

# News Release



January 31, 2019

To whom it may concern:

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## **Notice Concerning Commencement of Tender Offer for the Shares of VeriServe Corporation (Securities Code: 3724)**

SCSK Corporation (the “Tender Offeror” or the “Company”) hereby announces that, at the meeting of its board of directors held today, the Company resolved to acquire the common stock (the “Target Company Common Stock”) of VeriServe Corporation (the “Target Company”) (Securities Code: 3724, the First Section of the Tokyo Stock Exchange Inc. (the “Tokyo Stock Exchange”)) through the tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) (the “Act”).

### 1. Purpose, Etc. of Purchase, Etc.

#### (1) Overview of the Tender Offer

As of today, the Company holds 2,900,000 shares of Target Company Common Stock (shareholding ratio (Note): 55.59%) listed on the First Section of the Tokyo Stock Exchange, and the Target Company is a consolidated subsidiary of the Company. The Company resolved at the meeting of its board of directors held on January 31, 2019 to implement the Tender Offer as part of a transaction (the “Transaction”) to acquire all of the Target Company Common Stock (excluding the Target Company Common Stock held by the Company and the treasury shares held by the Target Company; hereinafter the same shall apply) with the aim of making the Target Company a wholly-owned subsidiary of the Company.

(Note) “Shareholding ratio” means the ratio to 5,216,609 shares, which is the total number of issued shares of the Target Company as of December 31, 2018 (i.e., 5,216,800 shares) set forth in the “Consolidated Financial Results for the 3rd Quarter of Fiscal Year Ending March 31, 2019 (Prepared in Conformity with Generally Accepted Accounting Principles in Japan)” (the

“Quarterly Financial Results”), as announced by the Target Company on January 31, 2019, less the number of the treasury shares held by the Target Company as of the same date (i.e., 191 shares) (with being rounded off to the second decimal place; hereinafter the same shall apply with respect to the shareholding ratio unless otherwise provided).

Since the Company has set no minimum or maximum number of shares to be purchased through the Tender Offer, the Company shall purchase all share certificates, etc. tendered through the Tender Offer (the “Tendered Share Certificates, Etc.”).

As the Company aims to make the Target Company a wholly-owned subsidiary of the Company, if the Company fails to acquire all of the Target Company Common Stock through the Tender Offer, the Company intends to acquire all of the Target Company Common Stock by implementing the series of procedures designed to make the Company the sole shareholder of the Target Company that are set forth in the section titled “(4) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-called ‘Two-step Acquisition’)” below.

According to the “Announcement of Opinion in Support of the Tender Offer for Our Shares Conducted by SCSK Corporation, a Controlling Shareholder” (the “Target Company Press Release”) that was announced by the Target Company on January 31, 2019, at the meeting of its board of directors held on January 31, 2019, the Target Company approved a resolution to express its opinion in favor of the Tender Offer and to recommend that shareholders of the Target Company tender their shares through the Tender Offer.

For details of the foregoing resolution of the board of directors of the Target Company, please see the Target Company Press Release and “e. Unanimous Approval of All Non-interested Directors of the Target Company,” “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest)” under “(B) Background of Calculation” of “(4) Bases, Etc. of Calculation of Price for Purchase, Etc.” of “2. Outline of Purchase, Etc.” below.

(2) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy After the Tender Offer

a. Background to, purpose of and decision-making process of the Tender Offer

The Company is a global IT service company created in October 2011 through the merger with Sumisho Computer Systems Corp. as the absorbing company (an information service provider which was established in 1969 as a subsidiary of Sumitomo Corporation (“SC”) in the name of Sumisho Computer Service Corp., listed on the Second Section of the Tokyo Stock Exchange in 1989 and shifted to the First Section of the Tokyo Stock Exchange in 1991, and the trade name of which was changed to Sumisho Computer Systems

Corp. in 1992) and CSK Corporation as the absorbed company (an independent information service provider which was established in 1968, listed on the Second Section of the Tokyo Stock Exchange in 1982 and shifted to the First Section of the Tokyo Stock Exchange in 1985) (the Company changed its trade name from Sumisho Computer Systems Corp. to the current trade name upon the merger). As of today, the Company is listed on the First Section of the Tokyo Stock Exchange.

Under its management philosophy of “Create Our Future of Dreams”, the Company is committed to transform itself, achieve further advancement, support the Japanese economy and industry with IT, produce new value through IT and work with customers and society to create a future they desire in the spirit of partnership, thereby seeking to become a leading company in the IT service industry that is widely recognized as being outstanding in a broad range of aspects from technology and service quality to customer satisfaction, human resources and management quality.

As of today, the Company Group comprises of the Company, 20 consolidated subsidiaries, one (1) equity-method affiliate and one (1) equity-method non-consolidated subsidiary. Through close coordination of the business segments (Manufacturing & Telecommunication Systems, Distribution & Media Systems, Financial Systems, Global System Solutions & Innovation, Business Solutions, IT Platform Solutions, IT Management and Other), the Company provides systems development, IT infrastructure development, IT management, business process outsourcing (BPO), IT hardware and software sales and other services.

Meanwhile, the Target Company Group’s business has expanded along with the progress of digitization, expansion of software-defined areas and networking in society. Originally, the Target Company Group started its business by providing software verification tests for the IT system market. However, the scale of software has remarkably been enlarged to date since hardware manufactures started implementing software in their various products, and also the contents of software have become more complex and sophisticated. Therefore, it has become difficult to maintain the quality of software by just conducting ordinary tests. In addition, malfunctions and product recalls in the market became social issues.

Under these circumstances, the Target Company thought that there were needs for verification tests in those areas and that there were business opportunities in offering high-value-added services as an expert based on the experience and skills it has acquired, rather than simply undertaking contracted work.

To accommodate the growing needs of society for system verification services to perform tests and evaluate software that has come to be embedded in various products and systems along with increasingly sophisticated and complicated IT, the Target Company was established as a wholly-owned subsidiary of CSK Corporation in July 2001 to specialize in and expand the system verification service business. After the Target Company listed its shares on the Mothers Market of the Tokyo Stock Exchange in 2003, it issued

new shares and the Company sold a portion of the shares it held in the Target Company. As a result, the shareholding ratio of the Company decreased to 64.9%. Also, when the Target Company shifted its listing to the First Section of the Tokyo Stock Exchange in 2007, the Company sold a portion of its shares in the Target Company again and its the shareholding ratio fell to 57.0%. Following the exercise of stock options, etc., the shareholding ratio of the Company became the current ratio.

The Target Company Group consists of the Target Company and one (1) consolidated subsidiary company (VeriServe Okinawa Test Center Corporation), and engages in system verification services as its main business. In its businesses, with the aim of becoming a partner to customers in their efforts towards quality improvement in systems and product development, the Target Company Group provides various verification services and services that customers need in every aspect of system and product development, such as requirements definition in upstream phase and specification verification in downstream phase. In addition to its core business of test strategy formulation, test design and test implementation, the Target Company offers consulting services for improving the development processes for customers, and is engaged in PMO<sup>\*1</sup> services, which provide cross-sectional management of development projects from a quality control perspective. The foregoing activities encompass the digital devices field in which the Target Company Group has been engaged for some time, which includes digital home appliances and smartphones; the automotive field, in which software plays an increasingly important role; and the field of systems for internal business use and for services offered to customers by enterprises. Given that products and systems are increasingly connected to networks, security is a critical concern, and the Target Company Group also offers security-related verification services with this concern in mind. Now, customers of the Target Company have come to recognize the significance of performing verification tests from a third-party standpoint with respect to system design and test methods which often tend to be collusive if performed among the parties concerned.

\*1: PMO (Project Management Office): A division or structural system which supports management of individual projects across the organization.

The Target Company also thought that it would become unable to address quality improvement in software, which is expected to remarkably expand in scale in the future, if the verification business is monopolized by a single company, and determined that it should further develop the business as an industry by inviting other companies in the same line to join in the business. For that reason, the Target Company established IT Verification Industry Association, called on other companies in the same line to join the Association, contributed to the development of the industry by honing verification skills, and achieved recognition as a pioneer in this field. Moreover, it also started the IT Verification Engineer Certification system in order for verification test operators to be publicly recognized as engineers.

The Target Company's other initiatives include research and development for the future. It actively promotes cooperation among academy, industry and government by regularly holding system verification research meetings that invite academic experts who specialize in research for building and formulating system verification methods; contributing to the donated course, "Quality and Medical Care System Engineering," at the University of Tokyo; providing verification frameworks and verification processes to Japan Aerospace Exploration Agency (JAXA); and the like.

Although the Target Company is a member of the Company Group, the Target Company Group specializes in the systems verification business, and CSK Corporation, which was the parent company at the time of listing, pushed for the listing of the Target Company's stock with the aim of fostering a strong understanding of the social responsibilities of the Target Company Group's business and promoting public recognition of systems verification services.

At present, the Japanese IT service market, where the Company Group, including the Target Company, conduct its business, is expected to maintain mild growth; meanwhile, given the diversifying needs of IT-using customers and the paradigm shift from ownership of systems to use of systems, there is a growing need for a structural change -- that is to say, from a conventional business model, such as labor-intensive contracted development, to a "service provision" business model. In addition, in light of business digitization trends based on deployment of IoT\*<sup>2</sup>, FinTech\*<sup>3</sup>, AI\*<sup>4</sup>, omni-channel\*<sup>5</sup> and other new technologies, customers are changing the purposes of investment from improving operational efficiency to enhancing the competitiveness of their business with cutting-edge technology and realizing business transformation. Welcoming these changes in the market as growth opportunities, in order to aim to serve as customers' strategic IT partner and achieve business growth and enhance corporate value together with them, in April 2015, the Company made a medium-term business plan covering the period through the fiscal year ending March 2020 and has implemented the following three basic strategies: a shift to the service provision business model, promotion of strategic businesses that factor in the changing times, and the second stage of global expansion.

While promoting the basic strategies, the Company is also moving steadily forward with measures to fortify its business foundation, such as the promotion of company-wide development standards and the strengthening of project management capabilities to improve operational quality, and enhancing the efficiency of offices and implementing business process reform to improve business efficiency; in addition, with the aim of building greater trust of customers and shareholders, the Company is continuing to develop company-wide internal control, risk management, compliance, security management and other internal management frameworks.

\*2: IoT: Internet of Things

\*3: FinTech: IT innovation in financial services

\*4: AI: Artificial intelligence

\*5: omni-channel: System to be used by sellers to manage integrally by IT multiple channels of sales and customer contacts, including physical stores, mail order, online stores and SNS, in order to enhance the convenience for consumers and realize diversified purchasing opportunities.

(i) Shift to the service provision business model

The Company is enhancing its competitiveness in the market by creating proprietary, high added-value services and expanding business through long-term, stable relationships with customers.

In this context, the Company is expanding its existing services by utilizing technologies and intellectual properties that the Company cultivated heretofore, such as SaaS applications\*<sup>6</sup> offered to retailers, pharmacies and other customers in the distribution sector, USiZE which is a pay-per-use IT infrastructure service\*<sup>7</sup>, and contact centers\*<sup>8</sup> and other BPO services\*<sup>9</sup>. The Company is also promoting and expanding service provision businesses by, among others, providing a SaaS service that combines ProActive solutions (the Company's proprietary ERP package\*<sup>10</sup>) with USiZE in order to realize flexible use responding to customers' needs.

More specifically, the Company aims to provide next-generation contact centers, which offer seamless support to customer inquiries that, with the spread of smartphones and Internet use, come from multiple channels including phone, email and social media websites, to achieve higher value by combining voice recognition systems and AI technologies, and to create new services that leverage cutting-edge technology and the Company's own intellectual property and IT assets by, among others, building stronger partnerships with companies boasting strengths in AI and other specialized fields.

