) Establishment of measures to ensure opportunity for the Company's shareholders and Stock Acquisition Rights Holders to make an appropriate decision on whether to tender their shares in the Tender Offer

As described in "(5) Policy on reorganization, etc. after the Tender Offer (matters relating to the so-called two-stage takeover)" above, (i) the Tender Offeror is said to be planning to make Demand for Share, etc. Cash-Out or request the Company to hold the extraordinary general shareholders meeting which includes as its agenda of Share Consolidation and partial amendments to the articles of incorporation to the effect of abolishing the provisions of the number of unit shares on the condition of consolidation of the Share Consolidation is effected, in accordance with the number of shares which the Tender Offeror shall obtain by the completion of the Tender Offer, promptly after the completion of settlement of the Tender Offer, and the Tender Offeror is said not to adopt a method under which the right of claim to purchase shares or the right of claim to determine the price is not ensured to the Company's shareholders, and (ii) since the Tender Offeror is clarifying that, upon making Demand for Share, etc. Cash-Out to perform Share Consolidation, the money delivered as consideration to the Company's shareholders shall be calculated so that it would be the same as the amount obtained by multiplying the Tender Offer Price by the number of the Company Shares owned by each such shareholder (excluding the Company and the Tender Offeror), and the money delivered as consideration to the Stock Acquisition Rights Holders shall be calculated so that it would be the same as the amount obtained by multiplying the Stock Acquisition Right Purchase Price by the number of Stock Acquisition Rights respectively owned by each such Stock Acquisition Rights Holder, the Tender Offeror is said to be taking care to ensure that the Company's shareholders and Stock Acquisition Rights Holders have the opportunity to appropriately decide whether or not to tender in the Tender Offer and that there would not occur any pressure thereby.

In addition, while the shortest period provided by laws and regulations in relation to such matters as purchase related to the Tender Offer Period is twenty (20) business days, the Tender Offeror is said to have set the tender offer period as thirty (30) business days. By setting the Tender Offer Period for a long period of time in light of the shortest period provided in laws and regulations, it is said that the Tender Offeror is contemplating to ensure an appropriate decision-making opportunity for the Company's shareholders and Stock Acquisition Rights Holders as to whether to tender in the Tender Offer, thereby ensuring the appropriateness of the Tender Offer Price.

- (xi) Establishment of the minimum number of tendered shares to be purchased attaining "majority of minority"

The Tender Offeror has set a minimum number of tendered shares to be purchased in the Tender Offer, and the Tender Offeror is said not to perform purchase, etc. of the entire Tendered Shares, Etc. if the total number of tendered shares, etc. falls short of the minimum number of tendered shares to be purchased (41,117,700). On the other hand, the Tender Offeror has not set a maximum number of tendered shares to be purchased in the Tender Offer, and therefore the Tender Offeror is said to perform purchase, etc. of the entire Tendered Shares, Etc. if the total number of tendered shares, etc. is not less than the minimum number of tendered shares to be purchased.

In addition, the minimum number of tendered shares to be purchased is said to exceed the number of the Company Shares (40,723,400 shares; the number of shares equivalent to so-called “majority of minority”) equivalent to the number equivalent to the majority (407,234) of the number of voting rights (814,467) related to the number of shares (81,446,766 shares) which is (i) the total number of issued shares of the Company (130,353,200 shares) current as of March 31, 2024 described in the Company’s Summary of Financial Reports, plus (ii) the number of the Company Shares (10,600 shares) which is the subject of 78 of the Stock Acquisition Rights which is the total of 12 of the Eighteenth Series Stock Acquisition Rights, 16 of the Nineteenth Series Stock Acquisition Rights, 27 of the Twentieth Series Stock Acquisition Rights, 23 of the Twenty-First Stock Acquisition Rights which are prospected to become exercisable during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting, from among the Stock Acquisition Rights (130,363,800 shares), minus (iii) treasury shares held by the Company currently as of the same date described in the Company’s Summary of Financial Reports (provided, however, that this does not include the number of the Company Shares (206,039 shares) possessed by the BIP Trust currently as of the same date) (9,193,800, minus (iv) the number of the Company Shares (206,039 shares) held by the BIP Trust currently as of the same date (120,963,961 shares), plus (v) the total number of the Company Shares (23,205 shares) scheduled to be sold in the market or delivered to the trust beneficiaries by the BIP Trust during the period after March 31, 2024 till around August 2024 which is scheduled to become the record date for the Extraordinary Shareholders’ Meeting (120,987,166 shares, minus (vi) the number of the Company Shares (39,540,400 shares) held currently as of today by the Tender Offeror (81,446,766 shares).

