



May 27 2021

To Whom It May Concern

Company name EPS Holdings Inc.
(Code No.4282 First Section of the Tokyo Stock Exchange)
Representative Hao Yan
Contact
Vice President and Corporate Officer
Kazuki Sekitani
Call 03-5684-7873

Notice Regarding MBO and Recommendation Application

EPS Holdings Co., Ltd. (the “Company”) hereby announces that it resolved, at its Board of directors’ meeting held on May 27, 2021, that it will express an opinion in support of a tender offer for its common shares (the “Company Shares”) to be conducted by Shinyou K.K. (the “Tender Offeror”) as part of a “Management Buyout (MBO)” (Note) (the “Tender Offer”), and recommend that the Company’s shareholders apply for the Tender Offer, as detailed below.

The resolution of the Board of directors was made on the assumption that the Company Shares are scheduled to be delisted as a result of the Tender Offer and a series of subsequent procedures.

Note: "Management Buyout (MBO)" generally means a transaction in which the management of the acquired company invests all or part of the acquisition funds to acquire shares of the acquired company on the premise of continuing the business of the acquired company.

1 Outline of the Tender Offeror

(1)	Name	Shinyou K.K.
(2)	Address	1-8, Tsukudo-cho, Shinjuku-ku, Tokyo
(3)	Name and title of representative	Hao Yan Representative Director
(4)	Description of business	1. Acquisition, holding and sale of securities 2. Any and all businesses related or incidental to the businesses referred to in the foregoing
(5)	Capital stock	JPY100,000
(6)	Date of	May 10, 2021



	incorporation	
(7)	Major shareholders and shareholding ratio	Y&G Limited 100%
(8)	Relationship between the Tender Offeror and the Company	
	Shareholding	Not applicable. Mr. Yan Hao, Representative Director of the Tender Offeror, owns 330,009 shares of the Company (Note 1) (ownership ratio: 0.75%), and Mr. Shuzo Orihashi, Corporate Auditor of the Tender Offeror, owns 8,745 shares of the Company (ownership ratio: 0.02%).
	Personnel	Mr. Hao Yan, a representative director of the Company, concurrently serves as a representative director of the Tender Offeror, and Mr. Shuzo Orihashi, a director of the Company, concurrently serves as a corporate auditor of the Tender Offeror (Note 2).
	Trading	Not applicable
	Applicability as a related party	The Tender Offeror is a related party of the Company because all of the voting rights are owned by Y&G Limited, in which Mr. Hao Yan, the representative director of the Company, owns all of the shares

(Note 1) The “ownership ratio” refers to the ratio to the number of shares (44,287,656 shares) obtained by subtracting the number of treasury shares owned by the Company as of March 31, 2021 as stated in the second quarterly report for the 31st fiscal year submitted by the Company on May 14, 2021 (the “Company’s Second Quarterly Report”) (2,023,733 shares) from the total number of issued shares as of March 31, 2021 as stated in the Company’s Second Quarterly Report (46,311,389 shares) (rounded to the nearest hundredth). The same applies hereinafter.

(Note 2) Mr. Hao Yan and Mr. Shuzo Orihashi are members of the Company's Officers' Shareholding Association and have interests in the Company's shares held by the Shareholding Association. However, the number of Company shares held by each of them as stated in " Shareholding " above does not include the number of the Company shares the Shareholding Association (the same shall apply hereinafter).

2 Tender Offer Price

JPY 1,800 per share of common stock

3 Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer

(1) Details of the Opinion

The company resolved, at its board of directors’ meeting held on May 27 2021, that it will express an opinion in support of the Tender Offer and recommend that its shareholders apply for the Tender Offer,



based on the ground and reasons as described in “(2) Grounds and Reasons for opinion” below.

The above resolution was passed using a method described in “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest, iv. Approval of All Directors of the Company Without Conflicts of Interest and No Objection from any Auditor; and.”

(2) Grounds and Reasons for opinion

The following descriptions concerning the Tender Offeror are based on the explanations received from the Tender Offeror.

(i) Overview of the Tender Offer

The Tender Offeror is a stock company (kabushiki kaisha) established on May 10, 2021. All of the Tender Offeror’s shares are owned by Y&G Limited (“Y&G,” number of shares held: 9,744,000 shares, ownership ratio: 22.00%), which is the largest shareholder of the Company and is a company which has objectives of consulting and maintaining control of the Company and is wholly owned by, Mr. Hao Yan (“Mr. Yan,”), who is the representative director of the Company. The main objective of the Tender Offeror is to, by way of acquiring and holding all of the outstanding common shares of the Company listed on the First Section of Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”), implement a series of transactions (the “Transaction”) that assume that the Company Shares will be delisted for the purpose of making the Company its wholly-owned subsidiary, and to control and manage the business of the Company thereafter. Currently, the Tender Offeror does not own any of the Company Shares.

The Tender Offeror has decided to implement the Tender Offer for the purpose of acquiring all of the Company Shares (excluding, however, Non-tendered Y&G Shares (as defined below), Officers and Employees Non-tendered Shares (as defined below) and the Company Shares owned by EPS EKISHIN Co., Ltd. (“EPS EKISHIN”) which is a consolidated subsidiary of the Company, that are part of the Company Shares owned by Y&G, and the Company Shares owned by the Company; the same applies hereinafter). The Transaction constitutes a management buy-out (MBO), and Mr. Yan is expected to continue managing the Company after the Transaction. Y&G agrees in the Shareholders Agreement (as defined below) to tender the Y&G Tendered Shares (as defined below) in order to procure funds for repayment of its borrowings.

The Transaction consists of:

- i. Tender Offer;
- ii. Contribution to the Tender Offeror from SUZUKEN CO., LTD. (“Suzuken”) (note 4) and Shinyou SS II L.P. (“MBKP Fund”) which is a fund to which services are provided by MBK Partners and



- persons related thereto (collectively “MBKP”) (note 5), made subject to conclusion of the Tender Offer, and made after the end of the Tender Offer Period of the Tender offer and prior to the commencement date of the settlement of the Tender Offer (contribution to the Tender Offeror from Suzuken is hereinafter referred to as “Suzuken’s Contribution,” and contribution to the Tender Offer from MBKP Fund is hereinafter referred to as “MBKP’s Contribution.” Suzuken’s Contribution and MBKP’s Contribution are made by way of an allocation of new shares to a third party with the paid-in amount per share in Suzuken’s Contribution being JPY1,000 and the paid-in amount per share in MBKP’s Contribution being JPY1,000, and amounting to JPY8,736,300,000 in total (consisting of Suzuken’s Contribution of JPY4,736,300,000 in total and MBKP’s Contribution of JPY4,000,000,000 in total);
- iii. Share consolidation executed by the Company for the purpose of making the Tender Offeror and Y&G the sole shareholders of the Company (“Share Consolidation”), subject to execution and completion of the settlement of the Tender Offer, and to execution of Suzuken’s Contribution and MBKP’s Contribution;
 - iv. Contribution to the Tender Offeror from Mr. Yan, Mr. Junbo Song and Mr. Shinro Tashiro, Mr. Tatsuma Nagaoka, Mr. Shinji Hirotsuki and Mr. Huanran Yu who are officers or employees of the Company (collectively “Contributing Officers and Employees” (note 3)) (such contribution is hereinafter referred to as “Contribution by Officers and Employees” and shall be made by way of an allocation of new shares to a third party with the paid-in amount per share being JPY1,000, amounting to JPY2,000,000,000 in total), subject to completion of a series of procedures to make the Tender Offeror and Y&G the sole shareholders of the Company as stated under “(4) Post-Tender Offer Reorganization Policy (Matters Regarding “Two-Step Acquisition Items”)” below (“Squeeze-Out”);
 - v. Share exchange in which the Tender Offeror is a wholly owning parent and the Company is a wholly owned subsidiary (“Share Exchange”), subject to completion of the Contribution by Officers and Employees;
 - vi. Share transfer in which a newly established company is a wholly owning parent and the Tender Offeror is a wholly owned subsidiary (“Share Transfer”), subject to the Share Exchange being effective; and
 - vii. Absorption-type merger in which the Tender Offeror is a surviving company and the Company is a disappearing company (“Absorption-type Merger”), subject to the Share Transfer being effective.
- (Note 1) As of the submission date hereof, Suzuken owns 1,504,000 shares of the Company Shares (ownership ratio: 3.40%) making it the fourth largest shareholders of the Company (as of March 31, 2021). As per “(i) Background of the Decision of the Tender Offeror to Implement the Tender Offer, Purpose and Decision-Making Process” under “(2) Background of the Decision to Implement the Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management



Policy” below, it is stated that the Company and Suzuken have established a capital and business alliance with a view to seek expansion of the business not only in Japan but also in the Asia area, People’s Republic of China (“China”) in particular, making use of their management resources and knowhow, and contribute to medical and healthcare industries. Since it is important for the Company from perspective of enhancement of the enterprise value, to maintain a good relationship with Suzuken and reinforce it beyond the Transaction, it is intended that the capital relationship between the Company and Suzuken will be maintained beyond the Transaction through contribution from Suzuken to the Tender Offeror. In Suzuken’s Contribution, the Tender Offeror intends to allocate its class A shares (“Class A Shares”) to Suzuken. Although Class A Shares have not been issued as of the submission date hereof, the Class A Shares will not have any voting right but have put option which enables Suzuken to request the Tender Offeror to convert Class A Shares into common shares the Tender Offeror (“Put Option”). Y&G and Suzuken have agreed in the Shareholders Agreement (as defined below) upon Suzuken’s exercise of the Put Options of all the Class A Shares owned by it on the effective date of the Share Exchange (“Conversion”), subject to completion of the Contribution by Officers and Employees and the Share Exchange being effective. Since acquisition ratio of the Put Options is set so as to make the voting rights ratio after the Conversion 20.00%, Suzuken’s voting rights ratio to the Tender Offeror after the Conversion will be 20.00%.

(Note 2) MBKP is an independent private equity firm established in March 2005 and specializing in private equity investment in Japan, China and South Korea. It is based in Beijing, Hong Kong, Seoul, Shanghai and Tokyo, and has obtained support from investors, mainly institutional investors such as global banks, insurance companies, asset management companies, public pension plans, corporate pension plans, foundations, fund of funds and government-affiliated investment institutions and as of the submission date hereof, holds approximately USD 23.5 billion under management, and invest into from large- to medium-sized companies mainly in such areas as retail/consumables, communication/media, financial services, business services, transportation, general manufacturing. Once investment is made, it actively provides the invested companies with management assistance in order to maximize their enterprise value. It has made 51 investments in the East Asian countries since its establishment in March 2005. Of the investments, it has made 12 investments into 9 companies in Japan, namely, Yayoi Co., Ltd., USJ LLC. (formerly known as USJ Co., Ltd.), INVOICE INC, Komeda Co., Ltd., TASAKI & Co., Ltd. (formerly known as Tasaki Shinju Co., Ltd.), Accordia Golf co., Ltd., KURODA ELECTRIC CO., LTD., Godiva Japan, Inc. and TSUKUI HOLDIGNS CORPORATION. After the investment, it successfully increased their net sales and earning power as a result of medium- to long-term approach jointly made with management towards value-up themes of each of the companies. MBKP does not own the Company Shares as of the submission date hereof. In MBKP’s Contribution, the Tender Offeror intends to



allocate its class B preferred shares (“Class B Preferred Shares”) to MBKP. Although Class B Shares have not been issued as of the submission date hereof, the Class B Preferred Shares will not have any voting right but have put option which enables MBKP to request the Tender Offeror to convert the Class B Preferred Shares into cash or Tender Offeror’s class C preferred shares which have voting rights (it is intended that exercise of a put option in exchange for cash is subject to suspension of payment, commencement of bankruptcy proceedings and other events, on the part of the Tender Offeror or the Newly Established Company (as defined below), that have a material adverse impact on performance of obligations under an investment agreement concerning issuance of the Class B Preferred Shares). In addition to occurrence of an event which justifies exercise of a put option in exchange for cash, it is intended to set as a condition for exercise of put options in exchange for class C preferred shares reasonable determination that it is certain that even if a put option in exchange for cash is exercised, all or some of the cash as the consideration for such exercise cannot be paid due to a lack of cash available for such purpose or financial resources. Although MBKP will own 2/3 or more of the voting rights in the Tender Offeror if such put options in exchange for class C preferred shares are all exercised, the exercise of the put options in exchange for class C preferred shares are, as stated above, permitted only when there is reasonable determination that it is certain that the consideration of the exercise of the put options in exchange for cash cannot be paid. According to MBKP, it does not intend to acquire control over the Tender Offeror in the Tender Offer. The Tender Offeror, Y&G and MBKP Fund intend to enter into an agreement regarding investment into Class B Preferred Shares from MBKP Fund on the same date as a loan agreement regarding the Tender Offer Settlement Funds Borrowings (as defined below) after the end of the Tender Offer Period of the Tender offer and prior to the commencement date of the settlement of the Tender Offer, under which agreement MBKP will participate in a Company’s board of directors as an observer and will support the Company with advancement and expansion to Asia markets.

(Note 3) Since the Contributing Officers and Employees intend to continue their involvement in management of the Company, they will make Contribution by Officers and Employees in order to share objectives for enhancement of the enterprise value. In Contribution by Officers and Employees, the Tender Offeror intends to allocate its common shares to the Contributing Officers and Employees.

In implementing the Tender Offer, the Tender Offeror entered into an agreement with Suzuken regarding tendering in the Tender Offer (“Suzuken Tender Offer Agreement”) on May 27, 2021. In the Suzuken Tender Offer Agreement, the parties agreed to tender 1,504,000 shares (ownership ratio: 3.40%), which constitute all of the Company Shares held by Suzuken (“Suzuken’s Tendered Shares”), into the Tender Offer.



In implementing the Tender Offer, the Tender Offeror entered into an agreement with each of Mr. Yan, the representative director of the Company, (number of shares held: 330,009 shares, ownership ratio: 0.75%), Mr. Junbo Song, a corporate officer of the Company, (number of shares held: 551,936 shares, ownership ratio: 1.25%), and Mr. Shinro Tashiro, a vice chairman and corporate officer of the Company, (number of shares held: 113,367 shares, ownership ratio: 0.26%), Mr. Tatsuma Nagaoka, a president and corporate officer of the Company, (number of shares held: 109,642 shares, ownership ratio: 0.25%), Mr. Shinji Hirosaki, an employee of the Company, (number of shares held: 88,828 shares (note 4), ownership ratio: 0.20%) and Mr. Huanran Yu, an employee of the Company, (number of shares held: 396,000 shares, ownership ratio: 0.89%), and Yukihiro Sasaki who was a shareholder of EP-SOGO Co., Ltd. which is a wholly-owned subsidiary of the Company, and who is the 6th largest shareholder of the Company (as of March 31, 2021) (number of shares held: 1,389,328 shares, ownership ratio: 3.14%) and Mr. Haruo Nishino who is the 7th largest shareholder of the Company (as of March 31, 2021) (number of shares held: 1,387,828 shares, ownership ratio: 3.13 %) (collectively “Tendering Officers and Employees, Etc.”) on May 27, 2021 regarding tendering in the Tender Offer (an agreement between the Tender Offeror and each of the Tendering Officers and Employees is hereinafter referred to as “Officers and Employees, Etc. Tender Offer Agreement,” and together with the Suzuken Tender Offer Agreement, “Tender Offer Agreement”), and agreed with the Tendering Officers and Employees, Etc. that 4,340,306 shares (ownership ratio: 9.80%), which constitute all of the Company Shares owned by them (“Tendering Officers and Employees’, Etc.’s Tendered Shares”) (excluding Company Shares owned by Mr. Yan, Mr. Junbo Song, Mr. Shinro Tashiro, Mr. Tatsuma Nagaoka and Mr. Shinji Hirosaki and granted under the Company’s restricted share compensation plan (which refer to 26,632 shares (ownership ratio: 0.06%) consisting of 8,409 shares (ownership ratio: 0.02%) of shares owned by Mr. Yan, 3,026 shares (ownership ratio: 0.01%) of shares owned by Mr. Junbo Song, 6,727 shares (ownership ratio: 0.02% of shares owned by Mr. Shinro Tashiro, 6,042 shares (ownership ratio: 0.01%) of shares owned by Mr. Tatsuma Nagaoka, 2,428 shares (ownership ratio: 0.01%) of shares owned by Shinji Hirosaki, and hereinafter referred to as “Officers and Employees’ Non-tendered Shares”)), will be tendered in the Tender Offer, and that voting rights of 26,632 shares of the Officers and Employees’ Non-tendered Shares owned by Mr. Yan, Mr. Junbo Song, Mr. Shinro Tashiro, Mr. Tatsuma Nagaoka and Mr. Shinji Hirosaki (ownership ratio: 0.06%) will be exercised in accordance with instructions of the Tender Offeror. For details of the Tender Agreement, see “i Tender Agreement” under “4 Items Regarding Critical Agreements Related to the Tender Offer.”

