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Stock Code: 3975

August 20, 2021

**To Shareholders with Voting Rights:**

Yasuhito Nakae  
Representative Director & Group CEO  
AOI TYO Holdings Inc.  
2-2-24, Higashi-shinagawa, Shinagawa-ku,  
Tokyo

## Convocation Notice of the Extraordinary General Meeting of Shareholders of AOI TYO Holdings Inc.

Dear Shareholder,

AOI TYO Holdings Inc. hereby announces that an extraordinary general meeting of shareholders will be convened as described below.

Although we will take measures at the venue to prevent infection from COVID-19, you are requested to exercise your voting rights in advance, whenever possible, either in writing or via the internet no later than 5:30 PM on Monday, September 6, 2021 (Japan Time) in order to prevent the spread of COVID-19. We urge caution in deciding to attend the meeting in person.

Meeting Details:

1. Date and Time	10:00 AM, Tuesday, September 7, 2021		
	Function room Fuyo on 4F of Palace Hotel Tokyo		
2. Venue	1-1-1 Marunouchi, Chiyoda-ku, Tokyo		
	* Please note the room at the venue differs from the room regularly used for the Ordinary General Meeting of Shareholders.		
3. Agenda	Matters for Resolution	Item 1 Item 2	Share Consolidation Partial Amendment to the Articles of Incorporation

Notice to Shareholders

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- If you are attending the meeting of shareholders in person, please bring the enclosed voting form to present at the registration desk.
- If corrections to general meeting of shareholders reference materials are necessary, corrected information will be posted to the AOI TYO Holdings corporate website (<https://aoityo.com/en/index.html>).

# General Meeting of Shareholders Reference Materials

## Agenda and Reference Documents

Item 1

### Share Consolidation

#### 1. Reasons for Share Consolidation

As announced in the Company's press release dated May 14, 2021, "Notice Concerning Execution of Management Buyout and Recommendation for Acceptance" (hereinafter the "Press Release Expressing Opinion"), the Company expressed an opinion in support of a tender offer (hereinafter "Tender Offer") for Company common stock (hereinafter "Company Stock") and Stock Acquisition Rights (Note 1) (hereinafter Company Stock and Stock Acquisition Rights collectively referred to as "Company Stock, etc.") by Studio Cruise Co., Ltd. (hereinafter the "Offeror") as part of a so-called management buyout (MBO) (Note 2) and recommended that AOI TYO Holdings shareholders accept the Tender Offer, while leaving the decision of acceptance of the Tender Offer for Stock Acquisition Rights to the owners of Stock Acquisition Rights (hereinafter "Owners of Stock Acquisition Rights").

The Tender Offer was conducted by the Offeror as a part of a series of transactions (hereinafter the "Transaction") to acquire all Company Stock, etc. (excluding treasury stock held by the Company (excluding the portion owned by the Company's Board Benefit Trust (BBT)) for the purpose of taking the Company private.

The Offeror conducted the Tender Offer between May 17, 2021 and July 5, 2021, and as a result, as of July 12, it owned 19,739,747 shares of Company Stock (ownership ratio (Note 4) of 81.60%).

#### Notes:

1. Stock Acquisition Rights refer collectively to the following rights:
  - (1) Stock acquisition rights issued on January 4, 2017 (hereinafter "Stock Acquisition Rights No. 2," exercise period from January 4, 2017 to November 27, 2042) in lieu of Stock Acquisition Rights No. 5 issued based on a resolution of the board of directors of AOI Pro. Inc. (hereinafter "AOI Pro.") on November 12, 2012, at the time of the joint stock transfer (Note 3).
  - (2) Stock acquisition rights issued on January 4, 2017 (hereinafter "Stock Acquisition Rights No. 7," exercise period from January 4, 2017 to December 25, 2024) in lieu of Stock Acquisition Rights No. 10 issued based on a resolution of the board of directors of TYO Inc. (hereinafter "TYO") on December 25, 2014, at the time of the joint stock transfer.
  - (3) Stock acquisition rights issued on January 4, 2017 (hereinafter "Stock Acquisition Rights No. 8," exercise period from January 4, 2017 to December 25, 2024) in lieu of Stock Acquisition Rights No. 11 issued based on a resolution of the board of directors of TYO on December 25, 2014, at the time of the joint stock transfer. (hereinafter Stock Acquisition Rights No. 2, Stock Acquisition Rights No. 7, and Stock Acquisitions Rights No. 8 collectively referred to as "Stock Acquisition Rights.")
2. A management buyout (MBO) is a tender offer in which the Offeror is an officer of the target entity (including a tender offer in which the Offeror conducts the Tender Offer based on a request by an officer of the target entity and shares common interests with the officer of the target entity (see Article 441 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. (hereinafter "Tokyo Stock Exchange"))).
3. The term "joint stock transfer" refers to the joint stock transfer (effective January 4, 2017) that made AOI Pro. and TYO wholly owned subsidiaries and AOI TYO Holdings Inc. the wholly owning parent company.
4. Ownership ratio is calculated as follows: The Company's (i) total number of issued shares as of March 31, 2021 (24,566,447 shares), as listed in the "Summary of Consolidated Financial Results (Japanese Accounting Standards) for the First Quarter of the Fiscal Year Ending December 31, 2021" (hereinafter "Quarterly Financial Results") announced by the Company on May 14, 2021, is added to (ii) the number of shares to be issued (299,426 shares) from Stock Acquisition Rights (13,957 (100 in Stock Acquisition Rights No. 2 (50,000 shares to be issued), 6,747 in Stock Acquisition Rights No. 7 (121,446 shares to be issued), and 7,110 in Stock Acquisition Rights No. 8 (127,980 shares to be issued), which is calculated by deducting stock acquisition rights exercised or canceled between January 1, 2021 and May 13, 2021 (506 (358 in Stock Acquisition Rights No. 5 (32,220 shares to be

issued) (Note 5) and 148 in Stock Acquisition Rights No. 6 (13,320 shares to be issued) (Note 6)) from the total number of stock acquisition rights as of December 31, 2020 (14,463 (344,966 shares to be issued)), as listed in the Company's fourth securities report, submitted on March 25, 2021. From this sum (24,865,873 shares) is deducted (iii) 675,356 shares, which is the number of treasury stock (1,086,556 shares) held by the Company as of March 31, 2021, as listed in the Quarterly Financial Results, less the portion of shares (411,200 shares) owned by the Company's Board Benefit Trust (BBT) as of the same date. Ownership ratio is the percentage (rounded to the second decimal place) of this difference of 24,190,517 shares (hereinafter the "total number of Company's shares outstanding adjusted for potential shares"). The same applies to the ownership ratios below.

5. Stock acquisition rights issued on January 4, 2017 (exercise period from January 4, 2017 to January 14, 2021) in lieu of Stock Acquisition Rights No. 8 issued based on a resolution of the board of directors of TYO on January 14, 2011, at the time of the joint stock transfer.
6. Stock acquisition rights issued on January 4, 2017 (exercise period from January 4, 2017 to January 14, 2021) in lieu of Stock Acquisition Rights No. 9 issued based on a resolution of the board of directors of TYO on January 14, 2011, at the time of the joint stock transfer.

Details on the purpose and background of the Transaction, including the Tender Offer and consolidation of shares to make the Offeror the Company's sole shareholder (except for the Company) (hereinafter the "Share Consolidation"), are as described in the Press Release Expressing Opinion, and these details are summarized again below. The information given below related to the Offeror is based on the tender offer notification submitted by the Offeror on May 17, 2021 (including subsequent amendments), other information disclosed by the Offeror, and explanations received from the Offeror.

(1) Business environment surrounding the Company and the Company's management issues

(i). Background to the decision to conduct the Tender Offer

The Group (refers to the Company and its subsidiaries and affiliated companies; the same applies below) is primarily involved in the Content Production Business and the Communication Design Business. AOI Pro., one of the Company's main subsidiaries, was established as Aoi Advertising Promotion Inc. in October 1963. It started out producing television commercials, subsequently expanded its business scope, and in April 1990 registered its stock as an over-the-counter issue with the Japan Securities Dealers Association. It was listed on the Second Section of the Tokyo Stock Exchange in February 1998, and listed on the First Section of the Tokyo Stock Exchange in September 2000. In July 2012, the company changed its trade name to AOI Pro. Inc., which is its current trade name. xpd Inc. (hereinafter "xpd") is likewise one of the Company's main subsidiaries. It was established in April 1982 as TYO (the Company executed an incorporation-type company split of the company on January 4, 2021, transferring part of its businesses to the newly established TYO Inc. (hereinafter "TYO"), and changed its name to xpd Inc.) and began producing television commercials. It subsequently expanded the scope of its business, and in April 2002 it registered its stock as an over-the-counter issue with the Japan Securities Dealers Association. It was listed on the JASDAQ Securities Exchange in December 2004, the Osaka Securities Exchange JASDAQ Market in April 2010, and the Osaka Securities Exchange JASDAQ (Standard) in October 2010. When the Osaka Securities Exchange and Tokyo Stock Exchange integrated their markets in July 2013, xpd was listed on the Tokyo Stock Exchange JASDAQ (Standard). It changed its listing to the Tokyo Stock Exchange Second Section in October 2013 and was listed on the First Section of the exchange in January 2014. Thereafter, in January 2017, AOI Pro. and TYO integrated operations, and the Company was established as a joint holding company of AOI Pro. and TYO through a joint stock transfer of both companies. The Company was listed on the First Section of the Tokyo Stock Exchange, taking the place of AOI Pro. and TYO, and in January 2021, it reorganized into a two-business structure consisting of the Content Production Business and the Communication Design Business. Under the slogan "Produce the future. Produce emotion. Produce people.", the Group is committed to fulfilling its mission of "Continuing to create new value by moving the heart." Producing the "future" is tackling growth areas; producing "emotion" is digging deeper into our strengths; producing "people" is creating a place where our people—our assets—can grow. These are the goals that our employees will take on together as we aim for corporate growth.