In this manner, the Tender Offeror is said not to perform the Transaction including the Tender Offer in the event that majority agreement of the Company’s disinterested shareholders and Tender Offeror cannot be obtained, and the Tender Offeror is said to have set the minimum number of tendered shares to be purchased placing importance upon the intent of the Company’s shareholders and Stock Acquisition Rights Holders.

#### 4. Matters concerning material agreements related to the Tender Offer

The Tender Offeror and the Company have executed the Tender Offer Agreement in relation to the Transaction on June 14, 2024. The following is a summary of the Tender Offer Agreement.

- (a) On the execution date of the Tender Offer Agreement, the Company is scheduled to express and announce its affirmative opinion to the Tender Offer, and to recommend its shareholders to tender their shares in the Tender Offer, and to leave the decision up to the Stock Acquisition Rights Holders as to whether or not to tender their Stock Acquisition Rights in the Tender Offer (the “Affirmative Opinion”). The Tender Offer Agreement provides, as the conditions for the Company to express the Affirmative Opinion, (i) that the Tender Offeror’s representations and warranties (Note 1) are all true and accurate in material respects as of the execution date of the Tender Offer Agreement and the commencement date of the Tender Offer (the “Commencement Date”), (ii) that the Tender Offeror has performed or complied in material respects with all of its obligations which it should perform or comply with under the Tender Offer Agreement on or before the Commencement Date, (iii) the Special Committee has given a report in favor of the Company’s Board of Directors

expressing the Affirmative Opinion and such report has not been revoked or changed, (iv) no lawsuits, etc. requesting to restrict or prohibit the Tender Offer or tender in the Tender Offer are pending, and there are no laws and regulations, etc. or decisions, etc. of judicial or administrative agencies, etc. which restrict or prohibit the Tender Offer or tender in the Tender Offer, (v) in all countries and areas requiring licenses and permits, etc. under the Anti-Monopoly Act or other competition laws in relation to the Tender Offer, such licenses and permits, etc. have been obtained or performed, (and if there is a waiting period) such waiting period has elapsed (including receipt of a Notice related to Non-Issuance of Cease and Desist Order), or it is reasonably prospected that these would be completed during the Tender Offer Period, and it is reasonably prospected that no measures or procedures obstructing the implementation of the Tender Offer would be taken by the fair trade commission or other judicial or administrative agencies, etc. related to competition laws of such country or area.

(Note 1) Under the Tender Offer Agreement, the Tender Offeror has made representations and warranties regarding (i) incorporation, existence and validity of its authority, (ii) existence of authorities and capacity as well as performance of procedures required to execute and perform the Tender Offer Agreement, (iii) validity and enforceability of the Tender Offer Agreement, (iv) non-existence of conflicts with laws and regulations, etc. in relation to the execution and performance of the Tender Offer Agreement, (v) acquisition of licenses and permits, etc., (vi) non-existence of insolvency proceedings, and (vii) not falling under anti-social forces and having no relationship with anti-social forces. In addition, under the Tender Offer Agreement, the Company has made representations and warranties regarding (i) incorporation, existence and validity of its authority, (ii) existence of authorities and capacity as well as performance of procedures required to execute and perform the Tender Offer Agreement, (iii) validity and enforceability of the Tender Offer Agreement, (iv) non-existence of conflicts with laws and regulations, etc. in relation to the execution and performance of the Tender Offer Agreement, (v) acquisition of licenses and permits, etc., (vi) non-existence of insolvency proceedings, (vii) not falling under anti-social forces and having no relationship with anti-social forces, (viii) matters related to the Company Shares, (ix) non-existence of competitive transactions, etc., (x) non-existence of unannounced material facts, etc., (xi) accuracy of securities reports, etc., (xii) accuracy of financial statements, etc. on and after the most recent 3 business years and non-existence of material off-the-book debts, etc., (xiii) appropriateness of tax returns, etc., (xiv) compliance with labor related laws and regulations, etc., (xv) matters related to business related material assets, etc., (xvi) compliance with business related laws and regulations, etc., (xix) non-existence of defects or flaws, etc. in products, etc., (xx) compliance with environment related laws and regulations, etc. and (xxi) non-existence of lawsuits, etc.

