

[Reference Translation]

July 27, 2021

To Whom it may concern:

SAKAI OVEX CO.,LTD.

(Tokyo Stock Exchange (First Section) Code No.3408)

Rep: Shintaro Matsuki

Representative Director and President

Attn: Koichi Murosaka

Chief of General Affairs Department

(TEL: +81-776-36-5800)

### **Notice of Conducting an MBO and Opinion in Support of the Tender Offer**

SAKAI OVEX CO., LTD. (the “**Company**”) hereby announces that the Company, at the Board of Directors Meeting held on July 27, 2021, resolved to express its opinion in favor of the tender offer (“**Tender Offer**”) to be conducted by Sakai Textile Co., Ltd (the “**Tender Offeror**”) for the common shares of the Company (the “**Company Shares**”) and Share Options (as defined below in “2. Tender Offer Price”). The same applies below.) as a part of so-called management buyout (MBO) (Note), to recommend the shareholders of the Company to tender their Company Shares in the Tender Offer and to leave the decision as to whether or not holders of Share Options (the “**Share Option Holders**”) tender their Share Options in the Tender Offer to the Share Option Holders as follows.

The aforementioned resolution at the Board of Directors Meeting was adopted on the understanding that the Company Shares are to be delisted through the Tender Offer and a series of procedures to be implemented thereafter.

Note “Management buyout (MBO)” generally refers to a transaction where the management team of a target company contributes all or part of the acquisition funds to purchase the shares of the target company based on the premise of continuing the business of the target company.

#### **1. Overview of the Tender Offeror**

(1) Name	Sakai Textile Co.,Ltd	
(2) Address	2-15-1 Hanandoh Naka, Fukui-City, Fukui	
(3) Name and title of representative	Shintaro Matsuki, Representative Director	
(4) Description of business	Control and management of business activity of the Company through obtaining and holding Company Shares and Share Options	
(5) Capital stock	JPY 10,000	
(6) Date of incorporation	January 15, 2021	
(7) Major shareholders and shareholding ratios	Shintaro Matsuki	100.00%
(8) Relationship between the Company and the Tender Offeror	<p>Not applicable. As of today, Shintaro Matsuki (“<b>Mr. Matsuki</b>”), the Representative Director of the Tender Offeror, holds 35,600 shares of the Company Shares and 117 options of the Share Options (for the details, please see “3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer” “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer”“a. Overview of the Tender Offer” below).</p>	
Capital relationship		

Personal relationship	Mr. Matsuki, the Representative Director of the Tender Offeror, also serves as Representative Director and President of the Company.
Business relationship	Not applicable.
Status as related parties	Mr. Matsuki, the Representative Director and the President of the Company, owns all of the voting rights of the Tender Offeror and the Tender Offeror corresponds to a related party of the Company.

## 2. Tender Offer Price

- (1) Common shares: JPY 3,810 per share (the “**Tender Offer Price**”)
- (2) Share Options
  - a. Share Options issued based on the resolution of the Board of Directors Meeting of the Company held on June 20, 2014 (the "Series 1 Share Options.") (The exercise period is from July 26, 2014 to July 25, 2044): JPY 1 per option
  - b. Share Options issued based on the resolution of the Board of Directors Meeting of the Company held on June 19, 2015 (the "Series 2 Share Options.") (The exercise period is from July 25, 2015 to July 24, 2045): JPY 1 per option
  - c. Share Options issued based on the resolution of the Board of Directors Meeting of the Company held on June 24, 2016 (the "Series 3 Share Options.") (The exercise period is from July 23, 2016 to July 22, 2046): JPY 1 per option
  - d. Share Options issued based on the resolution of the Board of Directors Meeting of the Company held on June 23, 2017 (the "Series 4 Share Options," and the Series 1 Share Options, the Series 2 Share Options, the Series 3 Share Options and the Series 4 Share Options are collectively referred to as "Share Options.") (The exercise period is from July 29, 2017 to July 28, 2047): JPY 1 per option

## 3. Details and Grounds and Reasons for the Opinion Regarding the Tender Offer

### (1) **Details of the Opinion**

Based on the grounds and reasons set out in “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer” below, the Company, at the Board of Directors Meeting held on July 27, 2021, resolved to express its opinion in favor of the Tender Offer, to recommend the shareholders of the Company to tender their Company Shares in the Tender Offer and to leave the decision as to whether or not Share Option Holders tender their Share Options in the Tender Offer to the Share Option Holders.

The aforementioned resolution at the Board of Directors Meeting was resolved pursuant to the method set out in “(6) Measures to Ensure Fairness of the Tender Offer such as Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” “d. Approval of all non-interested Directors (including audit and supervisory committee members) of the Company” in below.

### (2) **Grounds and Reasons for the Opinion Regarding the Tender Offer**

Of the following statements, statements relating to the Tender Offeror are based on explanations received from the Tender Offeror.

#### a. *Overview of the Tender Offer*

The Tender Offeror is a stock company established by Mr. Matsuki, Representative Director and President of the Company, on January 15, 2021, for the main purposes of acquisition and ownership of the Company Shares and

Share Options through the Tender Offer. As of today, Mr. Matsuki owns 100% of the issued shares of the Tender Offeror and serves as Representative Director. As of today, the Tender Offeror does not own the Company Shares or the Share Options. As part of a series of transactions (“**Previous Transaction**”) for the purpose of acquiring all of the Company Shares (includes shares issued upon the exercise of Share Options, but excludes the treasury shares owned by the Company) which are listed on the First Section of the Tokyo Stock Exchange, Inc. (“**TSE**”) and Share Options, delisting the Company Shares, and the Tender Offeror becoming the sole shareholder of the Company, the Tender Offeror conducted a Tender Offer (period for purchase etc. from February 9, 2021 through March 24, 2021, purchase etc. price (the “**Previous Tender Offer Price**”) 3,000 yen per share for Company Shares, one (1) yen per unit for Share Options, “**Previous Share Option Offer Price**” “**Previous Tender Offer**”), however it was unsuccessful since the minimum number of shares planned to be purchased in the Previous Tender Offer was 4,127,800 shares, and the total number of share certificates, etc. tendered in the Previous Tender Offer was 3,939,239 shares, which did not meet the minimum 4,127,800shares.

As part of a series of transactions (“**Transactions**”) for the purpose of acquiring all of the Company Shares (includes shares issued upon the exercise of Share Options, but excludes treasury shares owned by the Company, and the Agreed Non-tendering Shares (defined below, and the same shall apply hereinafter.) owned by the Company’s largest shareholder City Index Eleventh Co., Ltd. (number of shares owned: 515,600 shares, Ownership Ratio (Note 1): 8.33% (“**CIE**”)) which are listed on the First Section of TSE and Share Options, delisting the Company Shares, and the Tender Offeror and the largest shareholder CIE becoming the sole shareholders of the Company (Note 2).the Tender Offeror has decided to conduct the Tender Offer on July 27, 2021.

The Transactions fall under the category of a management buyout (MBO), and Mr. Matsuki plans to continue to manage the Company after the Transactions. There is no special agreement between the Tender Offeror and other Directors of the Company (including Audit and Supervisory Committee Members) regarding their appointment as officers after the Tender Offer.,

Note 1     “**Ownership Ratio**” is the ratio of Company Shares owned divided by the number of shares (6,191,133 shares, “**Basis Number of shares**”) which is obtained by adding the number of Company Shares which are the subject of 313 units of Share Options (Note 3) listed in the Company’s 128th Securities Report (“**Company Securities Report**”) as of March 31, 2021 (31,300 shares), submitted by the Company on June 28, 2021 (6,467,558 shares), to the total number of shares issued and outstanding in the Company Securities Report as of March 31, 2021 (6,436,258 shares), then deducting the number of treasury shares owned by the Company listed in the Company “**Securities Report**” as of March 31, 2021 (276,425 shares)(rounded off to two decimal places; the same applies to Ownership Ratio hereinafter.)

Note 2     However, after the Tender Offer, in the event that there are shareholders who own equal shares or more than the Agreed Non-tendering Shares owned by CIE, the Tender Offeror, CIE, and the said shareholders would have a consultation on the improvement of the corporate value of the Company and their respective roles (“**Trilateral Consultation**”). After careful and due consultation, if they fail to reach an agreement at the Trilateral Consultation, the Tender Offeror will consider another course, including making itself the sole shareholder of the Company, and CIE will support a decision made by the Tender Offeror (“**Support (CIE)**.” A series of procedures to have consultations and gain the Support (CIE) in the case of their failure to reach an agreement, “**Procedures for Consultations and Support**”).

Note 3     The table below shows the breakdown of 313 units of Share Options. The Share Option Holders are Directors and executive employees of the Company. It is provided that the Share Option Holders may exercise their allotted Share Options on or after the day following the day when they lose their position as Director or Corporate Officer of the Company, respectively, within the exercise period for Share Options.

Name of Share Options	Number of units as of March 31, 2021 (units)	Number of subject Company Shares (shares)
Series 1 Share Options	61	6,100
Series 2 Share Options	60	6,000
Series 3 Share Options	96	9,600
Series 4 Share Options	96	9,600
Total	313	31,300

For conducting the Tender Offer, the Tender Offeror has executed an agreement with CIE on July 27, 2021, under which CIE will not tender all the Company Shares owned (number of shares owned: 515,600 shares, Ownership Ratio: 8.33%, “**Agreed Non-tendering Shares**”) in the Tender Offer (“**Non-Tender Agreement**”). In addition to the above agreement, the Tender Offeror plans to conclude a shareholders’ agreement in consultation with CIE separately, but as of today, the specific timing and details of the agreement have not been decided. For the outline of the Non-Tender Agreement and the matters that may be provided for in the shareholders’ agreement, please see “4 Important Agreements relating to the Tender Offer,”“(1) Non-Tender Agreement” and “(6) Others” below.