Further, with respect to the Transaction, Y&G and Suzuken entered into a shareholders agreement (“Shareholders Agreement”) on May 27, 2021. The Shareholders Agreement provides for matters regarding operations of the Tender Offeror and the Company, and provides that 330,000 shares (ownership ratio: 0.75%) among the Company Shares held by Y&G (“Y&G’s Tendered Shares” and together with Suzuken’s Tendered Shares and Tendering Officers and Employees, Etc.’s Tendered Shares, “Tendered Shares”) will be tendered in the Tender Offer, and that 9,414,000 shares (ownership ratio: 21.26%)



(“Y&G’s Non-tendered Shares”) will not be tendered in the Tender Offer. Y&G intends to tender some of its owned shares in the Tender Offer in order to procure funds to repay its borrowings and the number of shares required to be sold through tendering for procurement of the funds for repayment is set as the number of the Y&G’s Tendered Shares. Suzuken has agreed in the Shareholders Agreement upon implementation of the Suzuken’s Contribution. For details of the Shareholders Agreement, see “ii. Shareholders Agreement” under “4 Items Regarding Critical Agreements Related to the Tender Offer.”

In the Tender Offer, the Tender Offeror has set 20,022,368 shares (ownership ratio: 45.21%) as the minimum planned purchase quantity (note 5) because it contemplates making the Company its wholly owned subsidiary. If the aggregate number of share certificates, etc. tendered in the Tender Offer (“Tendered Share Certificates, Etc.”) is less than the minimum planned purchase quantity, the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. Meanwhile, the Tender Offeror has not set any cap on the planned purchase quantity because it aims to make the Company Shares private through acquisition of all the Company Shares, and thus, the Tender Offeror will purchase all of the Tendered Share Certificates, Etc. as long as the aggregate number of the Tendered Share Certificates, Etc. is equal to, or greater than, the minimum planned purchase quantity (20,022,368 shares).

(Note 4) Although Mr. Shinji Hirosaki is a member of the employee shareholding association of the Company and has interest in the Company Shares owned by such association, the Company Shares corresponding to such interest (810 shares (rounded down any fractions)) are not included in the number of shares held above.

(Note 5) The Tender Offeror intends to implement the Share Consolidation in order to make the Tender Offeror and Y&G the sole shareholders of the Company after the conclusion of the Tender Offer in accordance with “(4) Post-Tender Offer Reorganization Policy (Matters Regarding “Two-Step Acquisition Items”)” below. The minimum planned purchase quantity in the Tender Offer (20,022,368 shares, ownership ratio: 45.21%) is set pursuant to the following formula: (i) the number of treasury shares owned by the Company as of March 31, 2021 (2,023,733 shares) and the number of shares held by EPS EKISHIN (93,090 shares, ownership ratio: 0.21%) subtracted from the total number of issued shares of the Company as of March 31, 2021 as stated in the Company’s Second Quarterly Report (46,311,389 shares), which amounts to 44,194,566 shares and corresponds to 441,945 voting rights; (ii) the number of voting rights is multiplied by 2/3 (294,630 voting rights) (rounded up to the nearest whole number); (iii) the number of voting rights calculated in step (ii) (as rounded) is multiplied by 100 shares, which is the share unit number of the Company (29,463,000 shares); and (iv) the number of Y&G’s Non-tendered Shares (9,414,000 shares) and Officers and Employees’ Non-tendered Shares (26,632 shares) are subtracted from the product calculated in step (iii). Further, the minimum planned purchase quantity in the Tender Offer (20,022,368 shares, ownership ratio: 45.21%) will exceed 19,075,543 shares (ownership ratio: 43.07%) which is the sum of (i) 15,678,393 shares (ownership ratio: 35.40%) which equals to the majority of 31,356,784 shares



(ownership ratio: 70.80%) that is the number of shares obtained by subtracting from the total number of issued shares as of March 31, 2021 as stated in the Company's Second Quarterly Report (46,311,389 shares), the number of treasury shares owned by the Company as of March 31, 2021 (2,023,733 shares), the number of shares held by EPS EKISHIN (93,090 shares, ownership ratio: 0.21%), the Tendered Shares (except for the shares held by Mr. Yukihiro Sasaki (number of shares held: 1,389,328 shares, ownership ratio: 3.14%) and Mr. Haruo Nishino (number of shares held: 1,387,828 shares, ownership ratio: 3.13%), who will not make Contribution by Officers and Employees; 3,397,150 shares, ownership ratio: 7.67%), Y&G Non-tendered Shares (9,414,000 shares, ownership ratio: 21.26%) and Officers and Employees Non-tendered Shares (26,632 shares, ownership ratio: 0.06 %), and (ii) the number of shares held by Tendered Shares (except for the shares held by Mr. Yukihiro Sasaki (number of shares held: 1,389,328 shares, ownership ratio: 3.14%) and Mr. Haruo Nishino (number of shares held: 1,387,828 shares, ownership ratio: 3.13%), who will not make Contribution by Officers and Employees; this is a majority of the number of shares held by the Company's shareholders who have no interest in the Tender Offeror (i.e. "majority of minority"). Based on the above, if the Tender Offeror fails to obtain approval of the shareholders of the Company other than those who have interest in the Tender Offeror, it will not carry out the Transaction including the Tender Offer, respecting the intention of the minority shareholders of the Company.

The Tender Offeror intends to cover the funds required for the settlement of the Tender Offer by borrowing from MUFG Bank, Ltd. (the "MUFG Bank") (the "Tender Offer Settlement Funds Borrowings") and issuance of corporate bonds of the Company to be purchased by Suzuken (amounting to JPY2,869,000,000 in total), and by using Suzuken's Contribution and MBKP's Contribution (collectively the "Contribution"), and intends to accept the Tender Offer Settlement Funds Borrowings and the Contribution no later than the business day preceding the date of commencement of the settlement of the Tender Offer, under such conditions as contemplated in the terms of the Tender Offer.

Further, as stated in "(4) Post-Tender Offer Reorganization Policy (Matters Regarding a So-called "Two-Step Acquisition")," if the Tender Offeror, despite the completion of the Tender Offer, fails to acquire all of the Company Shares through the Tender Offer, the Tender Offeror intends to request that the Company implement the Share Consolidation as part of the Transaction for the purpose of making the Tender Offeror and Y&G the sole shareholders of the Company. However, with respect to the funds required for the acquisition of the Company Shares equivalent to the total of the fractional shares resulting from the Share Consolidation, the Tender Offeror intends to cover the same by borrowing from MUFG Bank (the "Fractional Shares Purchase Borrowings").

While the details of the Tender Offer Settlement Funds Borrowings and Fractional Shares Purchase Borrowings are to be set forth in the loan agreement regarding the relevant borrowing through separate deliberations by Tender Offeror with MUFG Bank, the loan agreement regarding the relevant borrowing is scheduled to set forth the terms and conditions for implementing the loan set out in the loan certificate

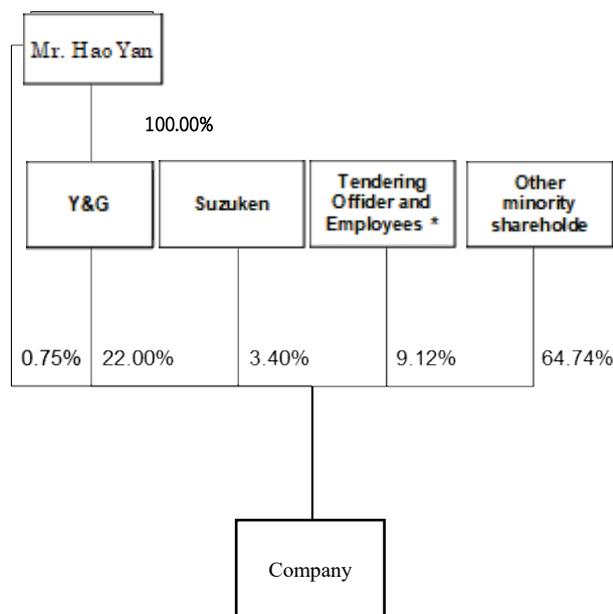


attached to Tender Offer Explanation Statement of the Tender Offer and the contractual terms and conditions that are generally set forth in similar loan agreements, such as a certain degree of financial covenant. All of the outstanding shares of the Tender Offeror owned by Y&G and the Company Shares acquired by the Newly Established Company (as defined below) based on the Share Transfer are scheduled to be provided as collateral.

The outline of the Transaction is as follows:

I. Pre-Tender Offer

As of May 27, 2021, Y&G owns 9,744,000 shares of the Company Shares (ownership ratio: 22.00%), Suzuken owns 1,504,000 shares (ownership ratio: 3.40%), the Tendering Officers and Employees, Etc. own 4,366,938 shares (ownership ratio: 9.86%, the number of shares owned by the Tendering Officers and Employees, Etc. except Mr. Yan is 4,036,929 (ownership ratio: 9.12%)) and the minority shareholders own the remaining 28,672,718 shares (ownership ratio: 64.74%).

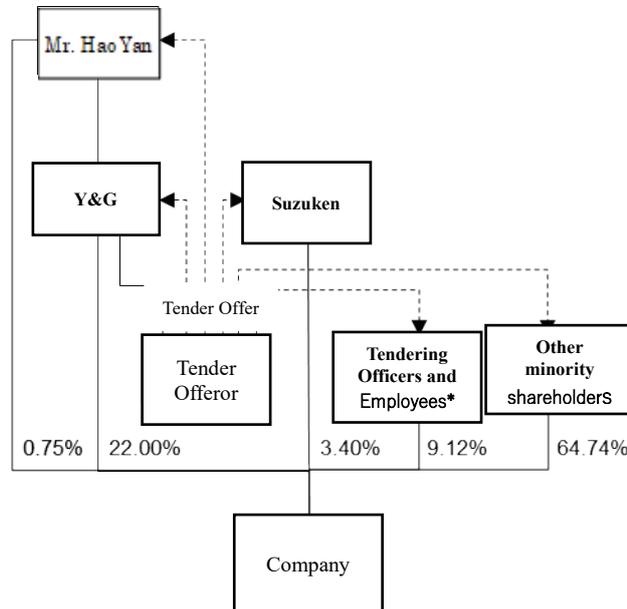


*Except Mr. Hao Yan

II. Tender Offer (from May 28, 2021 to July 8, 2021 (scheduled))

The Tender Offeror will implement the Tender Offer with respect to all of the Company Shares (the purchase price per Company Share (the “Tender Offer Price”) is JPY 1,800). Y&G will tender 330,000 shares of Y&G’s Tendered Shares (ownership ratio: 0.75%) in the Tender Offer, Suzuken will tender 1,504,000 shares of Suzuken’s Tendered Shares (ownership ratio: 3.40%) and the Tendering Officers and Employees will tender 4,340,306 shares of the Tendering Officers and Employees, Etc.’s Tendered

Shares (ownership ratio: 9.80%).

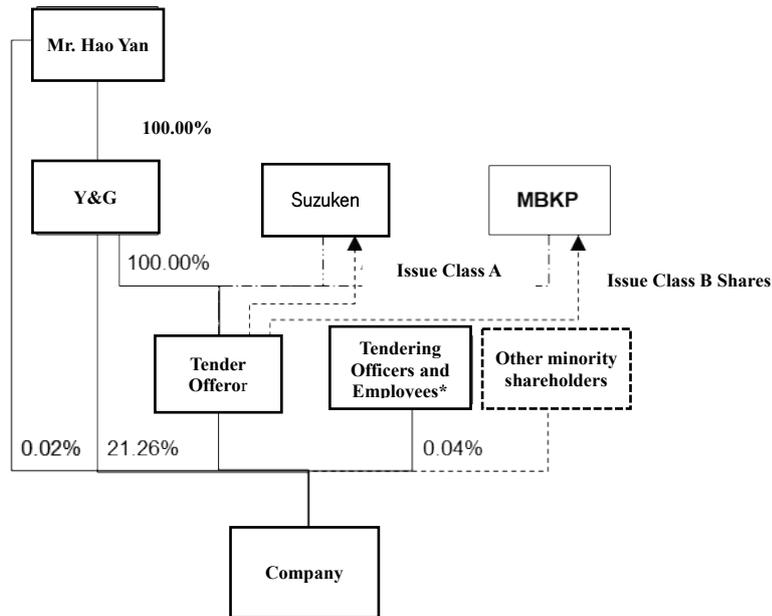


*Except Mr. Hao Yan

III. Post-Tender Offer

(i) Contribution (around July 2021 (scheduled))

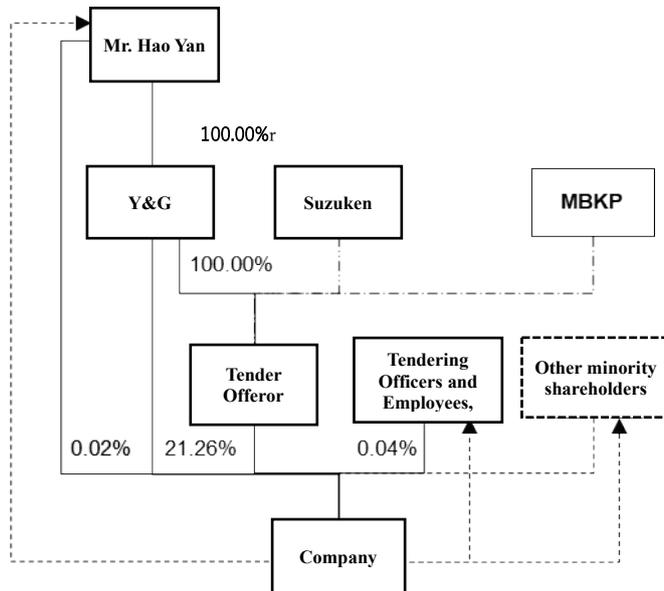
Contribution will be made to the Tender Offeror from Suzuken and MBKP from the day immediately following the end of the Tender Period and prior to the commencement date of the settlement of the Tender Offer. The Contribution will be made by way of an allocation of new shares to a third party, amounting to JPY8,736,300,000 in total (consisting of Suzuken's Contribution of JPY4,736,300,000 in total and MBKP's Contribution of JPY4,000,000,000 in total, and the paid-in amount per share paid by the Tender Offeror in the Suzuken Contribution being JPY1,000 and the paid-in amount per share paid by the Tender Offeror in the MBKP Contribution being JPY1,000).