(Note 2) Under the Tender Offer Agreement, the Company substantially has such obligations as (i) the obligation to express and announce the Affirmative Opinion and to maintain the Affirmative Opinion (Note 3), (ii) the obligation not to perform proposals, solicitation, information provision, discussion, negotiation or any other acts substantially equivalent thereto, related to a Competitive Transaction (provided, however, that this excludes the

case where a third party submits to the Company a written proposal related to a Competitive Transaction or a third party commences a Competitive Transaction, and upon taking into account the transaction price, transaction timing, the specificity of the proposal contents, the attributes of such third party, past transaction achievements and definiteness of fund procurement, definiteness of transaction implementation and other circumstances, the Company's Board of Directors reasonably determines that the failure to perform negotiations, etc. regarding the Competitive Transaction with such third party would constitute a breach of the due care of a prudent manager of the Company's directors), (iii) the obligation to promptly notify the Tender Offeror of the fact and the proposal contents if it receives a proposal or solicitation regarding a Competitive Transaction from a third party, (iv) the obligation to perform business within a normal business scope, (v) the obligation not to perform certain material acts without the prior written consent of the Tender Offeror, (vi) the obligation to perform any and all procedures required to implement the Squeeze-Out Procedures if the Tender Offer is unable to obtain all or the Company Shares by the Tender Offer although the Tender Offer is completed.

(Note 3) Provided, however, that in the case that the Competitive Transaction is commenced, the Company shall be entitled to change or revoke its affirmative opinion to the Tender Offer in the event that (i) upon the taking into account the transaction price, transaction timing, specificity of the proposal contents, attributes of such third party, past transaction achievements and definiteness of fund procurement, definiteness of transaction implementation and other circumstances, the Company's Board of Directors reasonably determines that such Competitive Transaction enhances the Company's corporate value and contributes to the common interests of the shareholders more than the Transaction in comparison, (ii) the Company gives written notice to the Tender Offeror to such effect and all the material terms of such Competitive Transaction and grants an opportunity to amend the terms of the Transaction or the other terms of the Transaction and to submit to the Company the amended terms within five (5) days calculating from the day following the day on which the Tender Offer receives such notice, and (iii) even upon taking into account such amended terms (if the Tender Offeror did not make any amendments, then based on the terms prior to making amendments), the Company's Board of Directors reasonably determines that such Competitive Transaction enhances the Company's corporate value and contributes to the common interests of the shareholders more than the Transaction in comparison, and that not changing or revoking its resolution of expressing its affirmative opinion to the Tender Offer may constitute a breach of the obligation of due care of a prudent manager of the Company's directors, and at the same time, the Company obtains a written opinion to the same effect from the Company's lawyers or the Special Committee gives a written opinion which is in favor of the Company's changing or revoking the resolution of the affirmative opinion.