The Content Production Business consists primarily of AOI Pro., TYO, and TREE Digital Studio Inc. (an absorption-type merger was conducted in January 2021 with DIGITAL GARDEN INC. as the surviving company and Media Garden Inc. and TTR Inc. as the absorbed companies, and the trade name of DIGITAL GARDEN INC. was changed to TREE Digital Studio Inc.), and involves advertising video production and post-production (Note 1), with advertising companies as its primary customers. The Company aims to further grow the Content Production Business by leveraging its track record and experience in the production of high-quality advertising videos used in television commercials.

Note 1: Post-production refers collectively to video and music editing, narration, adding sound effects, and other editing work after the advertising video has been shot.

The Communication Design Business, which centers on xpd, involves providing video, public relations, events, space design, and other solutions for the marketing and advertising strategies of advertisers through direct transactions with them. By strengthening direct sales to advertisers, the Company provides comprehensive one-stop solutions encompassing processes from creating to executing total promotional strategies for advertisers, and intends to quickly realize cross-sales within the Group.

For both the Content Production Business and the Communication Design Business, the Company aims to develop human resources and technologies suited to the businesses' respective strategies and establish sales and management systems. Furthermore, efforts are underway to strengthen digital video advertising production, which is expected to grow, and build higher

revenue business models not beholden to traditional channels through M&A and other means.

In recent years, the environment surrounding the advertising business has been changing greatly with diversification of media, including digital media, centering on the Internet, diversification of devices, as exemplified by smartphones and tablet devices, and the evolution of technologies, including communication speeds, data analysis, virtual reality (VR), and augmented reality (AR). The television commercial production market, which is a main axis of the Group, has been gradually shrinking over the medium term in connection with decreasing expenditure on television advertising by companies. Sales and profits related to duplication (printing), one of the pillars of the Group's revenue and profit, have been declining as well (Note 2). At the same time, due to the accelerating shift in video media other than television to digital (to digital media via the Internet), major growth is expected in the market for digital video advertising production. So the Company believes that the business areas surrounding the Group are in a transition period, both in terms of their structure and center of gravity. Based on this business environment, the Group has engaged in operations on a business model with its main axis as traditional television commercial production while also working to quickly establish a revenue model that accommodates diversifying media, including digital media, and a sales model that meets the diversifying needs of advertisers.

Note 2: Before October 2017, the Group made deliveries of television commercial data to broadcasters by printing them on digital recording media and recorded sales and profits related to such duplication process, but since October 2017, as it has become possible for the Group to provide television commercial data to broadcasters online, the Group's sales and profits from printing have decreased.

- (ii). Reasons that led to the Tender Offer being executed and the decision-making process involved Mr. Yasuhito Nakae, the Company's representative director & Group CEO (hereinafter "Mr. Nakae"), and Mr. Hiroaki Uekubo, the Company's representative director & Group COO (hereinafter "Mr. Uekubo"), amid various considerations on solving management issues based on these major changes in the environment surrounding the advertising business, have been in contact with multiple management consultants, financial institutions, corporate advisory companies, and private equity funds and carried out many discussions and deliberations on the Group's management strategies and policies, based on medium- to long-term forecasts of the management environment, and its optimal capital structure, etc. if the Company was to go private or remained listed. Referred by a corporate advisory, the Company first engaged with The Carlyle Group (including affiliated companies and other related entities; hereinafter "Carlyle") in mid-July 2019 and thereafter held discussions intermittently with Carlyle on the Group's management issues.

With the spread of COVID-19 from February 2020, the Group conducted business while implementing infection prevention measures, but under the government-declared state of emergency from April to May 2020, COVID-19 directly impacted the Group's business, with, for example, filming and editing studios temporarily suspending operations and advertising companies and advertisers being requested to postpone filming. The real economy also stagnated because of the impact of activities being restricted due to COVID-19, and, in the domestic advertising market, demand for commercial production, the main axis of the Group, declined substantially as companies cut advertising expenditures and the overall advertising market slowed.

Amid this business environment, the Company, in order to convey the Group's policy on the unstable business environment caused by COVID-19, compiled a medium-term management plan encompassing specific initiatives related to the above business operations and recent conditions as well as future forecasts regarding the impact of COVID-19 on the Group's business, and announced its medium-term plan (hereinafter "Group Medium-Term Plan") on August 24, 2020, covering the five years from fiscal 2021 to fiscal 2025. (Carlyle was not in the position of participating in formulating the Group Medium-Term Plan and was not involved.)

However, the COVID-19 pandemic continued past the fall of 2020, and the changes in the business environment surrounding the Group further accelerated. Specifically, amid continuing contraction in the overall advertising expenditures by companies in connection with the prolongation of the COVID-19 pandemic, companies have become oriented to advertising with easier-to-track cost performance and there has been a notable trend toward reallocating budgets from television commercials to digital and other media. At the same time, growth in demand for services in which measures related to multifaceted media strategy and online marketing strategy, etc. are provided directly by production companies to advertisers in order to realize more efficient and effective advertising is proceeding at a pace beyond that anticipated in the Group Medium-Term Plan. Changes in overall lifestyle behavior patterns and economic activities, including

remote work, online meetings, online events and webinars, cashless settlement, delivery services, and online retail, are rapidly penetrating the population and becoming well established. In conjunction with this, the types of media consumers engage with and the places and times they engage are also changing greatly, and advertising for the purpose of driving customers to stores and other real facilities is also rapidly decreasing. These changes in overall lifestyle behavior patterns and economic activities are causing changes in both advertising media and content, and these changes are taking place earlier and faster than was anticipated in the Group Medium-Term Plan. In order to respond to this further acceleration of changes in the business environment, Mr. Nakae and Mr. Uekubo recognized the necessity of “Restructuring Business Segments,” a key measure in the Group Medium-Term Plan, and realizing a strategy of “digging deeper” and “expanding wider” the Group’s business areas, a business development policy for sustainably increasing corporate value over the medium to long term, on a faster timeline than assumed in the Group Medium-Term Plan. They therefore came to think that it would be necessary to increase the speed of the Group’s reforms by proactively acquiring talented personnel from outside the Group and quickly executing investment in technologies like VR and AR as well as strategic investment in content that combines technology and video production, among other measures. At the same time, in the midst of highly challenging conditions—an operating loss was recorded for the fiscal year ended December 31, 2020—the Group recognized that as a listed company it must secure short-term profits by cutting costs and that to execute bold strategies and investment from a medium- to long-term standpoint in order to accelerate reform would be extremely difficult under present conditions. Mr. Nakae and Mr. Uekubo, amid discussions on the business environment surrounding the Group and future business strategy held from October to November 2020, came to think that it was possible that carrying out measures assumed in the Group Medium-Term Plan on a faster timeline would, over the short term, burden the Company’s shareholders with worsening financial performance and the risk of a falling stock price and make it impossible to commit to stable shareholder returns as a listed company. They also came to think that for the Group to flexibly and speedily execute strategic decisions involving risk without being beholden only to shareholder returns as a listed company, it would be effective and essential to build a business foundation for accommodating the diversifying business environment by securing the human and capital resources needed to more quickly achieve the goals of the Group Medium-Term Plan and create the conditions by which the focus could be on management of the Group from a medium-term perspective by means of taking the Company private and acquiring support for the resources (including networks, know-how, and fundraising) necessary to acquire talented human resources from outside and accommodate the digitalization of advertising in response to changes in the business environment.