*Except Mr. Hao Yan

(ii) Share Consolidation (around end of September 2021 (scheduled))

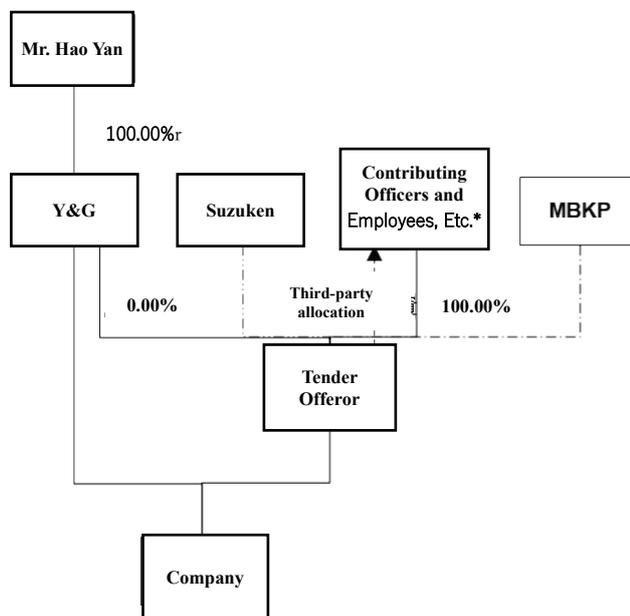
Share consolidation will be implemented by the Company for the purpose of making the Tender Offeror and Y&G the sole shareholders of the Company, subject to execution of the Tender Offer, execution of the Contribution and completion of its settlement.



*Except Mr. Hao Yan

(iii) Contribution by Officers and Employees (around end of October 2021 (scheduled))

Contribution will be made to the Tender Offeror from the Contributing Officers and Employees, subject to completion of the Squeeze-Out. The Contribution by Officers and Employees will be made by way of an allocation of new shares to a third party with the paid-in amount per share being JPY1,000, amounting to JPY2,000,000,000 in total. As a result of the Contribution by Officers and Employees, voting rights ratio of Y&G to the Tender Offeror will be 0.00%, Mr. Yan's voting rights ratio to the Tender Offeror will be 22.50% and the voting rights ratio of the Contributing Officers and Employees other than Mr. Yan to the Tender Offeror will be 77.50% but the foregoing voting right ratio will be subject to change as a result of the Share Transfer and Conversion as below.



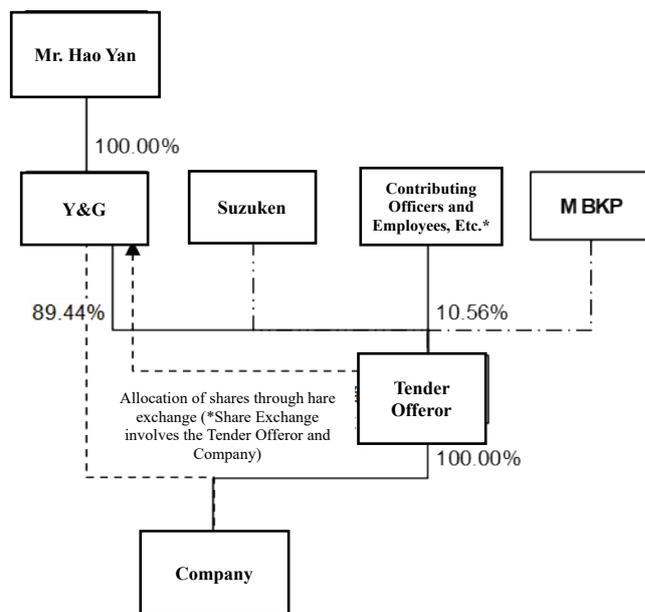
*Including Mr. Hao

(iv) Share Exchange (around the end of October 2021 (scheduled))

Share exchange will occur in which the Tender Offeror will be the wholly owning parent and the Company will be the wholly owned subsidiary, and which will be implemented subject to completion of the Contribution by Officers and Employees. Although timing of execution of the Share Exchange and details of specific terms have not yet been determined as of the submission date hereof, the Share Exchange will be carried out for the purpose of acquisition by the Tender Offeror of the Company Shares (excluding any fractional shares) owned by Y&G after completion of the Squeeze-Out and making the Tender Offeror the sole shareholder of the Company. As a result of the Share Exchange, the Tender Offeror will be the sole shareholder of the Company. While the share exchange ratio in the Share Exchange, will be determined by a separate agreement between Y&G and Suzuken, such ratio is planned to be a ratio obtained by dividing price per Y&G Non-tendered Share by price per common share of the Tender Offeror. Price per common share of the



Tender Offeror is planned to be JPY 1,000 in consideration of administrative work related to shares on the part of the Tender Offeror and the Newly Established Company (as defined below) after the Transaction. Valuation of Y&G Non-tendered Shares which serves as a basis for determination of consideration to be given to Y&G as a result of the Share Exchange (common shares of the Tender Offeror; provided that if there is any fractional share less than one share in the number of shares to be given, cash shall be paid for such fractional shares pursuant to Article 234) will be the amount obtained by multiplying JPY1,800 which is the same price as the Tender Offer Price, by the number of Y&G Non-tendered Shares. In addition, Suzuken will acquire common shares of the Tender Offeror as a result of the Conversion. Hence, Y&G, Suzuken, the Tendering Officers and Employees and MBKP Fund will be the sole shareholders of the Tender Offeror as a result of the Share Exchange and the Conversion. As a result of the Share Exchange and Conversion, voting rights ratio of Y&G to the Tender Offeror will be 71.56%, voting rights ratio of Suzuken to the Tender Offeror will be 20.00%, Mr. Yan’s voting rights ratio to the Tender Offeror will be 1.90% and the voting rights ratio of the Contributing Officers and Employees other than Mr. Yan to the Tender Offeror will be 6.55%.



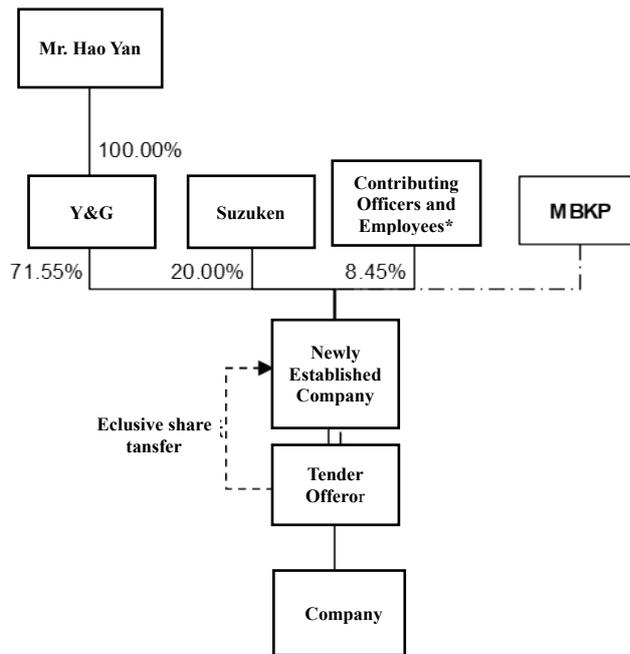
*Including Mr. Hao Yan

(v) Share Transfer (around the end of October 2021 (scheduled))

Share transfer will occur in which a newly established company (“Newly Established Company”) will be the wholly owning parent and the Tender Offeror will be the wholly owned subsidiary, and which will be implemented subject to the Share Exchange being effective. Although timing of execution of the Share Transfer and details of specific terms have not yet been determined as of the



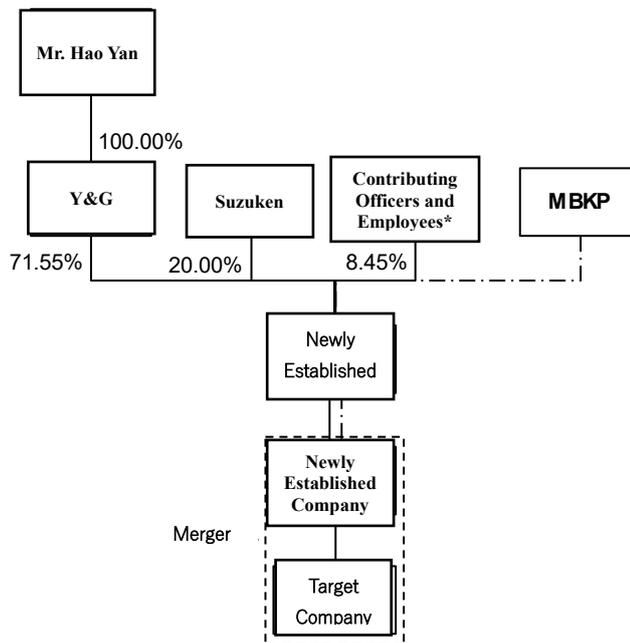
submission date hereof, the purpose of the Share Transfer is to cause the Newly Established Company to acquire all the shares in the Tender Offeror after the Absorption-type Merger and to provide MUFG Bank with all the shares in the Tender Offeror to be owned by the Newly Established Company as collateral for the Tender Offer Settlement Funds Borrowings and the Fractional Shares Purchase Borrowings.



*Including Mr. Hao Yan

(vi) Absorption-type Merger (around the end of October 2021 (scheduled))

Absorption-type merger will occur in which the Tender Offeror will be the surviving company and the Company will be the disappearing company, and which will be implemented subject to the Share Transfer being effective. Although timing of execution of the Absorption-type Merger and details of specific terms have not yet been determined as of the submission date hereof, as a result of the Absorption-type Merger, Y&G, Suzuken, the Tendering Officers and Employees, and MBKP Fund will substantially own shares in the Tender Offeror after the Absorption-type Merger) through shareholding by the newly established company.



*Including Mr. Hao Yan

In addition, as stated in the "Notice of Agreement with Suzuken CO., LTD. Regarding Capital Participation in the Company's Subsidiary" announced by the Company on May 27, 2021 (the "Press Release on the Agreement with Suzuken"), Suzuken intends to invest to EP-PharmaLine Co., Ltd. ("EP Pharma Line"), a consolidated subsidiary of the Company, subject to the completion of the Tender Offer (investment ratio: 49.00%).

(ii) Background of the Decision to Implement the Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy

a. Background of the Decision of the Tender Offeror to Implement the Tender Offer, Purpose and Decision-Making Process

The Company was established in May 1991 as EPS Tokyo Inc. for the purpose of developing and selling software related to statistical analysis of clinical trial data for pharmaceuticals. The Company's trade name was changed to EPS Co., Ltd. in April 2001, and to EPS Holdings, Inc. in January 2015. The Company was listed on the JASDAQ market (currently the JASDAQ (Standard) Market of the Tokyo Stock Exchange) in July 2001, the Second Section of the Tokyo Stock Exchange in July 2004, and the First Section of the Tokyo Stock Exchange in September 2006.

Currently, the Company Group consists of the Company, 56 consolidated subsidiaries of the Company and 5 affiliated companies (collectively, the "Company Group"), and it consists primarily of 5 businesses: the CRO (Note 1) Business, the SMO (Note 2) Business, the CSO (Note 3) Business, the Global Research



Business, and the EKISHIN Business.

The basic philosophy of the Company Group is: "We will contribute to the advancement of the healthcare industry through creating valuable solutions." While each business segment is independently focused on its own business activities and operational efficiency improvement, the Company Group is strengthening business management capabilities of the group as "OneEPS" and focusing on strengthening group management capabilities in both vertical and horizontal directions, so that it can achieve "Three Growths" (basic growth, quality growth, and sustainable growth).

Initiatives of each business segment (including those to be implemented in the future) are as follows:

(a) CRO Business

The CRO Business is centered on the current contract business for operations related to clinical trials (Note 4), and its basic policy is to achieve solid basic growth in this business. Specifically, the main initiatives for the CRO Business include: (1) strengthening sales capabilities, implementing thorough cost management and improving operational efficiency, as well as maximizing profit by restructuring businesses with declining needs or low profitability; (2) further strengthening monitoring in clinical trial and PMS (Note 5) operations and further utilizing high-quality services and supply capabilities in data science; (3) strengthening responses to globalization; (4) enhancing expertise in disease areas, etc.; and (5) strengthening digitization, including virtual clinical trials. Through these initiatives, the Company Group aims to further enhance the competitiveness of its CRO Business. In addition, the Company Group plans to actively expand its business in promising business areas such as development support for medical devices and development of functional foods, utilizing its achievements and knowledge obtained in pharmaceutical clinical trials.

Further, due to the expansion of clinical research, physician-led clinical trials and database research, and the increase in activity by drug discovery ventures, medical supply development needs are expected to become more diverse in the future. In order to respond to those needs, the Company Group will establish a system to provide a "one-stop" solution from formulation of development strategies to support of manufacturing and sales.

(b) SMO Business

The SMO Business aims to further expand its market share by making effective use of its resources through the implementation of regional and facility strategies while leveraging its largest business scale in Japan, focusing on areas with high customer needs such as cancer, dermatology and central nervous system, and responding to growing needs for clinical trial office support at large-scale medical institutions. In addition, the Company Group utilizes resources through collaboration with the CRO Business, for example, deployment of a CRA (Clinical Research Associate) who was educated at the CRO medical institutions as a SDM (Site Data Manager) to be exclusively in charge of detailed



examination of test data and data input into the system, etc., so that CRCs (Note 6) can focus on dealing with examinees and medical staff and case accumulation, and therefore it will be possible to further accelerate operational efficiency. In the new approach to IT technology, the Company Group will promote efficient clinical trial operations and aim to further improve customer satisfaction by computerizing the Central IRB (Note 7) and selling a clinical trial progress management system for medical institutions, etc.

(c) CSO Business

In the CSO Business, the Company Group will develop new services based on an accurate understanding of needs and changes from pharmaceutical and medical device companies. In existing services, the Company Group will differentiate itself from competitors by combining the CSO operations, such as conventional contract MRs (Note 8) and call centers, with the various unique services of the Company Group. In the DI (Drug Information) business that manages drug information, the Company Group will continue to improve the quality of highly specialized operators, to improve operational efficiency by promoting digital transformation (Note 9), and to further strengthen communication with clients. The Contract MR Division will shift from dispatch style to multi-channel promotion through physical-digital integration, as well as improve the quality of MRs. In the new services, the Company Group plans to expand its new business such as commercializing remote PMS monitors in the PMS (post-marketing surveillance) Division and deploying field service engineers in the Medical Equipment Division. In addition, the Company Group aims to expand orders by leveraging its expertise in production of academic materials, education and training services, and field in cancer, etc. ES-Link Co., Ltd. ("ES Link"), which was established as a joint venture with Suzuken in October 2018, is currently promoting distribution management as an initiative to respond to new needs for promotion services, rare disease drugs and medical devices by combining Suzuken's strong network with pharmaceutical and medical device companies with the highly specialized virtual MR of the Company.

(d) Global Research Business

The Global Research Business aims to become a leading CRO company in the Asia-Pacific region, and will build a solid business foundation in Japan, Asia and China. In order to do so, the Company Group plans to increase inbound orders from Europe, the United States and China, and outbound orders from Japan to China and Asia by strengthening its alliances with overseas CROs, including a Chinese CRO, Beijing Global Pharmaceutical Research Co., Ltd. (G&P), which the Company Group acquired in June 2020, Hangzhou Tigermed Consulting Co., Ltd., and George Clinical Pty Ltd., and domestic CROs, and flexibly and promptly reorganizing the CROs in China and Asia. In international joint clinical trials, the Company Group aims for stable growth by providing high-quality products (services) and strengthening human resource management. In terms of profit, the Company Group will reduce costs by reviewing expenses and selling general and administrative expenses, including those for



domestic and overseas bases.

(e) EKISHIN Business

As “a healthcare-focused trading firm connecting Japan with China,” the EKISHIN Business will seek cooperation and capital alliances with new business partners, and make a shift toward the next stage based on its existing businesses.