At the same time, the Tender Offeror has executed an agreement dated July 27, 2021, with Toray Industries, Inc. (number of shares owned: 464,530 shares, Ownership Ratio: 7.50%, ”**Toray**”), the second-largest shareholder of the Company. Also, it has executed the same dated July 26, 2021, with The Fukui Bank, Ltd. (number of shares owned: 165,000 shares, Ownership Ratio: 2.67%, ”**Fukui Bank**”), the tenth-largest shareholder of the Company, under which Toray and Fukui Bank will tender all Company Shares owned, respectively, (shares owned by Toray and Fukui Bank are collectively referred to as “**Agreed Tendering Shares**” (total number of shares owned: 629,530 shares, total Ownership Ratio: 10.17%) in the Tender Offer (agreement with Toray “**Tender Agreement (Toray)**,” and agreement with Fukui Bank “**Tender Agreement (Fukui)**.”)

For an overview of these agreements, please see “4 Material Agreements on the Tender Offer,” “(2) Tender Agreement (Toray)” and “(3) Tender Agreement (Fukui)” below.

In addition, the Tender Offeror was informed from NIPPON ACTIVE VALUE FUND PLC (number of shares owned: 389,800 shares, Ownership Ratio: 6.30%, “**NAVF**”), the forth-largest shareholder of the Company, that it has supported the intent of the Transactions and is positively considering tendering all Company Shares owned (number of shares owned: 389,800 shares, Ownership Ratio: 6.30%, all Company Shares owned by NAVF are referred to as “**Planned Tendering Shares**”) in the Tender Offer. For the Previous Tender Offer, on February 8, 2021, the Tender Offeror executed an agreement with NAVF under which NAVF would tender all its Company Shares (389,800 shares) in the Previous Tender Offer (“**Previous Tender Agreement (NAVF)**.”) On February 8, 2021, the Tender Offeror also executed another agreement with NAVF under which it would allocate Class B Shares of the Tender Offeror (Note 4) to NAVF upon completion of a series of procedures to make the Tender Offeror the sole shareholder of the Company (“**Previous Investment Agreement (NAVF)**”). Besides, the Tender Offeror planned to execute a shareholders’ agreement with NAVF upon the consultation (as of February 9, 2021, the specific timing of execution and the details of the agreement have not been decided.) (The outline of the Previous Tender Agreement (NAVF) and the Previous Investment Agreement (NAVF) executed between the Tender Offeror and NAVF are as described below. (Note 5))

Meanwhile, regarding the existence of the agreement on the Tender Offer, no agreement exists between the Tender Offeror and NAVF other than the fact that the Tender Offeror was informed from NAVF that it has supported the intent of the Transactions and is positively considering tendering all the Company Shares owned (number of shares owned: 389,800 shares, Ownership Ratio: 6.30%) in the Tender Offer.

- Note 4 Class B Shares of the Tender Offeror to be issued under the Previous Investment Agreement (NAVF) were non-voting shares, and it did not give a holder any rights to preference dividend, preference allotment of residual assets, nor put option (the right of a holder of Class B Shares to require the Tender Offeror to acquire Class B Shares in exchange for common shares of the Tender Offeror, monies, or equivalent).
- Note 5 The outline of the Previous Tender Agreement (NAVF), the Previous Investment Agreement (NAVF), and the shareholders' agreement to be executed in the Previous Tender Offer is as follows:

(i) Previous Tender Agreement (NAVF)

The Tender Offeror had executed the Previous Tender Agreement (NAVF) dated February 8, 2021, with NAVF, who was the third shareholder of the Company as of February 9, 2021, when the Previous Tender Offer was announced, under which NAVF would tender all the Company Shares owned, 389,800 shares (Ownership Ratio 6.30%) in the Previous Tender Offer. The Previous Tender Agreement (NAVF) provided for the following conditions precedents for NAVF to tender: (a) the Tender Offeror's representations and warranties (Note 6) are true and accurate in all material respects; (b) the Tender Offeror has performed or complied with its obligations under the Tender Agreement (NAVF) (Note 7) in all material respects; (c) a resolution has been adopted by the Board of Directors of the Company to express its opinion supporting the Previous Tender Offer and recommending that the Company's shareholders tender their shares in the Previous Tender Offer, and such a resolution has been publicly announced and not been changed or withdrawn; (d) the Previous Tender Offer has been lawfully commenced and not been withdrawn; and (e) no petition, lawsuit or proceedings that would limit or forbid the Previous Tender Offer or NAVF's tender therein is pending with any judicial, administrative authority or other competent agencies, and there exists none of laws, regulations, and other rules, or none of orders, dispositions, or judgments issued by a judicial or administrative organ, or another similar authority that limits or forbids the Previous Tender Offer or NAVF's participation therein. The execution of the Previous Investment Agreement (NAVF) and other matters regarding its capital contribution through subscribing for Class B Shares were not provided for as conditions precedents for tendering. Provided, however, that even if any or all of the above conditions precedent are not satisfied, NAVF was not restricted to waive the said conditions and tender in the Previous Tender Offer at its discretion.

- Note 6 Under the Previous Tender Agreement (NAVF), the Tender Offeror represented and warranted as follows: (a) due incorporation and valid existence; (b) that it has the power and authority required to execute and perform the Previous Tender Agreement (NAVF), and it has performed the necessary procedures; (c) the enforceability; (d) that it has obtained all the licenses, approvals, and other permits relating to the execution and performance of the Previous Tender Agreement (NAVF) required to obtain from judicial and administrative agencies on or before the execution or performance thereof; (e) the absence of conflicts between the execution and performance of the Previous Tender Agreement (NAVF) and laws, regulations, other rules, the articles of incorporation, internal rules, agreements, and the like; and (f) the absence of any relationship with antisocial forces, and the like.
- Note 7 Under the Previous Tender Agreement (NAVF), the Tender Offeror assumed obligations to NAVF for (a) indemnification and (b) confidentiality.

Furthermore, under the Previous Tender Agreement (NAVF), NAVF would tender its shares in the Previous Tender Offer and not cancel any agreements related to the purchase of Company Shares to be formed by its tendering of shares. However, in the event that, after the date of execution of the Previous Tender Agreement (NAVF), another tender offer for the Company Shares was commenced by a third party with a purchase price higher than the Previous Tender Offer Price, NAVF might choose not to tender its shares in the Previous Tender Offer or

with draw its tender therefrom.

Additionally, on November 27, 2020, Mr. Matsuki had received an exploratory offer from Rising Sun Management Ltd., the investment advisor for NAVF (“RSM”), to consider an MBO by the management team of the Company under the support from other investors to be invited by RSM and the capital contribution in part from NAVF, subject to the completion of due diligence, its securing of funding, and other conditions (“**Approach for Consideration of MBO (RSM)**.”) However, under the Previous Tender Agreement (NAVF), NAVF confirmed that it had withdrawn the Approach for Consideration of MBO (RSM) offered to Mr. Matsuki, the Representative Director of the Tender Offeror on or before the date of execution of the Previous Tender Agreement (NAVF).

(ii) Previous Investment Agreement (NAVF)

On February 8, 2021, the Tender Offeror executed the Previous Investment Agreement with NAVF under which NAVF would subscribe for Class B Shares to be allotted by the Tender Offeror (450 shares) at 4,950,000 yen in total (11,000 yen per share) upon the completion of a series of procedures to make the Tender Offeror the sole shareholder of the Company, subject to the completion of the Previous Tender Offer, and the satisfaction of other particular requisites. The above conditions were not particularly advantageous compared with the same for subscribing for common shares of the Company (49,990,000 yen) to be additionally contributed by Mr. Matsuki on or before two business days preceding the commencement date of settlement of the Previous Tender Offer. The conditions precedent for NAVF to subscribe for the above common shares were provided for in the agreement: (a) the Tender Offeror's representations and warranties (Note 8) are true and accurate in all material respects; (b) the Tender Offeror has performed or complied with its obligations under the Previous Investment Agreement (NAVF) (Note 9) in all material respects; (c) the Previous Tender Offer has been completed; (d) all the licenses, approvals, and other permits required for the implementation of the Previous Tender Offer have been obtained from judicial and administrative agencies and other authorities, not been withdrawn; and (e) none of the recommendations, orders, or other dispositions that require the change or cancellation of all or a part of the issuance of Class B Shares or the implementation of the Previous Tender Offer have been issued.

Note 8 Under the Previous Investment Agreement (NAVF), the Tender Offeror represented and warranted as follows: (a) due incorporation and valid existence; (b) that it has the power and authority required to execute and perform the Previous Investment Agreement (NAVF), and it has performed the necessary procedures; (c) the enforceability; (d) that it has obtained all the licenses, approvals, and other permits relating to the execution and performance of the Previous Investment Agreement (NAVF) required to obtain from judicial and administrative agencies on or before the execution or performance thereof; (e) the absence of conflicts between the execution and performance of the Previous Investment Agreement (NAVF) and laws, regulations, other rules, the articles of incorporation, internal rules, agreements, and the like; and (f) the absence of any relationship with antisocial forces, and the like.

Note 9 Under the Previous Investment Agreement (NAVF), the Tender Offeror assumed obligations to NAVF for (a) issuance of Class B Shares, in addition, (b) indemnification, and (c) confidentiality.

(iii) Shareholders' Agreement

Besides the above agreements, for encouraging NAVF's active investment of management resources as necessary in the future, the Tender Offeror had continued negotiation with NAVF to execute a shareholders' agreement as of February 9, 2021. Under the shareholders' agreement, NAVF was expected to agree with the Tender Offeror that NAVF would be entitled to appoint one director of the Company, it would provide its management resources and the same of related persons and entities with the Tender Offeror and the Company without compensation during the period of holding Class B Shares of the Company, and no matters would require prior notification to NAVF or prior approval from NAVF regarding the business operation of the Tender Offeror or the Company. Also, NAVF verbally indicated its intent to consent to the management policy proposed by Mr. Matsuki and support the enhancement of

the corporate value of the Company and the Tender Offeror. In addition, for the shareholders' agreement, the Tender Offeror proposed to NAVF the provision imposing on NAVF an obligation to consider its subscription for a capital increase if the Tender Offeror needs to raise funds in cases, such as where either of the Tender Offeror or the Company would be likely to go into bankruptcy, and NAVF verbally indicated its intent to assume the obligation. As of February 9, 2021, there was no fact that NAVF was considering any other capital contribution than subscribing for Class B Shares. Other details had not been decided as of February 9, 2021, and the Tender Offeror was going to continue the negotiation with NAVF.