Mr. Nakae and Mr. Uekubo held dialogues and discussions with various companies with which they had been in contact based on the assumption of a shared awareness of the above and in light of the prolongation of COVID-19’s impact and further acceleration of changes in the business environment surrounding the Group, and because Carlyle showed a deep understanding of the strategic direction and measures in the Group Medium-Term Plan, and because through cooperation with Carlyle, based on a recognition that in the advertising industry human networks and management know-how are extremely important growth drivers, it would be possible to quickly realize the strategies of the Group Medium-Term Plan by utilizing in the Group the human networks possessed by Carlyle, its accurate grasp of the latest industry trends and diversifying needs of advertisers, including measures in response to advertising digitalization, information accumulated by Carlyle through its portfolio companies, and its understanding of viewpoints and know-how obtained through portfolio companies in various industries around the world, and because they judged that Carlyle would be the optimal partner to contribute to the Group’s medium- to long-term growth and increasing its corporate value, they began full-fledged discussions with Carlyle from early December 2020 on the assumption of taking the Company private and not executing a strategy based on maintaining its status as a publicly listed entity. Prior to full-fledged discussions with Carlyle, Mr. Nakae and Mr. Uekubo did not take concrete proposals from any third party, including Carlyle.

Mr. Nakae, Mr. Uekubo, and Carlyle, through discussions from early to late January 2021, came to a shared recognition, while deepening discussions on the Group’s management policies, based on its growth potential and forecasts for the medium- to long-term management environment, and, further, on the Group’s management issues and optimal capital structure, etc. as recognized by each party, that in order for the Group to achieve further growth and raise its corporate value over the medium to long term it would be necessary to strengthen profitability in existing businesses, and, in areas where growth is expected going forward, like production of digital video advertisements, to build a structure that would allow steady execution over the short term by

utilizing human resources and management know-how from outside and not being limited to internal management resources.

Moreover, Mr. Nakae, Mr. Uekubo, and Carlyle think that the Group Medium-Term Plan is an effective strategy that accurately captures future trends in the advertising industry, but, at the same time, as described above, changes in the business environment surrounding the Group are accelerating more than had been assumed, and in order to accommodate these changes in the business environment, it is necessary to carry out the key measures, etc. of the Group Medium-Term Plan on a faster timeline than had been assumed. Also, given the risk of worsening financial performance over the short term due to moving up the timeline, they shared the recognition that executing the measures on an expedited basis as a listed company could potentially be difficult, and that to execute a radical, flexible management strategy and raise the Company's corporate value from a medium- to long-term perspective without burdening the Company's existing shareholders with worsening short-term performance or the risk of a falling stock price, they came to think it would be necessary to take the Company private and conduct quick and radical business reforms without being beholden to the short-term evaluations of the stock market.

Also, in late January 2021, Carlyle received from Mr. Nakae and Mr. Uekubo expression of their intent to use the proceeds obtained from accepting the Tender Offer for Company Stock owned by them to receive stock in the Offeror via third-party allotment and to invest in the Offeror through other means in order to clarify their position of involvement in raising the Company's corporate value with greater autonomy and responsibility.

Carlyle, in early February 2021, came to think that to raise the corporate value of the Company it was necessary to incorporate strategies and measures it has conceived while continuing, without interruption, the business reforms of the Group that had been promoted by Mr. Nakae and Mr. Uekubo to that point, and that to accomplish this it would be important for Mr. Nakae, who is the Company's representative director & Group CEO, and Mr. Uekubo, who is the Company's representative director & Group COO, to continue being responsible for the Company's management even after the Transaction because they have served as directors since the Company, the holding company of the Group, was established in 2017 and have extensive knowledge of the Group's businesses and systems. Further, Carlyle judged as sufficiently rational that the expression of intention to invest in the Offeror received from Mr. Nakae and Mr. Uekubo represents their strong commitment to the Company going private and subsequent management of the Group because even though the investment, made as private individuals, is a limited percentage of the capital needed for the Transaction (even at this point in time, the percentage of voting rights in the Offeror of Mr. Nakae and Mr. Uekubo after their investment was assumed to be less than 1% in both cases), as individuals, the amount is by no means small; and that from the perspective of maintaining and developing, etc. relationships with the Group's executives, employees, business partners, and other stakeholders, this commitment would contribute to raising the Company's corporate value after the Transaction; and the taking of the Company private by way of a management buyout (MBO), which is to say, that Mr. Nakae and Mr. Uekubo would invest in the Offeror and continue to bear responsibility for the Company's management after Carlyle takes the Company private through the Offeror based on the request of Mr. Nakae and Mr. Uekubo.

Mr. Nakae, Mr. Uekubo, and Carlyle, following multiple discussions on the possibility of executing the Transaction with the Company, in early February 2021 submitted a proposal expressing formal intent related to the Transaction. Thereafter, Carlyle, during the period from mid-February 2021 to late March 2021, conducted due diligence on the Group in order to carefully investigate the feasibility of the Transaction. In addition, regarding the "Notice Regarding Recognition of Extraordinary Loss (Consolidated) and Revision to Full-year Consolidated Performance Forecast" announced by the Company on February 16, 2021, during this due diligence period, it was confirmed that it would not have a major impact on progress on the Group Medium-Term Plan. In parallel with the above, Carlyle continued having discussions with Mr. Nakae and Mr. Uekubo on the terms of the Transaction. Specifically, with reference to a multifaceted and comprehensive analysis of the Company's business and finances, examples of premiums in past cases of tender offers by a party other than the issuer, trends in the Company's stock price on the market over a given period of time in the past, and other information, and based on a level covering considerable past transactions over a given period of time from analysis of trading volume in different price ranges, Mr. Nakae, Mr. Uekubo, and Carlyle, on April 7, 2021, made an initial price proposal that set the price at which the Company Stock would be purchased, etc. through the Tender Offer (hereinafter "Tender Offer Price") at 741 yen per share; that for Stock Acquisition Rights No. 2, which were issued as stock compensation-type stock options to the directors of AOI Pro. and have as an exercise condition that they can only be exercised within five years of the day after the day the AOI Pro. director loses their position as director,

acknowledged that they cannot be exercised even if they have been acquired by the Offeror; and that for Stock Acquisition Rights No. 7 and Stock Acquisition Rights No. 8 set the price at which one Stock Acquisition Right would be purchased, etc. through the Tender Offer (hereinafter “Stock Acquisition Right Purchase Price”) at 1 yen because the exercise prices per share of Company Stock to be issued through these stock acquisition rights (Stock Acquisition Rights No. 7: 1,045 yen; Stock Acquisition Rights No. 8: 1,045 yen) exceeded the proposed Tender Offer Price (741 yen per share). In response, on April 13, 2021, the Company requested that the Tender Offer Price of 741 yen per share of Company Stock be reconsidered because it cannot be said to be a level that appropriately reflects the intrinsic value realizable by the Company and cannot be said to be a reasonable premium level from the perspective of protecting the interests of minority shareholders based on recent trends in the Company’s share price (no request was made to reconsider the Stock Acquisition Right Purchase Price), so Mr. Nakae, Mr. Uekubo, and Carlyle made another proposal on April 20, 2021 that set the Tender Offer Price at 776 yen per share. In response, on April 26, 2021, the Company requested that the Tender Offer Price of 776 yen per share of Company Stock be reconsidered because it cannot be said to be a level that appropriately reflects the intrinsic value realizable by the Company and cannot be said to be a reasonable premium level from the perspective of protecting the interests of minority shareholders even in light of recent trends in similar cases, so Mr. Nakae, Mr. Uekubo, and Carlyle made another proposal on April 27, 2021 that set the Tender Offer Price at 800 yen per share. In response, on April 28, 2021, the Company requested that the Tender Offer Price of 800 yen per share of Company Stock be reconsidered because the Company was forecasting performance for the first quarter of the fiscal year ending December 31, 2021 to end with major increases in revenues and profits compared to budgetary targets and the possibility of revisions to its full-year performance forecasts for the fiscal year ending December 31, 2021 was being assumed and because the Tender Offer Price cannot be said to be a level that appropriately allocates the intrinsic value realizable by the Company to minority shareholders, so Mr. Nakae, Mr. Uekubo, and Carlyle made another proposal on May 10, 2021 that set the Tender Offer Price at 885 yen per share. In response, on May 11, 2021, the Company requested that the Tender Offer Price be reconsidered from the perspective of maximally pursuing the interests of the Company’s regular shareholders, so Mr. Nakae, Mr. Uekubo, and Carlyle made a final proposal on May 12, 2021 that set the Tender Offer Price at 900 yen per share and the Stock Acquisition Right Purchase Price at 1 yen per right. Thereafter, Mr. Nakae, Mr. Uekubo, and Carlyle received a response from the Company on May 14, 2021 that it would accept the final proposal of a Tender Offer Price of 900 yen per share and a Stock Acquisition Right Purchase Price of 1 yen per right.