Through these initiatives, the Company seeks to significantly enhance its own growth potential and achieve transformation of business structure for the high growth and high profit outlined in the medium-term management plan; to this end, the Company is continuously engaged in producing services that precisely meet customer needs and bolster its proposal activities.

\*6: SaaS (Software as a Service) applications: Application for a customer to use an application of a provider as a service via network, such as the Internet.

\*7: pay-per-use IT infrastructure service: Infrastructure platform service which charges customers according to the amount they use.

\*8: contact center: Organization or function which responds to customers of a company (for example, reservation and customer support).

\*9: BPO (Business Process Outsourcing) services: Services that undertake various works of companies as an outsourcee.

\*10: ERP package: Core integrated system for business processes which consists of accounting, sales, purchasing and inventory management, export control, asset management, personnel, payroll, attendance and human resources management and personal number management.

(ii) Promotion of strategic businesses that factor in the changing times

By using its human resources, technological skills, experience and the know-how the Company has cultivated, the Company is trying to prioritize resource allocation to the fields of its strengths and growth industries, and as the Company assesses their growth potential, to take initiatives for their expansion as strategic businesses.

For instance, in the field of automobile onboard systems, developing the software necessary for a single automobile has become a large and sophisticated business, and at the same time, the momentum is growing for compliance with global standard specifications.

Amid such environment, the Company seeks to become a top vendor of OS and middleware for automobile onboard software development, what is called BSW\*<sup>11</sup>, based on the global standard specifications, and to this end the Company is substantially increasing its workforce and making investments in R&D and business promotion.

Since November 2014, the Company has promoted businesses related to AUTOSAR\*<sup>12</sup>, a standardized on-board software specification, by supporting Japanese automakers and auto parts manufacturers in their development of ECU software\*<sup>13</sup> with automotive IT companies contributing their own special expertise through a strategic business alliance in relation to the automobile onboard system businesses. As part of the achievements, since October 2015, the Company has offered QINeS BSW, AUTOSAR-compliant automotive basic software having its proprietary real-time OS, and peripheral services and received BSE-related orders from multiple parts suppliers.

\*11: BSW (Basic Software): Operating system, drivers and middleware for computer for automotive control.

\*12: AUTOSAR (Automotive Open System Architecture): International standards for in-on-board software established in 2003.

\*13: ECU (Electronic Control Unit) software: Computer which electronically controls various automotive functions.

(iii) The second stage of global expansion

The Company defines the “greater Japanese market” to be IT demand in connection with client companies’ overseas forays, that is, all of demand for IT services generated during the process of Japanese companies expanding their business activities from within Japan to other countries.

The Company has made it a part of its global strategies to provide Japanese-style high-quality and detailed support, which satisfies the needs of customers, to this greater Japanese market, drawing on its experience and know-how in providing IT support to the SC Group and many other client companies in their global expansion and actively promoted its global business. The Company continuously examines and carries out alliances with local companies in foreign markets, etc. to enable the Company to respond flexibly to the global expansion of a wide variety of Japanese companies.

Meanwhile the Target Company Group engages in system verification services as its main business.

In conjunction with the spread of IT in society, the Target Company Group has acquired a wide range of software testing experience through development of various operation systems at CSK Corporation, the Target Company’s parent organization. Since the surge of digitization in consumer products, as exemplified by the spread of mobile phones, on-board software has come to play a more important role than hardware.

Following such trends, the Target Company Group has continually undertaken verification tests on equipment and machines including mobile phones, car navigation systems, various digital audiovisual equipment introduced upon digitization of terrestrial broadcasting, and video game consoles, thereby steadily acquiring experience and know-how while improving its performance. The Target Company Group believes that such efforts by the Target Company Group made the existence of companies specializing in testing and verification known to the world, and members of the Target Company Group have come to be



recognized as indispensable companies in a society where the importance of software development is expected to grow in the future.

Software development has been accelerating in society; for example, there is a concept called CASE (connectivity, autonomous, shared and electric) in the automobile industry. In the wake of these circumstances and technologies like IoT and AI, the Target Company Group is flourishing by utilizing its experience and know-how accumulated to date.

However, as is the case with ISO\*<sup>14</sup>, standards and rules related to software have gradually been established, especially regarding quality, and they have been updated as necessary concerning sophistication and security dangers. In addition, due to the advancement in information technologies (IoT, big data, AI and the like), the Target Company's customers, such as manufacturers and various vendors, are required to develop more sophisticated products and services in fast cycles.

\*14: ISO (International Organization for Standardization): International organization for standardization established as non-governmental organization which has its headquarters in Geneva, Switzerland.

Under these circumstances, the Target Company implements the PDCA cycle\*<sup>15</sup> of quality of improvement activities, from upstream phase such as requirements definition in system development to situation analysis after the release thereof, based on its core business of a series of verification services such as formulation of test strategies, test design and actual testing, thus advancing toward improving the quality of products rather than simply testing them. It plans to step up its efforts in automobile-related industries through further investment, while at the same time taking vigorous measures especially in the area of enterprise application.

\*15: PDCA cycle (plan-do-check-act cycle) is an approach for continually improving quality control, etc. in industrial technology. It aims to continually improve business operations by repeating the four phases of Plan, Do, Check and Action.

Going forward, further digitization and expansion of software-defined areas in society demand appropriate and effective quality improvement. In order to fully meet this demand, the Target Company Group is compiling a database comprising the experience and know-how gained by a large number of verification engineers in order to provide its services at a faster pace. The Target Company Group also aims at achieving more sophisticated and efficient verification services and has commenced the development and use of various unique tools in test automation, test design work, test management operation and the like. To contribute to the safety and security of society, the Target Company Group aims to be an IT company group specialized in providing

comprehensive solutions for quality improvement in software through such measures as: provision of “Quality Forward,” a cloud computing service for test administration, and “TESTSTRUCTURE,” a tool for supporting test design; improvement of development processes; support of development project management; and various security-related services (such as vulnerability assessment, load tests, OSS, and source code analysis).

Given the current business environment with the rapid advancement of IT technology and diversifying customer needs, the Company believes that, in order to promote its basic strategy, operate both new and existing businesses and ensure that the Company captures the present robust IT investing demand and achieve earnings growth, the Company will need not only measures centering on the basic strategy to bolster its earnings power, but also a broader range of initiatives to achieve a higher level of business quality, enhance productivity and otherwise strengthen earnings power, and enhance its management and revenue foundations, and the Company Group, which includes the Target Company, must work together as a group to respond flexibly to changes in the business environment, such as transformation of business structure.

Meanwhile, as the anticipated broadening of software utilization areas and mounting complexity of software itself have expanded the demand for verification, it has become essential for the Target Company to create systems and tools that utilize cutting-edge information technology, as can be seen in AI and test automation, and has become necessary to bolster investment in system creation for the development of proprietary services and tools. At the same time, the Target Company believes that it is essential to direct energy into securing talented engineers in order to accommodate business expansion.

Given the foregoing situation, the Company is aware that for the Company Group, including the Target Company Group, to stay abreast of changes in the business environment, it is necessary that the management resources of the Company Group and the Target Company Group such as intellectual properties/IT properties and human resources are optimized and centrally managed so that each of the Company Group and the Target Company Group can flexibly use and share the resources they require, and that operations be managed from a medium-to-long-term perspective that anticipates the changes in times. Moreover, while the Target Company is a consolidated subsidiary of the Company, it is a listed company; accordingly, it is anticipated that, from the perspective of independence, there would be restrictions on the aforementioned mutual use of the management resources such as foundation, etc. of customer, business and finance among the Company Group. As explained earlier, the Company Group aims to enhance its corporate value by operating both new and existing businesses through promoting its basic strategies including the shift to the service provision business model described in the medium-term management plan covering the period until the fiscal year ending March 2020. While, in order to stay abreast of changes in

the business environment and realize the sustainable growth, the Company Group believes that it is necessary to take broad range of initiatives to achieve a higher level of business quality, enhance productivity and otherwise strengthen earnings power, and enhances its management and revenue foundations, and that it is essential for the entire Company Group including the Target Company to take flexible measures such as transformation of business structure, it is anticipated that the managerial strategy from the medium-to-long-term viewpoint might not be congruous with the interests of existing minority shareholders of the Target Company. Accordingly, the Company believes that taking the Target Company private through the Transaction will be necessary for the Company Group. That is to say, the Company thought that, in order to strengthen the medium-to-long-term competitiveness of the Company Group, including the Target Company, and to implement flexible management measures, the Company needs to operate the Company Group as a single entity; accordingly, the Company concluded that it would be difficult to swiftly carry out the foregoing measures while maintaining the Target Company as a listed company.

For this reason, so that the Company Group and the Target Company Group are able to mutually and proactively utilize the customer bases, business bases, financial bases and other resources for the purpose of strengthening the competitive edge of the Company Group, including the Target Company, in the IT service market and achieving sustainable growth while swiftly addressing changes in the business environment the Company Group faces, the Company began considering turning the Target Company into a wholly-owned subsidiary of the Company in late August 2018. Then the Company reached the conclusion that, in order to address the conflict of interest between the Company and the minority shareholders of the Target Company, achieve both optimal allocation and centralized management of resources in the Company Group and maximize the corporate value of the both companies, it would be optimal to take the Target Company private and turn it into a wholly-owned subsidiary of the Company.

Also, the Company believes that it would be optimal to implement the Transaction at this point of time given that only approximately one year is left before the fiscal year ending March 2020, which is the final year covered by the current medium-term management plan of the Company, and that it would contribute to construction of the business structure which will enable the Company to promptly carry out the management strategies based on the next medium-term management plan covering the period after the fiscal year ending March 2021, which the Company is presently preparing.

Based on the consideration above, in the middle of September 2018, the Company appointed Nomura Securities Co., Ltd. (“Nomura Securities”) as a financial advisor and third-party valuation institution independent from both the Company and the Target Company, and Nagashima Ohno & Tsunematsu as its external legal advisor, and commenced preliminary discussions and considerations regarding the

Transaction. In late September 2018, the Company made a proposal to the Target Company to commence discussions and negotiations regarding the Transaction. Thereafter, the Company conducted due diligence on the Target Company from late November 2018 to late December 2018.

Meanwhile, in response to the proposal from the Company in late September 2018, the Target Company appointed Daiwa Securities Co. Ltd. (“Daiwa Securities”) as its financial advisor and third-party valuation institution independent from the Company and the Target Company, and Ushijima & Partners as its external legal advisor independent from the Company and the Target Company, and established a special committee comprised of independent third-party members on December 3, 2018 to avoid conflicts of interest (for members of the committee and specific matters consulted with them, etc., see “c. Establishment by the Target Company of an Independent Special Committee and Written Report from the Special Committee,” “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest)” under “(B) Background of Calculation” of “(4) Bases, Etc. of Calculation of Price for Purchase, Etc.” of “2. Outline of Purchase, Etc.,” below), thereby establishing a framework to have discussions and negotiations regarding the Transaction. Under such framework, the Company and the Target Company discussed and negotiated on several occasions for the purpose of further raising both companies’ corporate value.

The followings are specific strategies and business synergies that the Company anticipates after the Transaction.

(i) Expansion and strengthening of existing businesses at the Target Company

In the third-party inspection service, which is the Target Company Group’s mainstay business, demand is expected to grow in multiple areas, making it necessary to utilize a broader range of technological prowess and to commit more capital, including by developing a range of inspection platforms. In the business of inspecting enterprise-use applications, a key field for the Target Company, tapping the Company’s customer base is expected to drive further growth.

The Transaction will fuel further business growth for the Target Company Group, making it possible to utilize the Company’s engineers, capital and customer bases, and further bolstering the Target Company Group’s earnings power.