In addition, the investment agreement executed between the Tender Offeror and Mizuho After-Corona Business Succession Assist Fund Investment Limited Partnership ("MBSF") provided for matters requiring prior notification to MBSF and matters requiring prior approval from MBSF relating to the business operations of the Tender Offeror or the Company. However, the MBSF verbally confirmed that it did not intend to be positively involved in the management of the Tender Offer or the Company, and it was going to consent to the management policy proposed by Mr. Matsuki.

Through the Tender Offer, the Tender Offeror aims to acquire all the Company Shares (includes shares issued upon the exercise of Share Options but excludes the treasury shares owned by the Company, and the Agreed Non-tendering Shares) and Share Options, delist the Company Shares, and become the sole shareholders of the Company together with CIE (please see Note 2 above.) Thus, the minimum number of shares to be purchased is set at 3,611,900 shares (Ownership Ratio: 58.34%), and in the event the total number of share certificates, etc. tendered in the Tender Offer ("**Tendered Share Certificate, Etc.**") does not meet the minimum number of shares to be purchased of 3,611,900 shares, the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. At the same time, for the same reason as above, the Tender Offer does not set an upper limit on the number of shares to be purchased. If the total number of Tendered Share Certificates, Etc. is equal to or greater than the minimum number of shares to be purchased (3,611,900 shares), it will purchase all the Tendered Share Certificates, Etc. The minimum number of shares to be purchased (3,611,900 shares) is the number of shares resulting when the Basis Number of Shares (6,191,133 shares) is multiplied by two-thirds, and the number of shares constituting less than one (1) unit (100 shares) is rounded up (4,127,500 shares), less the number of the Agreed Non-tendering Shares (515,600 shares). Since the Transactions aim to delist the Company Shares and make the Tender Offeror and CIE the sole shareholders of the Company (see Note 2 above) when carrying out procedures for the consolidation of shares stated in "(4) Policy for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to the "Two-Step Acquisition")" below, a special resolution at the general meeting of shareholders is required as stipulated in Article 309, paragraph 2 of the Companies Act (Act No. 86 of 2005, including subsequent amendments, the "**Companies Act**"). Therefore, the minimum number of shares to be purchased above is set to meet the said requirement. Also, the minimum number of shares to be purchased (3,611,900 shares) exceeds the number of shares (3,371,082 shares; Ownership Ratio 54.45%) obtained by adding (a) the number equivalent to a simple majority (2,304,452 shares, equivalent to a majority of the number of the Company Shares held by shareholders of the Company who do not have a material interest with the Tender Offeror, or in other words, the number equivalent to the so-called "majority of the minority,") of shares (4,608,903 shares) obtained by subtracting the total number of the Agreed Tendering Shares (629,503 shares), the number of the Planned Tendering Shares (389,900 shares), the number of the Agreed Non-tendering Shares (515,600 shares), and the (deemed) total number of the Company Shares owned by Mr. Matsuki (Note 10, 47,300 shares) as of today, from the Basis Number of Shares (6,191,133 shares) and (b) the aggregate numbers of the Agreed Tendering Shares (629,530 shares), the Planned Tendering Shares (389,800 shares), and the (deemed) total number of the Company Shares owned by Mr. Matsuki (47,300 shares) as of today. Thereby, if approval of the majority of the Company's shareholders who do not have a material interest in the Tender Offeror is not obtained, the Transactions, including the Tender Offer, will not be conducted, respecting the intentions of minority shareholders of the Company.

Note 10 The Company Shares owned by Mr. Matsuki (35,600 shares) include the shares with transfer restriction (5,500 shares) owned as restricted share-based compensation allotted to him as Director of

the Company and the shares indirectly owned by Mr. Matsuki (500 shares, truncated after the decimal point) through the executive shareholding association of the Company. Besides, Mr. Matsuki owns Share Options, which consist of 27 units of the Series 1 Share Options (subject number of Company Shares: 2,700 shares, Ownership Ratio: 0.04%), 22 units of the Series 2 Share Options (subject number of Company Shares: 2,200, Ownership Ratio: 0.04%), 34 units of Series 3 Share Options (subject number of Company Shares: 3,400 shares, Ownership Ratio: 0.05%) and 34 units of Series 4 Share Options (subject number of Company Shares: 3,400, Ownership Ratio: 0.05%); thus the total subject number of Company Shares is 11,700 shares (total Ownership Ratio: 0.19%). By adding the above total subject number to the number of shares of the Company held as above (35,600 shares), Mr. Matsuki owns the Company Shares equivalent to 47,300 shares in total.

In the event that despite the consummation of the Tender Offer, the Tender Offeror cannot acquire all the Company Shares (includes shares issued upon the exercise of Share Options but excludes the treasury shares owned by the Company and Agreed Non-tendering Shares) and all the Share Options, after completion of the Tender Offer, the Tender Offeror is going to conduct a series of procedures (“**Squeeze Out Procedures**”) to make the Tender Offeror and CIE the sole shareholders of the Company as stated in “(4) Policy for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to the “Two-Step Acquisition”)” below.

In the case of the successful consummation of the Tender Offer, the Tender Offeror plans to cover the funds required for the settlement of the Tender Offer by the following means: Specifically, borrowings of up to 15,360million yen (“**Bank Loan (Mizuho)**”) from Mizuho Bank, Ltd. (“**Mizuho Bank**”) and the same up to 5,000million yen (“**Bank Loan (Fukui)**”) from Fukui Bank, as well as the capital contribution of up to one (1) billion yen through a subscription for Series A Preferred Stock of the Tender Offeror by MBSF and the capital contribution of up to one (1) billion yen through the same by Fukui Bank. The details of the terms and conditions of Bank Loan (Mizuho) are to be provided in the loan agreement for Bank Loan (Mizuho) after separately consulting with Mizuho Bank. However, under the loan agreement for Bank Loan (Mizuho), the issued shares of the Tender Offeror held by Mr. Matsuki and the Company Shares to be acquired by the Tender Offeror through the Tender Offer are pledged as collateral. Also, after the completion of the Squeeze Out Procedure, shares of the Company Group companies held by the Company and its subsidiaries (to be defined below in “b. Business environment surrounding the Company, management issues of the Company, etc.” and the same shall apply hereinafter.), deposit claims, and certain other assets of the Company and its subsidiaries are pledged as collateral. The Company and its subsidiaries are expected to become joint and several guarantors of the Tender Offeror. The details of the terms and conditions of the Bank Loan (Fukui) are to be provided in the loan agreement for Bank Loan (Fukui) after consulting separately with Fukui Bank. However, under the loan agreement for Bank Lon (Fukui), the issued shares of the Tender Offeror held by Mr. Matsuki and the Company Shares to be acquired by the Tender Offeror through the Tender Offer are pledged as collateral. Also, after the completion of the Squeeze Out Procedure, shares of the Company Group companies held by the Company and its subsidiaries and deposit claims and certain other assets of the Company and its subsidiaries are pledged as collateral. The Company and its subsidiaries are expected to become joint and several guarantors of the Tender Offeror. In addition, the Series A Preferred Stock to be subscribed by MBSF and Fukui Bank is planned to be a class of shares with no voting rights for any matters to be resolved at a general meeting of shareholders of the Tender Offeror. Also, the Series A Preferred Stock does not give a holder the “put option” with the Tender Offeror's common shares as consideration. At the same time, matters requiring prior notification to MBSF/Fukui Bank and matters requiring prior approval from MBSF/Fukui Bank relating to the business operations of the Tender Offeror or the Company (Note 11) are provided in the investment agreements (investment agreement with MBSF, “**Investment Agreement (MBSF)**,” and investment agreement with Fukui Bank, “**Investment Agreement (Fukui)**,”) respectively. For the outlines of those agreements, please see “4 Important Agreement relating to the Tender Offer”, in which “(4) Tender Agreement (MBSF),” and “(5) Investment Agreement (Fukui)” below). The capital contribution through subscribing for the Series A Preferred Stock is a common type of “mezzanine” financing. Also, the Series A Preferred Stock is a financing method required for

Purchase, etc., by the Tender Offeror and is not intended for MBSF to secure the management rights of the Tender Offeror or the Company.

Note 11 In the Investment Agreement (MBSF) and the Investment Agreement (Fukui), the retirement of Mr. Matsuki from the Company is provided as a matter requiring prior notification to MBSF/Fukui Bank, while the following matters are included in the main matters requiring prior approval from MBSF/Fukui Bank: (a) dividends and other actions equivalent to dividends to be paid for common shares held by parties other than the Tender Offeror, (b) payment of officer compensation or bonuses exceeding a specific limit, (c) the assumption of debt outside the scope permitted in advance, (d) the provision of collateral or guarantees, (e) investment restrictions exceeding a specific limit, (f) amendments to the articles of incorporation or organizational restructuring, etc. (of the Company), except as necessary for the Squeeze Out Procedure, (g) additional capital contribution from Mr. Matsuki, the issuance of shares, share options, or corporate bonds, except for the Series A Preferred Stock and those associated with the Squeeze Out Procedure, and (h) changes in important agreements related to the business operations of the Company.