In addition, Mr. Nakae, Mr. Uekubo, and Carlyle, in parallel with these negotiations with the Company, explained the Transaction in late April 2021 to Ms. Fumiko Hara, Ms. Saori Hara, Ms. Chinami Hara, Cosmo Channel, and Mr. Yoichi Matsumoto and in early May 2021 to Mr. Hiroaki Yoshida (hereinafter Ms. Fumiko Hara, Ms. Saori Hara, Ms. Chinami Hara, Cosmo Channel, and Mr. Yoichi Matsumoto collectively referred to as “Shareholders Planning to Accept”), and sounded out their views on the advisability of accepting the Tender Offer for shares planned for acceptance (refers to Company Stock owned or jointly owned by Shareholders Planning to Accept as of the start of the Tender Offer; the same applies below) should the Transaction be conducted, and confirmed that the Shareholders Planning to Accept were positive about accepting the Tender Offer.

As a result, and based also on the results of due diligence on the Group, Mr. Nakae, Mr. Uekubo, and Carlyle, on May 14, 2021, decided to commence the Tender Offer through the Offeror as part of the Transaction with the Tender Offer Price set at 900 yen per share and the Stock Acquisition Right Purchase Price set at 1 yen, and the Offeror, on the same date, concluded an acceptance agreement related to the Tender Offer with the Shareholders Planning to Accept.

(2) The Company’s decision-making process and reasons

As stated above in “(1) Business environment surrounding the Company and the Company’s management issues,” in response to the start of full-fledged discussions between Mr. Nakae, Mr. Uekubo and Carlyle in early December 2020 premised on taking the Company private, and in order to ensure the fairness of the Tender Offer Price and also the fairness of the Transaction, including the Tender Offer, the Company appointed TMI Associates as a legal advisor independent of Mr. Nakae, Mr. Uekubo, Carlyle, the Company, and the Shareholders Planning to Accept (hereinafter collectively referred to as the “Parties Involved in the Tender Offer”) in early December 2020, and appointed KPMG FAS Co., Ltd. (hereinafter “KPMG”) as a financial advisor and a third-party valuation institution independent of the Parties Involved in the Tender Offer in mid-January 2021. The Company had been receiving counsel from TMI Associates on legal matters, etc. since mid-July 2019

in connection with discussions between Carlyle and the Company on the Group's management issues, but re-appointed TMI Associates as its legal advisor for the Transaction in early December 2020 in response to the start of the full-fledged discussions between Mr. Nakae, Mr. Uekubo and Carlyle premised on taking the Company private.

Further, the Company, in early February 2021, received the proposal from Mr. Nakae, Mr. Uekubo and Carlyle formally expressing their intention regarding the Transaction, and in order to take due care with the Company's decision-making process regarding the Transaction, including the Tender Offer, to eliminate the chance of arbitrariness and conflicts of interest in the decision-making process of the Company's Board of Directors, and to ensure its fairness, on February 12, 2021 established a special committee (hereinafter the "Special Committee"; for information on the Special Committee's composition and its specific activities, etc., refer to "iii. Establishment of an independent special committee in the Company and acquisition of a report from the special committee" of "(3) Important matters to prevent damaging the interests of shareholders other than the parent company, etc. when there is a parent company, etc." in "3. Matters Related to the Appropriateness of Provisions on the Matters Set Forth in Article 180, Paragraph 2, Items 1 and 3 of the Companies Act").

Under the above system, the Company, with regard to the purpose of the Transaction, management policies after the Transaction, and the terms of the Transaction, including the Tender Offer Price, conducted multiple rounds of discussions and considerations with the Offeror, while receiving counsel from TMI Associates and KPMG, based on the opinions, instructions, and requests, etc. of the Special Committee on negotiation policies and important negotiation-related situations, which were confirmed in advance by the Special Committee.

As a result, based on the following points, etc., the Company came to think that the Transaction would contribute to raising the Group's corporate value.

- (i) Given the prolongation of the impact of COVID-19 and the accelerating pace of change in the business environment surrounding the Group since the announcement of the Group Medium-Term Plan, as stated in "(1) Business environment surrounding the Company and the Company's management issues," from the standpoint of working to raise the Company's medium- to long-term corporate value, it would be appropriate to carry out the key measures, etc. in the Group Medium-Term Plan on a faster timeline than assumed in the plan.
- (ii) At the same time, considering that the Group Medium-Term Plan was formulated with a view to executing strategy and investment from a medium- to long-term perspective while securing the short-term profits demanded of a listed company, to try to realize this on a faster timeline could potentially burden the Company's existing shareholders with worsening short-term performance and the risk of a falling stock price, so taking the Company private was thought to be a rational method for raising the Company's corporate value from a medium- to long-term standpoint while avoiding such possibilities.
- (iii) Taking the Company private by way of a management buyout (MBO), which is to say, based on the request of Mr. Nakae, the Company's representative director & Group CEO, and Mr. Uekubo, the Company's representative director & Group COO, who have the most extensive knowledge of the Group's businesses, Mr. Nakae and Mr. Uekubo investing in the Offeror after Carlyle takes the Company private through the Offeror and continuing to bear responsibility for the Company's management even after it is taken private was considered to be helpful from the standpoint of raising the effectiveness of realizing the key measures, etc. of the Group Medium-Term Plan on a faster timeline, and Mr. Nakae and Mr. Uekubo investing in the Offeror after the Company goes private expressed their strong commitment to the Company being taken private and subsequent management of the Group because even though Mr. Nakae's and Mr. Uekubo's shares of voting rights in the Offeror after their investment would, it was assumed, be less than 1% respectively and are themselves not large, the amount of the investment is by no means small for a private individual, and from the perspective of maintaining and developing, etc. relationships with the Group's executives, employees, business partners, and other stakeholders, it was thought that this commitment would contribute to raising the Company's corporate value after the Transaction.
- (iv) In addition, collaborating with Carlyle when the Company is taken private was considered to be rational because the human network possessed by Carlyle, its accurate grasp of the latest industry trends and diversifying needs of advertisers, including measures in response to advertising digitalization, information accumulated by Carlyle through its portfolio companies, and its understanding of viewpoints and know-how obtained through portfolio companies in various industries around the world could be expected to be utilized in the Group.
- (v) The disadvantages associated with a company going private are generally cited as being no

longer able to raise funds from capital markets via equity financing and no longer receiving the advantages received by listed companies, specifically name recognition and social trust, but with regard to raising funds via equity financing, considering the Group's current financial position, the recent low interest-rate environment in indirect financing, and other factors, at the very least, the necessity of this for the time being is not high, and, regarding raising name recognition and social trust, assuming this is possible through sincere business execution, the disadvantages to the Group of going private were considered to be limited.

In addition, as a result of considering the following points, etc., the Company came to judge that the Tender Offer Price is a valid price that secures the gains that the Company's regular shareholders are entitled to receive and that the Tender Offer provides a reasonable opportunity to sell Company Stock. (The Company announced the "Notice Regarding Recognition of Extraordinary Loss (Consolidated) and Revision to Full-year Consolidated Performance Forecast" on February 16, 2021 regarding full-year consolidated performance for the fiscal year ended December 31, 2020. This was announced because it became clear during compiling consolidated results for the fiscal year ended December 31, 2020 that due to net sales, which had been decreasing on the impact of the spread of COVID-19, recovering in the fourth quarter of the fiscal year ended December 31, 2020 and other factors, net sales, operating income, and ordinary income exceeded forecasts, while, at the same time, because, among other factors, business restructuring expenses and impairment loss were recorded as extraordinary losses, profit attributable to owners of parent was lower than had been forecasted. Regarding the impact of this announcement, as stated in "i. Acquisition of a stock valuation report from a third-party valuation institution that is independent of the Company" of "(3) Important matters to prevent damaging the interests of shareholders other than the parent company, etc. when there is a parent company, etc." in "3. Matters Related to the Appropriateness of Provisions on the Matters Set Forth in Article 180, Paragraph 2, Items 1 and 3 of the Companies Act," the impact was incorporated in the valuation made by KMPG for the stock value of Company Stock by using the market price method without making any special adjustments to the stock price reference period.)