While securing current business performance through the stable operation of the existing businesses based on product-related business, international trade-related business and relevant support related business, the EKISHIN Business will actively promote the restructuring of businesses within the group, but also for outside companies. In the product-related business, the Company Group will improve the interferon production process of Shanghai Huaxin High Biotechnology Inc., further cultivate and newly develop the markets, and promote the introduction of new products and partnerships with drug discovery ventures in China. In the international trade-related business, the Company Group will steadily operate the existing business of selling pharmaceuticals and medical devices between Japan and China and the business of selling equipment related to preclinical tests among Japan, the United States and China, and expand products and sales channels by strengthening partnerships with outside business partners.

(Note 1) An abbreviation for the Contract Research Organization, which is an organization (or an individual) entrusted by pharmaceutical companies, etc. with various businesses related to operations and management of clinical trials conducted by pharmaceutical companies.

(Note 2) An abbreviation for the Site Management Organization, which is an organization (or an individual) entrusted by medical institutions with part of businesses related to implementation of clinical trials conducted by medical institutions.

(Note 3) An abbreviation for the Contract Sales Organization, which is an individual, organization, or body that is entrusted with, or performs, sales and marketing operations on behalf of pharmaceutical companies, and is an organization (or an individual) entrusted by medical companies, etc. with a business in which MRs (medical representative) not only provide medical institutions with information on the proper use of drugs, such as information on efficacy or effects and side effects, but also collect relevant information from those institutions.

(Note 4) This refers to checking and collecting data on efficacy and side effects associated with the use of drugs, medical appliances or instruments and processed cells, etc. through clinical trials before applying for approval for pharmaceuticals, medical devices and regenerative medicine products.

(Note 5) An abbreviation for the Post Marketing Surveillance, which refers to a survey conducted to confirm efficacy and safety of newly market launched pharmaceuticals after approved by clinical trials.

(Note 6) An abbreviation for the Clinical Research Coordinator, which refers to a person who supports the implementation of clinical trials at medical institutions. The CRC refers to the person who is instructed and supervised by an investigator (or a dentist) and cooperates with an investigator and a



subinvestigator from a professional standpoint, and may be a nurse, pharmacist, clinical laboratory technician, and other person with relevant medical knowledge.

(Note 7) An abbreviation for the Central Institutional Review Board, which refers to an institutional review board within hospitals of specific medical institutions that collectively performs reviews entrusted by multiple medical institutions.

(Note 8) An abbreviation for the Medical Representative. The main duties of MRs are to conduct interviews with pharmaceutical industry professionals, and provide information on the quality, efficacy and safety of drugs, and collect and communicate information on side effects, etc., mainly for the purpose of proper use and widespread use of drugs.

(Note 9) "Digital transformation" refers to transformation of a company's products, services, and business models based on needs of customers and society in response to drastic changes in the business environment, as well as transformation of its operations, organization, processes and corporate culture, thereby establishing a competitive advantage, through utilization of data and digital technologies.

The Company Group has been discussing ways to create new-added value with Suzuken, a leading drug-distribution company which has developed the Drug Wholesaling Business as its core business as well as other businesses including the Drug Manufacturing Business and the Health Insurance Pharmacy Business since its establishment as a pharmaceutical wholesale company in 1932, with the aim of contributing to the medical and healthcare industries. As announced in the "Notice of Capital and Business Partnership and Disposition of Treasury Stock through Third-Party Allocation" dated September 27, 2016, the Company Group entered into a capital and business partnership with Suzuken with the aim of developing their businesses not only in Japan, but also in Asia, particularly in China, and contributing to the medical and healthcare industries, by utilizing both companies group's management resources and expertise. Specifically, in Japan, the companies aim to create new added-value mainly for pharmaceutical companies and medical institutions through joint promotion of the CRO, SMO and CSO Businesses and their ancillary businesses, and joint development of new businesses, while in China, they aim to create new-added value in the medical service business, including the manufacturing support business and distribution business, in addition to strengthening the capabilities of the existing businesses of both companies. Subsequently, as announced in the "Notice of Establishment of Joint Venture and Receipt of Contributions in Connection With Capital and Business Partnership with Suzuken CO., LTD." dated May 9, 2018, the Company Group believes that it can support pharmaceutical companies by utilizing the management resources and know-hows of both groups, and agreed to establish a joint venture and to accept capital participation from Suzuken to EP Pharma Line. According to the Press Release Concerning Agreement with Suzuken, Suzuken will make contribution (capital contribution ratio: 49%) to EP Pharma Line conditional upon the completion of the Tender Offer. In addition, as announced in the "Notice of Establishment of Joint Venture with



Suzuken CO., LTD." dated September 25, 2018, in October 2018, the two companies agreed to integrate the functions of both companies to conduct a new promotion service business for pharmaceutical companies and a BPO (Note 10) service business to support business reform carried out by pharmaceutical companies, and established ES Link as the above-mentioned joint venture on October 1, 2018. As for future development, the ES Link aims to be a company that can respond to needs from marketing, distribution and development divisions of pharmaceutical companies and make comprehensive proposals for improving effectiveness and efficiency by combining the MS (Marketing Specialist) (Note 11) function and other various functions of Suzuken with the BPO function and the medical contact center (Note 12) function in the CSO Business of the Company Group.

After of the collaboration mentioned above, the two companies have continuously discussed and considered the details, terms and conditions and implementation timing of the business partnership in the agreed areas, and the possibility of business partnership and business development in other areas in order to maximize synergy between the two groups.

(Note 10) An abbreviation for the Business Process Outsourcing, which refers to outsourcing part of a company's business processes to an outside professional company on a continuous basis.

(Note 11) An abbreviation for the Marketing Specialist, which refers to a sales representative of the Drug Wholesaling Business, who visits medical institutions and insurance pharmacies, etc., and introduces medicines, conducts business negotiations, and provides and collects information.

(Note 12) The medical contact center is a 24-hour, 365-day call center owned by EP Pharma Line that specializes in medicine, medical care, medical devices and healthcare. EP Pharma Line 's BPO service, which consists of pharmacists, MRs, nurses and other qualified professionals who specialize in the pharmaceutical industry, provides one-stop support for business processes from pre-approval to PMS.

However, due to the promotion of generic drugs to reduce social security costs, and the lowering of drug prices by revisions to drug prices, the profitability of pharmaceutical and medical device industries, which are customers of the main businesses of the Company Group, is declining. In addition, as the field of drug development shifts from lifestyle-related diseases to cancer, central nervous system diseases and rare diseases, the difficulty of clinical trials is ever increasing. Therefore, the business environment is changing.

As described above, the growth of the outsourcing market for drug and medical device development is expected to slow down, and competition is expected to further intensify in the business environment surrounding the Company Group due to the following factors: (1) pharmaceutical companies and medical device companies, which are customers of the Company Group, are shortening the development period and reducing development costs in order to enhance their competitiveness; (2) costs are increasing due to the downscaling of projects and the sophistication of expertise in such fields



as cancer, central nervous system diseases, intractable diseases and rare diseases; and (3) the domestic clinical trial market is shrinking due to globalization.

In such a business environment, looking back on the recent performance, Mr. Yan has recognized that the Company Group has achieved steady revenue growth by expanding the scope of business through the development of multiple business segments, such as the SMO, CSO, Global Research, and EKISHIN, in addition to the core CRO Business, and the use of M&A, etc., profit growth has been stagnant due to the aforementioned slowdown in market growth and intensifying competition.

In such circumstances, Mr. Yan believes that it would be difficult to achieve sustainable growth of the Company Group, even if the current performance can be maintained by merely continuing each existing business as-is. He recognizes the need to flexibly and promptly implement fundamental growth initiatives that require large up-front investments and bold transformation of the business model, such as the creation of new businesses and responses to digital transformation, in order to become competitive on the global stage.

In addition, Mr. Yan believes that it is possible to further increase the enterprise value of the Company Group in this severe business environment surrounding the Company Group by implementing the following initiatives.

(i) Restructuring the existing core businesses through bold investments and strategic changes

The CRO Business, which is the core business of the Company Group, has achieved steady sales growth, but earnings growth has been stagnant. As for the business environment, the needs for the Company Group are becoming more diverse and complex, including increasingly sophisticated drug discovery processes, globalization accompanying the development of international joint clinical trials, and responses to digitization.

Under these circumstances, Mr. Yan regards the existing CRO Business, which is mainly targeted at pharmaceutical companies and is mainly engaged in the implementation of the late phase in clinical development, as an old CRO. While he believes that the necessity for an old CRO will continue, he recognizes that building a new business model is essential, which he positions as a new CRO (NRO). Needs from academia, drug discovery ventures, and overseas biotech companies, which are considered to be potential customers to replace existing pharmaceutical companies, are expected to increase in the future. In order to respond to such needs, he thinks it is necessary to build an NRO as a new business model because the significance of CRO business operators' active involvement in drug discovery with customers from the early stage of clinical development is increasing, including the upgrading of services such as development strategy planning, efficiency improvement through the bold use of IT technology, and the shift to a performance-based (risk-sharing type) contract structure. Furthermore, in order to increase both inbound and outbound orders, he believes it is important to



provide high-quality and innovative services that meet global standards, to strengthen the systems for diversifying clinical trials, and to further strengthen cooperation and alliances, including M&As, with business partners in Japan and overseas.

With respect to the SMO and CSO Businesses, as the entire market shifts to virtual due to changes in the business environment, he believes that there is considerable room for improvement through digitization, and that it is necessary to flexibly and promptly execute active investment while utilizing the cooperative relations with business partners, including Suzuken, that the Company Group has established so far. Furthermore, as the business environment for medical institutions is expected to change significantly due to the reform of the healthcare system, he thinks that, in the SMO Business, the Company Group must flexibly build closer relationships with medical institutions in order to develop services other than the clinical trial-related services.

As stated above, Mr. Yan believes that the Company Group must actively implement the business model change and associated investments in various areas, as well as alliances with outside companies both in Japan and overseas.

(ii) Creation of drug discovery and healthcare product businesses

As stated above, Mr. Yan believes that, in a situation where the growth of the outsourcing market for drug and medical device development is expected to slow down and competition is expected to intensify, by building the NRO Business, the Company Group will be able to participate in clinical trials, the core business of the Company Group, from the stage of development strategy formulation, which is the upstream aspect, and develop a wider customer base, such as drug discovery ventures, by providing comprehensive services from upstream to downstream in drug development, such as research and development, clinical trials, manufacturing and sales, and licensing, which will enable the Company Group to strengthen the existing core businesses.

Accordingly, he believes that it is necessary to create businesses related to products that go beyond services, such as the drug discovery business and sales of healthcare products.

Through its CRO and SMO Businesses, the Company Group has built beneficial long-term relationships with academia, and has already invested in more than 10 drug discovery ventures and entered into business alliances based on those relationships. In the EKISHIN Business, the Company Group is engaged in the channel sales on behalf of Japanese pharmaceutical and medical device companies, and the manufacture and sale of own-brand drugs in China. Based on these experiences, Mr. Yan strongly feels that although Japanese drug discovery ventures, especially academia such as universities and research institutions, have many potential seeds, their commercialization has not progressed due to insufficient clinical development systems and lack of funds, etc. while in China, despite the extremely high needs for joint development of these seeds, their commercialization is making slow progress due to business practices and various other factors, and at the same time, there



are advantageous business opportunities with high social significance. Based on the Company Group's extensive experience and resources in clinical development, as well as its experience in the EKISHIN Business that links Japan and China, the Company Group intends to firmly promote the drug discovery business based on its unique know-how. At the same time, he plans to expand sales of healthcare products for a wider range of customers.

However, Mr. Yan assumes that certain business risks may arise in the existing business model because it is necessary to make a large number of up-front investments and shift to a performance-based profit model in order to realize the above business models, including the NRO Business. He also believes that such a major change in the business model may not be sufficiently appreciated by capital markets as an initiative of the Company Group.

(iii) Promotion of digital transformation in both business and management

As the use of IT technologies, such as remote monitoring and virtual clinical trials, accelerates, responding to digital transformation is becoming increasingly important together with the spread of the COVID-19 infection.

While various initiatives are being carried out, such as digitalization of clinical trial processes, virtualization of monitoring operations, and digitalization of DI operations, Mr. Yan recognizes that further digitalization in data handling and utilization is possible, and in order to stay competitive on the global stage, it is necessary to continue aggressive and bold investments, including incorporating the latest technologies that lead other companies, securing talent with the latest know-how, and conducting M&As of IT companies and partnerships with other companies within the CRO, SMO and CSO Businesses of the Company Group. In addition, Mr. Yan believes that in order to break away from the labor-intensive industry, not only the business perspective, but also the management system, must be improved, including reform of internal infrastructure and office functions. He thinks that if the Company Group focuses on its share price and securing short-term profits as a listed company, it will be difficult to continue the bold and active investments, including the reform of its internal management system.

(iv) Strengthening independent management in business segments and creating new venture businesses

In order to flexibly and promptly implement the initiatives described in (i) through (iii) above, Mr. Yan believes that it is necessary to review and restructure the roles of the Company Group companies. He believes that the Company, which plays a central role in important decision-making of the Company Group as the parent company, should shift and concentrate on planning, coordinating and promoting functions, while streamlining routine and administrative operations as much as possible, while each business segment of the Company Group should strengthen its independent and autonomous management system. Mr. Yan has recognized that, in order to flexibly respond to changes



in the management environment surrounding the Company Group, each business segment of the Company Group should take the initiative in implementing flexible and prompt decision-making, but at the same time, he has also recognized a problem in the current situation that the important managerial decision-making of the Company Group companies is left to the Company, because the Company, which is the parent company of the Company Group, manages the operations of the Company Group as a listed company, and therefore, the decision-making of the Company Group is not led by each business segment. He believes that, by reviewing the roles of the Company Group companies, each business segment will be able to implement fundamental initiatives, such as restructuring the operational system of each business, forming alliances including flexible and prompt M&As and making new business investments taking risks, which have not yet been implemented, and the Company will be able to focus on the consideration of company-wide strategies through streamlined management operations, which could lead to the encouragement of a challenging spirit, the nurturing of the next generation, and the creation of new venture businesses.

The Company Group had been discussing with Suzuken the possibility of business development for a long time, while considering initiatives to continuously improve the enterprise value of the Company Group mentioned in (i) to (iv) above. In mid March, 2021, Mr. Yan discussed the future management initiatives of the Company Group with Suzuken. In the course of continuing discussions between the two companies, they came to a common understanding that, in order to further enhance the enterprise value of the Company Group, further business synergies must be created by effectively utilizing the management resources of both the Company Group and Suzuken Group under a stronger capital relationship, and that therefore, strengthening capital and business alliances is the most effective means. In addition, Mr. Yan believed that in order to realize the initiatives mentioned above, it is necessary to work with third parties that can support the financing regarding the Tender Offer, while further strengthening management know-how, overseas network, and other functions of the Company Group, and since mid-March 2021, he had been discussing with multiple companies including MBKP through introduction from financial institutions. In early April 2021, while Mr. Yan was discussing with MBKP the business prospects of the Company Group and the possibility of capital participation, he came to a conclusion that making the most of MBKP's network and know-how would contribute to the increase of the Company Group's enterprise value.

Meanwhile, Mr. Yan believes that if the Company Group implements the initiatives stated in (i) through (iv) above in order to resolve the management issues mentioned above while remaining listed, the level of profit on a consolidated basis would be expected to decrease at least in the short term and it would have an adverse effect on the share price due to the implementation of the alliance strategy and up-front investments, and the term fluctuations in the business performance during that period will not necessarily be appreciated enough by capital markets, and that therefore, the Company Group



may not meet the expectations of shareholders.