*b. Business environment surrounding the Company, management issues of the Company, etc.*

As of today, the Company Group is comprised of the Company, its 16 consolidated subsidiaries, and one (1) equity-method affiliate (hereinafter collectively referred to as “**Company Group**”). Since the 1890s, the Company has been engaged in the textile sales business for manufacturing and selling fabrics and twisted yarn made mainly from raw materials hemp and silk under the trade name “Sakai Shoten” With the reorganization of the refining business in Fukui Prefecture, the Company established the Sakai Refining and Processing Plant for the refining and dye processing business in December 1929. After that, in October 1934, Ishiro Sakai, its first president, established Sakai Weaving Co., Ltd., the predecessor of the Company, for manufacturing and selling textiles and twist yarns through joint capital contribution with Mitsui & Co., Ltd. In April 1937, its trade name was changed to Sakai Textile Industries Co., Ltd. Further, by acquiring the Sakai Refining and Processing Plant, the Company realized an integrated production system of woven fabrics and refining and dye processing and grew to be the largest textile processing company in Hokuriku. In 1949, its shares were listed on the First Section of the Tokyo Securities Exchange (currently the Tokyo Stock Exchange) and the First Section of the Osaka Securities Exchange (currently Osaka Exchange Co., Ltd., which was delisted in May 2003), and in July of the same year, on the Kyoto Stock Exchange (which merged with Osaka Securities Exchange Co., Ltd. in March 2001). In 1952, the company executed a lease weaving contract with Toyo Rayon Co., Ltd. (currently Toray Industries, Inc.) to secure its position. Subsequently, the Company Group constructed a nylon textile plant (currently the Hanandoh Plant in Fukui City) for processing nylon fabrics and a Tetron plant (currently the Synthetic Fiber Plant in Fukui City) for processing Tetron fabrics, a type of polyester fiber, expanding the variation of products handled and strengthening production capacity.

However, entering the 1980s, exports of textile products decreased, imports of inexpensive textile products from overseas increased, and downstream companies, including the Company's business partners, increased their overseas production to manufacture products at locations closer to supplier companies and to use low-cost labor. As a result, the competitiveness of the Company Group, which had major production facilities in Japan, began to decline, with net sales of approximately 37.4 billion yen in the fiscal year from April 1, 1978 - March 31, 1979, decreasing to approximately 22.2 billion yen in the fiscal year from April 1, 1984 - March 31, 1985. In response to these changes in the business structure of the textile industry, the Company Group began exploring measures to stabilize its management through business diversification, and in April 1986, the Group established Sakai-Elcom Co., Ltd. (currently, SAKAI ELCOM Inc., “**Sakai Elcom**”) for developing software, manufacturing and selling designs, and providing information processing services, starting operations in electronics-related business, and entering manufacturing of controller board devices. In April 1992, the Company changed its trade name from Sakai Textile Industries Co., Ltd. to the current trade name, Sakai Ovex Co., Ltd.

As of today, the Company Group has engaged in the dyeing and processing business, the textile sales business, the control equipment business, and other businesses (mainly comprised of six businesses: cloth weaving, fishery materials, composite materials, sewing, construction, and real estate, and healthcare), and the summary of each business area is as follows.

(i) Dyeing and processing business

The Company, its consolidated subsidiaries Sakai Nagoya Co., Ltd., Futsukaichi Industrial Co., Ltd., Asahi Packaging Co., Ltd., and its equity-method affiliate Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd., are engaged in dyeing, finishing process, and packaging of various textile products. The Company has contracted out a part of the dyeing process to Sakai Nagoya Co., Ltd.

(ii) Textile sales business

The Company and its consolidated subsidiaries, Yasui & Co., Ltd., and Sakai Trading (Shanghai) Co., Ltd. plan, manufacture, and sell various textile products. The Company has sales transactions for textile products with Yasui & Co., Ltd.

(iii) Control equipment business

Sakai Elcom and Settsu Denki Industrial Co., Ltd. (“**Settsu Denki Industrial**”), consolidated subsidiaries of the Company, design, manufacture, sell and install various controller boards and power switching boards; develop, maintain and sell software; and design and perform electrical work. The Company and its consolidated subsidiaries place orders with Sakai Elcom, respectively, for system development, information equipment, facilities construction work, and other services.

(iv) Other businesses

(a) Cloth weaving division

The Company's consolidated subsidiaries, Marui Textile Co., Ltd., Sabae Synthetic Textile Co., Ltd., Ota Orimono Co., Ltd., and Company equity-method affiliate Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd., manufacture and sell various woven and knitted goods. The Company places orders for weaving and knitting (*amitate*) (manufacturing fabrics by making one stitch from a single thread and joining knitted loops together) with Marui Textile Co., Ltd., Sabae Synthetic Textile Co., Ltd., and Ota Orimono Co., Ltd.

(b) Fishery materials business

The Company designs, manufactures and sells floating fish reefs for luring and gathering fishes.

(c) Advance composite materials business

The Company manufactures and sells carbon fiber-related composite materials.

(d) Sewing business

The Company's consolidated subsidiaries, Itabashi Knit Co., Ltd. and Shanghai Itabashi-Knit Co., Ltd., plan, manufacture, and sell sewn products, and the Company places orders for sewn products with them.

(e) Construction and real estate business

The Company's consolidated subsidiary, Sakai Construction and Realty Co., Ltd., is engaged in building construction, civil engineering design, and construction, buying, selling, and handling real estate. The Company and its consolidated subsidiaries also place orders with the above company for construction work and related services.

(f) Healthcare business

The Company's consolidated subsidiary, LimFix Inc., is engaged in the planning and sales of medical textile products.

The Company Group (or the “**Group**” hereinafter) aims to become a company group that enriches the people’s livelihood and culture and contribute to creating an earth-conscious and highly civilized lifestyle by further developing textile-related processing technologies and electronic equipment and information system technologies of other business areas cultivated until now, with the dyeing process business as its core. Also, under the management philosophy of “Contribute to society through business,” the Group companies are operating their businesses, respectively, focusing on maximizing corporate value as the Group not only through its economic activities but also by fulfilling its corporate social responsibility. Further promoting business innovation, the Group is working to establish a management base that can respond flexibly to changing business environments while building a competitive corporate structure to increase its corporate value. For its core dyeing process business, the Group aims to transform it into a more resilient business that is not affected by changes in the business environment through enhancing its competitiveness. Specifically, the Group pursues differentiation and specialization by strengthening advantageous business areas, advancing productivity, implementing strategic facilities and equipment investments, increasing cost competitiveness by forging ahead with procurement reforms, and promoting environmental and energy conservation measures. Also, in the dyeing process business, textiles sales business, and control equipment business, the Group is focusing management resources on extending and growing fields and areas with the competitive edge, and it has strived to increase market share by strengthening businesses in priority fields, expand collaborative businesses among the Group companies, create new and growing businesses with a view toward the future, product planning for improving profitability, and enhancing material procurement functions.

Also, in the Company's medium-term management plan (April 1, 2017 - March 31, 2020, “**Company's Previous Medium-term Management Plan**”), the Company sets its company-wide policy, “Change and challenge toward the next level – structural reforms of business toward a new growth phase,” and its five principal strategies; “Strengthen the competitiveness of core business,” “Business expansion in growth fields,” “Expanding business by strengthening Group collaboration,” “Promotion of overseas business development,” and "Reform of the management base.” Following those strategies, the Company has achieved a certain level of results by striving to carry out various measures, strengthening its core businesses and peripheral businesses, and improving its financial position toward a more resilient and profitable corporate group. Given that result, the Company had planned to formulate and work on a new medium-term management plan starting in the fiscal year 2020 (April 1, 2020 - March 31, 2021). However, due to the spread of the COVID-19 pandemic, it was anticipated that the management and business environments would substantially change; therefore, the Company postponed formulation of the medium-term management plan, with top priority given to a drastic review of the Company's management base.

In terms of the business environment surrounding the Group, the dyeing and finishing (Note 1) industry, to which the core dyeing process business of the Group belongs, and the textile industry, to which textile sales business belongs, the domestic market has been shrinking due to the slump in the clothing market and the increase in cheap imported products. According to the Ministry of Economy, Trade and Industry's Industrial Statistics (industrial edition), total shipments of manufactured goods in both industries have fallen from 1998 (calendar year basis) 1,576.9 billion yen to 2018 (calendar year basis) 641.4 billion yen, less than half. Further, overall domestic demand is decreasing due to the aging of the population and the declining birthrate. It is expected that such a contraction of the domestic market will continue in the future. Additionally, in the fiscal year 2018 onward, there have been concerns that trade friction between the United States and China and the COVID-19 pandemic would impact the domestic and overseas economies; thus, the future outlook of the domestic economy is highly unpredictable. In the short term, at least, the sales of textiles, including apparel, will remain sluggish due to the stay-at-home advisories and business closure requests, and which is likely to affect the volumes of orders placed with textile processing companies, such as the Company. It is also anticipated that the Group's environment will worsen, given the continuing chronic rises of raw material prices and logistics costs. In particular, the pandemic will have a significant impact on the domestic and overseas economies, and the textile industry, which is the Group's main business area,

could be seriously affected by long-term stagnation in consumption, stagnation of production, and supply activities caused by supply chain disruptions, and increased costs.

For the Group, cumulative sales in the dyeing process business for the fiscal year ended March 2021 decreased by 17.4% year on year, and cumulative sales in the textile sales business for the fiscal year ended March 2021 decreased by 36.9% year on year. In particular, since the dyeing process business accounts for approximately 46.1% of its total sales, the Group must promptly address the current situation. For the control equipment business, although business performance remains steady, its sales ratio to the Group's total sales was only about 15.8%; thus, it is difficult to call this area the Group's core business. Given the current sluggish growth of the dyeing process and textile sales businesses, the Group must develop the control equipment business into one of its pillars.

Amid such a severe business environment, the Group is working to restructure its business strategies and business assets in light of changes in the market and business structure while striving to improve management efficiency and optimize its supply chain. At the same time, in order to achieve sustainable growth, the Group is forging ahead with further expanding the scope of areas in which it can maximize its advantages, creating growth businesses that can leverage its strengths, and enhancing its corporate competitiveness. Further, to increase its manufacturing capabilities from a medium- to long-term perspective, focusing on building a high-quality, cost-competitive production and sales system, the Group is developing risk management and crisis management system for disasters and infectious diseases.