- (i) From among the results of valuation made by KMPG for the stock value of Company Stock as stated in "i. Acquisition of a stock valuation report from a third-party valuation institution that is independent of the Company" of "(3) Important matters to prevent damaging the interests of shareholders other than the parent company, etc. when there is a parent company, etc." in "3. Matters Related to the Appropriateness of Provisions on the Matters Set Forth in Article 180, Paragraph 2, Items 1 and 3 of the Companies Act," the Tender Offer Price exceeds the upper limit of the valuation results based on the market price method, and exceeds the median in the range of valuation results based on the discounted cash flow method (hereinafter the "DCF method").
- (ii) When deciding the Tender Offer Price, measures were taken to ensure the fairness of the price and to avoid conflicts of interest, as stated in "(3) Important matters to prevent damaging the interests of shareholders other than the parent company, etc. when there is a parent company, etc." of "3. Matters Related to the Appropriateness of Provisions on the Matters Set Forth in Article 180, Paragraph 2, Items 1 and 3 of the Companies Act," and it is acknowledged that considerations were made for the interests of minority shareholders.
- (iii) The Tender Offer Price was proposed after the above measures had been taken and as a result of sincere and continuing discussions and negotiations being conducted between the Company and the Offeror equivalent to discussions and negotiations in transactions between independent parties.
- (iv) As stated below in "iii. Establishment of an independent special committee in the Company and acquisition of a report from the special committee" of "(3) Important matters to prevent damaging the interests of shareholders other than the parent company, etc. when there is a parent company, etc." in "3. Matters Related to the Appropriateness of Provisions on the Matters Set Forth in Article 180, Paragraph 2, Items 1 and 3 of the Companies Act," the report acquired by the Company from the Special Committee on May 14, 2021 (hereinafter the "Report") also judged the terms of the Transaction, including the Tender Offer Price, to be valid.

In making this judgment, the Company has taken into account the fact that the Tender Offer Price is the amount calculated by adding a premium of 52.80% to the 589 yen closing price of Company Stock on the Tokyo Stock Exchange First Section on May 13, 2021 (rounded to the second decimal place; the same applies to premium rate calculations below), of 45.16% to the 620 yen simple average closing price for the previous month to that date (rounded to the nearest integer; the same applies to

calculations of simple average closing prices below), of 53.58% to the 586 yen simple average closing price for the previous three months to that date, and of 77.51% to the 507 yen simple average closing price for the previous six months to that date, and the fact that while the advisability of the Tender Offer Price cannot be judged by emphasizing only the level of these premiums because these market prices do not reflect the impact of upward revisions to performance forecasts stated in “Notice Regarding Revision of Full-year Consolidated Results Forecasts” announced by the Company on May 14, 2021, it can be acknowledged that these premium levels based on market prices that do not reflect the impact of the upward revisions are not at an unreasonably low level compared to premium levels in other recent cases of MBOs, so premium levels based on market prices that do not reflect the impact of these upward revisions do not constitute a reason for denying the appropriateness of the Tender Offer Price.

At the same time, the Stock Acquisition Right Purchase Price is set at 1 yen, so the Company judged that it would be appropriate to leave the decision on whether or not to accept the Tender Offer in connection with Stock Acquisition Rights to the holders of Stock Acquisition Rights.

In light of the above, the Company, at a meeting of its Board of Directors on May 14, 2021, expressed its opinion in support of the Tender Offer and resolved that it would recommend to the Company’s shareholders to accept the Tender Offer but that it would leave the matter of whether or not to accept the Tender Offer related to Stock Acquisition Rights to the holders of those rights.

Thereafter, the Tender Offer was completed as stated above, but the Offeror, through the Tender Offer, was not able to acquire all Company Stock (however, this excludes the treasury stock owned by the Company (excluding the portion held by the Company’s Board Benefit Trust (BBT)), so it requested that the Company conduct the Share Consolidation to make the Offeror the Company’s sole shareholder (except for the Company). For this reason, the Company, as stated in “(5) Policy on reorganization after the Tender Offer (matters related to so-called two-level acquisition)” in “3. Details, basis, and reasons for opinion on the Tender Offer” from the Press Release Expressing Opinion, will conduct the Share Consolidation to consolidate 3,900,000 shares of Company Stock into one share on the condition of this being approved by shareholders at this Extraordinary General Meeting of Shareholders. Through the Share Consolidation, it is planned that the number of shares of Company Stock held by shareholders other than the Offeror will be a fraction that is less than one share.

2. Details of Matters Set Forth in Each Item of Article 180, Paragraph 2 of the Companies Act (Details of Share Consolidation)

(1) Consolidation ratio

3,900,000 shares of Company Stock will be consolidated into one share.

(2) Effective date of the share consolidation

September 30, 2021

(3) Total number of authorized shares on the effective date

24 shares

3. Matters Related to the Appropriateness of Provisions on the Matters Set Forth in Article 180, Paragraph 2, Items 1 and 3 of the Companies Act

The consolidation ratio of the Share Consolidation consolidates 3,900,000 shares of Company Stock into one share. The Company has judged the consolidation ratio of the Share Consolidation to be appropriate because it is being conducted for the purpose of making the Offeror the Company’s sole shareholder (except for the Company), because the Tender Offer was completed as a part of the Transaction after the sequence of events described above in “1. Reasons for Share Consolidation,” and for the reasons in the items below.

(1) Matters related to the method for treatment of fractions

i. Whether treatment is planned according to the provisions of Article 235, Paragraph 1 or Paragraph 2 of the Companies Act that apply mutatis mutandis in Article 235, Paragraph 2 of the Act, and the reasons

Through the Stock Consolidation, it is planned that the number of Company Stock owned by shareholders other than the Offeror will be a fraction that is less than one share.

Regarding fractions less than one share to occur as a result of the Share Consolidation, shares equivalent to the total sum of the fractions (in accordance with Article 235, Paragraph 1 of the Companies Act (Act No. 86 of 2005; includes subsequent amendments; the same applies below), in

cases where the total sum includes a fraction of less than one, the fraction is rounded off) will be sold and the proceeds of that sale will be delivered to shareholders in proportion to the fractions attributed to them.

Regarding this sale, because the Share Consolidation is being conducted as a part of the Transaction for the purpose of taking the Company private and because it is not necessary to increase the number of the Company's treasury stock, it is planned that, upon approval by the court, Company Stock equivalent to the total sum of the fractions will be sold to the Offeror based on the provisions of Article 234, Paragraph 2 of the Companies Act applied mutatis mutandis in Article 235, Paragraph 2 of the Act.

Regarding the selling price in this case, if court approval, which is necessary, is received as planned, it is planned that a price will be set so that a cash amount equivalent to the number of Company Stock owned by shareholders multiplied by 900 yen, the same amount as the Tender Offer Price, will be delivered to shareholders.

- ii. Name of party expected to purchase shares related to the sale  
Studio Cruise Co., Ltd.

- iii. Method of securing funds for payment of compensation related to the sale by the party and appropriateness of this method

The Offeror is planning to cover the funds for acquiring Company Stock equivalent to the total sum of the fractions to occur through the Share Consolidation by borrowings from Mizuho Bank, Ltd. (hereinafter "Mizuho Bank") and MUFG Bank, Ltd. (hereinafter "MUFG Bank"), and the Company, by confirming the loan certificate related to borrowings from Mizuho Bank and the loan certificate related to borrowings from MUFG Bank, will confirm the method used by the Offeror to secure the funds. Also, according to the Offeror, no events are expected to occur going forward that could hinder payment of compensation related to the sale of stock equivalent to the fractions.

Accordingly, the method of securing funds for the payment of compensation related to the sale of stock equivalent to the fractions by the Offeror is judged to be appropriate.

- iv. Expected timing of the sale and of delivery of compensation obtained through the sale

After the Share Consolidation goes into effect, the Company plans to request approval from the court around mid-October 2021 with respect to the sale of Company Stock equivalent to the total sum of fractions less than one share to occur as a result of the Share Consolidation in accordance with the provisions of Article 234, Paragraph 2 of the Companies Act that are applied mutatis mutandis in Article 235, Paragraph 2 of the Act. The timing for receiving approval varies with the circumstances, etc. of the court, but it is expected that approval from the court will be obtained around the end of October 2021, and that the sale to the Offeror will take place around early November 2021, and after preparations are subsequently made to deliver the compensation obtained through the sale to shareholders quickly and smoothly, it is expected that compensation for the sale of stock equivalent to the fractions will be delivered to shareholders around late December 2021.

Based on requests for court approval in cases of share consolidations by other companies conducted as squeeze-out procedures similar to the Share Consolidation, the time required for acquisition of court approval and to deliver compensation related to the sale, discussions with the Company's shareholder registry administrator that will deliver compensation related to the sale on behalf of the Company, and the preparations and the means for securing funds for payment of compensation related to the sale by the Offeror, the Company judges that the sale of Company Stock equivalent to the total sum of fractions of less than one share to occur as a result of the Share Consolidation and the delivery of compensation obtained related to the sale can be expected to be conducted at the respective times stated above.

- (2) Matters related to the amount expected to be delivered to shareholders through treatment of fractions and the appropriateness of that amount

Regarding the amount expected to be delivered to shareholders through treatment of fractions to occur as a result of the Share Consolidation, as stated above in "(1) Matters related to the method for treatment of fractions," it is planned that a price will be set so that an amount is delivered that is equivalent to the number of Company Stock owned by shareholders multiplied by 900 yen, which is the same as the Tender Offer Price.