In particular, the automotive field, an area of considerable importance in the Target Company Group, is experiencing a technological and customer strategy transformation exemplified by the rise of autonomous driving and electric cars, and rapid growth is anticipated for inspection services for onboard devices. By deepening collaboration with the Target Company Group across a broad range of fields in

the automotive onboard systems business, the Company aims to achieve even more unified business development in the Company Group.

The Company anticipates synergy on many fronts. For instance, the overseas networks of the Company Group and SC, the Company's parent company, can be utilized to launch overseas operations in accordance with the Target Company Group's customer needs and business expansion; and in the business of inspecting enterprise-use applications, which the Target Company considers a pillar of new growth going forward, the Company Group's customer base can be utilized to strengthen the Company Group's earnings potential.

(ii) Developing and recruiting personnel at the Target Company

With respect to personnel development, the Target Company will be able to tap the Company Group's personnel development know-how, and thereby bolster its framework for developing personnel and improving engineering prowess. Personnel exchanges will advance the technologies and expertise of the both companies, and the Company Group will also be able to enjoy mutual use of human resources seamlessly and easily and beef up its engineering prowess.

With respect to recruiting personnel, use of the Company Group's recruitment, etc. will allow the Target Company Group to build a base for hiring the talented personnel that it needs.

(iii) Faster and more flexible decision-making for management strategies at the Target Company Group and the Company Group

As a listed company, the Target Company needs to operate with a certain emphasis on short-term earnings so as to prevent any damage to the interest of its shareholders. After the Transaction, the Company expects that the Target Company will be able to seamlessly make decisions on management strategies from a longer-term perspective, and this in turn will allow the Target Company Group to focus further on implementing measures designed to achieve sustainable growth.

What this will mean for the Company Group is that it will resolve the issue of conflict of interest with the Target Company's minority shareholders in terms of management strategies of the Company Group, which includes the Target Company, and allow for faster and more flexible decision-making.

Moreover, given that maintaining the Target Company listed for building the Target Company's distinctive brand power requires high management costs and other burdens, the Company believes

that doing away with the management burdens associated with remaining a listed company and concentrating resources instead on business growth will contribute to enhancement of the Target Company's corporate value.

As discussed above, the Company reached the conclusion that turning the Target Company into a wholly-owned subsidiary of the Company would avert the possibility of a future conflict of interest between the parent company and minority shareholders arising from both the parent and the subsidiary being listed companies, allow for mutual use without any restrictions of resources such as customer, business and finance bases, and enable to make decisions regarding management strategies for the Target Company Group and the Company Group more flexibly and quickly, and that this would be immensely beneficial for enhancement of the corporate value of the Company Group, including the Target Company Group. Accordingly, at the board of directors meeting held on January 31, 2019, the Company approved a resolution to commence the Tender Offer.

Meanwhile according to the Press Release of the Target Company, among the terms and conditions of the Transaction, the Target Company started negotiations regarding the Tender Offer Price with the Tender Offeror after mid- December 2018, had discussions and negotiations with the Company on multiple occasions in consideration of the deliberations of the special committee and advice from Daiwa Securities, and finally received a final proposal from the Company for the Tender Offer Price to be set at 6,700 yen per share. Furthermore, the Target Company obtained a share price valuation report on the Target Company Common Stock from Daiwa Securities on January 30, 2019 (the "Target Company's Valuation Report"), and received a written report submitted by the special committee on the same day (the "Written Report") (for details of the Written Report, see "c. Establishment by the Target Company of an Independent Special Committee and Obtainment of Written Report from the Special Committee," "(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest)" under "(B) Background of Calculation" of "(2) Price for Purchase, Etc." of "4. Period for Purchase, Etc., Price for Purchase, Etc. and Number of Share Certificates, Etc. to be Purchased" below).The board of directors of the Target Company then carefully discussed and examined the Transaction from viewpoints such as whether the Transaction would improve the corporate value of the Target Company and whether the terms and conditions of the Transaction, including the Tender Offer Price, are reasonable, in consideration of the legal advice received from Ushijima & Partners on the processes and methods of, and other points to be noted in, making decisions relating to the Transaction, including the Tender Offer, as well as the Target Company's Valuation Report obtained from Daiwa Securities as the third-party valuation institution, while

respecting the content of the Written Report obtained from the special committee to the maximum extent.

As stated above, the Target Company expects that the business environment surrounding the Target Company Group will become further digitized and software-defined, and the software verification services will continue to favorably expand with fiercer development competition among hardware manufacturers and software vendors, and an increase in workloads due to sophistication and complication of software itself and a shortage of engineers.

However, along with the coming of age of DX<sup>\*16</sup> such as full-scale utilization of AI and IoT supported by further technological evolution, the Target Company imagines that the service styles, revenue models, etc., will change into completely different forms.

Products containing software that is the subject of verification services provided by the Target Company are expected to become equipped with advanced functions as information terminals in addition to the functions of the products themselves thanks to next-generation communications technology. Automobiles, the main targets of the Target Company's services, are developing into MaaS<sup>\*17</sup> and are expected to become service-providing devices with information obtained by themselves, in addition to the functions as automobiles.

In response to these changes, the Target Company envisions that domestic manufacturers will change their roles from developing and providing products to using and providing services, and that system verification services, the Target Company's core business, will change from simple verification of product-embedded software to one that requires coordination with more advanced IT technologies such as big data analysis and deep learning.

The Target Company views that in order to respond to these changes, it will be necessary to further sophisticate and streamline its services and hire the best talent, and the Target Company has a keen sense of urgency that it will be required to create changes itself rather than keeping up with and responding to changes in the world.

The Target Company reached the conclusion that implementation of the Transaction would contribute to further improvement of the Target Company's corporate value since the following effects are anticipated as a result of implementing the measures proposed by the Company as described above through further utilization of the management resources of the Company, and the Target Company will be able to concentrate its management resources in its core business of verification services in the medium- to long-term

\*16: DX (Digital Transformation): to create new business models and transform them flexibly by leveraging new digital technology for future growth and enhancement of competitiveness.

\*17: MaaS (Mobility as a Service): to integrate various kinds of transport services into single mobility service available on demand.

(i) Expansion and reinforcement of the Target Company's existing businesses

(a) Acceleration of business expansion through utilization of the Company's capital bases

The Target Company believes that it can expand the business fields for which the Target Company provides verification services in a short period of time by utilizing the Company's capital bases.

The main service provided by the Target Company is the verification of product-embedded software. However, there is a prospect of an expansion of service markets that utilize information obtained from such products through future evolution of technologies, and the Target Company considers it an urgent task to expand its business to verification of enterprise software.

By utilizing the capital bases of the Company, it will become possible for the Target Company to expand its business into the field of enterprise through M&A, etc. more rapidly than doing it alone, and the scale will be larger as well.

Further, in terms of technology, the Target Company will become able to acquire leading-edge technologies necessary for test automation such as image recognition and deep learning technologies more expeditiously, which will contribute to the expansion of its business.

(b) Acceleration of the growth of verification services with injection of the Company's technologies and resources

The field of automobiles, which is the Target Company's main focus, is said to be in a once-in-a-century phase of change in terms of technologies and customer strategies regarding automated driving, motorization and the like, and software verification services for onboard equipment is expected to grow rapidly.



On the other hand, the Company is among the first to start working on developing a model based on AUTOSAR and puts its energy into advanced development such as development of BSW products. By effecting the Transaction, it will become possible for the Company to dispatch its engineers to the Target Company, and for both companies to take advantageous of the other's technologies further and share know-how, which is expected to contribute to faster growth of the Target Company's business.

Since the Company also actively engages in the fields of AI and IoT, the Target Company believes that the Company's injection of technologies and resources sought by the Target Company would contribute to the establishment of the Target Company's verification services in the AI era.

(c) Increase of revenue growth opportunities through utilization of the Company's customer base

As the field of automobiles, in which the Target Company thrives, is one of the most globalized business fields, it is expected that automakers that are mainly active in product development in Japan will become active in other countries such as the US, China and India where technologies and service development is more advanced with respect to the development of, and verification tests for, automated driving and EV development. Therefore, the overseas network of the Company and Sumitomo Corp., its parent company, will serve as the bases for the Target Company's overseas presence.

With respect to the verification service for enterprise software, which the Target Company considers an area of new future growth, the Target Company will be able to accelerate its business expansion by establishing a competitive advantage in such area through the use of the Company's customer base that includes financial institutions such as insurance companies and banks.

(ii) Flexible and expeditious decision-making in management strategy for business reform

The verification services provided by the Target Company largely depend on the experiences and know-how of its engineers, and such services are provided in a manner in which the engineers stay close to customers; therefore, the engineers are apt to consider themselves as dispatched workers.

The Company considers that it has to encourage its customers to discover the benefit of outsourcing verification tests, to understand IT, and to be digitized while adjusting themselves to the drastically changing social environment, and the Company has to proceed with the reformation of its businesses and verification service operations by tapping into DX. If the current players fail to reform their organizations, products and services by making full use of IT themselves, they will be driven out by the emergence of providers offering entirely new innovative services.

The Target Company has been working on the sophistication and streamlining of its verification services, developed its own test management and design support tools, and created databases of experienced engineers' know-how. However, the Target Company is aware that in order to realize the aforementioned reform, it needs to make sweeping changes by dismantling and restructuring its current business model.

In addition, the speed of digitization extremely rapid with its contents becoming increasingly complex, as shown in the digitization of cameras and TVs and the advancement of onboard equipment software, and it has become difficult for the Target Company, a founding leader of this business field, to continue to meet the quality and accuracy required for verification services. The Target Company thinks that an expeditious reform is necessary to pursue further expansion as a next-generation verification business.

The Target Company believes that active engagement in such reform is necessary to improve the corporate value of the Target Company from a mid- to long- term perspective; however, in the short term, such reform possibly results in lower sales and profit and worsened cash flow. It is also possible that such aggressive scrap-and-build reform would be unsuccessful. Considering such possibilities, the Target Company does not think it appropriate to burden its minority shareholders with risks by implementing these measures as a listed company.

Comprehensively considering these factors, the Target Company reached the conclusion that becoming a wholly-owned subsidiary of the Company through the Transaction is the best option for the Target Company in terms of improving its corporate value, and it decided to express its opinion in support of the Tender Offer.

The Target Company also determined that the Tender Offer Price and other terms and conditions of the Tender Offer are reasonable, and that the Tender Offer would provide the shareholders of

the Target Company with an opportunity to sell their shares at a price inclusive of a reasonable premium and upon reasonable terms and conditions based on: (i) the fact that the Tender Offer Price was agreed to with the Company based on sincere negotiations conducted on multiple occasions with the Company, and after taking measures to ensure fairness of the Tender Offer as described in “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest)” under “(B) Background of Calculation” of “(4) Bases, Etc. of Calculation of Price for Purchase, Etc.” of “2. Outline of Purchase, Etc.” below, and after considering the deliberations of the special committee and the advice received from each advisor; (ii) the fact that the Tender Offer Price exceeds the upper end of the valuation range calculated using the market price analysis and approaches the upper end of the valuation range calculated using the comparable company analysis, and is close to the median of the valuation range calculated using the discounted cash flow analysis (the “DCF Analysis”) in the calculation result of the share price valuation of the Target Company Common Stock by Daiwa Securities, as described in “ “b. Procurement by the Target Company of a Share Valuation Report from an Independent Third-party Valuation Institution,” “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest)” under “(B) Background of Calculation” of “(4) Bases, Etc. of Calculation of Price for Purchase, Etc.” of “2. Outline of Purchase, Etc.” below; (iii) the fact that the Tender Offer Price represents a premium of 43.62% (rounded to two decimal places; the same applies hereinafter to calculations of premium rates (%)) on 4,665 yen, which was the closing price of regular trading for the Target Company Common Stock quoted on the First Section of the Tokyo Stock Exchange on January 30, 2019 (which was the business day immediately preceding today); a premium of 44.55% on 4,635 yen, which is the simple average closing price (rounded to the nearest whole yen; the same applies to each calculation of simple average closing price below) of regular trading for the Target Company Common Stock over the preceding one-month period (from December 31, 2018, to January 30, 2019); a premium of 28.33% on 5,221 yen, which is the simple average closing price of regular trading for the Target Company Common Stock over the preceding three-month period (from October 31, 2018, to January 30, 2019); and a premium of 36.60% on 4,905 yen, which is the simple average closing price of regular trading for the Target Company Common Stock over the preceding six-month period (from July 31, 2018, to January 30, 2019); (iv) the fact that the Written Report obtained from the independent special committee evaluates that, as set out in “ “c. Establishment by the Target Company of an Independent Special Committee and Obtainment of Written Report from the Special Committee,” “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of

Interest)” under “(B) Background of Calculation” of “(4) Bases, Etc. of Calculation of Price for Purchase, Etc.” of “2. Outline of Purchase, Etc.” below, (a) no significant unreasonableness was found in the course and the contents of the determination that the Transaction would contribute to the enhancement of the Target Company’s corporate value, the Transaction would enhance the Target Company’s corporate value, and the purpose of the Transaction is reasonable, (b) the Transaction gives due consideration to the interests of shareholders through fair procedures, (c) the amount of cash consideration to be paid to the the minority shareholders of the Target Company (including the Tender Offer Price) is adequate, and (d) the Transaction including the Tender Offer is not disadvantageous to the minority shareholders of the Target Company based on (a) through (c) above; and (v) the business environment surrounding the Target Company Group and performance forecasts.