Note 1 “Dyeing and finishing” refers to the dyeing and other processing of fibers and textile products, such as threads and fabrics, through a pre-process called “refining (scouring).” Through that process, natural impurities, dirt, oils, etc., stuck on fibers and textile products, such as threads and fabrics, are removed, dissolved, and decomposed using alkalis and surfactants.

Given the above business environment, the Group believes it necessary to challenge the following management issues.

(i) Dyeing process business

By further deepening the relationship with textile distributors who are its customers, the Group should accelerate product development by exploring customer needs and proposal sales to pursue its stable business growth. Also, the Group should strive to improve the on-site capabilities further, achieve optimum quality, cost, and delivery times, and strengthen the foundation of the production system through its dedicated efforts for improvement activities.

(ii) Textile sales business

In addition to promoting sales expansion into competitive markets vigorously, the Group should strive to diversify commercial distribution and expand sales channels by further enhancing collaboration between Textile (Note 2) and apparel businesses and reconstructing the supply chain unique to the Company with added planning functionality. It should also establish a less susceptible system to cost reductions and exchange rate fluctuations by making maximum use of overseas production bases, thereby drastically improving the profit structure.

Note 2 “Textile (business)” collectively refers to the business of manufacturing textile and fabric products engaged across the Group, specifically in its weaving division and dyeing division.

(iii) Control equipment business

As a business that supports the construction of social infrastructure, the Group should focus on finding potential customers in areas, such as the design and manufacture of automated control devices and factory automation systems (systems for automating the production process), and electric power construction projects, while aiming to enlarge its business scale by rebuilding its sales structure toward expanding into new business

areas.

Also, the Group should develop core personnel for propelling business development and fostering a corporate culture where resourceful persons can play an active role. In addition, the Group should emphasize deploying business investments, such as facilities and equipment investment and M&A, and steadily push forward growth strategies. The Group recognizes the necessity to optimize personnel composition and challenge drastic improvement of profitability.

*c. Background leading up to the Previous Tender Offer*

As stated in “b Business environment surrounding the Company, management issues, etc. of the Company” above, the dyeing process business and textile sales business, which are the Company Group’s core businesses, have already become mature industries. Given such situation, since around 2017, when the Company’s Previous Medium-term Management Plan commenced, Mr. Matsuki has vaguely recognized that the Company has faced the following management issues: Although the market has been shrinking, it should avoid a situation that requires the reduction of its business scale in proportion to that market contraction. It should increase sales from existing business partners, let alone finding new business partners from the viewpoint of maintaining production efficiency and operating rates of factories. However, just before the end of the Company’s Previous Medium-term Management Plan in January/February 2020, the negative economic impact of the COVID-19 pandemic on the above businesses became visible, he reaffirmed the necessity of drastic structural reforms of business and raised awareness of the problems in the Company Group’s organizational structure and management structure. Thus, in around late April 2020, he began studying medium- to long-term measures to improve the corporate value of the Company Group.

While Mr. Matsuki was considering as above from the standpoint of managing the business of the Company as President and Representative Director, in mid-November 2020, the Company received an interview request from RSM, an investment advisor to NAVF (according to the large shareholding report submitted on November 17, 2020, the number of shares held was 321,900, which is equivalent to the Ownership Ratio of 5.20%) for discussing the Company's business strategy. And the Company had a video conference with RSM. During the interview, the Company was informed that RSM considered an MBO worthy of consideration as a viable strategy for the Company, but it was not requested by RSM to purchase the Company Shares held by NAVF.

Since late April 2020, Mr. Matsuki has continued examining medium- to long-term measures to enhance corporate value. In addition, the interview with RSM stated above prompted him to start studying the effectiveness of taking the Company Shares private (or going-private transactions) through MBO as a management strategy. In mid-November 2020, in order to address the severe business environment surrounding the Company Group, he realized that, while continuing the implementation of the ongoing management policies, the Company has no alternative but to respond to the intensifying business environment of the dyeing process and textile sales businesses, which are already mature industries, and to advance structural reforms of the Company's business from a medium-to long-term perspective. With regard to reform of the Company's business structure, Mr. Matsuki recognized that although the Company is currently working to enhance and transform its business structure based on its Previous Medium-term Management Plan, it has adopted a conservative strategy of avoiding measures that entail large-scale facilities and equipment investment and temporary falling of profits as it placed too much emphasis on averting adverse effects, such as a short-term decrease in earnings and a decline in the share price. Since listed companies are required to disclose business results on a quarterly basis, they receive requests from a wide range of shareholders, including institutional investors responsible to their customers as trustees, to improve corporate value over the medium-to- long term as well as secure short-term profits. However, there are limits to working on structural reforms of the business while responding to such a shareholders' request; then, Mr. Matsuki concluded that the Company must implement drastic structural reforms associated with certain business risks, regardless of short-term profits or share price trends. In addition, Mr. Matsuki has determined that by conducting a tender offer at a reasonable premium, it will be possible to gain a benefit for minority shareholders by providing them with an

opportunity to sell the Company Shares at a certain price. As for specific measures to reform the business structure, he came to recognize the need to implement the following strategies (“**Restructuring Plan**”). Besides the specific measures of the business structure reforms of the Company, which the Tender Offeror considered it necessary to implement as of February 9, 2021, when the Previous Tender Offer was announced, there is no specific details and projects under consideration by the Tender Offeror as of today.

(i) Expanding sales channels in the dyeing process and textiles sales businesses and establishing new overseas production and procurement bases

In the dyeing process business, the Company Group established Toray Sakai Weaving & Dyeing (Nantong) Co., Ltd., a joint venture with Toray in China in December 2000, and in the textile sales business, established Sakai Trading (Shanghai) Co., Ltd. in August 2011, and it has been aggressively pushing forward its entry into China until now. However, Sakai Trading (Shanghai) Co., Ltd., in particular, has been struggled to find new business partners locally. Mr. Matsuki recognizes the urgent need to expand overseas sales channels in the current shrinking domestic market. Therefore, he believes that it is necessary for the Company Group to implement drastic measures to strengthen sales capabilities, including business expansion through potential M&A transactions with local companies.

In addition, as China is achieving rapid economic development and its salary levels are rising, recently, an increasing number of companies are shifting their overseas production and procurement bases to Southeast Asia. Thus, the market size in Southeast Asia is rapidly expanding. In order to capture demand in those growing markets, he believes the Company should consider establishing new production and sales bases in Southeast Asia, including Thailand and Vietnam.

(ii) Promotion of research and development in the dyeing process business and textile sales business

In the textile industry, in which the dyeing process business and textile sales business of the Company Group belong, the competitive environment has intensified due to the increase in cheap imported products from emerging market countries. In response to growing environmental awareness, an increasing number of companies prioritize trading with companies that have introduced production facilities and processes consistent with SDGs (Sustainable Development Goals). Mr. Matsuki recognizes that in order to maintain its advantage in an increasingly competitive market environment, it is necessary to proactively promote research and development, including the recruitment of researchers and the introduction of equipment that enable the dyeing processing without emitting carbon dioxide in conformance to SDGs, and maintain high technological capabilities to realize a higher quality than before while considering SDGs.

(iii) Sales promotion of PB Brands in the textile sales business

The textile sales business of the Company Group is engaged in "OEM with software (original equipment manufacturer of other company brand products)," which covers the entire process from product planning to material procurement, pattern creation, sewing, inventory, and delivery. To utilize the know-how and increase sales, Mr. Matsuki considers it necessary to launch its brand in the textile field. Recently as demand for OEM manufacturing has been declining due to the COVID-19 pandemic, he believes it necessary to raise its brand awareness and increase sales by expanding distribution on e-commerce sites and strengthening sales promotion and advertising.

(iv) Acceleration of growth through M&A in the control equipment business

For Company Group's control equipment business, although business performance has been steady, its ratio to total Company Group sales remains low; thus, it is difficult to call this area its core business. In that business, Sakai Elcom and Settsu Denki Industrial belong. And Sakai Elcom has engaged mainly in design and system construction for control devices for large-scale plants; in contrast, Settsu Denki Industrial's main business is manufacturing and installing control devices for public works and small-scale plants. As they have different areas

of specialty, it is difficult to materialize synergies between the two companies. In the Company Group, since the dyeing process business and textile sales business are sluggish, it urgently needs to grow the control equipment business into one of its pillars. Mr. Matsuki believes it necessary to implement M & A or similar transaction with companies that can close the gap between the two subsidiaries and materialize synergies not yet realized to propel the growth of the control equipment business.

(v) Investing in proactive human resource development and recruitment

Mr. Matsuki believes that in light of the recent service-oriented society, in order to maintain the competitiveness of the Company Group in the future, it will be necessary to have sales personnel who have expertise and knowledge in the manufacturing technology of the products they handle. For this reason, he believes it necessary to reform internal training and personnel systems and provide opportunities for current sales staff to learn manufacturing technology.

In terms of recruitment, the Company Group is generally recognized as a group engaged in the dyeing process business; thus, many applicants have knowledge of chemical technologies. At the same time, there is a shortage of personnel with in-depth knowledge of electrical and mechanical technologies required for plant maintenance and control equipment businesses. Accordingly, Mr. Matsuki believes it necessary to adopt a proactive recruitment strategy, such as disseminating information through various advertising media, including recruiting sites.

For implementing the Restructuring Plan in parallel, Mr. Matsuki is apprehensive of the following risks: the significant initial and continued investments will deteriorate cash flow and have a severe impact on the Company Group's financial position and earnings in the short-term; it is unclear whether the Group can generate expected returns, and it is unlikely to receive a favorable evaluation from the capital markets; thereby resulting in a decline in the Company's Share Price; accordingly the Group may not return profits to shareholders. However, given the current situation of the Company Group, it will be difficult for the Group to improve its corporate value over the medium- to long term without deploying measures that require significant initial and continued investments, such as the Restructuring Plan. Also, to carry out the business structural reform measures, it is necessary to make drastic and flexible decisions promptly and boldly from a medium- to long-term perspective, regardless of the short-term effects, and construct a management system that enables such decision-making.