Regarding the Tender Offer Price, as stated in the Press Release Expressing Opinion, as a result of consideration of the following points, etc., it has been judged that this is a valid price that secures the profit that the Company's regular shareholders are entitled to receive.

- (i) From among the results of valuation made by KMPG for the stock value of Company Stock, the

Tender Offer Price exceeds the upper limit of the valuation results based on the market price method and exceeds the median in the range of valuation results based on the DCF method.

- (ii) In deciding the Tender Offer Price, measures were taken to ensure the fairness of the price and to avoid conflicts of interest, as stated below in “(3) Important matters to prevent damaging the interests of shareholders other than the parent company, etc. when there is a parent company, etc.,” and it is acknowledged that considerations have been made for the interests of minority shareholders.
- (iii) The Tender Offer Price was proposed after the above measures had been taken and as a result of sincere and continuing discussions and negotiations being conducted between the Company and the Offeror equivalent to discussions and negotiations in transactions between independent parties.
- (iv) In the report the Company acquired from the Special Committee as well, it is judged that the terms of the Transaction, including the Tender Offer Price, are valid.

Also, at a meeting of the Board of Directors on May 14, 2021, the Company expressed an opinion in support of the Tender Offer, and after resolving to recommend that the Company’s shareholders accept the Tender Offer, as a result of again considering the terms of the Transaction based on the Company’s situation up to July 30, 2021, at a meeting of the Board of Director held on July 30, 2021, the Company judged that there were no factors that would prompt a change in its judgment regarding the Transaction.

Based on the above, the Company has judged as appropriate the amount expected to be delivered to shareholders through treating fractions to occur as a result of the Share Consolidation.

- (3) Important matters to prevent damaging the interests of shareholders other than the parent company, etc. when there is a parent company, etc.

The Offeror and the Company conducted the following measures from the standpoint of ensuring the fairness of the Tender Offer Price and eliminating arbitrariness and avoiding conflicts of interest in the decision-making process leading to the decision to conduct the Tender Offer based on the fact that the Tender Offer and Share Consolidation are being conducted as a part of the Transaction for a management buyout (MBO) and that structural conflicts of interest could occur, etc.

- i. Acquisition of a stock valuation report from a third-party valuation institution that is independent of the Company

In expressing its opinion on the Transaction, including the Tender Offer, the Company requested that KPMG, the Company’s financial advisor, calculate the stock value of Company Stock as a third-party valuation institution that is independent of the Parties Involved in the Tender Offer in order to ensure the fairness of the Tender Offer Price and the fairness of other aspects of the Transaction, including the Tender Offer. In addition, KPMG does not qualify as a party related to the Parties Involved in the Tender Offer and does not have a significant interest relationship related to the Tender Offer. Compensation for KPMG related to the Transaction is limited to fixed compensation to be paid irrespective of the outcome of the Transaction and does not include contingency fees that would be paid on condition that the Transaction, including the Tender Offer, is completed, etc.

The Special Committee, at its first meeting, approved the financial advisor and third-party valuation institution appointed by the Company as the Company’s financial advisor and third-party valuation institution and confirmed the fact that the committee is also able to receive specialized counsel from it as necessary because there are no problems with its independence or expertise.

As a result of considering valuation methods to adopt for the stock valuation of Company Stock from among the multiple stock valuation methods, KPMG made respective stock valuation using the market price method, because Company Stock is listed on the First Section of the Tokyo Stock Exchange and a market price exists, and the DCF method because future business activities are reflected in the evaluation, and the Company acquired a stock valuation report from KPMG on May 13, 2021 (hereinafter the “Company Stock Valuation Report”). The Company has not acquired an opinion statement (fairness opinion) on the validity of the Tender Offer Price from KPMG.

The respective prices per share of Company Stock calculated using the above methods are as follows.

Market price method: 507 yen to 620 yen

DCF method: 784 yen to 982 yen

With the market price method, using the record date of May 13, 2021, the business day prior to the resolution by the Company’s Board of Directors on the Tender Offer, the range of stock value per share of Company Stock has been calculated at 507 yen to 620 yen, based on a record date closing price of 589 yen on the Tokyo Stock Exchange First Section, a simple average closing price for the one month immediately prior of 620 yen, a simple average closing price for the three months immediately prior of 586 yen, and a simple average closing price for the six months immediately prior of 507 yen.

With the DCF method, the range of stock value per share of Company Stock has been calculated at 784 yen to 982 yen by calculating the Company's stock value through discounting free cash flow the Company is expected to generate in the future from the fiscal year ending December 31, 2021 to its present value using an appropriate discount rate that takes into account business risk, on the assumption of various factors that include publicly disclosed information and revenue and investment plans for the five years of the Company's business plans from the fiscal year ending December 31, 2021 to the fiscal year ending December 31, 2025. The discount rate uses the weighted average cost of capital (WACC). WACC is calculated by estimating the cost of equity using the capital asset pricing model (CAPM) and the cost of debt using expected financing rates after deducting tax savings, weighted by the shareholders' equity composition ratio estimated based on the information of the Company and comparable listed companies. This gives a discount rate of 8.9% to 9.9%. Also, the valuation of going-concern value uses the perpetual growth rate method with a growth rate set at 0.0% to 1.0%.

Financial forecasts based on the Company's business plans (hereinafter the "Business Plan"), which formed the basis of the valuation made by KPMG using the DCF method, are as follows.

The Business Plan includes some fiscal years to the fiscal year ending December 31, 2025 for which major revenue gains are expected compared to the previous fiscal year. This is mainly attributable to the fact that while the impact of the slump in the advertising market due to the continuing spread of COVID-19 will remain during the fiscal year ending December 31, 2021, going forward, with a gradual recovery expected, by "Restructuring Business Segments," a key measure in the Group Medium-Term Plan, and realizing the strategies of integrating Group management and "digging deeper" and "expanding wider" the Group's business areas, which are business policies aimed at sustainably increasing corporate value over the medium to long term, the earnings plan for the fiscal year ending December 31, 2025 is expected to consist of net sales of 68,034 million yen and operating income of 4,351 million yen.

In addition, regarding synergies expected to be realized through executing the Transaction, at the present time it is difficult to concretely estimate the impact on revenue, so these synergies are not incorporated into the Business Plan. The following financial forecasts consider only the effects of reducing listing-related expenses.

In calculating the stock value of Company Stock, KPMG has used information received from the Company, information taken from interviews, and publicly disclosed information, etc. as it is, in principle, has assumed that the documents and information it has obtained are all accurate and complete and that there are no facts with the potential to significantly impact stock valuation of Company Stock that have not been disclosed to KPMG, and has independently verified their accuracy and completeness. Also, KPMG has not independently evaluated, appraised, or assessed the assets and liabilities of the Company or its subsidiaries (including off-book assets and liabilities and other contingent liabilities), which includes the analysis and evaluation of individual assets and liabilities, and also has not requested evaluation, appraisal, or assessment to a third-party valuation institution. The stock valuation of Company Stock made by KPMG reflect information and economic conditions, etc. up to May 13, 2021 and assume that the Company's business plans that KPMG used in evaluations via the DCF method were rationally created by the Company's management based on the best forecasts and judgments obtainable as of the record date. However, KPMG has confirmed the rationality of the Company's business plans that form the basis of the valuation limited to whether they have no unreasonable points after conducting multiple question-and-answer sessions with the Company and understanding its current condition, and the Special Committee has confirmed the rationality of their content, important assumptions, and the circumstances of their creation, etc.

(Millions of yen)

	Fiscal year ending December 31, 2021	Fiscal year ending December 31, 2022	Fiscal year ending December 31, 2023
Net sales	56,520	59,010	61,800
Operating income	1,622	2,795	3,148
EBITDA	2,603	3,784	4,424
Free cash flow	(1,388)	1,161	1,306

	Fiscal year ending December 31, 2024	Fiscal year ending December 31, 2025
Net sales	64,376	68,034
Operating income	3,690	4,351
EBITDA	4,967	5,654
Free cash flow	1,745	1,857

The above financial forecasts take into account the full-year consolidated performance forecasts for the fiscal year ending December 31, 2021 stated in “Notice Regarding Revision of Full-year Consolidated Results Forecasts” announced by the Company on May 14, 2021.

With regard to the Stock Acquisition Right Purchase Price, the Company has not acquired a valuation report or an opinion statement (fairness opinion) on its validity from a third-party valuation institution.

ii. Advice from an independent law office in the Company

The Company appointed TMI Associates as its legal advisor independent of the Parties Involved in the Tender Offer in order to ensure the fairness of the Tender Offer Price and the fairness of other aspect of the Transaction, including the Tender Offer, and from this law office has received necessary legal counsel on the Board of Directors’ decision-making method and process, including procedures related to the Transaction, and other important matters. TMI Associates does not qualify as a party related to the Parties Involved in the Tender Offer and does not have a significant interest relationship related to the Tender Offer. Compensation for TMI Associations is limited to hourly compensation regardless of the outcome of the Transaction and does not include contingency fees conditioned on the completion of the Transaction.