Mr. Yan believes that in order to survive the ever-changing business environment and intensifying competition, it is essential to establish a management system that enables flexible and prompt implementation of a fundamental and flexible decision-making process in order to maximize the enterprise value of the Company Group from a medium- to long-term perspective.

In addition, the expenses necessary for the Company Group to maintain the listing of its shares (expenses required for the continuous information disclosure such as annual securities reports, and expenses required for the operation of shareholders meetings and entrustment of business to shareholder registry administrators, etc.) have increased in recent years, and Mr. Yan believes that those expenses may become an additional burden on the management of the Company Group in the future. Since its listing on the JASDAQ market (currently the JASDAQ (Standard) Market of the Tokyo Stock Exchange) in 2001, the Company Group has enjoyed various benefits as a listed company, including securing excellent human resources owing to the improvement of its name recognition and social credibility. However, Mr. Yan believes that it is difficult to justify maintaining the listing of the Company shares on a continuous basis in the future, because, given the current financial condition of the Company Group under which it is able to secure funds necessary for conducting its normal business activities and the recent low interest rate environment for indirect financing, the need for the Company Group to raise funds on a large scale through the use of equity financing is not high for the time being, and the brand power and social credibility of the Company Group can be maintained and acquired more through its business activities.

In light of the circumstances described above, in early March, 2021, Mr. Yan determined that making the Company shares private would be an effective way to flexibly and promptly implement the management initiatives described in (i) through (iv) above while avoiding imposing any risk on the shareholders that would inevitably arise due to the implementation of the medium- to long-term strategy of the Company Group, and it would make it possible to provide the Company Group's shareholders with reasonable opportunities to sell their shares at the market price with a certain premium. In addition, Mr. Yan believes, in order to promote the initiatives described above, it is necessary to make the Company shares private while ensuring the continuity of business operations in the past. And he determined that, in doing so, it is necessary for the growth of the Company Group that Mr. Yan, the founder of the Company, who has long served as the representative director of the Company and strengthened the competitiveness and profitability of the Company Group, continues to manage the operations of the Company instead of other person and make managerial decision-making flexibly and promptly, and making the Company shares private through management buyout (MBO) would be in the best interest of the shareholders of the Company and that would contribute to the increase of the Company Group's enterprise value. In addition, if the Company Group makes the Company private using a method other than management buyout (MBO), Mr. Yan may not be able to



continue to manage the operations of the Company, and there may be differences in the management policies of the Company between the management of the Company and shareholders of the Company, which may make it impossible for the Company to make flexible and prompt decision-making. For this reason, Mr. Yan considers it undesirable to make the Company private by a method other than MBO. As the Company Group marks 30 years since its establishment in May 2021, Mr. Yan regards the execution of the Transaction as an opportunity to make its second start, and made this decision toward the further development of the Company Group. Given that Mr. Yan is expected to continue to manage the operations of the Company as described above, Mr. Yan and Y&G discussed the capital structure of the Tender Offeror after the Transaction on the premise that the capital and business alliance with Suzuken would be strengthened after Y&G acquires the majority of the Tender Offeror's voting rights after the Transaction. They considered the terms and conditions of the Transaction so that Suzuken would hold 20.00% of the voting rights of the Newly Established Company after the Transaction and the said company would become an equity method affiliate of Suzuken, taking into account the amount of funds required for the Transaction. Based on the above discussion, Mr. Yan and Y&G asked Suzuken to make Suzuken's Contribution, and Suzuken agreed, and thus they decided to make Suzuken's Contribution. In addition, Mr. Yan and Y&G confirmed with current management team and manager class employees, who are as large-scale shareholders and considered having capability to make a contribution, whether they would like to make a contribution to the Tender Offeror. The Contributing Officers and Employees expressed their will to make a contribution, so Mr. Yan and Y&G discussed terms and conditions of the Transaction based on the amount that the Contributing Officers and Employees were willing to contribute. Later, Mr. Yan and Y&G proposed the contribution amount and the terms and conditions of the Transaction to the Contributing Officers and Employees. Each Contributing Officer and Employee agreed to the same so the Contributing Officers and Employees has been decided to be carried out.

Subsequently, in early March 2021, Y&G made an initial offer to the Company to start examinations and discussions toward the implementation of an MBO. Then, Y&G conducted due diligence on the Company from mid-March 2021 until late April of the same year, and on March 19, 2021, submitted to the Company a letter of intent regarding the Transaction and commenced discussions and negotiations with the Company regarding whether to implement the Transaction. While conducting the due diligence on the Company, from mid-March to late April 2021, Y&G discussed the specific scheme of the Transaction taking into account the policies of Suzuken and MBKP, the intention of the Contributing Officers and Employees to become more involved in the management of the Company as shareholders and contribute to the increase of the Company's enterprise value, and the tax benefits from the Absorption-Type Merger for the purpose of effectively utilizing the costs associated with the financing for the Transaction, etc., and finalized the specific method of the Transaction in late April



2021 and informed Company thereof. And then, after multiple discussions with the Company on the method of the Transaction and the terms and conditions of the Transaction, Y&G conducted a further detailed examination of the terms and conditions of the Transaction, and on April 30, 2021, made an initial price proposal to the Company to set the Tender Offer Price at JPY1,500. On May 7, 2021, the Company responded in writing from that it would be extremely difficult for the Company to accept the Tender Offer at such price or recommend minority shareholders of the Company to apply for the Tender Offer. Subsequently, Y&G made a reproposal in writing with the Tender Offer Price at JPY1,600 on the 10th of the same month, and on the 12th of the same month, the Company responded in writing to Y&G to consider setting the Tender Offer Price at JPY2,100. Subsequently, on the 17th of the same month, Y&G made a reproposal in writing to the effect that while it considered JPY1,600 per share, which was said offer price, to be a sufficiently reasonable price comprehensively considering the business and financial conditions, etc. of the Company, after reconsidering the content of the Company's response seriously and considering putting a premium based on the Company's past and latest stock prices, etc., the Tender Offer Price should be JPY1,650. The Company responded in writing from to Y&G to reconsider the Tender Offer Price from the viewpoint of further consideration to the interests of the minority shareholders and reconsider setting the Tender Offer Price at JPY2,050. In response, on the 19th of the same month, Y&G made a reproposal requesting to set the Tender Offer Price at JPY1,750. After that, on the 20th of the same month, the Company responded Y&G to consider setting the Tender Offer Price at JPY1,850 and give a response by the 24th of the same month. In response to the Company's proposal, on the 21th of the same month, Y&G made a reproposal in writing to set the Tender Offer Price at JPY1,770, and on the 24th of the same month, the Company responded to set the Tender Offer Price at JPY1,800. After these discussions and negotiations, on May 24, 2021, Y&G and the Tender Offeror decided to set the Tender Offer Price at JPY 1,800 and on May 27, 2021, decided to commence the Tender Offer through as part of the Transaction.

b. Post-Tender Offer Management Policy

The Transaction falls under the so-called management buyout (MBO). Mr. Yan, a representative director of the Company, will remain in charge of management of the Company after completion of the Tender Offer and promote the management policy set forth above. With respect to assumption of position as an officer after the Tender Offer is made, no special agreement has been executed among the Tender Offeror and the Contributing Officers and Employees at this time. On the assumption that the Contributing Officers and Employees will remain in charge of management of the Company as officers and employees, it is expected that the Contributing Officers and Employees will own and manage the Company by obtaining the status as a shareholder in the Tender Offeror and more actively endeavor to improve enterprise value of the Company.

As described in “(ii) Shareholders Agreement” under “(4) Items Regarding Critical Agreements Related



to the Tender Offer” below, Y&G and Suzuken agreed on the matters regarding operation of the Tender Offeror and the Company as of May 27, 2021. For further details, please see “(ii) Shareholders Agreement” under “(4) Items Regarding Critical Agreements Related to the Tender Offer” below.

Subject to completion of the Squeeze-Out, the Tender Offeror intends to implement the Contribution by Officers and Employees, Etc., the Share Exchange, the Share Transfer and the Absorption-Type Merger in the said sequential order. (However, the details such as specific timing and conditions of implementation of the Contribution by Officers and Employees, Etc., the Share Exchange, the Share Transfer and the Absorption-Type Merger have not yet been decided currently.)

(iii) Process of and Reasons for Decision-Making by the Company

On March 19, 2021, in response to Mr. Yan's initial request to commence discussions on the implementation of the Company's management buyout (MBO) as described in "a. Background of the Decision of the Tender Offeror to Implement the Tender Offer, Purpose and Decision-Making Process" under " (ii) Background of the Decision to Implement the Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy" in order to ensure the fairness of the Tender Offer Price and the fairness of other matters pertaining to the Transaction, including the Tender Offer, on March 19, 2021, the Company appointed Mizuho Securities Co., Ltd. (the "Mizuho Securities") as its financial advisor and TMI Associates as its legal advisor, each being independent from each of Mr. Yan, the Tender Offeror, the Company, Y&G, Suzuken, MBKP and the Tendering Officers and Employees (collectively the "Tender Offer Related Parties") as well as the Transaction itself. The remuneration to be paid to Mizuho Securities in connection with the Transaction is composed of fixed remuneration only, and does not include the success fee payable subject to the successful completion of the Tender Offer, etc. Furthermore, prior to the Company's deliberation and resolution on the Transaction at its Board, the Company established a special committee (the "Special Committee") as of March 19, 2021, for the purpose of ensuring the fairness of the decision-making process of the Company's board of directors by carefully considering the Company's decision-making on the Transaction and eliminating arbitrariness and the possibility of conflicts of interest in the decision-making process. For details of the composition and specific activities of the Special Committee, please see "(iii) Establishment of Independent Special Committee by the Company and Acquisition of Report from Said Special Committee" under “(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest”.

Under the above-mentioned system, the Company held multiple discussions and deliberations with the Tender Offeror regarding the purpose of the Transaction, the manner of the Transaction, the management policy after the Transaction, and the terms and conditions of the Transaction, including the Tender Offer Price, based on the negotiation policy confirmed in advance by the Special Committee and the opinions, instructions, and requests from the Special Committee at important points in the negotiations, while



receiving advice from Mizuho Securities and TMI Associates.

With respect to the Tender Offer Price, the Company received a proposal from the Tender Offeror on April 30, 2021, that the Tender Offer Price be set at JPY 1,500, and in response to this proposal, the Company responded to Y&G in writing on May 7, 2021, stating that it would be extremely difficult to approve the Tender Offer at the relevant price and to recommend that the Company's minor shareholders tender their shares in the Tender Offer based on the content of the report on the results of the calculation of the share value of the Company's shares received from Mizuho Securities and the discussions at the Special Committee. Thereafter, the Company reported the status of negotiations to the Special Committee in a timely manner, and based on the Special Committee's opinions, instructions, requests, etc. at important points in the negotiations, the Company held discussions and negotiations with Y&G on the Tender Offer Price several times, while receiving advice from Mizuho Securities and TMI Associates. Specifically, the Company received a proposal from Y&G to set the Tender Offer Price at JPY 1,600 on May 10, a proposal to set the Tender Offer Price at JPY 1,650 on May 17, a proposal to set the Tender Offer Price at JPY 1,750 on May 19, and a proposal to set the Tender Offer Price at JPY 1,770 on May 21. In response to these proposals, the Company requested a further review of the Tender Offer Price from the viewpoint of further consideration for the interests of minor shareholders. Based on the above negotiations, the Company received a proposal from Y&G on May 24th to set the Tender Offer Price at JPY 1,800.

In addition, the Company received legal advice as necessary from TMI Associates, its legal advisor, regarding the method and process of decision-making by the Board of Directors of the Company, including various procedures related to the Transaction, and other points to be noted. the Company received final proposal from the Tender Offeror on May 24, 2021, and received the report (the "Report") dated May 26, 2021 (For an outline of the Report and the specific activities of the Special Committee, please see "(iii) Establishment of Independent Special Committee by the Company and Acquisition of Report from Said Special Committee" under "(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest").

Then, at its Board of directors' meeting held on May 27, 2021, the Company resolved, based on the legal advice received from TMI Associates, its legal advisor, and the content of the Company Share Valuation Report (Defined in "(3) Matters Concerning Calculation" below.) obtained from Mizuho Securities, the third-party valuation organization, as of May 26, 2021, to consider, to the maximum extent possible, whether the Transaction will enhance the enterprise value of the Company, and whether the terms and conditions of the Transaction, including the Tender Offer Price, are appropriate. While giving maximum consideration to the content of the Report submitted by the Special Committee, the Company carefully discussed and deliberated from the perspectives of whether the Transaction would enhance the enterprise value of the Company and whether the terms and conditions of the Transaction, including the



Tender Offer Price, were appropriate.

As a result, as stated in "a. Background of the Decision of the Tender Offeror to Implement the Tender Offer, Purpose and Decision-Making Process, (ii) Background of the Decision to Implement the Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy" above, the Company Group's main customers, pharmaceutical companies and medical device companies, are shortening development periods and curbing development costs in order to strengthen their competitiveness. Against the backdrop of a decrease in the number of clinical trials in Japan due to an increase in international clinical trials, the growth of the outsourcing market for pharmaceutical and medical device development is expected to slow down, and competition is expected to intensify further in the business environment surrounding the Group. In order to maximize the enterprise value of the Company Group from a medium- to long-term perspective under such a business environment, the Company has come to the conclusion that it is necessary to establish a management system that enables drastic and flexible decision-making in a flexible and prompt manner. Specifically, as described in "a. Background of the Decision of the Tender Offeror to Implement the Tender Offer, Purpose and Decision-Making Process, (ii) Background of the Decision to Implement the Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy" above, the Company has come to the conclusion that it needs to implement (i) strategic changes and active investment to respond to the diversification and complexity of needs of the Company Group, such as the increasingly sophisticated drug discovery process, globalization accompanying the progress of international joint clinical trials, and digitization, (ii) the development of a drug discovery support platform by participating in the development stage of new drugs upstream in clinical trials and providing integrated services from upstream to downstream in drug development, such as research and development, clinical trials, manufacturing sales, and licensing, and the resulting business model change, (iii) the reorganization of internal infrastructure and office functions to promote the virtualization of the Company Group businesses, digitization, and departure from labor-intensive industries, and (iv) the roles of each the Company Group.

Furthermore, in the event that the Company Group implements each of the above measures while maintaining its listing, it is expected that the profit level on a consolidated basis with the Company Group will decrease at least for a short-term due to the implementation of alliance strategies and up-front investments, and during that term fluctuations in business performance will not necessarily be fairly evaluated by the capital markets, and as a result, the Company has come to believe that the share price of the Company Shares may possibly decline, which will have a negative impact on the Company's shareholders.

In addition, the disadvantages of delisting are limited because: (i) the Company currently is able to secure its funding necessary to conduct its normal business activities; (ii) the need for large-scale financing through the equity financing is not high in the Company Group for the time being under the



low interest rate environment in recent indirect financing market; and (iii) the brand power and social credibility of the Company Group are increasingly maintained and acquired through the Company's business activities.

In light of the above, the Company has come to the conclusion that, in order to establish a management system that can flexibly and swiftly implement drastic and flexible decision-making while avoiding any adverse effects that may occur to the shareholders of the Company, and to further improve the enterprise value of the Company Group from a medium- to long-term perspective, it is effective to take the Company Shares private through the Transaction. In order to efficiently implement each of the above measures, the Company has determined that it would be useful from the perspective of enhancing the effectiveness of each of the above measures if the Company were to be taken private by a tender offeror in which Y&G, a company which has objectives of, consulting and maintaining control of the Company, in which Mr. Yan, the Company's representative director who is well versed in the Company's business and management environment, owns all of the voting rights, limited the Company's substantial shareholders to Mr. Yan, Suzuken, MBKP, and the Company's officers and employees who share the same awareness of the issues with Mr. Yan (For an overview of the capital relationship of the Company after the Transaction, please see "(i) Overview of the Tender Offer"). The Company also has determined that the manner of the series of the Transaction, including the Absorption-Type Merger in order to establish a shareholding structure that will enable efficient business operations after the implementation of the Transaction, is not unreasonable.