Further, Mr. Matsuki anticipates that the costs for maintaining the listing of the Company Shares (expenses for continuous disclosure of information, such as annual securities reports, and the operation of shareholders meetings and the outsourcing of administrative work to an administrator of the shareholder registry) have increased in recent years. Such costs may become a further burden on the Group's operation in the future. Since being listed on the First Section of TSE and the Osaka Securities Exchange in 1949, the Group has enjoyed various advantages as a listed company; for example, it has secured talented human resources by improving its visibility and social credibility. On the other hand, given the Group's ongoing financial condition, in which it has secured enough funds to conduct ordinary business activities at present, and the current low-interest-rate environment in indirect financing, there is little need for the Group to raise large-scale funds by utilizing equity finance for the foreseeable future. Additionally, in recent years, the Group has gained and maintained its brand-width and social credibility partially through its business activities. Therefore, there seems little significance in maintaining the listing of the Company Shares in the future.

Based on the consideration above, Mr. Matsuki believes that, in order to improve the corporate value of the Group through the Restructuring Plan, it is appropriate to establish a management system that enables prompt and bold implementation of drastic and flexible decision-making from a medium- to long-term perspective, while averting adverse effects of going-private transactions on shareholders of the Company, such as a decline in the share price that may occur along with the implementation of the Restructuring Plan. Also, given that Mr. Matsuki has complete knowledge of the business details of the Group, in order to establish such a management system, it is most effective to implement a management buyout (MBO) under the leadership of Mr. Matsuki to ensure integrating

ownership and management of the Group to a certain extent, and to have Mr. Matsuki take charge of the Group's management. Accordingly, in mid-November 2020, Mr. Matsuki made a proposal to the Company to hold discussions and negotiations for the implementation of the Previous Transaction.

Meanwhile, on November 26, 2020, on the home page of a financial news website, an article was posted stating that on the same day, RSM had sent the Company a request for consideration of an MBO by the current management team of Company with support from NAVF, including partial capital contribution. Immediately after the news was posted, on November 27, 2020, Mr. Matsuki received an exploratory offer from RSM to consider an MBO by the current management team of the Company with support from other investors invited by RSM, the same from NAVF, including partial capital contribution, subject to the completion of due diligence and securing funds ("Approach for Consideration of MBO (RSM)"). The Approach for Consideration of MBO (RSM) intends to take the Company Shares private at the proposed price of 2,350 yen per share of the Company. This price was obtained by adding a premium of 11.90% (rounded off to two decimal places, the same applies to a premium rate hereinafter.) to the closing stock price of the Company Shares on the First Section of TSE on November 25, 2020, 2,100 yen (the same shall apply to the calculation of the premium rate hereinafter.) On December 8, 2020, Mr. Matsuki received another letter from RSM regarding the Approach for Consideration of MBO (RSM), and on December 9, 2020, he submitted a formal proposal to the Company regarding the management buyout (MBO) led by himself to advance the measures that he had mulled over since late April 2020. At the same time, Mr. Matsuki expected the possibility of obtaining from RSM helpful information for the Company's business strategy and management strategy in the future. On December 18, 2020, he sent RSM a letter of inquiry to ask for the following information as the premise of considering the Approach for Consideration MBO (RSM) and deepening understanding of RSM: the past MBOs or similar projects of RSM; the investment track record of RSM in a company operating the same or similar business as the Company; the investment track record of RSM in a company operating in Japan; the purpose and reason of the Approach for Consideration of MBO (RSM), its view on the Company's management environment; and its envisioned policies and measures of the Company after MBO. Subsequently, on January 15, 2021, Mr. Matsuki established the Tender Offeror mainly for acquiring and holding the Company Shares and Share Options through the Previous Tender Offer.

On January 20, 2021, Ms. Matsuki entered into a non-disclosure agreement with RSM, and on January 22, 2021, through an interview with RSM, he received an oral response to the letter of inquiry sent on December 18, 2020. In that interview, Mr. Matsuki was provided the following information about RSM: RSM is an investment advisor of a Cayman Islands Corporation established in October 2019; since RSM is an investment advisor for NAVF, RSM itself does not have an investment track record; however, it has a vast network of consulting companies and private equity funds in Japan and overseas; thus it can provide management and financial advice, including the introduction of experts; and NAVF, which employs RSM as an investment advisor, has a track record of investing in approximately 20 listed companies in Japan and has knowledge on management improvement through capital policy and corporate governance improvement. In response, Ms. Matsuki conveyed to RSM his views on the Company's business environment, management environment, and the objectives of MBO; however, he withheld his answer to the Approach for Consideration of MBO (RSM) for the moment. Also, he requested that RSM tender all of the Company Shares held by NAVF for the Previous Tender Offer in order to proceed with MBO led by himself, and RSM responded that it was possible to consider the request, but it should be negotiated separately. Further, RSM expressed its thoughts that since March 2020, NAVF had paid attention to the latent growth potential of the Company's financial and business aspects through analysis of the Company's industry and business environment; thus, it wished to make capital contributions to both the Company and Tender Offeror after the Previous Tender Offer and maintain the relationship with the Company through medium- to long-term investments. Also, RSM had the intention to support enhancing corporate value over the medium- to long-term through its provision of advice to the Company on financial measures and improving corporate governance. Furthermore, if requested by the Tender Offeror, it would be ready to help build a support system in several ways, including dispatching specialists with abundant experience in business strategy and M & A as Directors. Mr. Matsuki confirmed the above statements of RSM at the meeting.

In the meantime, Mr. Matsuki proceeded with his considerations on various terms and conditions of the Previous Transaction, including the Tender Offer Price, and based on due diligence on the Company conducted from mid-December 2020 to mid-January 2021, and he presented to the Company an initial proposal on January 14, 2021, with the Previous Tender Offer Price of 2,500 yen. And, after the establishment of the Tender Offeror, on January 19, 2021, the Tender Offeror received a request from the Company to reconsider the Previous Tender Offer Price. In respect of Share Options, it is provided that the Share Option Holders may exercise their allotted Share Options on or after the day following the day when they lose their position as Director or Corporate Officer of the Company, respectively, within the exercise period for Share Options. Thus, even if the Tender Offeror acquires the Share Options, it is understood that the Tender Offeror may not exercise them. Accordingly, on January 19, 2021, the Tender Offeror proposed to the Company the Share Option Offer Price of one (1) yen per unit of Share Options in the Previous Transaction.

In parallel with negotiations with the Company above, after the interview with RSM on January 22, 2021, the Tender Offeror also sounded out NAVF about the sale of the Company Shares in the Previous Tender Offer. The Tender Offeror and NAVF discussed the terms and conditions of an agreement, including the Previous Tender Offer Price, toward the execution of the tender agreement. Then, on January 26, 2021, the Tender Offeror informed NAVF that it was considering setting the purchase price of 2,850 yen, which was higher than the purchase price of 2,350 yen indicated by NAVF in the Approach for Consideration of MBO (RSM), as the Previous Tender Offer Price. (On March 8, 2021, during the purchase period of the Previous Tender Offer, the said Tender Offer Price was changed to 3,000 yen, so the Previous Tender Offer Price before that was changed is hereinafter "**Previous Tender Offer Price Before the Change**.") In response, NAVF answered that there was room to consider tendering in the Previous Tender Offer at the said price. And on January 27, 2021, the Tender Offeror received a reply from NAVF that it would withdraw its Approach for Consideration of MBO (RSM) once it decided to tender in the Previous Tender Offer. Also, it would consider concluding the Previous Tender Agreement (NAVF) related to the Previous Tender Offer with the Tender Offer Price of 2,850 yen, and it stated that its response was not made on the premise of reinvestment in the Tender Offeror. On the same day, the Tender Offeror again received a proposal from NAVF stating that NAVF would make a capital contribution to the Tender Offeror after the Previous Tender Offer as a scheme to maintain the relationship with the Company through medium-to-long-term investment in the Company or the Tender Offeror and provide its support for enhancing corporate value over the medium-to-long term through the provision of advice and proposals to the Company on financial policies and improving corporate governance. The Tender Offeror confirmed with NAVF that the said proposal was a completely different negotiation matter from NAVF's tendering of the Company Shares and not related to the positive consideration toward the conclusion of the Previous Tender Agreement (NAVF) for the Previous Tender Offer with Previous Tender Offer Price Before the Change of 2,850 yen. Then, on January 28, 2021, the Tender Offeror received a response from NAVF stating that if the Previous Tender Offer Price Before the Change was 2,850 yen or more, it would execute the Previous Tender Agreement (NAVF) for the Previous Tender Offer. In the said response, NAVF's tendering was not subject to reinvestment from NAVF in the Tender Offeror.

On the same day, the Tender Offeror made another careful consideration and concluded that NAVF's capital contribution in the Tender Offeror would surely help the acceleration of business structural reforms, given that the knowledge and highly specialized network of RSM and NAVF related to business improvement would not hinder the objective of the MBO as viewed by Mr. Matsuki, and the Tender Offeror and the Company would be provided management resources that they do not have.

Subsequently, on January 29, 2021, the Tender Offeror made a final proposal to the Company to set the Previous Tender Offer Price Before the Change at 2,850 yen. On February 4, 2021, the Company informed the Tender Offeror that it was continuing internal discussions on the appropriateness of the Previous Tender Offer Price Before the Change. Meanwhile, in parallel with the said negotiations with the Company, the Tender Offeror was consulting with NAVF on measures to enhance the corporate value of the Company, and they confirmed on February 4, 2021, as follows: NAVF consents to Mr. Matsuki's management policy and will support the enhancement of the corporate

value of the Company; it does not intend to specify any matter requiring its prior notification or its prior approval regarding the business operations of the Tender Offeror or the Company. Accordingly, the Tender Offeror formally decided to move on for executing the Previous Investment Agreement (NAVF), under which the Tender Offeror would allocate its non-voting shares to NAVF.