Based on the above, the Target Company resolved at its board meeting held today, to express its opinion in support of the Tender Offer and recommend that all of the Company’s shareholders tender their shares in the Tender Offer

For the details of the board of directors of the Target Company, see “e. Unanimous Approval of All Non-interested Directors of the Target Company,” “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest)” under “(B) Background of Calculation” of “(4) Bases, Etc. of Calculation of Price for Purchase, Etc.” of “2. Outline of Period for Purchase, Etc.” below.

#### b. Management Policy After the Tender Offer

The Company, after the Target Company becomes a wholly-owned subsidiary of the Company through the Transaction, will seek to further increase the earnings growth potential by accelerating collaboration within the Company Group including the Target Company and speeding up the decision-making process to promote not only use of cutting-edge technology and human resources but also productivity and cost efficiency, and by flexibly responding to business areas based on changes in the business environment in the future, including transformation of a business structure. The Company will also aim to accelerate the profit growth of, and enhance the corporate value of, the entire Company Group, including the Target Company by unifying the management of the both companies.

Also, in order to utilize the brand power of the Target Company Group in the inspection business to the fullest extent, after the Target Company becomes a wholly-owned subsidiary of the Company, the Company plans to cause the Target Company to maintain its legal entity and its brand to provide the inspection service, while the Company will strengthen the Target Company’s business activities including sales and marketing by unifying the business management in the Company Group.

Although the management structure following the Tender Offer has not yet been determined as of today, the Company plans to hold further discussion with the Target Company going forward with a general policy of respecting the current management structure of the Target Company.

(3) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest

In consideration of the fact that the Target Company is a consolidated subsidiary of the Company and that in Target Company's reviewing the Transaction a structural situation of conflicts of interest may arise, the Company and the Target Company implemented the following measures to ensure the fairness of the Tender Offer, while also eliminating the arbitrariness of decision-making concerning the Transaction and securing the fairness, transparency and objectiveness of the Target Company's decision-making process and avoiding conflicts of interest.

- a. Procurement by the Tender Offeror of a share valuation report from an independent third-party valuation institution
- b. Procurement by the Target Company of a share valuation report from an independent third-party valuation institution
- c. Establishment by the Target Company of an independent special committee and obtainment of written report from the special committee
- d. Advice to the Target Company from an independent legal advisor
- e. Unanimous approval of all non-interested directors of the Target Company
- f. Measures to secure opportunities for others to make any competing offers

For details of the measures above, please refer to "(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest)" under "(B) Background of Calculation" of "(4) Bases, Etc. of Calculation of Price for Purchase, Etc." of "2. Outline of Purchase, Etc." below.

(4) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-called "Two-step Acquisition")

As stated in "(1) Overview of the Tender Offer" above, the Company is contemplating turning the Target Company a wholly-owned subsidiary of the Company, and if the Company is unable to acquire all of the Target Company Common Stock, after the completion of the Tender Offer, the Company, for the purpose of purchasing all of the Target Company Common Stock, intends to implement the following procedures:

a. Demand for Shares Cash-Out

If, upon completion of the Tender Offer, the Company owns 90% or more of the voting rights of all shareholders of the Target Company and the Company becomes a special controlling shareholder as set forth in Article 179, Paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same), the Company plans to request all of the Target Company's shareholders (excluding the Company and the Target Company; hereinafter the same) to sell all of the Target Company Common Stock they own pursuant to the provisions of Part II, Chapter II, Section 4-2 of the Companies Act (the "Demand for Shares Cash-Out"), promptly after the completion of the settlement of the Tender Offer. In the Demand for Shares Cash-Out, the Company plans to set forth that the amount equivalent to the Tender Offer Price will be delivered to the Target Company's shareholders as the price per share of the Target Company Common Stock. In such case, the Company will notify the Target Company of it and will require the Target Company to approve the Demand for Shares Cash-Out. If the Target Company approves the Demand for Shares Cash-Out by a resolution of its board of directors, in accordance with the procedures set forth in the relevant laws and ordinances, without individual approvals by the Target Company's shareholders, the Company will acquire, as of the acquisition date set forth in the Demand for Shares Cash-Out, all of the Target Company Common Stock owned by the Target Company's shareholders. The Company plans to deliver the amount equivalent to the Tender Offer Price to each of such Target Company's shareholders as the price per share of the Target Company Common Stock owned by each of the Target Company's shareholders. In addition, according to the Target Company Press Release, if the Target Company receives from the Company its intention to Demand for Shares Cash-Out, the board of directors of the Target Company plans to approve the Demand for Shares Cash-Out. If the Demand for Shares Cash-Out is made, the Target Company's shareholders may file a petition with a court to determine the sale price of the Target Company Common Stock that they own, pursuant to the provisions of Article 179-8 of the Companies Act and other relevant laws or ordinances.

b. Share Consolidation

On the other hand, if, after the completion of the Tender Offer, the Company owns less than 90% of the Target Company's voting rights, the Company plans to request the Target Company to hold an extraordinary meeting of shareholders (the "Extraordinary Shareholders' Meeting") that will resolve proposals including: (a) a proposal regarding consolidation of the Target Company Common Stock (the "Share Consolidation") under Article 180 of the Companies Act and (b) a proposal regarding an amendment to the articles of incorporation subject to the Share Consolidation becoming effective for the purpose of abolishing the provision regarding the number of shares constituting one unit of stock. In light of increasing the corporate value of the Target Company, the Company believes that it is desirable to hold the Extraordinary Shareholders' Meeting as soon as possible. Therefore, the Company plans to request the Target Company to make a public notice of setting the reference date during the period for purchase etc. in

regard to the Tender Offer (the “Tender Offer Period”) in order to set a reference date to be the certain day within a few days after the settlement commencement date (as of today, it is scheduled to be March 31, 2019). The Company plans to vote in favor of each of the above-mentioned proposals at the Extraordinary Shareholders’ Meeting.

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

In the case where the Share Consolidation is conducted and any fractional share less than one share arises, the shareholders of the Target Company may request the Target Company to purchase at a fair price all of its fractional shares less than one share and file a petition with a court for determination of the price of the Target Company Common Stock pursuant to the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws or ordinances.

It is not intended in the Tender Offer to solicit the affirmative vote by the Target Company’s shareholders at the Extraordinary Shareholders’ Meeting.

The procedures described in a. and b. above may take longer than anticipated or may be changed due to the amendment or enforcement of the relevant laws and regulations, the interpretation by the authorities on the

relevant laws and regulations, the ownership ratio of the Company or other shareholders of the Target Company in respect of the Target Company Common Stock after the Tender Offer, etc. However, even in such cases, if the Tender Offer is completed, the Company intends to adopt any measures to eventually pay cash to the shareholders of the Target Company who did not tender their shares in the Tender Offer and cause the amount of cash to be paid to each of the shareholders to be equal to the amount obtained by multiplying the Tender Offer Price by the number of the Target Company Common Stock owned by such shareholder. Please note that, if a petition is filed with a court to determine the sale price of the Target Company Common Stock in the Demand for Shares Cash-Out or to determine the price with respect to the request to purchase shares which is made in relation to the Share Consolidation, the sale price of the Target Company Common Stock subject to such petition or the price with respect to the request to purchase shares subject to such petition will ultimately be determined by a court.

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

In addition, if the procedures to make the Target Company a wholly-owned subsidiary to the Company (the “Squeeze-out Procedures”) is expected to be completed by June 30, 2019, the Company plans to request the Target Company to partially amend its articles of incorporation to abolish the provision regarding the reference date of the voting rights exercisable at a general shareholders’ meeting so that the shareholders after the Squeeze-out Procedures (which will be the Company) may exercise the voting rights at the general shareholders’ meeting of the Target Company (the “General Shareholders’ Meeting”) for the fiscal year ending March, 2019, subject to the completion of the Squeeze-out Procedures. Therefore, the shareholders who are recorded in the shareholder registry of the Target Company on March 31, 2019 may not be able to exercise their voting rights at the General Shareholders’ Meeting.

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

(5) Possibility of Delisting and Reasons Therefor

As of today, the Target Company Common Stock is listed on the First Section of the Tokyo Stock Exchange. However, since the Company has not set the maximum number of share certificates, etc. to be purchased, etc. in the Tender Offer, depending on the result of the Tender Offer, the Target Company Common Stock may be delisted pursuant to the procedures prescribed by the Tokyo Stock Exchange in accordance with the Tokyo Stock Exchange’s criteria for delisting. In addition, even if the Target Company Common Stock does not fall under such criteria at the time of the completion of the Tender Offer, if the Company implements each of the procedures after the Tender Offer is completed, the Target Company Common Stock will fall under the criteria for delisting and will be delisted pursuant to the prescribed



procedures. The Target Company Common Stock will no longer be traded on the Tokyo Stock Exchange after the delisting.

(6) Matters Concerning Material Agreements Related to the Tender Offer

N/A

2. Outline of Purchase, Etc.

(1) Outline of Target Company

a. Period as of the time of filing of this Statement

(1) Name	VeriServe Corporation	
(2) Location	24-1, Nishi-shinjuku 6-chome, Shinjuku-ku, Tokyo	
(3) Name and Title of Representative	Yoshiyuki Shinbori, Representative Director and President	
(4) Contents of Business	System Verification Service Business	
(5) Stated Capital	792 million yen	
(6) Date of establishment	July 24, 2001	
(7) Major Shareholders and Shareholding Ratios (as of September 30, 2018)	SCSK Corporation	55.59%
	STATE STREER BANK AND TRUST COMPANY 505224 (Standing proxy agent: Mizuho Bank, Ltd.)	7.38%
	The Master Trust Bank of Japan, Ltd. (Trustee account)	5.53%
	VeriServe Employee Stock Ownership Association	3.95%
	Japan Trustee Services Bank, Ltd. (Trust Account)	1.89%
	Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1.56%
	Northern Trust Company (AVFC) Account Non Treaty (Standing proxy agent: The Hong Kong and Shanghai Banking Corporation Limited)	1.49%
	CACEIS BANK LUXEMBOURG BRANCH/UCITS CLIENTS (Standing proxy agent: The Hong Kong and Shanghai Banking Corporation Limited)	1.16%
	OD11 SSB CLIENT OMNIBUS 88163 (Standing proxy agent: The Hong Kong and Shanghai Banking Corporation Limited)	1.15%

	Japan Trustee Services Bank, Ltd. (Trust Account 5)	0.97%
<b>(8) Relationship between the Listed Company and the Target Company</b>		
Capital Relationship	The Company holds 2,900,000 shares (shareholding ratio: 55.59%) of the Target Company Common Stock as of today.	
Personnel Relationship	As of today, the Board of Directors of the Target Company is composed of 8 directors, four of whom hold positions as corporate officer or employee (including executive officer) at the Company.	
Business Relationship	The Company is outsourcing verification services to the Target Company. For effective financing and fund management across the Company Group, the Company introduces cash management system and holds deposits relating to such system.	
Status as Related Party	The Target Company is a consolidated subsidiary of the Company, and therefore, the Target Company is a related party of the Company.	