The Special Committee, at its first meeting, approved the legal advisor appointed by the Company as the Company’s legal advisor and confirmed the fact that the committee is also able to receive specialized counsel from it as necessary because there are no problems with its independence or expertise.

iii. Establishment of an independent special committee in the Company and acquisition of a report from the special committee

The Company established the Special Committee on February 12, 2021 made up of members independent of the Parties Involved in the Tender Offer in order to ensure due care is taken with the Company’s decision-making process regarding the Transaction, including the Tender Offer, to eliminate the chance of arbitrariness and conflicts of interest in the decision-making process of the Company’s Board of Directors, and to ensure its fairness. Three people, Mr. Yoshiharu Hagiwara (judicial scrivener), Mr. Kazuki Takada (certified tax accountant), and Mr. Takashi Kokubo (attorney), were selected as members of the Special Committee, all of whom are the Company’s outside directors, independent directors, and members of the Audit and Supervisory Committee. Mr. Yoshiharu Hagiwara, as a judicial scrivener, has specialized in business related to corporate legal affairs, including listing preparations for companies, organizational restructuring, and M&A, and was selected as a member of the Special Committee because he has a wealth of knowledge in these areas; Mr. Kazuki Takada, as a certified tax accountant, has specialized in the areas of tax advisory service and formulation of management plans, and was selected as a member of the Special Committee because he has a wealth of knowledge in these areas; and Mr. Takashi Kokubo was selected as a member of the Special Committee because, as an attorney, he has a wealth of experience in corporate legal affairs including organizational restructuring, M&A, and corporate governance. The Company selected these three people as members of the Special Committee from the start, and no changes have been made to the members of the committee. Each member of the committee, as compensation for their duties, is paid a fixed amount of compensation regardless of the content of the report, and this

compensation does not include contingency fees conditioned on the completion of the Transaction.

In addition, the Company has consulted with the Special Committee primarily on whether or not the Company's minority shareholders are disadvantaged by the decision of the Company's Board of Directors to conduct the Transaction (including the opinion expressed on the Tender Offer) based on (a) matters related to the rationality of the purpose of the Transaction (including whether the Transaction will contribute to raising the corporate value of the Group), (b) matters related to the validity of the Transaction's terms (including the validity of the method used to conduct the Transaction and the types of compensation), (c) matters related to the fairness of the Transaction's procedures (including consideration of the extent to which measures to ensure fairness should be taken), and (d) matters other than (a) to (c) above (hereinafter matters (a) to (d) collectively referred to as "Consultation Matters").

In connection with consulting on the Consultation Matters, when the Company's Board of Directors was deciding on the Transaction, the Company had decided in advance to respect the opinion of the Special Committee to the maximum extent and to not make the decision to conduct the Transaction if the Special Committee had judged that the Transaction was not valid.

The Special Committee met a total of 11 times from February 12, 2021 to May 14, 2021 for a total of approximately 15.5 hours and carefully considered and discussed the Consultation Matters. Specifically, the committee received explanations from the Offeror on the purpose and grounds for the Transaction, the sequence of events leading to the Parties Involved in the Tender Offer considering the Transaction, matters related to management policy and investment plans, etc. after the Transaction is executed, and other matters, and conducted question-and-answer sessions. Also, the Committee received explanations from the Company on the content of the Group's businesses, external environment, current management issues, content of business plans assumed in the stock valuation made by KPMG, sequence of events leading to the Parties Involved in the Transaction considering the Transaction, matters related to the content of the proposal by the Offeror, and other matters, conducted question-and-answer sessions, and verified their rationality. Further, regarding discussions and negotiations related to the Transaction between the Offeror and the Company, the Special Committee received reports in a timely manner on their circumstances and content, etc. from the Company, discussed them, and participated in the negotiation process with the Offeror, including by having the Company negotiate according to the negotiation policy approved by the committee. In addition, the Special Committee received explanations from KPMG on the methods and results of stock valuation of Company Stock, conducted question-and-answer sessions from a financial standpoint on the valuation methods and results, and verified their rationality, and also received explanations from TMI Associates on the measures adopted to lessen or prevent conflicts of interest in the Transaction and on the Transaction itself, conducted question-and-answer sessions on the sufficiency, etc. of the measures, received explanations from the Company on the circumstances of the negotiations over the terms of the Transaction and the decision-making process, etc. and conducted question-and-answer sessions. Based on this content, the Special Committee has carefully discussed and considered the Consultation Matters.

As a result of carefully discussing and considering the Consultation Matters in this way, the Special Committee submitted the Report to the Company's Board of Directors on May 14, 2021 that declared, with all members in agreement, that the Company's Board of Directors deciding to conduct the Transaction cannot be said to be disadvantageous to the Company's minority shareholders based on, in summary, the facts that (a) the purpose of the Transaction is rational, (b) the terms of the Transaction, including the compensation delivered to the Company's minority shareholders through the Transaction and its type, are valid, (c) appropriate measures have been taken to ensure the fairness of the Transaction, and the procedures of the Transaction are fair, and (d) matters other than (a) to (c). This opinion that it cannot be said that the Company's minority shareholders are disadvantaged includes the Company's Board of Directors (i) expression of an opinion in support of the Tender Offer and resolution to recommend that the Company's shareholders accept the offer while leaving the decision on whether or not to accept the offer related to Stock Acquisition Rights to the holders of those rights, and (ii) the decision to conduct squeeze-out procedures using the method of share consolidation or sell requests for stocks, etc. after the Tender Offer. For the details of the Report, please refer to the Press Release Expressing Opinion.

- iv. Approval by all directors of the Company that do not have interest relationships (including the members of Audit and Supervisory Committee)

The Company carefully considered the terms of the Transaction, including the Tender Offer, while respecting the content of the Report to the maximum extent, based on the Company Stock Valuation Report acquired from KPMG and legal counsel obtained from TMI Associates.

As a result, the Company's Board of Directors judged that the Transaction would contribute to raising the corporate value of the Group and that the Tender Offer would provide a reasonable opportunity to sell Company Stock, and at the meeting of the Company's Board of Directors held on May 14, 2021, with the agreement of all members of the Company's Board of Directors that participated in the deliberations and resolutions (six out of the eight directors, including Mr. Satoshi Yuzurihara, Mr. Ipeei Matsuo, and Ms. Koiso Wada, and the three directors serving as members of the Audit and Supervisory Committee (including three outside directors) excluding Mr. Nakae and Mr. Uekubo), expressed an opinion in support of the Tender Offer and resolved to recommend that the Company's shareholders accept the Tender Offer and to leave the decision on whether or not to accept the Tender Offer in relation to Stock Acquisition Rights to the holders of those rights.

Further, at a meeting of the Company's Board of Directors held on July 30, 2021, the Company, with the agreement of all members of the Company's Board of Directors that participated in the deliberations and resolutions (five out of the eight directors, including Mr. Satoshi Yuzurihara, Mr. Ipeei Matsuo, Ms. Koiso Wada, and Mr. Yoshiharu Hagiwara and Mr. Takashi Kokubo who are outside directors, independent directors, and members of the Audit and Supervisory Committee, excluding Mr. Nakae, Mr. Uekubo, and Mr. Kazuki Takada), resolved to conduct the Share Consolidation in order to make the Offeror the Company's sole shareholder and take the Company private on the condition of approval by shareholders at the Extraordinary General Meeting of Shareholders and to put this proposal related to the Share Consolidation on the agenda of the meeting. Of the Company's directors, Mr. Kazuki Takada did not attend the meeting of the Board of Directors in question due to circumstances related to business, but it was confirmed prior to the meeting that Mr. Kazuki Takada also supports this resolution of the Board of Directors.