Based on the above background and discussions, on February 9, 2021, as part of the Previous Transaction, the Tender Offeror decided to make the Previous Tender Offer with the Previous Tender Offer Price Before the Change set at 2,850 yen and the Previous Share Option Offer Price set at one (1) yen and implemented the same with the purchase period until March 24, 2021. Also, on February 8, 2021, the Tender Offeror executed the Previous Tender Agreement (NAVF) with NAVF for all the Company Shares held by NAVF (389,800 shares), and on the same day, executed the Previous Investment Agreement (NAVF) effective upon the completion of a series of procedures to make the Tender Offeror the sole shareholder of the Company.

The Tender Offeror considered its act to execute the Previous Investment Agreement (NAVF) and allocate Class B Shares to NAVF would not violate the intent of uniformity of the Tender Offer Price (Article 27-2, Paragraph 3 of the Act).

For the Previous Tender Offer Price Before the Change, it was decided based on financial information materials disclosed by the Company, the results of the due diligence on the Company conducted from mid-December 2020 through mid-January 2021, actual examples of premium rates in MBO cases conducted for going-private in the past 10 years, and consultations and negotiations with the Company. The Tender Offeror did not obtain a Share Valuation Report from a Third-Party Valuation Agent. Also, in determining the Previous Share Option Offer Price, the Tender Offeror did not obtain any Valuation Report from a Third-Party Valuation Agent.

*d. Results of the Previous Tender Offer, and background, reasons, and decision-making process leading up to the decision to conduct the Tender Offer*

As described in the “Tender Offer Registration Statement” regarding the Previous Tender Offer submitted by the Tender Offeror on February 9, 2021 (including “Partial Correction of Tender Offer Registration Statement” submitted by the Tender Offeror on February 10, 2021, and March 8, 2021) the Tender Offeror commenced the Previous Tender Offer on February 9, 2021. However, it comprehensively considered and carefully reviewed the situation in which the market price of the Company Shares was trading above the Previous Tender Offer Price Before the Change of 2,850 yen after the start of the Previous Tender Offer, the tendering status of the Company's shareholders to the Previous Tender Offer, and the outlook for tendering going forward. As a result, the Tender Offeror decided to change the Previous Tender Offer Price from 2,850 yen to 3,000 yen on March 8, 2021, during the purchase period of the Previous Tender Offer, to provide the Company's shareholders with the opportunity to sell their Company Shares at a price higher than the Previous Tender Offer Price Before the Change and increase the probability of successful consummation of the Previous Tender Offer. It also decided to leave the Previous Share Option Offer Price unchanged at one (1) yen and make the Previous Tender Offer Price final and not change the same after that time.

However, even after the Tender Offeror raised the Previous Tender Offer Price to 3,000 yen, the market price of the Company Shares on the First Section of TSE (excluding March 10, 2021, and the period from March 18, 2021, through March 24, 2021, the final day of the purchase period of the Previous Tender Offer) remained above the Previous Tender Offer Price (3,000 yen) on a closing price basis (Note 1). And as described in the “Tender Offer Report” submitted by Tender Offeror on March 25, 2021, relative to the minimum number of shares planned to be purchased of 4,127,800 shares, the total number of Share Certificates Etc. tendered in the Previous Tender Offer was 3,939,239 shares, which failed to meet the minimum number of shares planned to be purchased of 4,127,800 shares; therefore, the Previous Tender Offer was not successfully consummated. Accordingly, the Previous Tender Agreement (NAVF) became null and void due to the failure of the Previous Tender Offer (provided, however, that the provisions for the Tender Offer's obligations to NAVF for indemnification and confidentiality and agreed jurisdiction described in “Note 7” of “a. Overview of the Tender Offer” above have remained effective.) In respect of the Previous Investment Agreement (NAVF), although the consummation of the Previous Tender Offer and the

satisfaction of other specific matters were the conditions precedent for the issuance of Class B Shares thereunder, those conditions were not accomplished due to the failure of the Previous Tender Offer; therefore the Tender Offeror was no longer required to issue Class B Shares to NAVF (provided, however, that the provisions for the Tender Offeror's obligations to NAVF for indemnification and confidentiality and agreed jurisdiction have remained effective.)

Note 1      For the transition of the market stock price of the Company, the stock quotations regarding the Company Shares provided by Quick Corp. are used as reference.

Also, on March 18, 2021, and the following day the 19th, the Company received contact from CIE and Yoshiaki Murakami (“**Mr. Murakami**”), who is a shareholder of CIE’s parent companies Reno, Co., Ltd. and ATRA Co., Ltd. (At the time when the Company received that contact, CIE identified itself as merely one of the shareholders of the Company, having less than 5% in terms of the Ownership Ratio of the Share Certificates, Etc., and it didn’t refer to the specific number of shares owned and the Ownership Ratio of the Share Certificates, Etc.) Mr. Murakami informed the Company that CIE would not tender its Company Shares in the Previous Tender Offer because it believed the Previous Tender Offer Price could not be evaluated as sufficiently returning profits to existing shareholders; however, in the case of the successful consummation of the Previous Tender Offer, it would follow a series of procedures to make the Tender Offeror the sole shareholder of the Company (“**CIE’s Intention**”). Although the Tender Offeror was informed from the Company about the CIE’s Intention on March 18 and 19, 2021, it did not receive any contact from Mr. Murakami or CIE during the purchase period of the Previous Tender Offer. There were no negotiations related to the terms and conditions of the Previous Tender Offer, including the Previous Tender Offer Price.

Subsequently, on March 25, 2021, after the completion of the Previous Tender Offer, the Company received the request from CIE for a discussion about the Company’s thoughts on how to improve its corporate value to maintain its listing for the future in light of the failure of the Previous Tender Offer. Then, in terms of having a constructive dialogue with its shareholders, the Company had a telephone conference with Mr. Murakami and CIE on March 26, 2021 (“**Telephone Conference of March 26, 2021**”). At that meeting, Mr. Murakami and CIE expressed their views that as far as the Company intends to maintain its listing, it should strive to improve its corporate value and shareholder value, including an increase in the market value of the Company Shares; otherwise, another MBO would likely be an option. In addition, the “Report on Large Shareholders” with the same date submitted by CIE revealed that CIE started to acquire the shares of the Company on February 24, 2021, during the purchase period of the Previous Tender Offer, and holds 399,200 shares of the Company Shares (Share Certificates, Etc. Ownership Ratio 6.20%) as of March 19, 2021. Further, the subsequent “Change Report No. 1” dated March 29, 2021, revealed that CIE holds 510,300 shares of the Company Shares (Share Certificates, Etc. Ownership Ratio 7.93%) as of March 22, 2021.

Even after the failure of the Previous Tender Offer, the Tender Offeror has believed it necessary to carry out the Restructuring Plan to resolve the management issues facing the Company and mulled over MBO as an effective means therefor as described in “b. Business environment surrounding the Company, management issues of the Company, etc.” above. Meanwhile, after the Previous Tender Offer, Mr. Matsuki, the Representative Director of the Tender Offeror, has continued performing his duties as the Representative Director of the Company. However, during daily business affairs, he recognized that there had been no change in the Company’s business environment and its management issues to tackle, thus, the Company should implement the Restructuring Plan, the details of which are the same as prepared at the time of the Previous Tender Offer.

(i)            Dyeing process business

By further deepening the relationship with textile distributors who are its customers, the Company Group should accelerate product development by exploring customer needs and proposal sales to pursue its stable business growth. Also, the Group should strive to improve the on-site capabilities further, achieve optimum

quality, cost, and delivery times, and strengthen the foundation of the production system through its dedicated efforts for improvement activities.

(ii) Textile sales business

In addition to promoting sales expansion into competitive markets vigorously, the Group should strive to diversify commercial distribution and expand sales channels by further enhancing collaboration between Textile and apparel businesses and reconstructing the supply chain unique to the Company with added planning functionality. It should also establish a less susceptible system to cost reductions and exchange rate fluctuations by making maximum use of overseas production bases, thereby drastically improving the profit structure.

(iii) Control equipment business

As a business that supports the construction of social infrastructure, the Group should focus on finding potential customers in areas, such as the design and manufacture of automated control devices and factory automation systems (systems for automating the production process), and electric power construction projects, while aiming to enlarge its business scale by rebuilding its sales structure toward expanding into new business areas.

Further, Mr. Matsuki has believed it necessary to consider the method of going-private transactions and the terms and conditions, including the Tender Offer Price, which can gain the understanding of as many shareholders as possible so that they would agree with the significance of implementation of MBO and tender their Company Shares.

In the course of considerations, on March 26, 2021, the Tender Offeror received information shared by the Company that in the Telephone Conference of March 26, 2021, the Company received a suggestion from Mr. Murakami and CIE to conduct another MBO as a possible choice for the Company. Following that suggestion, on April 6, 2021, the Tender Offeror received a request from CIE for a discussion. Then, on April 8, 2021, the Tender Offeror held a telephone conference with CIE, Aya Nomura, Representative Director of CIE's parent company ATRA Co., Ltd. ("Ms. Nomura"), and Mr. Murakami (collectively referred to as "CIE, Etc.") and exchanged their opinions on the management policy contemplated by the Tender Offeror. By exchanging views with CIE, Etc. on a wide range of issues and the business environment of the Company recognized by the Tender Offeror, it received from CIE, Etc. various opinions and recommendations that would contribute to improving the corporate value and shareholder value of the Company. Through that telephone conference, the Tender Offeror and CIE, Etc. came to have a common recognition as follows: the dyeing process business and textile sales business engaged by the Company are mature industries, the market size of which has been shrinking as stated in "b. Business environment surrounding the Company, management issues of the Company, etc." above; the Company has been surrounded by the harsh environment; thus, the drastic reforms, including the Restructuring Plan, are critical for resolving management issues facing the Company, which are recognized by the Tender Offeror, and improving the business operation of the Company; and for that purpose, going-private transactions for the Company Shares would realize the enhancement of its corporate value.