(2) Schedule, etc.

(i) Schedule

Resolution of Board of Directors	January 31, 2019 (Thursday)
Date of Notice of Commencement of Tender Offer	February 1, 2019 (Friday) public disclosure will be made electronically, and a notice of such disclosure will be published in the Nihon Keizai Shimbun.  EDINET (electronic disclosure for investors' network):  ( <a href="http://disclosure.edinet-fsa.go.jp/">http://disclosure.edinet-fsa.go.jp/</a> )
Filing Date of Tender Offer Statement	February 1, 2019 (Friday)

(ii) Period for Purchase, etc. as of the Time of Filing of Tender Offer Statement

From February 1, 2019 (Friday) to March 18, 2019 (Monday) (31 business days)

(iii) Possible extension of the Tender Offer Period based on the Target Company's request

N/A

(3) Price for Purchase, Etc.

6,700 yen per share of common stock

(4) Bases, Etc. of Calculation of Price for Purchase, Etc.

(A) Basis of Calculation

In order to ensure the fairness of the Tender Offer Price, when determining the Tender Offer Price, the Company requested Nomura Securities, a financial advisor, to evaluate the share value of the Target Company Common Stock as a third-party valuation institution that is independent of the Company and the Target Company. Nomura Securities is not a related party to the Company or the Target Company, and has no material interest in the Tender Offer.

As a result of consideration of the calculation methods for the Tender Offer, Nomura Securities calculated the share price for the Target Company Common Stock using (i) the average market price analysis because the Target Company Common Stock are listed on the First Section of the Tokyo Stock Exchange and (ii) the DCF Analysis so as to reflect in the evaluation the status of future business activities. The Company obtained the share valuation report from Nomura Securities as of January 31, 2019 (the “Tender Offeror’s Valuation Report”). The Company has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from Nomura Securities.

The results of the evaluation by Nomura Securities of the value per share of the Target Company Common Stock are as follows:

Average market price analysis:	4,635 yen to 5,221 yen
DCF Analysis:	5,750 yen to 6,965 yen

The average market price analysis, with the reference date on January 30, 2019, showed that the value per share of the Target Company Common Stock was in the range of 4,635 yen to 5,221 yen, based on the following prices of the Target Company Common Stock on the First Section of the Tokyo Stock Exchange: the closing price on the reference date (4,665 yen); the simple average closing price for the past five (5) business days (4,796 yen (rounded off to the nearest whole yen; hereinafter, the same applies to all simple average closing prices in this section)); the simple average closing price for the past one (1) month (4,635 yen); the simple average closing price for the past three (3) months (5,221 yen); and the simple average closing price for the past six (6) months (4,905 yen).

For the DCF Analysis, the corporate value and the share value of the Target Company were calculated by first estimating the amount of future free cash flow that the Target Company is expected to generate in and after the

fiscal year ending March 2019 based on various factors, such as earnings estimates and investment plans in the business plan of the Target Company for five fiscal years from the fiscal year ending March 2019 through the fiscal year ending March 2023 and publicly disclosed information, and then deriving the present value of that amount using a certain discount rate. This analysis showed that the value per share of the Target Company Common Stock was in the range of 5,750 yen to 6,965 yen. It should be noted that the business plan on which the DCF Analysis was premised does not anticipate a large increase or decrease in earnings. Furthermore, the expected synergies to be realized through the implementation of the Transaction is not taken into account because it is difficult to make detailed estimate of the impact on earnings at this point.

In determining the Tender Offer Price, the Company took comprehensively into account several factors, including the valuation results in the Tender Offeror's Valuation Report received from Nomura Securities, the results of due diligence performed by the Company in regard to the Target Company, the premiums added to the tender offer prices in some precedent tender offers conducted by parties other than the issuer, the likelihood of the Target Company's board of directors supporting the Tender Offer, the trend of the market price of the Target Company Common Stock, and the outlook for subscriptions to the Tender Offer, and based on the results of the discussion and negotiation with the Target Company, ultimately set the Tender Offer Price at 6,700 yen per share through a resolution at the board of directors' meeting held on January 31, 2019.

The Tender Offer Price of 6,700 yen per share represents (a) a premium of 43.62% (rounded to two decimal places; the same applies hereinafter to calculations of premium rates (%)) on 4,665 yen, which is the closing price of the Target Company Common Stock on the First Section of the Tokyo Stock Exchange on January 30, 2019, the business day immediately preceding today; (b) a premium of 44.55% on 4,635 yen, which is the simple average closing price for the one (1) month immediately preceding January 30, 2019; (c) a premium of 28.33% on 5,221 yen, which is the simple average closing price for the three (3) months immediately preceding January 30, 2019; and (d) a premium of 36.60% on 4,905 yen, which is the simple average closing price for the six (6) months immediately preceding January 30, 2019.

## (B) Background of Calculation

### (Background to the determination of the Tender Offer Price)

The Company started considering the Transaction in late-August 2018 and composed a team for discussion and negotiation regarding the Transaction by, in mid-September 2018, appointing Nomura Securities as a financial advisor and third-party valuation institution that is independent of the Company and the Target Company and appointing Nagashima Ohno & Tsunematsu as a legal advisor, and commenced preliminary discussions and considerations regarding the Transaction. In late September 2018, the Company made a proposal to the Target Company to commence discussions and negotiations regarding the Transaction. Then, the Company started due diligence on the Target Company from late November 2018 to late December 2018.

After that, on January 10, 2019, the Company made a proposal to the Target Company to set the Tender Offer Price at 5,600 yen per share.

Meanwhile, in response to the proposal from the Company in late September 2018, the Target Company appointed Daiwa Securities as its financial advisor and third-party valuation institution independent from the Company and the Target Company, and Ushijima & Partners as its external legal advisor independent from the Company and the Target Company, and established a special committee comprised of independent third-party members to avoid conflicts of interest, thereby establishing a framework to have discussions and negotiations regarding the Transaction. Under such framework, the Company and the Target Company discussed and negotiated on several occasions for the purpose of further raising both companies' corporate value.

As a result, the Company reached the conclusion that turning the Target Company into a wholly-owned subsidiary would avert the possibility of a future conflict of interest between the parent company and minority shareholders arising from both the parent and the subsidiary being listed companies, allow for mutual use without any restrictions of resources such as customer, business and finance bases, and enable to make decisions regarding management strategies for the Target Company Group and the Company Group more flexibly and quickly, and that this would be immensely beneficial for enhancement of the corporate value of the Company Group, including the Target Company Group.

Then, based on the results of the discussion and negotiation with the Target Company, the Company made the final proposal to the Target Company to set the Tender Offer Price at 6,600 yen per share on January 23, 2019 had another discussion with the Company, and then eventually agreed with the Company to set the Tender Offer Price at 6,700 yen per share.

Accordingly, at the board of directors meeting held on January 31, 2019, the Company has determined to commence the Tender Offer. The background of the determination of the Tender Offer Price is as below.

i. Obtaining the Share Valuation Report from a Third-party Valuation Institution

In order to ensure the fairness of the Tender Offer Price, when determining the Tender Offer Price, the Company requested Nomura Securities, a financial advisor, to evaluate the share value of the Target Company Common Stock as a third-party valuation institution that is independent of the Company and the Target Company.

It should be noted that Nomura Securities is not a related party of the Company or the Target Company and has no material interest in relation to the Tender Offer.

In addition, the Company has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness

opinion) from Nomura Securities.

ii. Outline of Advice

Nomura Securities evaluated the share value of the Target Company by using the average market price analysis method and the DCF Analysis method. The ranges of the value per share of the Target Company Common Stock shown by each analysis method are as follows:

Average market price analysis:	4,635 yen to 5,221 yen
DCF Analysis:	5,750 yen to 6,965 yen

iii. Background to Determination of the Tender Offer Price Based on the Advice

In determining the Tender Offer Price, the Company took several factors into account comprehensively, including the valuation results in the Tender Offeror's Valuation Report obtained from Nomura Securities, the results of due diligence conducted by the Company on the Target Company, the premiums added to the tender offer prices in some precedent tender offers conducted by parties other than the issuer, the likelihood of the Target Company's board of directors supporting the Tender Offer, the trend of the market price of the Target Company Common Stock and the outlook for tendering of shares to the Tender Offer, and based on the results of the discussion and negotiation with the Target Company and other factors, the Company ultimately set the Tender Offer Price being at 6,700 yen per share by a resolution of the board of directors' meeting held on January 31, 2019.

(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest)

In view of the fact that the Target Company is a consolidated subsidiary of the Company and that structural conflicts of interest could arise in the discussions of the Transaction at the Target Company, the Company and the Target Company implemented the following measures for ensuring the fairness of the Tender Offer Price, eliminating arbitrary decision-making in regard to the Transaction, ensuring the fairness, transparency and objectivity of the Target Company's decision-making process, and avoiding conflicts of interest.

a. Procurement by the Tender Offeror of a Share Valuation Report from an Independent Third-party Valuation Institution

In order to ensure the fairness of the Tender Offer Price, when determining the Tender Offer Price, the Company requested Nomura Securities, a financial advisor, to evaluate the share value of the Target Company Common Stock as a third-party valuation institution that is independent of the Company and the Target Company. For details of the Tender Offeror's Valuation Report regarding the results of the evaluation of the share value of the

Target Company that the Company received from Nomura Securities, please see “(A) Basis of Calculation” above.

b. Procurement by the Target Company of a Share Valuation Report from an Independent Third-party Valuation Institution

According to the Target Company’s Press Release, in announcing its opinion on the Tender Offer, the Target Company requested its financial advisor Daiwa Securities, a third-party valuation institution independent from the Company and the Company, to calculate the value of the Target Company Common Stock, and obtained the Target Company’s Valuation Report from Daiwa Securities as of January 30, 2019. Daiwa Securities is not a related party to the Company or the Target and does not have any material interest in relation to the Tender Offer.

The Target Company has not obtained from Daiwa Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion).

After considering which methods should be applied to calculate the value of the Target Company Common Stock among various share valuation methods available, assuming that the Target Company is a going concern and keeping in mind that it is appropriate to evaluate the value of the Target Company Common Stock from various perspectives, Daiwa Securities calculated the value per share of the Target Company Common Stock using (i) the “market price analysis” in order to take trends of the Target Company’s share price in the market into account, (ii) the “comparable company analysis” because there are several listed companies that are comparable with the Target Company and it is possible to make an analogical inference of the Target Company’s share value by comparing similar companies, and (iii) the “DCF Analysis” in order to take the current and expected business results of the Target Company into account.

The following are the ranges of values per share of the Target Company Common Stock that were calculated according to each calculation method mentioned above.