The Board of Directors of the Company has determined that the Tender Offer Price and the other terms and conditions of the Tender Offer are reasonable for the shareholders of the Company and that the Tender Offer will provide its shareholders with a reasonable opportunity to sell their shares of the Company for the following reasons: (a) The Tender Offer Price (JPY 1,800) exceeds the upper end of the calculation results based on the market price method, exceeds the average (JPY1,772) of the range of the calculation results based on the DCF method, and also above the average (JPY1,788) of the range of the calculation results based on the comparable multiple valuation method in the calculation results in the Company Share Valuation Report by Mizuho Securities as described in "(3) Matters Regarding Calculation" below; (b) the Tender Offer Prices is equal to the amount adding a 36.47 % premium (rounding to three decimal places; the same shall apply hereinafter in the calculation of premium rates) to the closing price of the Company Shares on the First Section of the TSE on May 26, 2021 (JPY 1,319), which is the business day immediately preceding the announcement date of the Tender Offer; a 39.53% premium to the simple average of the closing prices of the Company Shares on the First Section of the TSE for the past one (1) month up to that day (JPY 1,290) (rounding to the nearest whole number; the same shall apply hereinafter in the calculation of the simple average of the closing price); a 50.25 % premium to the simple average of the closing prices of the Company Shares on the First Section of the TSE for the past three (3) month up to that day (JPY 1,198); and a 60.14 % premium to the simple



average of the closing prices of the Company Shares on the First Section of the TSE for the past six (6) month up to that day(JPY 1,124), and it can be said to be a reasonable price as compared to the cases of similar transactions conducted as part of a "management buyout (MBO)"; (c) it is recognized that consideration is given to the interests of minority shareholders, such as measures taken to eliminate conflicts of interest as described "(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest" below; (d) the Tender Offer Price was determined after measures were taken to eliminate the conflicts of interest, and after multiple rounds of discussions and negotiations equivalent to discussions and negotiations in arm's length transactions between the Company and the Tender Offeror; (e) the Special Committee has received timely reports from the Company on the background and details of the discussions and negotiations with the Tender Offeror regarding the Transaction, and has held the Special Committee Meetings to discuss the policy of the discussions and negotiations with the Tender Offeror, and the Special Committee has given the Company its opinions and instructions. The price was determined after the Company discussed and negotiated with the Tender Offeror with the utmost respect on the opinions, instructions and requests rendered by the Special Committee.

Based on the above, the Board of Directors of the Company at its meeting held on May 27, 2021, to express its opinion in favor of the Tender Offer and to recommend that the shareholders of the Company tender their shares in the Tender Offer.

(3) Matters Regarding Calculation

(i) Name of a third-party valuation organization and Relationship with the Company and the Tender Offeror, etc.

In expressing its opinion on the Tender Offer, the Company requested Mizuho Securities to calculate the value of the Company Shares as a measure to ensure the fairness and objectivity of the terms and conditions of the Transaction including the Tender Offer Price. Mizuho Securities is a financial advisor and a third-party valuation organization independent from the Tender Offer Related Parties and the Transaction itself and is not a related party of the Tender Offer Related Parties. Although Mizuho Securities holds a position as a shareholder of the Company, its ownership ratio is only 0.78%, and Mizuho Securities have taken appropriate measures to prevent adverse effects, such as measures to isolate information between the department in charge of financial advisory services and the calculation of the value of the Company's shares and the department in charge of strategic-shareholdings within Mizuho Securities. Although Mizuho Bank Co., Ltd., a group company of Mizuho Securities, ("Mizuho Bank"), has conducted loan transactions, etc. as part of its normal banking transactions with the Company and Suzuken, Mizuho Securities does not have any material conflict of interest with respect to the Transaction. According to Mizuho Securities, pursuant to the applicable laws and regulations, including Article 36, Paragraph 2 of the Act and Article 70-4 of the Cabinet Office Ordinance on Financial Instruments Business,



etc., Mizuho Securities has established and implemented an appropriate system for the management of conflicts of interest, including measures for the separation of information between Mizuho Securities and Mizuho Bank, and conducted the calculation of the share value of the Company from a standpoint independent of the status of lender of Mizuho Bank. In addition, Mizuho Securities has established and implemented an appropriate conflict of interest management system, such as measures to isolate information, within Mizuho Securities as described above, and the department in charge of financial advisory services and the calculation of the value of the Company's shares calculated the value of the Company Shares from a standpoint independent from the department in charge of strategic-shareholdings without any effects of the conflict of interest about the Transaction because of the system. The company selected Mizuho Securities as a third-party valuation organization independent from the Tender Offer Related Parties and the Transaction based on the following factors: (i) appropriate measures such as measures to isolate information have been taken to prevent any adverse effect between Mizuho Securities and Mizuho Bank as well as within Mizuho Securities as described above; (ii) independence of Mizuho Securities as a third-party valuation organization has been secured because the Company and Mizuho Securities conduct transactions on arms-length conditions; and (iii) Mizuho Securities has a track record as a third-party valuation organization in the past in similar cases.

Furthermore, the Special Committee has approved appointments of the financial advisor and the third-party valuation organization by the Company in the light of the fact there is no issues pertaining to their respective independence and expertise as described above, and the Special Committee has well noted that it has the right to seek for their professional advice as necessary.

(ii) Outline of Calculation

After considering the calculation method to be adopted for the calculation of the Company's share value from among several valuation methods, Mizuho Securities adopted: the market price method because the Company Shares are listed on the First Section of the Tokyo Stock Exchange and a market share price exists; the DCF method to reflect the future business activities of the Company in the calculation; and the comparable multiple valuation method because there are multiple listed companies engaging in relatively similar businesses to the Company and it is possible to analogize the share value by comparing similar companies. The Company obtained a share valuation report (the "Company Share Valuation Report") from Mizuho Securities as of May 26, 2021. The Company has not obtained a written opinion (fairness opinion) from Mizuho Securities to the effect that the Tender Offer Price is fair to the Company's minor shareholders from a financial point of view.

The range of per-share values of the Company shares calculated based on each of the above methods is as follows.

the market price method : JPY 1,124~JPY 1,319



the DCF method : JPY 1,341~JPY 2,202

the comparable multiple valuation method : JPY 1,440~JPY 2,135

Under the market price method, the range of the value of the Company Shares per share is calculated from JPY 1,124 to JPY 1,319 based on the closing price (JPY 1,319) of the Company Shares in the First Section of the Tokyo Stock Exchange as of May 26, 2021, the average closing price (JPY 1,290) of the Company Shares in the last one month (from April 27, 2021 to May 26, 2021), the average closing price (JPY 1,198) in the last three months (from March 1, 2021 to May 26, 2021), and the average closing price (JPY 1,124) in the last six months (from November 27, 2020 to May 26, 2021).

Under the DCF method, the free cash flow that the Company is expected to generate from the third quarter of the fiscal year ending September 2021 onwards is discounted to its present value at a certain discount rate, based on various factors such as the earnings forecasts and investment plans in the business plans for the five fiscal years from the fiscal year ending September 2021 to the fiscal year ending September 2025 prepared by the Company and publicly available information and the value per share of the Company Share is calculated to be between JPY 1,341 and JPY 2,202. The discount rate applied is 6.0% to 7.0%, and the calculation of the terminal value is calculated by the perpetual growth rate method and the EXIT multiple method, and the perpetual growth rate method uses a perpetual growth rate of -0.5% to 0.5%, and the EXIT multiple method uses a multiple of EBITDA to enterprise value of 7.1 times to 10.3 times.

The business plan (consolidated) prepared by the Company, which was used by Mizuho Securities for the DCF analysis, does not include fiscal years in which a significant increase or decrease in profit is expected in comparison to the previous fiscal year. In addition, the enterprise value enhancement measures envisioned by the Tender Offeror after the realization of the Transaction have not been taken into account in the following financial projections, as the Company is not aware of any matters that can be quantitatively evaluated as having the potential to have a material impact on the value calculation at this time. For the reason above, the financial projections in the said business plan are not necessarily based on the assumption of the execution of the Tender Offer.

The financial projections based on the business plan prepared by the Company, which was used as a premise for the calculation of the DCF method by Mizuho Securities, is as follows.

(In Millions of JPY)

	Fiscal year ending September 2021 (6 months)	Fiscal year ending September 2022	Fiscal year ending September 2023	Fiscal year ending September 2024	Fiscal year ending September 2025
Net Sales	36,610	82,795	85,665	87,829	90,187



Operating Profit	1,812	5,266	6,273	7,302	7,881
EBITDA	2,910	7,827	8,894	9,780	10,419
Free cash flows	△715	△2,461	5,105	6,095	6,370

According to Mizuho Securities, under the comparable multiple valuation method, the Company selected CMIC HOLDINGS Co., Ltd., Linal Co., Ltd., Irom Group Co., Ltd., Shin Nippon Biomedical Laboratories, LTD., TRANS GENIC INC., Ina Research Inc., WDB coco Co., LTD., M3, Inc., PhoenixBio Co., Ltd., and INTAGE HOLDINGS Inc., as listed companies engaged in a relatively similar business to that of the Company, and then calculated the share value of the Company Shares using the multiple of EBITDA to enterprise value, and calculated the range of shares value per share of the Company Shares to be between JPY 1,440 and JPY 2,135.

In calculating the share value of the Company Shares, Mizuho Securities has, in principle, used the information provided by the Company and publicly available information without making any changes, and has assumed that all such materials and information are accurate and complete, and has not independently verified their accuracy and completeness. In addition, information regarding the Company's financial projections is assumed to have been prepared reasonably based on the best forecasts and judgments currently available to the Company. In addition, Mizuho Securities has not conducted any independent valuation or appraisal on the assets and liabilities (including off-balance-sheet assets and liabilities, and other contingent liabilities) of the Company and its affiliates, nor has it requested any third-party valuation organization to provide an appraisal or assessment. Mizuho Securities' calculations reflect the above information up to May 26, 2021.

(4) Post-Tender Offer Reorganization Policy (Matters Regarding the So-called “Two-Step Acquisition”)

According to the Tender Offeror, as is stated in “(i) Overview of the Tender Offer, (2) Grounds and Reasons for opinion” above, if the Tender Offeror fails to acquire all of the Company Shares through the Tender Offer, the Company will implement the following procedures and a series of procedures to make the Tender Offeror and Y&G the sole shareholders of the Company in the following manner after conclusion of the Tender Offer.

Specifically, the Tender Offeror will request that the Company hold a special shareholders’ meeting (the “Special Shareholders’ Meeting”) which agenda will include implementation of Share Consolidation of Company Shares in accordance with Article 180 of the Companies Act, and subject to the completion of the Share Consolidation, amendments to the Company’s articles of incorporation that will eliminate provisions on a share unit number. The Tender Offeror, Y&G, and Tendering Officers and Employees who own Non-tendered Shares, will approve each of the proposals above at the Special Shareholders’ Meeting.



If proposals concerning the Share Consolidation are approved at the Special Shareholders' Meeting, the Company shareholders will, as of the effective date of the Share Consolidation, each retain a number of the Company Shares corresponding to the Share Consolidation ratio approved at the Special Shareholders' Meeting. If the Share Consolidation results in fractional shares that are less than one share, in accordance with the procedures set forth in Article 235 of the Companies Act and other relevant laws and regulations, the Company shareholders retaining the fractional shares will be provided with money to be obtained through the sale of Company Shares equivalent to the sum of the fractional shares (if the sum of the fractional shares is less than one share, the fractional shares will be discarded) by the Company or the Tender Offeror. With respect to the sale price of the Company Shares equivalent to the sum of the fractional shares, a petition for permission for voluntary sale will be filed with a court, after ensuring that as a result of the sale of fractional shares, the monetary amount provided to each Company shareholder who did not apply for the Tender Offer (excluding the Tender Offeror, the Company and Y&G) will be the same as the value calculated when the number of the Company Shares owned by each shareholder is multiplied by the Tender Offer Price. Furthermore, although the consolidation ratio of the Company Shares has not yet been decided currently, the consolidation ratio will be determined such that as a result of the Share Consolidation, the shareholders of the Company who did not tender their Company Shares into the Tender Offer (excluding the Tender Offeror, the Company and Y&G) will each hold fractional shares less than one share and that after the settlement of the sale of the sum of the fractional shares, the Tender Offeror and Y&G will own all of the Company Shares (excluding treasury shares held by the Company).

For the purpose of protecting the rights of minority shareholders in relation to the Share Consolidation, if the share consolidation is implemented, and results in fractional shares that are less than one share, the Companies Act allows Company shareholders (excluding the Tender Offeror, the Company and Y&G) to demand that the Company purchase all fractional shares less than one share owned by them at a fair price, as well as to petition a court for a decision regarding the sale price of their Company Shares, in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations. As described above, in connection with the Share Consolidation, the Company Shares to be owned by Company shareholders who did not apply for the Tender Offer (excluding the Tender Offeror, the Company and Y&G) will be fractional shares less than one share. Therefore, the Company shareholders who oppose the Share Consolidation will be able to petition a court for a decision regarding the above sale price of their Company Shares. If the above petition is made, the sale price will be ultimately determined by a court.

In implementing the above procedures, implementation methods and time may change, depending on the status of amendments to, execution of, and interpretation by relevant authorities of, the relevant laws and regulations, the percentage of ownership of shares, etc. of the Tender Offeror and Y&G after the Tender Offer as well as the holding status of Company Shares of Company shareholders other than the Tender Offeror and Y&G, etc. To be specific, if a shareholder holds the same number or more of the Company Shares as the number of Company Shares owned by Y&G (the "Major Shareholder"), or when there is a



reasonable possibility that a Major Shareholder will appear before the effective date of the Share Consolidation, then, after the completion of the settlement of the Tender Offer, the Tender Offeror and Y&G will, in lieu of the procedures for the Share Consolidation, take actions that are necessary for the Share Consolidation of the Company Shares, which are intended to consolidate the shareholders of the Company as the sole Tender Offeror, and will implement a share consolidation and then the Tender Offeror will transfer the Company Shares to Y&G to make the Tender Offeror and Y&G the sole shareholders of the Company. However, even in that event, measures will be taken by which monetary consideration will be ultimately provided to each Company shareholder who did not apply for the Tender Offer (excluding the Tender Offeror, the Company and Y&G), and the value of that consideration will be calculated to be the price obtained when the number of Company Shares owned by each Company shareholder is multiplied by the Tender Offer Price.

If the Special Shareholders' Meeting is held, it will be held in late August 2021, but the Company will promptly announce the specific procedures therefor, and implementation timing thereof, once they are determined after consultation between the Tender Offeror and the Company. The Tender Offer is not intended to solicit the Company shareholders to approve the relevant proposals at the Special Shareholders' Meeting. In addition, the Company shareholders are each personally responsible for consulting with experts, such as certified public tax accountants, regarding the handling of taxes relating to applications for the Tender Offer, and the procedures described above.

The Tender Offeror and the Company intends to serially implement as described in "(i) Overview of the Tender Offer" the Contribution by Officers and Employees, the Share Exchange, the Share Transfer and the Absorption-type Merger described in "(i) Overview of the Tender Offer, (2) Grounds and Reasons for opinion" above once a series of procedures to make the Tender Offeror and Y&G the sole shareholders of the Company described above are completed.

(5) Possibility of Delisting

Currently, the Company Shares are listed on the First Section of the Tokyo Stock Exchange, and since the Tender Offeror has not set a maximum planned purchase quantity with respect to the Tender Offer, depending on the results of the Tender Offer, it is possible that the Company Shares may be delisted following the designated procedures in accordance with the delisting standards established by the Tokyo Stock Exchange.