(b) With respect to the initial management policy of the Company after the Transaction, it is provided to (i) abolish the Company's Board of Directors and to render the number of directors as 3 (from among which 1 shall be full-time and 2 shall be part-time, and the 2 part-time directors shall be designated by the Tender Offeror), (ii) abolish the Company's Board of Company Auditors and to

- render the number of Company Auditors as 1 (the Company Auditor shall be designated by the Tender Offeror), (iii) render the full-time director in (i) above as the representative director,
- (c) It is provided that the Tender Offeror and the Company shall, in order for the economic interests which should be enjoyed by the Stock Acquisition Rights Holders as well as the economic interests which should be enjoyed by the Company's directors and Executive Officers, etc. under the Performance-Linked Stock Compensation Plan not to be impaired and for no excessive interests to be granted to the Stock Acquisition Rights Holders, to engage in discussion and review towards the introduction and implementation of a new officer compensation plan which makes allowance for economic interests substantially equivalent to such economic interests, after the completion of the Tender Offer based upon the Stock Acquisition Rights Purchase Price being JPY 1 and the Performance-Linked Stock Compensation Plan being scheduled to be abolished.
- (d) The Company has made representations and warranties regarding certain matters (Note 4) under the Tender Offer Agreement; however, even if there is a breach of such representations and warranties of the Company above (provided, however, that this excludes the representations and warranties related to (i) through (viii) of Note 4), with respect to the damages suffered by the Tender Offeror from or in connection with such breach, a claim for indemnification may not be made against the Company as a general rule.

(Note 4) Under the Tender Offer Agreement, the Company has made representations and warranties regarding (i) incorporation, existence and validity of its authority, (ii) existence of authorities and capacity as well as performance of procedures required to execute and perform the Tender Offer Agreement, (iii) validity and enforceability of the Tender Offer Agreement, (iv) non-existence of conflicts with laws and regulations, etc. in relation to the execution and performance of the Tender Offer Agreement, (v) acquisition of licenses and permits, etc., (vi) non-existence of insolvency proceedings, (vii) not falling under anti-social forces and having no relationship with anti-social forces, (viii) matters related to the Company Shares, (ix) non-existence of competitive transactions, etc., (x) non-existence of unannounced material facts, etc., (xi) accuracy of securities reports, etc., (xii) accuracy of financial statements, etc. on and after the most recent 3 business years and non-existence of material off-the-book debts, etc., (xiii) appropriateness of tax returns, etc., (xiv) compliance with labor related laws and regulations, etc., (xv) matters related to business related material assets, etc., (xvi) compliance with business related laws and regulations, etc., (xix) non-existence of defects or flaws, etc. in products, etc., (xx) compliance with environment related laws and regulations, etc. and (xxi) non-existence of lawsuits, etc.

5. Details of provisions of benefits by the Tender Offeror or its special related parties  
Not applicable.

6. Response policy relating to fundamental policy regarding the control of the Company  
Not applicable.

7. Questions to the Tender Offeror

Not applicable.

8. Request for postponement of the Tender Offer Period

Not applicable.

9. Future prospects

For details of the policy after the Tender Offer, please refer above to “(iv) Management policy after the Tender Offer” of “(2) Grounds and reasons for the opinion on the Tender Offer” of “3.Details of, and grounds and reasons for, the opinion on the Tender Offer”, as well as “(4) Possibility of delisting and reasons therefor” and “(5) Policy on reorganization, etc. after the Tender Offer (matters relating to the so-called two-stage takeover)” of “3. Details of, and grounds and reasons for the opinion on the Tender Offer” above.

10. Others

(1) Revisions to the dividend forecast (no dividends) of the fiscal ending March 31, 2025 and abolition of the shareholders benefit system

At the Company's Board of Directors meeting held today, the Company has resolved that, upon the condition that the Tender Offer is completed, it shall revise the dividend forecast of the fiscal year ending March 31, 2025 and that it shall not perform distribution of dividends at the end of the Interim period and the end of the fiscal year ending March 31, 2025, and that it shall abolish the shareholders benefit system. For details, please refer to the “Notice regarding Revisions to the Dividend Forecast (No Dividend) of the Fiscal Year Ending March 31, 2025 and Abolition of the Shareholders Benefit System” announced by the Company today.

[Regulation of Solicitation]

This press release is a press release relating to our expression of opinion regarding the Tender Offer and is not prepared for the purpose of soliciting applications for the sale, etc. of securities in connection with the Tender Offer or for the purchase, etc. of securities. When making an application for sales, etc., please be sure to read the Tender Offer Explanation relating to the Tender Offer and make such an application at the discretion of the shareholders and the Share Acquisition Rights Holders. This press release shall not constitute or be a part of an offer to sell or purchase securities or a solicitation of offer to sell or purchase securities, and the fact of this press release (or any part thereof) or the distribution thereof shall not be the basis for, and may not be relied upon in entering into, any agreement relating to the Tender Offer.