Market Price Analysis:	4,635 yen to 5,221 yen
Comparable Company Analysis:	4,965 yen to 6,666 yen
DCF Analysis:	6,231 yen to 8,234 yen

The range of values per share of the Target Company Common Stock obtained from the market price analysis is from 6,231 yen to 8,234 yen yen, which is calculated based on the closing price for the Company Common Stock quoted on the First Section of the Tokyo Stock Exchange as of the calculation reference date of January 30, 2019 (4,665 yen), the average closing prices over the past one-month period (4,635 yen), three-month period (5,221



yen), and six-month period (4,905 yen), each ending on the reference date

The range of values per share of the Target Company Common Stock obtained from the comparable company analysis was calculated by selecting Poletowin Pitcrew Holdings, Inc., Degital Hearts Holdings Co., Ltd., SHIFT Inc. and E-Guardian Inc. as comparable listed companies, which are considered similar to the Target Company, and using EV/EBITDA multiple ratios in regard to corporate value.

The range of values per share of the Target Company Common Stock obtained from the DCF Analysis is from 6,231 yen to 8,234 yen, which is calculated based on the corporate value and share value of the Target Company calculated by discounting to the current value at a certain discount rate the free cash flow that the Target Company is expected to generate from the fourth quarter of the fiscal year ending March 2019 onwards, based on the Target Company's future earnings and investment plan stated in the business plan prepared by the Target Company for a period of five fiscal years from the fiscal year ending March 2019 to the fiscal year ending March 2023, as well as publicly disclosed information and various other factors. The discount rate used for the calculation ranges from 5.17% to 5.90%. In calculating the going-concern value, the perpetual growth method was used and the perpetual growth rate was from 0.0% to 1.0%

Synergies anticipated as a result of the Transaction are not considered in the financial forecasts below since it is difficult to make specific numerical estimations at present.

The specific figures of the Target Company's financial forecasts used as the basis for calculation by the DCF Analysis are as follows. Please note that the following financial forecasts do not include any fiscal year in which substantial increase or decrease in profit is expected.

	(Millions of yen)				
	FY ending March 2019*	FY ending March 2020	FY ending March 2021	FY ending March 2022	FY ending March 2023
Net Sales	3,440	14,500	16,000	17,500	19,000
Operating Income	472	1,647	1,906	2,266	2,577
EBITDA	513	1,815	2,082	2,456	2,780
Free Cash Flow	126	458	935	1,187	1,396

\* "Fiscal year ending March 2019" means the three-month period from January 2019 through March 2019

c. Establishment by the Target Company of an Independent Special Committee and Obtainment of Written Report from the Special Committee

According to the Target Company's Press Release, in relation to ensuring the fairness of the Tender Offer Price and the decision-making of the Target Company's board of directors regarding the Transaction including the Tender Offer, the Target Company's board of directors resolved, on November 28, 2018, to establish a special committee independent from the Target Company and the Company, for the purpose of appropriately collecting information, resolving any potential arbitrariness and conflict of interest, and ensuring the fairness and transparency of the Transaction. The special committee consists of the following three members: an attorney-at-law and a certified public accountant, who are external experts, and Mr. Takeo Kajiwara, who is an independent outside director of the Target Company (President of Kajiwara Certified Public Accountant Firm and Representative Director and President of Chuo Management Consultant Co., Ltd.). In order to give consideration to the independence of the selection process of committee members, the board of directors resolved at the said board meeting to appoint only Mr. Takeo Kajiwara, an independent outside director of the Target Company, as a committee member; to appoint the remaining two members from among attorneys and certified public accountants, respectively; and to leave the specific appointments of the other two members to Mr. Takeo Kajiwara. In response to this resolution, Mr. Takeo Kajiwara appointed Mr. Soumitsu Takehara (ZECOO Partners Inc., certified public accountant) and Mr. Yoshikazu Suzuki (attorney-at-law at City-Yuwa Partners). (The Target Company selected these three members as the original members of the special committee and has not replaced any of them. With respect to the independence of the special committee members, please see "\* Independence of the Special Committee Members" below. In addition, the resolution of the Target Company's board of directors concerning the appointment of the special committee was adopted in the following two steps. First, considering the fact that among the eight directors of the Target Company, Messrs. Masahiko Shimizu, Kenji Ichiba and Tatsuyasu Kumazaki hold the position of corporate officer or executive officer of the Company, Mr. Yoshinori Ikawa was a corporate officer of the Company until recent fiscal year (up to March 31, 2017), and Mr. Yoshinari Okuda is a secondee from the Company, there was a possibility of structural conflict of interests between the Target Company and the Company, so (i) the remaining three directors other than Messrs. Masahiko Shimizu, Yoshinari Okuda, Kenji Ichiba, Yoshinori Ikawa and Tatsuyasu Kumazaki discussed and unanimously passed the resolution as above in order to eliminate the possibility of conflict of interests. Then, in order to ensure the quorum for the Target Company's board meeting, and taking into consideration the idea that the decision to establish a special committee for avoiding a suspicion of conflict of interests is a correct manifestation of the duty of care as directors of the Target Company, (ii) all eight directors discussed again and unanimously passed the same resolution.)

Then on December 3, 2018, the Target Company consulted with the special committee on: (a) whether the

purpose of the Transaction including the Tender Offer is reasonable (including whether the Transaction including the Tender Offer contributes to the improvement of the corporate value of the Target Company); (b) whether the Transaction including the Tender Offer gives due consideration to the interests of shareholders through fair procedures; (c) whether the amount of cash consideration to be paid to the Target Company's minority shareholders is adequate; and (d) whether the Transaction including the Tender Offer is not disadvantageous to the minority shareholders of the Target Company based on (a) through (c) above and other circumstances (collectively, the "Consulted Matters") , and requested the committee to submit a report to the Target Company on the Consulted Matters. In relation to the examination of the Consulted Matters, the special committee is authorized to appoint their own independent financial, legal or other advisors and seek their advice if the committee considers it necessary in its own discretion (the cost therefor will be borne by the Target Company) and also authorized to directly negotiate with the Company regarding the Tender Offer if the committee deems it necessary in its own discretion. However, the special committee did not appoint any independent advisors of its own because the committee, which consists of two external experts who have professional expertise (an attorney-at-law and a certified public accountant) and an outside director of the Target Company who is familiar with matters including internal affairs of the Target Company, did not find any arbitrariness or unreasonableness in the explanations or other advice given by the legal advisors and financial advisors selected by the Target Company in the discussions, etc. with them and no specific concerns were found regarding fairness of the procedures.

During the period from December 3, 2018, to January 30, 2019, the special committee held a total of 8 meetings where the members discussed and examined the Consulted Matters. Specifically, the special committee conducted deliberations on the Consulted Matters through careful discussions and examinations, not only by examining the materials submitted by the Company, the Target Company and Daiwa Securities and asking questions to the Target Company, Daiwa Securities and Ushijima & Partners, but also by conducting interviews with the Target Company's officers and employees and the Company's officers by the committee members. The special committee received reports from Daiwa Securities regarding the progress of the negotiations and informed its views to the Target Company, and it also involved itself in the negotiations when necessary by, among other means, sending questionnaires to the Tender Offeror; however, the special committee did not directly negotiate with the Tender Offeror itself because it found no particular circumstances that indicated any unfair or arbitrary aspect in the course of the actual negotiations.

After conducting these procedures, the special committee submitted the Written Report on the Consulted Matters to the Target Company's board of directors, with the unanimous approval of all committee members on January 30, 2019. A summary of the Written Report is as follows:

- (1) The decision to the effect that the Transaction would be a useful approach for the Target Company to

realize enhancement of its future corporate value in the field of IT technology which is changing and evolving at an astounding pace, is sufficiently affirmable based on the purposes, necessity and background circumstances of the Transaction, which are: (i) through the Transaction, (1) the Target Company can expand the business fields for providing its verification services in a short period of time by utilizing the Company's capital bases, (2) as the Company is at the cutting edge of OS and middleware for the development of ECU software, the combination of the Company's primary technological strength and the Target Company's verification capabilities would produce a synergistic effect in launching a new business, (3) as the Company's business is to provide corporate operation systems and production systems, such business of the Company offers the Target Company opportunities to provide verification services as part of IT services which is becoming more and more sophisticated with the use of new digital technology, and (1) through (3) above are objectively reasonable to a certain extent; and (ii) (1) by making the Target Company a wholly-owned subsidiary of the Company through the Transaction, interests of both companies would completely match and it would become possible for the Target Company to fully utilize the management and other resources of the Company, which has been difficult to date, (2) the Target Company can expect an expansion of its customer base by actively utilizing the Company's customer base in the field of enterprise application, and (3) the Target Company anticipates a potential transition to a new phase in terms of global presence through cooperation with the Company Group. From the perspective of the above, the special committee concluded that (i) there is certain reasonableness regarding the purpose and synergistic effects of the Transaction, which are to attain flexible and expeditious decision-making in management strategies for expanding and strengthening the Target Company's existing businesses and for restructuring its operations, (ii) no significant unreasonableness was found in the course and the contents of the determination that the Transaction would contribute to the enhancement of the Target Company's corporate value, (iii) the Transaction would enhance the Target Company's corporate value, and (iv) the purpose of the Transaction is reasonable.

- (2) Regarding the fairness of the procedures of the Transaction (including measures to avoid conflicts of interests), the special committee concluded that sufficient consideration has been given to the interests of the shareholders through fair procedures on the grounds that (i) fulfilling disclosure with respect to the process, etc. that led to the implementation of the Transaction is scheduled to be made; the same amount of money as the Tender Offer Price is to be paid to the Target Company's shareholders other than the Company in the Squeeze-out Procedures; and the items indicated in the "Guidelines for Management Buyout (MBO) to Improve Corporate Value and Secure Fair Procedures" (the "MBO Guidelines") issued by the Ministry of Economy, Trade and Industry as of September 4, 2007, as specific measures to secure opportunities for shareholders to make appropriate decisions are considered to have been appropriately addressed, such as the entitlement of the shareholders to file a

petition for determination of the price of the Target Company Common Stock; (ii) the items indicated in the MBO Guidelines as specific measures for eliminating arbitrariness in the decision-making process are considered to have been appropriately addressed, such as the procurement of a share valuation report dated January 30, 2019 from Daiwa Securities, an independent third-party valuation institution; (iii) the items indicated in the MBO Guidelines as specific measures for securing an objective situation that ensure the fairness of the price are considered to have been appropriately addressed, such as the setting of a relatively long Tender Offer Period; and (iv) there is certain reasonableness in the Company not setting a minimum number of shares to be purchased in the Tender Offer.

- (3) The Target Company requested Daiwa Securities, a third-party valuation institution independent from the Target Company and the Company, to calculate the value per share of the Target Company Common Stock, and obtained the Target Company's Valuation Report. In addition, (i) the valuation approaches adopted by Daiwa Securities have been conducted appropriately; (ii) the Tender Offer Price is considered to have been determined by sincere negotiations between the Target Company and the Company as shown by the fact that the Target Company repeated negotiations with the Company based on the results of the share valuation conducted by Daiwa Securities and that the Company's initial proposal of 5,600 yen per share was eventually raised to 6,700 yen per share; and (iii) the Tender Offer Price exceeds the upper values of the valuation results obtained through the market price analysis and approaches the upper values of the valuation results obtained through the comparable company analysis conducted by Daiwa Securities and is close to the median value of the range obtained through the DCF Analysis, and the Tender Offer Price includes a premium that is close to the average value of premiums added in the squeeze-out or going private transactions for subsidiaries or affiliated companies accounted for using the equity-method conducted in and after 2013. Accordingly, the Tender Offer Price of 6,700 yen per share is considered to be fair and adequate.
- (4) Considering (1) through (3) above, the special committee views that the Transaction including the Tender Offer is not disadvantageous to the minority shareholders of the Target Company.