Furthermore, even if the delisting standards do not apply as of completion of the Tender Offer, in accordance with the procedures described in "(4) Post-Tender Offer Reorganization Policy (Matters Regarding the So-called "Two-Step Acquisition")" above, the Tender Offeror plans to make the Tender Offeror and Y&G the sole shareholders of the Company, and make the Company private. In such a case, the Company Shares will be delisted following the designated procedures, in accordance with the delisting standards established by the Tokyo Stock Exchange. After being delisted, it will be impossible to trade the



Company Shares on the First Section of the Tokyo Stock Exchange.

(6) Measures to Ensure Fairness of the Tender Offer, Such as Measures to Ensure Fairness of the Tender Offer Price as Well as Measures to Avoid Conflicts of Interest

The Tender Offeror and the Company have taken the following measures to ensure the fairness of the Transaction, including the Tender Offer, from the perspectives of ensuring the fairness of the Tender Offer Price, eliminating arbitrariness in the decision-making process leading to the decision to implement the Tender Offer, and avoiding conflicts of interest, in light of the fact that the Tender Offer is part of the Transaction, which is a so-called management buyout (MBO), and that there are structural conflicts of interest.

The following descriptions of the measures taken by the Tender Offeror are based on the explanation received from the Tender Offeror.

i. Company's Acquisition of Share Valuation Report from a Third-Party Valuation

Organization independent from the Tender Offer Related Parties and the Transaction;

In expressing its opinion on the Tender Offer, the Company requested Mizuho Securities to calculate the value of the Company Shares as a measure to ensure the fairness and objectivity of the terms and conditions of the Transaction including the Tender Offer Price. Mizuho Securities is a financial advisor and third-party valuation organization independent from the Tender Offer Related Parties and the Transaction itself and is not a related party of the Tender Offer Related Parties. Although Mizuho Securities holds a position as a shareholder of the Company, its ownership ratio is only 0.78%, and Mizuho Securities have taken appropriate measures to prevent adverse effects, such as measures to isolate information between the department in charge of financial advisory services and the calculation of the value of the Company's shares and the department in charge of strategic-shareholdings within Mizuho Securities. Although Mizuho Bank has conducted financing transactions as a part of normal banking transactions with the Company and Suzuken, Mizuho Securities does not have any material conflict of interest with respect to the Transaction. According to Mizuho Securities, pursuant to the applicable laws and regulations, including Article 36, Paragraph 2 of the Act and Article 70-4 of the Cabinet Office Order on Financial Instruments Business, etc., Mizuho Securities has established and implemented an appropriate system for the management of conflicts of interest, including measures for the separation of information between Mizuho Securities and Mizuho Bank, and has conducted the calculation of the share value of the Company on a standpoint independent of the position of a lender of Mizuho Bank. Mizuho Securities also has established and implemented an appropriate system for managing conflicts of interest, such as measures to isolate information within Mizuho Securities as described above, and the department in charge of financial advisory services and the calculation of the value of the Company's shares calculated the share value of the Company on a



standpoint independent from the department in charge of strategic-shareholdings without any effects of the conflict of interest about the Transaction because of the system. The company selected Mizuho Securities as a third-party valuation organization independent from the Tender Offer Related Parties and the Transaction based on the following factors: (i) appropriate measures such as measures to isolate information have been taken to prevent any adverse effect between Mizuho Securities and Mizuho Bank as well as within Mizuho Securities as described above; (ii) independence of Mizuho Securities as a third-party valuation organization has been secured because the Company and Mizuho Securities conduct transactions on the just same terms and conditions as those of general trading partners; (iii) and Mizuho Securities has a track record as a third-party valuation organization in the past in similar cases.

Furthermore, the Special Committee has approved Mizuho Securities appointed by the Company as a Company's financial advisor and a third-party valuation organization because there is no problem with their independence and expertise as described above, and the Special Committee has confirmed that the Special Committee may receive their professional advice as necessary.

For an overview of the Company Share Valuation Report, please see "(3) Matters Regarding Calculation" above.

ii. Advice given to Company was from an Independent Law Firm;

In order to ensure the fairness and appropriateness of the decision-making of the Board of Directors of the Company regarding the Transaction including the Tender Offer, the Company has appointed TMI Associates as a legal advisor independent from the Tender Offer Related Parties and the Transaction, and has received legal advice as necessary from TMI Associates regarding the method and process of the decision-making of the Board of Directors of the Company including the various procedures regarding the Transaction and other points to be noted. TMI Associates is not relevant to the Tender Offer Related Parties and does not have any material interest in the Transaction. In addition, the remuneration of TMI Associates is only on an hourly basis regardless of the success or failure of the Transaction and does not include the contingent fee conditional on the consummation of the Transaction.

The Special Committee has approved TMI Associates appointed by the Company as the Company's legal advisor because there is no problem with their independence and expertise, and the Special Committee has confirmed that the Special Committee may receive their professional advice as necessary.

iii. Establishment of Independent Special Committee by the Company and Acquisition of Report from Said Special Committee

In light of the fact that the Transaction will be conducted as part of a so-called management buyout



(MBO), and that a structural conflict of interest may arise in the Company's consideration of the Transaction, the Company has resolved at its board of directors' meeting held on March 27 2021 to establish the Special Committee, which will be composed of members independent from the Tender Offer Related Parties, in order to ensure fairness, transparency, and objectivity in the Company's decision-making process and to eliminate arbitrariness in the decision-making process of the Company's Board of Directors. The following five persons were selected as members of the Special Committee: Mr. Yoshinori Ando (Representative Director of Office Yoshinori Ando Co., Ltd.) and Mr. Haruo Funabashi (Representative Director of SIRIUS INSTITUTE Co., Ltd.), who are outside directors of the Company, and Mr. Junichiro Tsuji (President of J&T Clinical Trial School), Mr. Toshiaki Tochigi (Attorney at law, NOZOMI Sogo Attorneys at law) and Mr. Yoshiyuki Higuchi (Certified Public Accountant, Yoshiyuki Higuchi Certified Public Accountant Office), who are outside auditors of the Company. In addition, the Special Committee has selected Mr. Yoshinori Ando as the Chairman of the Special Committee by mutual election. The Company has selected these five persons as the members of the Special Committee from the beginning, and there is no fact that the Company has changed the members of the Special Committee. In addition, upon the establishment of the Special Committee, the Company has determined in advance to respect the opinion of the Special Committee to the maximum extent when making. Furthermore, the remuneration of the members of the Special Committee is only a fixed remuneration to be paid regardless of the content of the Report and does not include the contingent fee conditional on the consummation of the Transactions including the Tender Offer.

The Company requested the Special Committee to consider (a) matters concerning the legitimacy of the purpose of the Transaction, (b) matters concerning the fairness of the procedures in the negotiation process for the Transaction, (c) matters concerning the appropriateness of the terms and conditions of the Transaction, including the consideration to be delivered to minor shareholders through the Transaction, and (d) whether or not the Transaction (including the expression of opinion on the Tender Offer) is disadvantageous to the Company's minor shareholders based on (a) through (c) and other matters above (the matters in (a) through (d) are collectively "Matters for Consultation").

In addition, the Board of Directors has decided to grant the Special Committee (i) the authority to conduct an investigation of the Transaction, (ii) the authority to request the Company to (a) communicate to the Tender Offeror proposals and other opinions or questions of the Special Committee, (b) set up opportunities for the Special Committee to discuss and negotiate with the Tender Offeror and (iii) the authority to independently appoint attorneys, third-party valuation organizations, certified public accountants, and other advisors on the Company's expense.

The Special Committee met a total of 12 times from March 22, 2021 to May 25, 2021 (round 15 hours), and also carefully reviewed and discussed the Advisory Matters during each meeting date, with reports, discussions and examinations being made by e-mail and other methods. Specifically,



the Special Committee received an explanation from the Tender Offeror on the purpose and significance of the Transaction, assurance of fairness regarding the Transaction, and matters related to the management policy after the execution of the Transaction and conducted a question and answer to the Tender Offeror. In addition, the Special Committee received explanations from the Company regarding the nature of the business of the Company Group, the external environment, current management issues, the content of the business plan on which the calculation of the share value of the Company Shares by Mizuho Securities was based, matters related to the content of the Tender Offeror's proposal, etc., and verified the reasonableness of such explanations through question and answer sessions. Furthermore, with respect to the discussions and negotiations between the Tender Offeror and the Company regarding the Transaction, the Special Committee has received timely reports from the Company regarding the background and details of such discussions and negotiations, etc., and the Company has discussed such matters with the Special Committee, and the Special Committee has been involved in the process of negotiations with the Tender Offeror by, for example, having the Company conduct negotiations in accordance with the negotiation policy approved by the Special Committee. In addition, the Special Committee received from Mizuho Securities an explanation of the calculation method and results of the share value of the Company's shares, and conducted a question and answer session regarding such calculation method and results from a financial perspective, and verified the reasonableness thereof. Furthermore, the Special Committee received from TMI Associates an explanation of the measures taken to reduce or prevent conflicts of interest in the Transaction, and conducted a question and answer session regarding the sufficiency of such measures, etc. Based on the above information, the Special Committee discussed and reviewed the issues raised in this consultation.

As a result of careful discussions and deliberations, the Special Committee unanimously submitted the Report to the Board of Directors of the Company as of May 26, 2021 as follows.

(a) Matters concerning the legitimacy of the purpose of the Transaction

The Special Committee interviewed the Company and the Tender Offeror's related parties (Y&G and Mr. Yan) regarding the purpose of the Transaction and the specific details of the Company's enterprise value that is expected to be enhanced by the Transaction, and received explanations of the details as described in "(a) Background to the decision to conduct the Tender Offer, the purpose and decision-making process, and the management policy after the Tender Offer" and "(c) Decision-making process and reasons for the Company's approval of the Tender Offer" of "(2) Outline and reasons for the opinion" above. As a result, the Special Committee has determined that there is nothing unreasonable in any of the significance or purpose of the Transaction including the Tender Offer, that the Transaction is recognized as the result of reasonable consideration, that the Transaction is being conducted for the purpose of improving the enterprise



value of the Company Group, and that the purpose of the Transaction is legitimate.

(b) Matters concerning the fairness of the procedures in the negotiation process for the Transaction

(i) Method of the Company's review

In considering the Transaction, the Company has carefully examined and discussed the appropriateness of the purchase conditions of the Tender Offer, including the Tender Offer Price, and the fairness of the series of procedures for the Transaction from the perspective of improving the enterprise value of the Company and the common interests of its shareholders, while obtaining advice and opinions, etc. from Mizuho Securities, a financial advisor and third-party valuation organization and TMI Associates, a legal advisor each independent of the Tender Offer Related Parties and the Transaction.

(ii) Consultation and negotiation by the Company

The Company has conducted substantive discussions and negotiations with the Tender Offeror on multiple occasions to ensure the fairness of the Tender Offer Price from the perspective of protecting the interests of minor shareholders.

Specifically, the Company, through Mizuho Securities, conducted repeated price negotiations several times in response to Y&G's proposal about the Tender Offer Price. In such discussions and negotiations, the Special Committee was substantially involved in the negotiation process with the Tender Offeror, such as by receiving timely reports from the Company on the background and details of such discussions and negotiations, discussing policies, etc. through the Special Committee, and stating its opinions.

As a result of those negotiations, the Tender Offer Price of JPY 1,800 was determined, and the price increase of JPY 300 was extracted from Y&G's initial proposal of JPY 1,500 per share of the Company Shares.

(iii) Non-involvement of special interested parties in the negotiation process of the Transaction

The directors who will represent the Company in considering and negotiating the Transaction, do not include any person who has a special interest in the Transaction including Mr. Yan and the Tendering Officers and Employees, and there are no other facts that would lead to the inference that the Tender Offeror or any other person who has a special interest in the Transaction has had an undue influence on the Company's side in the course of discussions, examinations and negotiations concerning the Transaction.

(iv) Respect the opinions of this Special Committee to the maximum extent possible.

The Company has determined to respect the opinions of the Special Committee to the maximum



extent when making decisions regarding the Transaction.

(v) Summary

Based on the above points, the Special Committee carefully discussed and reviewed the matter, and came to the conclusion that the procedures of the negotiation process for the Transaction are fair.

(c) Matters concerning the appropriateness of the terms and conditions of the Transaction, including the consideration to be delivered to minor shareholders through the Transaction,

(i) Share value calculation report by Mizuho Securities

According to the Company Share Valuation Report obtained by the Company from Mizuho Securities, a third-party valuation organization independent of the Tender Offer Related Parties and the Transaction, the per-share value of the Company Shares ranges from JPY 1,124 to JPY 1,319 based on the market price method, from JPY 1,341 to JPY 2,202 based on the DCF method, and from JPY 1,440 to JPY 2,135 based on the comparable multiple valuation method.

The Tender Offer Price exceeds the upper end of the calculation results based on the market price method, exceeds the average (JPY1,772) of the range of the calculation results based on the DCF method, and also exceeds the average (JPY1,788) of the range of the calculation results based on the comparable multiple valuation method in the Company Share Valuation Report obtained from Mizuho Securities.

The Special Committee received a detailed explanation from Mizuho Securities regarding the calculation method, etc., used in the valuation of the shares, reviewed and discussed with Mizuho Securities and the Company, and conducted a question and answer session regarding the selection of the valuation method and the preconditions, etc., including financial projections based on the Company's business plan, which was the basis of the calculation. As a result of the Special Committee's review, the Special Committee found no unreasonable points in light of general valuation practices.

In addition, The tender Offer Prices (JPY 1,800) is amount adding a 36.47 % premium to the closing price of the Company Shares on the First Section of the TSE on May 26, 2021(JPY 1,319), Which is the business day immediately preceding the announcement date of the Tender Offer, a 39.53% premium to the simple average of the closing price of the Company Shares on the First Section of the TSE for the past one (1) month up to that day(JPY 1,290), a 50.25 % premium to the simple average of the closing price of the Company Shares on the First Section of the TSE for the past three (3) month up to that day(JPY 1,198) and a 60.14 % premium to the simple average of the closing price of the Company Shares on the First Section of the TSE for the past six (6) month up to that day(JPY 1,124), and it can be said to be a reasonable premium as



compared to the average premium in other similar cases of tender offers as part of a "management buyout (MBO)".

(ii) Procedural fairness of the negotiation process

As described in (b) above, the procedures of the negotiation process for the Transaction including the Tender Offer are considered to be fair, and the Tender Offer Price is considered to have been determined based on the results of such negotiations.

(iii) The price to be paid in the procedures after the Tender Offer

The minor shareholders who did not tender their shares in the Tender Offer will eventually receive cash in the procedures for going private, which are scheduled to be implemented after the Tender Offer, and the amount of money to be delivered in this procedure will be calculated to be the same as the Tender Offer Price multiplied by the number of the Company Shares held by the shareholders, and it will be clearly stated in the press release, etc.

(iv) Summary

In light of the above, the Special Committee has determined that the consideration to be delivered to the Company's minor shareholders through the Transaction is appropriate after careful discussion and consideration.