The Tender Offer is being conducted based on the request of Mr. Nakae and Mr. Uekubo, and Mr. Nakae and Mr. Uekubo plan to invest in the Offeror after the Tender Offer, so from the viewpoint of avoiding the suspicion of a conflict of interest, Mr. Nakae and Mr. Uekubo have not participated at all in the above deliberations and resolutions of the Board of Directors. Further, they have also not participated at all in discussions and negotiations with the Offeror on behalf of the Company.

v. Securing of objective conditions that ensure the fairness of the Tender Offer

The Offeror, in connection with the Tender Offer, secured the opportunity for the Company's shareholders and Stock Acquisition Rights holders to make an appropriate judgment on whether or not to accept the Tender Offer and through this made considerations to ensure that coerciveness did not occur by (i) planning, immediately after completing settlement of the Tender Offer, to request that the Company hold this Extraordinary General Meeting of Shareholders with an agenda that would include a sell request for stocks, etc. for all Company Stock (excluding treasury stock held by the Company (excluding the portion owned by the Company's Board Benefit Trust (BBT)) and all Stock Acquisition Rights, or the Share Consolidation and partial amendment to the Articles of Incorporation that eliminates provisions on the number of shares constituting one unit on the condition the Share Consolidation goes into effect, depending on the number of shares acquired by the Offeror through completing the Transaction, and not adopting a method whereby the Company's shareholders and Stock Acquisition Rights holders are not ensured the right to request a stock purchase or the right to request the value be set, and by (ii) clarifying, when the sell request for stocks, etc. or Share Consolidation is conducted, that the amount to be delivered as compensation to the Company's shareholders is calculated to be the same as the price calculated by multiplying the number of Company Stock owned by each shareholder (excluding the Offeror) by the Tender Offer Price per share and that the amount to be delivered as compensation to Stock Acquisition Rights holders is calculated to be the same as the price calculated by multiplying the number of the Company's Stock Acquisition Rights owned by the Stock Acquisition Rights holder by the Stock Acquisition Right Purchase Price per share.

Also, the Offeror provided the opportunity for appropriate judgment on acceptance of the Tender Offer to the Company's shareholders and Stock Acquisition Rights holders and the opportunity for offers by other offerors by setting the period for the offer, etc. of the Tender Offer at 36 business days, which is a relatively long period of time compared to the minimum of 20 business days stipulated by laws and regulations.

Moreover, the Offeror and the Company have not agreed to any condition that would unreasonably restrict engagement between competitive offerors and the Company, such as an agreement that includes a transaction protection clause that prohibits engagement by the Company with competitive offerors. Considerations were therefore made to ensure the fairness of the Tender Offer by setting the Tender Offer period as stated above and securing the opportunity for competitive offers.

The Special Committee has judged that even if surveying and considering the possibility of other potential offerors in the market, a so-called proactive market check (including bidding procedures,

etc. before announcement of the Transaction), is not conducted it would not particularly hinder the fairness of the Transaction, in light of the various measures taken to ensure the fairness of the Transaction, including the Tender Offer, and the other specific circumstances of the Transaction.

- vi. Establishment of lower limit for shares expected to be purchased that exceeds the number equivalent to a majority of minority

The Offeror set the lower limit for the expected number of shares to be purchased in the Tender Offer at 15,844,900 shares (ownership ratio of 65.50%), and decided that if the total number of Company Stock, etc. for which the Tender Offer was tendered (hereinafter “Tendered Stock, etc.”) did not meet the lower limit for shares expected to be purchased (15,844,900 shares), the offer for all Tendered Stock, etc. would not be conducted. The lower limit of shares expected to be purchased (15,844,900 shares) is a majority of the number of shares (21,264,788 shares) calculated by deducting from the total number of Company’s shares outstanding adjusted for potential shares the number of shares to be issued for Stock Acquisition Rights No. 2 (24 rights) owned by Mr. Nakae (12,000 shares), the portion owned by the Company’s Board Benefit Trust (BBT) (411,200 shares), the number of prospective tendered stock (2,432,375 shares), Company Stock owned by Mr. Nakae (40,176 shares), and Company Stock owned by Mr. Uekubo (29,978 shares); that is to say, the majority of the Company Stock, etc. owned by the shareholders of the Company that do not have interest relationships with the Offeror, which exceeds the number of shares (13,134,924 shares) calculated by adding to the number of shares equivalent to the so-called majority of minority (10,632,395 shares) the number of prospective tendered stock (2,432,375 shares), Company Stock owned by Mr. Nakae (40,176 shares), and Company Stock owned by Mr. Uekubo (29,978 shares). It was decided through this that if the acceptance of a majority of the Company’s shareholders and Stock Acquisition Rights holders other than those with an interest relationship with the Offeror could not be obtained, the Transaction, including the Tender Offer, would not be conducted.

- 4. Significant Disposition of Property, Significant Burden of Debt, or Other Events Significantly Affecting the Condition of Property at the Company Occurring After the Last Day of the Final Fiscal Year

- (1) Tender Offer

As stated above in “1. Reasons for Share Consolidation,” the Offeror conducted the Tender Offer between May 17, 2021 and July 5, 2021 and, as a result, came to own 19,739,747 shares of Company Stock as of July 12, 2021.

- (2) Cancellation of treasury stock

The Company resolved, by resolution of the Board of Directors at the meeting held on July 30, 2021, that 1,082,069 shares of the Company’s treasury stock (total of 676,569 shares of treasury stock as of June 30, 2021 and the 405,500 shares owned by the Company’s Board Benefit Trust (BBT) that the Company plans to acquire at no cost by September 29, 2021) would be canceled on September 29, 2021. This cancellation of treasury stock is conditioned on approval and adoption of the proposal on the Tender Offer as originally proposed at this Extraordinary General Meeting of Shareholders and the Company acquiring Company Stock owned by the Company’s Board Benefit Trust (BBT) at no cost by September 29, 2021, and the Company’s total number of issued shares after cancellation of treasury stock will be 23,484,378 shares.

## Partial Amendment to the Articles of Incorporation

## 1. Reasons for Proposal

- (1) If Item 1 “Share Consolidation” is approved and adopted as originally proposed and the Share Consolidation takes effect, the Company’s total number of authorized shares will decrease to 24 shares in accordance with the provisions of Article 182, Paragraph 2 of the Companies Act. In order to clarify this point, this proposal is to amend Article 6 of the Articles of Incorporation (Total Number of Authorized Shares) on the condition that the Share Consolidation takes effect.
- (2) If Item 1 “Share Consolidation” is approved and adopted as originally proposed and the Share Consolidation takes effect, the Company’s total number of issued shares will be six shares and it will no longer be necessary to provide for fractional shares. Therefore, on the condition that the Share Consolidation takes effect, the provision on the number of shares of Company Stock constituting one share unit, which is currently 100 shares per unit, will be eliminated, so the full text of Article 8 (Number of Shares per Unit), Article 9 (Rights for Fractional Shares), and Article 10 (Request for Additional Purchase of Fractional Shares) of the Articles of Incorporation will be deleted and the article numbers will be moved up based on this amendment.
- (3) If Item 1 “Share Consolidation” is approved and adopted as originally proposed and the Share Consolidation takes effect, the Company’s shareholders will be the one Offeror, and the rules related to the record date for the Ordinary General Meeting of Shareholders will no longer be necessary. Therefore, on the condition that the Share Consolidation takes effect, the full text of Article 14 (Record Date of the Ordinary General Meeting of Shareholders) will be deleted and the article numbers will be moved up based on this amendment.

## 2. Details of the Amendment

The details of the amendment are as follows. Amendment to the Articles of Incorporation related to this Item will go into effect on September 30, 2021, the effective date of the Share Consolidation, on the condition of Item 1 “Share Consolidation,” being approved and adopted as originally proposed and the Share Consolidation taking effect.

(Amendments are underlined)

Current Articles of Incorporation	Proposed Amendments
<p>Article 6 (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>80 million</u> shares.</p>	<p>Article 6 (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>24</u> shares.</p>
<p>Article 7 (Provisions omitted)</p>	<p>Article 7 (As currently provisioned)</p>
<p><u>Article 8 (Number of Shares per Unit)</u> <u>The number of shares constituting one unit of Company Stock shall be 100 shares.</u></p>	<p>(Deleted)</p>
<p><u>Article 9 (Rights for Fractional Shares)</u> <u>Shareholders of the Company may not exercise any rights other than the following rights with respect to fractional shares held.</u> <u>(1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act</u> <u>(2) Right to make requests pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act</u> <u>(3) Right to receive allotment of offered shares and of offered stock acquisition rights in accordance to the number of shares held by the shareholder</u> <u>(4) Right to make requests as stipulated in the following article</u></p>	<p>(Deleted)</p>
<p><u>Article 10 (Request for Additional Purchase of Fractional Shares)</u> <u>Shareholders of the Company may request that the Company sell a number of shares equivalent to the amount that would constitute one unit in combination with the fractional shares held (“Additional Purchase Request”).</u> <u>2. The period and method for Additional Purchase Requests shall be in accordance with stock handling rules established by the Board of Directors.</u></p>	<p>(Deleted)</p>
<p>Article <u>11</u> to Article <u>13</u> (Provisions omitted)</p>	<p>Article <u>8</u> to Article <u>10</u> (As currently provisioned)</p>
<p><u>Article 14 (Record Date of the Ordinary General Meeting of Shareholders)</u> <u>The record date for voting rights at the Ordinary General Meeting of Shareholders of the Company shall be December 31 of each year.</u></p>	<p>(Deleted)</p>
<p>Article <u>15</u> to Article <u>42</u> (Provisions omitted)</p>	<p>Article <u>11</u> to Article <u>38</u> (As currently provisioned)</p>