\* Independence of the Special Committee Members

- Mr. Takeo Kajiwara falls under the category of outside director under the Companies Act and is also independent according to the Independence Criteria stipulated by the Tokyo Stock Exchange.
- Mr. Soumitsu Takehara has no past or present interest in the Company or the Target Company and is an independent outside expert.
- Mr. Yoshikazu Suzuki has no past or present interest in the Company or the Target Company and is an

independent outside expert.

d. Advice to the Target Company from an Independent Legal Advisor

According to the Target Company Press Release, the Target Company selected Ushijima & Partners as its legal advisor, which is independent from the Company and the Target Company, in order to ensure the transparency and rationality of decision-making by the Target Company's board of directors in relation to the Transaction including the Tender Offer, and received legal advice on the methods and processes of, and other points to note in, the decision-making by the Target Company's board of directors on the Tender Offer and the subsequent series of procedures.

The Target Company prudently discussed and examined the specific terms and conditions, etc. of the procedures relating to the Transaction including the Tender Offer based on the legal advice received from Ushijima & Partners on the processes and methods of decision-making and other points to note concerning the Transaction including the Tender Offer.

Ushijima & Partners is not a related party to the Company or the Target Company and does not have any material interest to be disclosed in relation to the Transaction including the Tender Offer.

e. Unanimous Approval of All Non-interested Directors of the Target Company

According to the Target Company Press Release, the Target Company prudently discussed and examined the terms and conditions of the Tender Offer by the Company based on the legal advice received from Ushijima & Partners, the content of the Target Company's Valuation Report, the Written Report obtained from the special committee, the content of the continuous discussions with the Company, and other related materials.

As a result, as stated in "a. Background to, purpose of and decision-making process of the Tender Offer" under "(2) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy After the Tender Offer" of "1. Purpose, Etc. of Purchase, Etc." above, the Target Company resolved at its board meeting held today, to express its opinion in support of the Tender Offer and recommend that the Target Company's shareholders tender their Company Common Stock in the Tender Offer.

The aforementioned resolution of the Target Company's board of directors was adopted in the following two steps. First, considering the fact that among the eight directors of the Target Company, Messrs. Masahiko Shimizu,

Kenji Ichiba and Tatsuyasu Kumazaki hold the position of corporate officer or executive officer of the Company, Mr. Yoshinori Ikawa was a corporate officer of the Company until recent fiscal term (up to March 31, 2017), and Mr. Yoshinari Okuda is a secondee from the Company, there was a possibility of structural conflict of interests between the said directors and the Company, so (i) the remaining three directors (including two directors who are audit and supervisory committee members) other than Messrs. Masahiko Shimizu, Yoshinari Okuda, Kenji Ichiba, Yoshinori Ikawa and Tatsuyasu Kumazaki discussed and unanimously passed the resolution as above in order to eliminate the possibility of conflict of interests. Then, in order to secure the quorum for the Target Company's board meeting, (ii) five directors consisting of the said three directors and Messrs. Yoshinori Ikawa and Yoshinari Okuda (including three directors who are audit and supervisory committee members) discussed again and unanimously passed the same resolution.

Among the directors of the Target Company, Messrs. Yoshinari Okuda, Kenji Ichiba, Yoshinori Ikawa and Tatsuyasu Kumazaki did not participate in the discussions and negotiations with the Company in their capacity as members of the Target Company in order to avoid a suspicion of conflict of interests. Meanwhile, considering the fact that although Masahiko Shimizu holds a position of corporate officer of the Company, he is also an officer in charge of coordinating the Target Company's management division and has knowledge and experiences that are indispensable to and irreplaceable for the examination and negotiation of the Tender Offer from the perspective of improvement of the Target Company's corporate value, Mr. Masahiko Shimizu participates in the discussion and negotiation of the Transaction in his capacity as a member of the Target Company. However, in order to eliminate the possibility of conflict of interests, the role of Mr. Masahiko Shimizu is limited to supporting the decision-making by Mr. Yoshiyuki Shinbori who discussed and negotiated with the Company as the representative of the Target Company. Specifically, concerning the discussions and negotiations of the Transaction, Mr. Shimizu's role is limited to advancing preparations for the decision-making such as: giving directions to and coordinating divisions responsible for this matter including legal, accounting, and management and planning divisions, and promoting cooperation with outside advisors and the special committee. He is required to always consult with Mr. Yoshiyuki Shinbori before making any final decisions.

f. Measures to Secure Opportunities for Others to Make Competing Offers

The Company has not entered into any agreement with the Target Company that will restrict the Target Company from contacting persons proposing competing offers, including any agreement providing a transaction protection clause that may forbid the Target Company from contacting persons proposing competing offers.

In addition, the Company has set the Tender Offer Period of thirty-one (31) business days, which is longer than the statutory minimum tender offer period of 20 business days. By setting a relatively long Tender Offer Period,

the Company aims to secure an appropriate opportunity for all shareholders of the Target Company to decide whether to tender their shares in the Tender Offer and an opportunity for persons other than the Company to make competing offers for purchase of the Target Company Common Stock, and thereby to ensure the appropriateness of the Tender Offer Price.

Moreover, the Company has not set a minimum number of shares to be purchased by a so-called “majority of minority”, because the Company considers that, if it does, it makes the completion of the Tender Offer more uncertainty and may rather not contribute to the interest of minority shareholders who desire to tender their shares through the Tender Offer as the Company holds 2,900,000 shares of the Target Company Common Stock (shareholding ratio: 55.59%) as of today, as described in “(1) Overview of the Tender Offer” of “1 Purpose, Etc. of Purchase, Etc.” above. However, since the Company and the Target Company have implemented the measures as set forth in a. through f. above, the Company believes that the interests of the minority shareholders of the Target Company have been given ample consideration. Furthermore, of the matters detailed above, the measures implemented by the Target Company are in accordance with explanations received from the Target Company.

(C) Relationship with the Calculation Institution

Nomura Securities, a financial advisor of the Company (calculation agent), is not a related party of the Company or the Target Company and has no material interest in relation to the Tender Offer.

(5) Number of Share Certificates, Etc. to be Purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
2,316,609 (shares)	— (shares)	— (shares)

(Note 1) In the Tender Offer, neither a maximum nor a minimum number of shares to be purchased etc. has been set, and the Company thus will purchase etc. all of the Tendered Share Certificates, Etc. The number of share certificates etc. to be purchased is as indicated in “Number of shares to be purchased”, and represents the number of shares calculated by deducting, from the number of issued shares as of December 31, 2018 (5,216,800 shares) as indicated in the Quarterly Financial Results, the number of the shares held by the Tender Offeror as of today (2,900,000 shares) and the treasury shares held by the Target Company as of December 31, 2018 as indicated in the Quarterly Financial Results (191 shares).

(Note 2) Shares constituting less than a unit will also be subject to purchase through the Tender Offer. The Target Company may purchase its own shares in accordance with procedures stipulated in the law



during the Tender Offer Period from any shareholder who exercises the right to require the Target Company to purchase shares constituting less than a unit under the Companies Act.

(Note 3) The Tender Offeror does not intend to acquire, through the Tender Offer, any treasury shares held by the Target Company.

(6) Change of Ownership Percentage of Share Certificates, Etc. Due to Purchase, Etc.

Number of Voting Rights Represented by Share Certificates, Etc. Owned by Tender Offeror prior to Purchase, Etc.	29,000	(Ownership Percentage of Share Certificates Etc. prior to Purchase, Etc.: 55.59)
Number of Voting Rights Represented by Share Certificates, Etc. Owned by Special Related Parties prior to Purchase, Etc.	235	(Ownership Percentage of Share Certificates Etc. prior to Purchase, Etc.: 0.45)
Number of Voting Rights Represented by Share Certificates, Etc. Owned by Tender Offeror after Purchase, Etc.	52,166	(Ownership Percentage of Share Certificates Etc. after Purchase, Etc.: 100.00)
Number of Voting Rights Represented by Share Certificates, Etc. Owned by Special Related Parties after Purchase, Etc.	0	(Ownership Percentage of Share Certificates Etc. after Purchase, Etc.: 00.00)
Total Number of Voting Rights of All Shareholders, Etc. of Target Company	52,153	

(Note 1) The “Number of Voting Rights Represented by Share Certificates, Etc. Owned by Tender Offeror after Purchase, Etc.” is the number of voting rights (23,166) with respect to the number of share certificates, etc. to be purchased in the Tender Offer (2,316,609 shares) plus the “Number of Voting Rights Represented by Share Certificates, Etc. Owned by the Tender Offeror prior to Purchase, Etc.” (29,000).

(Note 2) The “Number of Voting Rights Represented by Share Certificates, Etc. Owned by Special Related Parties prior to Purchase, Etc.” is the total number of the voting rights represented by the share certificates, etc. held by each of the special related parties (however, out of the special related parties, the parties who are excluded from the special related parties, pursuant to Article 3, Paragraph 2, Item 1 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, Etc. by Person Other Than Issuer (Ministry of Finance Ordinance No. 38 of 1990, as amended) (the “TOB Ordinance”), in calculating the ownership percentage of share certificates, etc. pursuant to each of the Items of Article 27-2, Paragraph 1 of the Act, are excluded). Since the

share certificates, etc. held by the special related parties (however, treasury shares held by the Target Company are excluded) shall also be subject to the Tender Offer, the “Number of Voting Rights Represented by Share Certificates, Etc. Owned by Special Related Parties after Purchase, Etc.” is stated as zero. In addition, after confirming the shares etc. of the Target Company owned by Special Related Parties, if amendment is required, the Company will immediately disclose the amendment.

(Note 3) The “Total Number of Voting Rights of All Shareholders, Etc. of Target Company” represents the total number of voting rights of all shareholders of the Target Company as of September 30, 2018, as described in the Target Company’s Report for the Second Quarter of 18th Fiscal Year filed as of November 5, 2018 (described on the basis that 1 unit is 100 shares). However, as shares constituting less than a unit are subject to the Tender Offer, in calculating the “Ownership Percentage of Share Certificates, Etc. prior to Purchase, Etc.” and the “Ownership Percentage of Share Certificates, Etc. after Purchase, Etc.,” “Total Number of Voting Rights of All Shareholders, Etc. of Target Company” is the number of voting rights (52,166) corresponding to the number of shares (5,216,609 shares) obtained by deducting (a) the number of treasury shares held by the Target Company as of December 31, 2018 (191 shares), from (b) the total number of issued shares of the Target Company as of December 31, 2018 (5,216,800 shares) described in the Quarterly Financial Results.

(Note 4) The “Ownership Percentage of Share Certificates, Etc. prior to Purchase, Etc.” and the “Ownership Percentage of Share Certificates, Etc. after Purchase, Etc.” are rounded to two decimal places.

(7) Aggregate Tender Offer Price: 15,521,280,300yen

(Note) The “Aggregate Tender Offer Price” is calculated by multiplying the number of shares intended to be purchased (2,316,609 shares) by the Tender Offer Price (6,700 yen per share).

(8) Method of Settlement

a. Name and Address of the Head Office of the Financial Instruments Business Operators / Banks in Charge of Settlement for Purchase, Etc.

Nomura Securities Co., Ltd.  
1-9-1, Nihonbashi, Chuo-ku, Tokyo

b. Settlement Commencement Date

March 26, 2019 (Tuesday)

c. Method of Settlement

A notice of purchase by way of the Tender Offer will be mailed to the address of each Tendering Shareholder (or the standing proxy in the case of foreign shareholders) promptly after the end of the Tender Offer Period.

Payment of the purchase price will be made in cash. The Tendering Shareholders, Etc. are entitled to receive the purchase price for the shares under the Tender Offer promptly after the commencement date of settlement in a manner designated by the Tendering Shareholders, Etc., such as remittance (a remittance fee may be charged).

d. Method of Returning Share Certificates, Etc.