[Forecast]

This press release and the reference documents of this press release may contain forward-looking statements, including words such as “anticipate”, “forecast”, “predict”, “intend”, “will,” “believe,” “schedule”, “estimate”, “presume” and similar expressions. Such expressions are based on the tender offer related party or the Company’s current business outlook, and may change depending on future conditions. The tender offer related party or the Company, or any of their affiliates assume no obligation to present forward-looking statements about this information to reflect actual results, circumstances or developments or changes in conditions.

[U.S. regulations]

The Tender Offer covers common stock and the Stock Acquisition Rights of the Company, a company incorporated in Japan. The Tender Offer is made in compliance with the processes and information disclosure standards stipulated in the Financial Instruments and Exchange Law of Japan, however these procedures and standards are not necessarily the same as the procedures and information disclosure standards in the United States. In particular, the provisions of Article 13(e) or Article 14(d) of the Securities Exchange Act of 1934 of the United States (Securities Exchange Act of 1934, as amended, the “US Securities Exchange Act of 1934”) and the rules set forth thereunder shall not apply to the Tender Offer and the Tender Offer shall not be in accordance with these procedures and standards. The financial information included in this press release and in the reference documents of this press release is not based on U.S. GAAP. Because the Tender Offer and the Company is a corporation incorporated outside the United States and none of its officers are U.S. residents, it may be difficult to exercise or claim rights on the basis of U.S. securities-related laws. In addition, the Company may not be able to initiate legal proceedings in a court outside the United States against a corporation or its officers outside the United States on the basis of a violation of securities-related laws in the United States. In addition, a corporation outside the United States or its officers or related (affiliate) of such corporation may not be admitted to the jurisdiction of the United States courts.

All procedures relating to the Tender Offer shall be in Japanese unless otherwise stated. All or part of the documents relating to the Tender Offer shall be prepared in English. However, in the event of any discrepancy between the applicable documents in English and those in Japanese, the documents in Japanese shall prevail. This press release and reference documents to this press release contain “forward-looking statements” (forward-looking statements) as defined in section 27A of the Securities Act of 1933 of the United States (including any subsequent amendments) and section 21E of the US Securities Exchange Act of 1934. Known or unknown risks, uncertainties or other factors may cause actual results to differ materially from those



expressed or implied by the forward-looking statements. No assurance can be given that the Tender Offeror, the Company or any related person will achieve the projections expressed or implied by the “forward-looking statements.” The “forward-looking statements” in this press release and the reference documents of this press release are prepared on the basis of the information of the Tender Offeror or the Company as of the date of this press release and the reference documents of this press release, and except as required by law, the Tender Offeror, the Company, or any of their affiliates are not obligated to update or modify the reference documents to reflect future events or circumstances.

The Tender Offeror, the Financial Advisors of the Tender Offeror and the Company and Tender Offer Agents (including their affiliates) may, within their normal scope and to the extent permitted by the laws and regulations relating to Japanese financial Instruments transactions related laws and regulations, and other applicable laws and regulations, make a purchase of the Company Shares for their own account or for the account of customers of the Company prior to the commencement of the Tender Offer or during the Tender Offer Period or take any action towards it, subject to the requirements of 14e-5 (b) of the US Securities Exchange Act of 1934. In the event that information relating to such purchase is disclosed in Japan, such disclosure shall also be made in the English language on the website (or other means of disclosure) of the person who made such purchase or any of its affiliates.

[Other countries]

In some countries or regions, statutory restrictions may be imposed on the announcement, issue or distribution of this press release. In such a case, please pay attention to and comply with those restrictions. It shall not be regarded as soliciting applications for the purchase of share certificates or sales of share certificates in connection with the Tender Offer, but simply as distribution of materials as information.

\*\*\*END\*\*\*

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