(d) Whether or not the Transaction is disadvantageous to the Company's minor shareholders

After careful consideration of the impact of the Transaction on the Company's minority shareholders, the Special Committee has come to the conclusion that the Transaction, including the expression of the Company's opinion in favor of the Tender Offer and the recommendation to the Company's shareholders to accept the Tender Offer, is not disadvantageous to the Company's minor shareholders because of in (a) through (c) above and as follows: (i) the Tender Offeror and the Company have not entered into any agreement that would restrict the Company's contact with a competing takeover bidder other than the Tender Offeror, so that the opportunity for a tender offer by a party other than the Tender Offeror will not be unreasonably restricted, and the Company will not hinder the opportunity for a competing takeover bid; (ii) the Tender Offeror plans to request the Company to hold an Special Shareholders' Meeting promptly after the completion of the settlement of the Tender Offer, which will include the consolidation of shares and the partial amendment of the Articles of Incorporation to abolish the provision of the number of shares constituting one unit of shares on the condition that the consolidation of shares takes effect. Tender Offeror will not adopt any method that does not ensure that the shareholders of the Company have the right to request the purchase of their shares or the right to request the determination of the



price; (iii) the Tender Offer Period is scheduled to be set at 30 business days, which is longer than the minimum period (20 business days) stipulated by laws and regulations, and consideration is being given to ensuring the fairness of the Tender Offer by planning to ensure that the Company's shareholders have an appropriate opportunity to make a decision regarding the application for the Tender Offer; and (iv) the Tender Offeror has set the minimum number of shares to be purchased in the Tender Offer at a number that exceeds the majority of the Company's shares held by shareholders who do not have a material interest in the Tender Offeror, the number equivalent to called the "majority of minorities". In light of the above, and after carefully considering the impact of the Transaction on the Company's minor shareholders.

iv. Approval of All Directors of the Company Without Conflicts of Interest and No Objection from any Auditor; and

The Company carefully considered the terms and conditions of the Transaction, including the Tender Offer, based on the Company Share Valuation Report obtained from Mizuho Securities and the legal advice obtained from TMI Associates, while respecting the contents of the Report to the maximum extent possible.

As a result, the Board of Directors of the Company has determined that the Transaction will contribute to the enhancement of the enterprise value of the Company Group and that the Tender Offer will provide a reasonable opportunity to sell the Company's shares. At its board of directors' meeting held on May 27 2021, all of the Company's directors who participated in the deliberation and resolution (seven directors, Kazuki Sekitani, Toshihiro Jike, Kenichi Yamamoto, Kaori Takeda, Haruo Funabashi, Yoshinori Ando, and Junichi Taguchi, except Mr. Yan, Mr. Tatsuma Nagaoka and Mr. Shuzo Orihashi), unanimously resolved to express their opinion in favor of the Tender Offer and to recommend that the Company's shareholders tender their shares in the Tender Offer. All four of the Company's Corporate Auditors also (Yasuharu Tamai, Junichiro Tsuji, Toshiaki Tochigi, and Yoshiyuki Higuchi) attended the above its board of directors' meeting, and all of them expressed their opinions that they had no objection to the above resolution.

In the Company's directors, Mr. Yan, who is the representative director, is scheduled to continue to operate the Company even after the Tender Offer, and Mr. Yan, Mr. Nagaoka, and Mr. Orihashi are scheduled to invest in the Tender Offeror after the Tender Offer. Therefore, from the viewpoint of avoiding any conflict of interest, these three directors have not participated in the deliberations and resolutions of the Board of Directors mentioned above, nor have they participated in any discussions or negotiations with the Tender Offeror in the Company's standpoint.

v. Setting of a minimum planned purchase quantity exceeding the number equivalent to majority of minority



The Tender Offeror sets the minimum number of shares to be purchased as 20,022,368 shares (ownership ratio: 45.21%). If the total number of the Tendered Share Certificates is less than the minimum number of shares to be purchased, Tender Offeror will not purchase all of the Tendered Share Certificates. 20,022,368 shares (ownership ratio: 45.21%), which is the minimum number of shares to be purchased, exceeds 19,075,543 shares (ownership ratio: 43.07%) which is the sum of (i) 15,678,393 shares (ownership ratio: 35.40%) which equals to the majority of 31,356,784 shares (ownership ratio: 70.80%) that is the number of shares obtained by subtracting from the total number of issued shares as of March 31, 2021 as stated in the Company's Second Quarterly Report (46,311,389 shares), the number of treasury shares owned by the Company as of March 31, 2021 (2,023,733 shares), the number of shares held by EPS EKISHIN (93,090 shares, ownership ratio: 0.21%), the Tendered Shares (except for the shares held by Mr. Yukihiro Sasaki (number of shares held: 1,389,328 shares, ownership ratio: 3.14%) and Mr. Haruo Nishino (number of shares held: 1,387,828 shares, ownership ratio: 3.13%), who will not make Contribution by Officers and Employees; 3,397,150 shares, ownership ratio: 7.67%), Y&G Non-tendered Shares (9,414,000 shares, ownership ratio: 21.26%) and Officers and Employees Non-tendered Shares (26,632 shares, ownership ratio: 0.06%), and (ii) the number of shares held by Tendered Shares (except for the shares held by Mr. Yukihiro Sasaki (number of shares held: 1,389,328 shares, ownership ratio: 3.14%) and Mr. Haruo Nishino (number of shares held: 1,387,828 shares, ownership ratio: 3.13%), who will not make Contribution by Officers and Employees; this is a majority of the number of shares held by the Company's shareholders who have no of interest in the Tender Offeror(i.e. "majority of minority"). Based on the above, if the Tender Offeror fails to obtain approval of the shareholders of the Company other than those who have interest in the Tender Offeror, it will not carry out the Transaction including the Tender Offer, respecting the intention of the minority shareholders of the Company.

vi. Objective Circumstances to Ensure Fairness of Tender Offer.

The Tender Offeror has set the Tender Offer Period at 30 business days, where the minimum period stipulated by act is 20 business days. By setting a relatively long Tender Offer Period, the Tender Offeror intends to ensure that the Company's shareholders have an opportunity to make an appropriate decision on whether to tender their shares in the Tender Offer, and also to ensure that parties other than the Tender Offeror (hereinafter referred to as "Opposing Takeover Bidder") have an opportunity to make a counter offer for the Company's shares.

In addition, the Tender Offeror and the Company have not entered into any agreement that would restrict such a competing offeror from having contact with the Company, such as an agreement containing transaction protection clauses that would prohibit the Company from having contact with the competing offeror. Thus, together with the establishment of the above-mentioned Tender Offer Period, consideration has been given to ensuring the fairness of the Tender Offer by ensuring the



opportunity for a counter-offer.

4 Items Regarding Critical Agreements Related to the Tender Offer

i. Tender Offer Agreements

In implementing the Tender Offer, the Tender Offeror entered into the Suzuken Tender Offer Agreement with Suzuken on May 27, 2021. In the Suzuken Tender Offer Agreement, they agreed to tender the Suzuken Tendered Shares, which were all of the Company Shares held by Suzuken (total number: 1,504,000 shares, ownership ratio: 3.40%), into the Tender Offer.

In implementing the Tender Offer, the Tender Offeror entered into the Officers and Employees, Etc. Tender Offer Agreement with each of the Tendering Officers and Employees on May 27, 2021. In the Officers and Employees, Etc. Tender Offer Agreement, they agreed to tender to the Tendering Officers and Employees Tendered Shares (total number: 4,340,306 shares, ownership ratio: 9.80%) and not to tender 26,632 Officers and Employees Non-tendered Shares (ownership ratio: 0.06%) into the Tender Offer and to exercise voting rights with respect to the Officers and Employees Non-tendered Shares in accordance with the instructions of the Tender Offeror. In the Contribution by Officers and Employees, Etc., the Tender Offeror and the Contributing Officers and Employees agreed to make the Contribution by Officers and Employees. (Note 1)

(Note 1) The Tender Offeror will set the amount at the same price as the paid-in amount per share to be used for share exchange rate of the Share Exchange because the paid-in amount per common share of the Tender Offeror paid by the Contributing Officers and Employees related to the Contribution by Officers and Employees is determined through consultations and negotiations among Y&G, Suzuken, MBKP and the Contributing Officers and Employees and is set to JPY 1,800 as described above for the convenience of post-Transactions office functions of the Tender Offeror and the Newly Formed Company. As described above, since the assessment of shares in the Company to be used for conditions precedent for determining the amount of consideration to be received by Y&G in relation to the Share Exchange (common shares of the Tender Offeror) (Provided, however, that fractional shares shall be distributed pursuant to Article 234 of the Companies Act.) will be set JPY 1,000 that is the same price as the Tender Offer Price, the Tender Offeror does not believe that the paid-in amount per common share of the Tender Offeror paid by the Contributing Officers and Employees in relation to the Contribution by Officers and Employees is not favorable to the Tender Offer Price. Although obligations related to the Contribution by Officers and Employees are provided in the Tender Offer Agreement, the Tender Offeror does not believe that the Contribution by Officers and Employees is a violation of the rules to set the same tender offer price (Article 27-2, Paragraph 3 of the Act) because (i) the purpose of tendering shares of the Contributing Officers and Employees into the Tender Offer, the purpose of which is to enhance the degree of probability that the Tender Offer is made and to recover the existing investment, and the Contribution by Officers and Employees, which is implemented in an aim to enable the Contributing Officers and Employees to be more involved in the management of the Company as shareholders and to contribute to improvement of enterprise value of the Company, is different, and (ii) the Contribution by Officers and Employees, which is not implemented under the



condition that the Contributing Officers and Employees tender their shares into the Tender Offer, and that the Contribution by Officers and Employees will be implemented even if the tendering of the Tender Offer by Contributing Officers and Employees is not implemented, and therefore does not have direct relation with tendering shares into the Tender Offer, is a different type of investment from tendering shares into the Tender Offer.

ii. Shareholders Agreement

With respect to the Transaction, Y&G and Suzuken entered into the Shareholders Agreement on May 27, 2021. The Shareholders Agreement provides the matters regarding operation of the Tender Offeror and the Company and that 30,000 Y&G Tendered Shares among the Company Shares held by Y&G (ownership ratio: 0.75%) will be tendered in the Tender Offer and 9,414,000 Y&G Non-tendered Shares among them (ownership ratio: 21.26%) will not be tendered in the Tender Offer.

In the Shareholders Agreement, with respect to the Transaction, it has been agreed that: (a) Y&G would cause the Tender Offeror to implement the Tender Offer; (b) Y&G and Suzuken would, subject to the completion of the settlement of the Tender Offer, cause the Company to hold a shareholders' meeting wherein the resolution on the Share Consolidation would be resolved; (c) after the completion of the Squeeze-Out, Y&G and Suzuken would cause the Company to implement the Contribution by the Officers and Employees, the Share Exchange, the Share Transfer and the Absorption-Type Merger in the said sequential order.

With respect to the matters regarding operation of the Tender Offeror and the Company, the Shareholders Agreement provides that (a) the Tender Offeror shall have one director and one auditor and Y&G has the right to appoint and remove the director and the auditor, (b) the Company shall have no more than eleven directors, ten of whom Y&G has the right to nominate and remove and one of whom Suzuken has the right to nominate and remove, (c) the Company shall have one representative director, of whom Y&G has the right to nominate and remove, (d) the Company shall have no more than four auditors, three of whom Y&G has the right to nominate and remove and one of whom Suzuken has the right to nominate and remove, (e) the accounting auditor of the Company may be nominated by Y&G through prior consultation with Suzuken and may be removed only by Y&G and (f) in principle, material matters of the Company such as change to the articles of incorporation, liquidation or dissolution, issuance of shares, acquisition of treasury shares, approval of share transfer, filing a petition for bankruptcy proceedings, execution of material contracts with Y&G Group or Suzuken Group, change to material business contents and entity conversion and squeeze out proceedings excluding the Share Consolidation shall be subject to prior approval of the both parties and (g) the both parties shall cause the Company and its subsidiaries to disclose appropriate management information to each party in a timely manner and to provide account settlement information required by each party to the reasonable extent.

Also, in the Shareholders Agreement, Y&G and Suzuken agreed not to: (i) directly or indirectly;



(a) enter into any agreement related to any transaction that would formally or substantially contradict or conflict with the Transaction or that would make implementation of the Transaction difficult or any other act related thereto (the “Conflicting Transactions”) or accede to the Conflicting Transactions; (b) provide information related to the Company Group or other information to any person other than the Tender Offeror in relation to the Conflicting Transactions; nor (c) apply or solicit for application of the Conflicting Transactions or implement any consultation or negotiation regarding the Conflicting Transactions or other related acts with any person other than the Tender Offeror; and not to (ii) obtain or assign the Company Shares other than through application for the Tender Offer (including but not limited to applications for any tender offer other than the Tender Offer) or enter into any related agreement thereto.

In the Shareholders Agreement, it has been agreed that the Tender Offeror is caused to implement the Suzuken’s Contributions. (Note 2)

(Note 2) The Tender Offeror will set the amount at the same price as the paid-in amount per share to be used for share exchange rate of the Share Exchange because the paid-in amount per common share of the Tender Offeror paid by the Suzuken related to Suzuken’s Contribution is determined through consultations and negotiations among Y&G, Suzuken, MBKP and the Contributing Officers and Employees and is set to JPY 1,000 as described above for the convenience of post-Transactions office functions of the Tender Offeror and the Newly Formed Company . As described above, since the assessment of shares in the Company to be used for conditions precedent for determining the amount of consideration to be received by Y&G in relation to the Share Exchange (common shares of the Tender Offeror) (Provided, however, that fractional shares shall be distributed pursuant to Article 234 of the Companies Act.) will be set JPY 1,800 that is the same price as the Tender Offer Price, the Tender Offeror does not believe that the paid-in amount per common share of the Tender Offeror paid by the Contributing Officers and Employees in relation to the Contribution by Officers and Employees is not favorable to the Tender Offer Price. Although obligations related to Suzuken’s Contribution are provided in the Tender Offer Agreement, the Tender Offeror does not believe that the Contribution by Officers and Employees is a violation of the rules to set the same tender offer price (Article 27-2, Paragraph 3 of the Act) because (i) the purpose of tendering shares of Suzuken into the Tender Offer, the purpose of which is to enhance the degree of probability that the Tender Offer is made and to recover the existing investment, and the Suzuken’s Contribution, which is implemented in an aim to maintain capital relationship between the Company and Suzuken through contribution by Suzuken to the Tender Offeror as it is important to maintain and enhance friendly relationship with Suzuken after the Transaction from the perspective of improving enterprise value, is different, and (ii) Suzuken’s Contribution, which is not implemented under the condition that the Suzuken tenders its shares into the Tender Offer and that Suzuken’s Contribution will be implemented even if the tendering of the Tender Offer by Suzuken is not implemented, and therefore



does not have direct relation with tendering shares into the Tender Offer, is a different type of investment from tendering shares into the Tender Offer.

5 Matters Concerning Inappropriate Profits Received From the Offeror or its Specially Related Parties

Not applicable

6 Policy for Responses Regarding Basic Policies on the Control of the Company

Not applicable

7 Inquiries to the Offeror

Not applicable

8 Request for Extension of the Tender Offer Period

Not applicable

9 Future Prospects

Please see “(4) Post-Tender Offer Reorganization Policy (Matters Regarding the So-called “Two-Step Acquisition”) “and “(5) Possibility of Delisting”, “(ii) Background of the Decision to Implement the Tender Offer, Purpose and Decision-Making Process, and Post-Tender Offer Management Policy” under,” (2) Grounds and Reasons for opinion”, “3 Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer” above.

10 Others

i. Notice Regarding “Announcements regarding revision of expected dividends for the fiscal year ending on September 2021”

The Company’s board of directors at its meeting held on May 27, 2021 resolved that the dividends of the fiscal year ending September 2021 will not be paid subject to the completion of the Tender Offer. For further details, please refer to “Announcements regarding revision of expected dividends for the fiscal year ending on September 2021” released today by the Company.

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



regulations in Japan related to financial instrument transactions and other applicable laws and regulations in Japan. The purchase may be conducted at the market price through market transactions or at the price negotiated outside of the market. If any information concerning the purchase is disclosed in Japan, the disclosure of that information will also be made on the English website (or by another disclosure method) of the financial advisor or the tender offer agent that conducted the purchase.

End