If all of the shares are not purchased in accordance with the terms described in “b. Conditions of Withdrawal, Etc. of Tender Offer, Details thereof and Method of Disclosure of Withdrawal” of “(9) Other Conditions and Methods of Purchase, Etc.” below, the Tendered Share Certificates, Etc. that are required to be returned will be returned to the Tendering Shareholders, Etc. promptly after two (2) business days following the last day of the Tender Offer Period (the day of the withdrawal, etc. if the Tender Offer is withdrawn, etc.) by restoring the record of the shares in the Tendering Shareholders’ Account to the state that existed immediately prior to the relevant tender (If the Tendering Shareholders, Etc. wish their share certificates, etc. to be transferred to their accounts established with other financial instruments business operators, they are asked to confirm with the head office or domestic branch office of the Tender Offer Agent at which the relevant tender was accepted.).

(9) Other Conditions and Methods of Purchase, Etc.

a. Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and Details thereof

Since the Company has set no minimum or maximum number of shares to be purchased through the Tender Offer, the Company shall purchase all Tendered Share Certificates, Etc.

b. Conditions of Withdrawal, Etc. of Tender Offer, Details thereof and Method of Disclosure of Withdrawal

The Tender Offer may be withdrawn upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9 and Items 1.12 through 1.18, Items 3.1 through 3.8 and Item 3.10, as well as Article 14, Paragraph 2, Items 3 through 6 of the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended) (the “Enforcement Order”). In the Tender Offer, the “matters equivalent to the matters listed in Items 1.1 through 1.9” in Article 14, Paragraph 1, Item 3.10 of the Enforcement Order means where it is found that there is a false statement regarding, or an omission of, a

material matter to be stated, in the statutory disclosure documents which the Target Company submitted in the past, and where the Tender Offeror was not aware of the false statement or the omission and, despite using due care, the Tender Offeror was unable to be aware of the false statement or the omission.

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

c. Conditions of Reduction of Purchase Price, Details thereof and Method of Disclosure of Reduction

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

d. Matters Concerning Right of Cancellation of Contract of Tendering Shareholders, Etc.

Tendering Shareholders, Etc. may cancel a contract related to the Tender Offer at any time during the Tender Offer Period. In order to cancel the contract, Tendering Shareholders, Etc. must personally deliver or mail (by post) a written request for the cancellation of the contract related to the Tender Offer (the “Cancellation Documents”) to the head office or a branch office in Japan of the Tender Offer Agent that received the application from such Tendering Shareholders, Etc., by 15:30 on the last day of the Tender Offer Period. If cancellation is made by postal mail, the cancellation will not be effective unless the Cancellation Documents are delivered by 15:30 on the last day of the Tender Offer Period.

A contract executed via the online service can be canceled either via the online service (<https://hometrade.nomura.co.jp/>) or by personally delivering or mailing (by post) the Cancellation Documents. To cancel a contract via the online service, Tendering Shareholders must complete the cancellation procedures in the manner prescribed on that website by 15:30 on the last day of the Tender Offer Period. Tendering Shareholders, Etc. may not cancel via the online service the contract executed at the office of the Tender Offer Agent they have an account with. To cancel a contract by personally

delivering or mailing (by mail) the Cancellation Documents, Tendering Shareholders, Etc. must request the form of the Cancellation Documents in advance from the office of the Tender Offer Agent they have an account with and then send the filled out form to such office by 15:30 on the last day of the Tender Offer Period. If cancellation is made by postal mail, the cancellation will not be effective unless the Cancellation Documents are delivered by 15:30 on the last day of the Tender Offer Period.

No compensation for damages or penalty payment will be demanded of any Tendering Shareholder by the Tender Offeror even if the Tendering Shareholder cancels a contract. The cost of returning the Tendered Share Certificates, Etc. will be borne by the Tender Offeror.

e. Method of Disclosure if the Conditions or other Terms of the Tender Offer are Changed

The Tender Offeror may change the conditions, etc. for the Tender Offer during the Tender Offer Period, except where it is prohibited pursuant to Article 27-6, Paragraph 1 of the Act and Article 13, Paragraph 2 of the Enforcement Order. Should any terms or conditions of the Tender Offer be changed, the Tender Offeror will give public notice thereof through electronic disclosure as well as in the Nihon Keizai Shimbun; provided, that if it is difficult to make such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Ordinance and give public notice promptly thereafter. Should any terms or conditions of the Tender Offer be changed, the purchase of the Tendered Share Certificates, Etc. tendered on or prior to the date of such public notice will also be made in accordance with the terms and conditions as changed.

f. Method of Disclosure if Amended Statement is Submitted

If the Tender Offeror submits an amendment to this Statement to the Director-General of Kanto Local Finance Bureau (except in the case prescribed in the proviso of Article 27-8, Paragraph 11 of the Act), the Tender Offeror will promptly make an official announcement of the details of such amended statement to the extent relevant to the contents of the public notice of the Tender Offer, pursuant to the method set forth in Article 20 of the TOB Ordinance. The Tender Offeror will also promptly amend the explanatory statement and provide the amended explanatory statement to the Tendering Shareholders, Etc. who have received the original explanatory statement. If the extent of the amendments is limited, however, the Tender Offeror will convey the changes to the Tendering Shareholders, Etc. by way of preparing and delivering to the Tendering Shareholders, Etc. a document stating the reason for the amendments, the matters amended and the details thereof.

g. Method of Disclosure of Results of the Tender Offer

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

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

February 1, 2019 (Friday)

(11) Tender Offer Agent

Nomura Securities Co., Ltd. 1-9-1, Nihonbashi, Chuo-ku, Tokyo

3. Policy, Etc. after the Tender Offer and Future Outlook

(1) Policy, Etc. after the Tender Offer

For the policy, etc. after the Tender Offer, please refer to “(2) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy After the Tender Offer,” “(4) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-called “Two-step Acquisition”)” and “(5) Possibility of Delisting and Reasons Therefor” of “1. Purpose, Etc. of Purchase, Etc.” above

(2) Future Outlook

Impact on business performance is currently under review. If amendment of financial forecast is required or there are facts to be announced, the Company will immediately disclose such them.

4. Others

(1) Agreements between Tender Offeror and Target Company or its Officers, and Details Thereof

a. Agreements between the Tender Offeror and the Target Company and Details Thereof

According to the Target Company Press Release, as stated in the section titled “a. Background to, purpose of and decision-making process of the Tender Offer” of “(2) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy After the Tender Offer” of “1. Purpose, Etc. of Purchase, Etc.” above, the Target Company resolved at its board of directors meeting held on January 31, 2019 to express an opinion in favor of the Tender Offer, and to recommend that all Target Company shareholders subscribe to the Tender Offer.

For details of the decision-making of the Target Company, please refer to the Target Company Press Release and the section titled “e. Unanimous Approval of All Non-interested Directors at the Target Company” under “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest)” of “(B) Background of Calculation” under “(4) Bases, Etc. of Calculation of Price for Purchase, Etc.” of “2. Outline of Purchase, Etc.” above.

b. Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy After the Tender Offer

Please refer to the section titled “(2) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy After the Tender Offer” under “1. Purpose, Etc. of Purchase, Etc.” above.

c. Measures to Ensure the Fairness of the Tender Offer Such As Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflict of Interests

Please refer to the section titled “(Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, Etc. and to Avoid Conflicts of Interest)” under “(2) Background of Calculation” under “(4) Bases, Etc. of Calculation of Price for Purchase, Etc.” of “2. Outline of Purchase, Etc.” above.

(2) Other Information Deemed Necessary for Investors to Decide Whether to Tender Its Shares to the Offer, Etc.

a. Announcement of “Consolidated Financial Results for the 3rd Quarter of Fiscal Year Ending March 31, 2019 (Prepared in Conformity with Generally Accepted Accounting Principles in Japan)”

The Target Company announced the Quarterly Financial Results as of January 31, 2019. The outline of the Target Company’s Quarterly Financial Results in the announcement is as stated below. According to the Target Company, the Quarterly Financial Results do not undergo quarterly review by the auditing firm under Article 193-2, Paragraph 1 of the Act. The outline below is an excerpt from the information disclosed by the Target Company. For details, please refer to the Quarterly Financial Results.

(i) Profit & Loss (consolidated)

(Yen)

Fiscal Period	3rd Quarter of Fiscal Year Ending March 31, 2019
Net sales	9,559,000,000
Cost of Sales	6,868,000,000
Selling, general and administrative expenses	1,412,000,000
Non-operating income	3,000,000
Non-operating expenses	0,000,000
Net income for the quarter attributable to the parent company	838,000,000

(ii) Per Share Information (consolidated)

(Yen)

Fiscal Period	3rd Quarter of Fiscal Year Ending March 31, 2019
Net profit per share for the quarter	160.75
Dividend per share	12.00

b. Year-End Dividend for the fiscal year ending March 31, 2019

The Target Company amended the forecast for the year-end dividend for the fiscal year ending March 31, 2019, which was announced at April 25, 2018, and resolved at a meeting of its board of directors held on January 31, 2019, not to make a year-end dividend for the fiscal year ending March 31, 2019, which was announced on October 24, 2018 and to abolish the Shareholder Special Benefit Plan, assuming that the Tender Offer be completed,. For more information, please see the Company's "Notice Regarding Revision of Dividend Forecast (No Dividend) for the Fiscal Year Ending March 2019 (the 18th) and Abolition of Shareholder Incentives Plan" dated January 31, 2019.

(End of Document)



**[Soliciting Regulations]**

This press release is a news statement intended for the announcement of the Tender Offer to the general public and is not intended for soliciting an offer to sell the shares in connection with the Tender Offer. If anyone desires to sell his or her shares, a shareholder should, at his or her own responsibility, review the tender offer explanatory statement for the Tender Offer and accept the Tender Offer in his or her own discretion. This press release is not considered as an offer of purchase of securities or solicitation of offer of sales of securities and does not constitute any such part. This press release (or any part of it) or the fact of its distribution does not provide a basis for any kind of agreement pertaining to the Tender Offer, and it may not be relied upon when executing any such agreement.

**[Regulations of the United States]**

Although the Tender Offer will be conducted in compliance with the procedures and disclosure standards prescribed in the Financial Instruments and Exchange Act in Japan, such procedures and standards are not necessarily identical to those applicable in the United States. In particular, Sections 13(e) and 14(d) of the U.S. Securities Exchange Act of 1934 (as amended) (the “U.S. Securities Exchange Act of 1934”), and the rules prescribed thereunder do not apply to the Tender Offer, and the Tender Offer is not intended to comply with the procedures or standards set forth in any such provisions. All financial information contained in this press release is based on generally accepted accounting principles in Japan (Japanese GAAP), not the U.S. accounting standards. Therefore, the financial information contained in this press release may not necessarily be comparable to the financial information prepared based on the U.S. accounting standards. In addition, the Tender Offeror and the Target Company are legal entities incorporated outside of the United States, and it may be difficult to enforce any rights or make claims arising under the U.S. securities laws. Furthermore, shareholders may not be able to commence legal proceedings against legal entities outside the United States in non-U.S. courts for violations of the U.S. securities laws. Furthermore, U.S. courts do not necessarily have jurisdiction over legal entities and their respective subsidiaries and affiliates outside the United States.

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

The financial advisor of the Tender Offeror and the Target Company, the tender offer agent and their

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

**[Forward-Looking Statements]**

This information, including the information concerning the future business of the Company, other companies, etc., may include the forward-looking expression such as “look for,” “expect,” “aim at,” “schedule,” “convinced of,” and “anticipate.” These expressions are based on the outlook for the business of the Company at this point, and may change depending on the situation going forward. In respect of the information, the Company undertakes no obligation to change forward-looking expressions to current state in order to reflect the actual performance, various circumstances, change of conditions, etc.

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

**[Other Countries]**

In certain countries or regions, the announcement, issue or distribution of this press release may be restricted by laws or regulations. In such cases, you are required to be aware of such restrictions and comply with the laws and regulations of such countries or regions. This press release does not constitute any solicitation of an offer to sell or offer to purchase shares in relation to the Tender Offer, and shall be considered as a mere distribution of informative materials.