Meanwhile, on April 9, 2021, the Tender Offeror also received a request from NAVF to implement another MBO promptly and execute with NAVF an agreement similar to the Previous Investment Agreement (NAVF), under which NAVF wishes to receive the allotment of Class B Shares of the Tender Offeror, which were not issued due to the failure of the Previous Tender Offer, and support the enhancement of the corporate value of the Company after going-private transactions are completed. At that point in time, the Tender Offeror could confirm the intentions of CIE and NAVF as to going-private of the Company Shares; it decided to take the initiative in proceeding full-scale with going-private transactions.

Subsequently, on April 26, 2021, the Tender Offeror executed a non-disclosure agreement with CIE and in videoconferences with CIE, Etc. held on April 30, 2021, and May 7, 2021, the Tender Offeror received a proposal in relation to the consolidation of the Company Shares in accordance with Article 180 of the Companies Act, which

had been scheduled by the Tender Offeror after the Previous Tender Offer. Specifically, the Tender Offeror and CIE, Etc. discussed the suggestion from CIE, Etc. on the method of going-private transactions not through the tender offer but by submitting it to a general meeting of shareholders of the Company. The Tender Offeror considered that since more than two months have passed after February 9, 2021, the announcement date of the Previous Tender Offer, up to April 30, 2021, naturally it is deemed that some shareholders traded the Company Shares in the market after the announcement of the Previous Tender Offer; thus, the composition of shareholders of the Company might have changed after the Previous Tender Offer. Therefore, it believed it necessary to take the following steps; firstly, conduct another tender offer and gain the tender of the Company Shares from shareholders; after that, confirm the total number of voting rights pertaining to the Company Shares held by the Tender Offeror and the shareholders who agreed with going-private transactions for the Company by the Tender Offeror exceeds two-thirds of the total voting rights of the Company; emphasize the shareholders' intentions, and finally submits a proposition for the share consolidation to a general meeting of shareholders of the Company. And the Tender Offeror presented the above proposal to CIE, Etc. on May 7, 2021. As a result, the Tender Offeror received a suggestion from CIE on another scheme of going-private transactions for the Company Shares. That is the method to take the Company Shares private by following steps: firstly, the Tender Offeror conducts another tender offer; and if, besides the Tender Offeror, CIE and NAVF, there are other shareholders who wish to remain shareholders after going-private transactions, including business partners and employees of the Company ("Shareholders Wishing to Remain," (Note 2)) and when the total number of voting rights pertaining to the Company Shares held by the Tender Offeror, CIE, NAVF, and the Shareholders Wishing to Remain after the Tender Offer exceeds two-thirds of the total voting rights of the Company, the Tender Offeror, CIE, and the Shareholders Wishing to Remain will remain as common shareholders of the Company; and finally going-private transactions for the Company Shares are completed. ("Scheme Proposed by CIE"). Since that scheme coincides with the method considered by the Tender Offeror above, they agreed to adopt the Scheme Proposed by CIE as the basic approach to the contemplated transactions. At that videoconference, CIE did not make any specific proposal regarding the Tender Offer Price and indicated its intention not to tender its 515,600 shares of the Company Shares in the Tender Offer and to leave the management of business aspects of the Company to the management team of the Company. Also, CIE expressed its thought that it would support the Company on financing and financial strategy leveraging its investment experience in many companies and experience in helping managements of both listed and unlisted companies. And it proposed that if required by the Tender Offeror, it would be possible to provide equity and debt financing. At the end of the meeting, both parties confirmed to have constructive discussions on an ongoing basis. At this moment, the Tender Offeror has not received from CIE any specific proposal regarding CIE's support in financing and financial strategy for the Company. Further, in the Transactions, it is expected to make the Tender Offeror and CIE the sole shareholders of the Company unless there is a shareholder who holds equal shares or more than the Agreed Non-tendering Shares owned by CIE (number of shares owned: 515,600 shares, Ownership Ratio: 8.33%) after the Tender Offer. As of today, the Company has not received contact from any of its shareholders, other than CIE, who wish to remain as a shareholder of the Company after the completion of going-private transactions.

Note 2      The Tender Offeror has not been informed about the intention of any other shareholders of the Company than CIE to remain as a common shareholder of the Company after the Transactions; thus, the Tender Offeror has assumed there is no particular third party as a Shareholder Wishing to Remain. Accordingly, the Tender Offeror has determined to employ the scheme to implement the Squeeze Out Procedure for the shareholders of the Company, other than the Tender Offeror and CIE (and other shareholders who hold equal shares or more than the Company Shares owned by CIE, if any.)

On May 13th, 14th, 19th, and 20th, 2021, the Tender Offeror consulted with NAVF regarding the Scheme Proposed by CIE and asked whether NAVF had the intention to remain as a shareholder of the Company after going-private transactions. NAVF expressed its basic stance to tender all its Company Shares in another tender offer as in the Previous Tender Offer. NAVF also wished to execute an agreement similar to the Previous Investment

Agreement (NAVF) to receive the allotment of Class B Shares of the Tender Offeror while providing its support for improving the corporate value of the Company after going-private transactions.

Given the above consultations, on May 27, 2021, the Tender Offeror submitted to the Company a proposal letter on a management buyout (MBO) through the Tender Offer (“**Proposal Letter of May 27, 2021**”). In the Proposal Letter of May 27, 2021, as like in the Previous Investment Agreement (NAVF) that was contemplated by the Tender Offeror and NAVF at the time of the Previous Tender Offer, it was expected to adopt a method involving NAVF’s subscription for Class B Shares of the Tender Offeror, which were not issued due to the failure of the Previous Tender Offer. However, on June 7, 2021, CIE pointed out to the Tender Offeror that from the viewpoint of ensuring transparency of the transaction scheme, the investment agreement involving Class B Shares between the Tender Offeror and NAVF should be reconsidered, so that general shareholders feel it reasonable and acceptable. On the same day, the Tender Offeror discussed that point with the Company and learned from the Company that during the purchase period of the Previous Tender Offer, the Company had received multiple inquiries from its shareholders regarding the volume and details of the amount to be invested under the Previous Investment Agreement (NAVF). As the Tender Offeror intended to advance the Tender Offer by gaining the understanding of CIE, NAVF, and many other shareholders, on the same day, it requested NAVF for a discussion regarding the subscription for the Tender Offeror’s Class B Shares, including reconsideration of the details, and on June 10, 2021, they consulted once again. According to CIE, it also directly communicated to NAVF three times, at least, from June 7, 2021, to June 9, 2021, that the subscription for Class B Shares should be avoided in terms of ensuring transparency of the transaction scheme.

After having a series of discussions above among the Tender Offeror, NAVF, and CIE from April 8, 2021, to June 10, 2021, NAVF notified the Tender Offeror on June 11, 2021, as follows: Although it intended to support the enhancement of the Company's corporate value through its subscription for Class B Shares of the Tender Offeror after going-private transactions for the Company Shares, it would withdraw its proposal to provide the said support (after the completion of going-private transactions) while subscribing for Class B Shares of the Tender Offeror. The Tender Offeror had expectations for NAVF providing knowledge and a highly specialized network to improve management after the Company Shares goes private. However, it considered it would alternatively be practical to propel and realize business structural reforms after MBO, which the Tender Offer has mulled over so far, by leveraging the Company's resources and the support from CIE Etc., in aspects of finance and financial strategies. Therefore, it accepted NAVF's withdrawal above. On June 18, 2021, after a consultation between CIE and NAVF, the Tender Offeror reconfirmed NAVF did not consider remaining as a shareholder of the Company after going-private transactions.

In response, on June 21, 2021, reflecting NAVF's withdrawal from subscribing for Class B Shares above, the Tender Offeror submitted to the Company another proposal letter regarding management buyout (MBO) through the Tender Offer, describing that CIE would remain as a shareholder of the Company and support the enhancement of the corporate value of the Company together with the Tender Offeror, as stated in the Proposal Letter of May 27, 2021 (“**Proposal Letter of June 21, 2021**.”)

Subsequently, the Tender Offeror proceeded with its consideration of the various terms and conditions of the Transactions, including the purchase price per share of the Company in the Tender Offer. And based on the results of due diligence on the Company conducted from early June 2021 to late June 2021, on June 22, 2021, the Tender Offeror requested NAVF to accept the Tender Offer at a Tender Offer Price of 3,600 yen. And on July 2, 2021, the Tender Offeror received the response from NAVF that it would positively consider tendering all its Company Shares (number of shares owned: 389,800 shares, Ownership Ratio: 6.30%) in the Tender Offer.

Also, given the failure of the Previous Tender Offer, for increasing the probability of successful consummation of the Tender Offer, since July 5, 2021, the Tender Offeror has had a series of negotiations with MBSF, Fukui Bank, and Mizuho Bank, from which it expects to receive funding for the Tender Offer. For setting the Tender Offer Price, 2021, the Tender Offeror took into consideration the following points: during the 82 trading days from March 25, 2021, the next Business Day after the last day of the Previous Tender Offer period, until July 26, 2021, the Business Day before the announcement of the Tender Offer, the market price of the Company Shares on the First Section of

TSE on a closing price basis traded above the Previous Tender Offer Price Before the Change (2,850 yen) and the Previous Tender Offer Price (3,000 yen) for 81 trading days and 51 trading days, respectively (Note 3); the Company's recent financial information and book value per share (BPS) of 3,794 yen (rounded off below a decimal place. The same shall apply to the calculation of BPS hereinafter.). And on July 16, 2021, the Tender Offeror presented an offer with the Tender Offer Price of 3,810 yen to the Company. On July 21, 2021, it was asked by the Company if there is any room for raise in the Tender Offer Price, and on the same day, after its reconsideration, the Tender Offeror replied to the Company that the Tender Offer Price of 3,810 yen was its final proposal. And on July 26, 2021, it was informed by the Company that at the Board of Directors meeting of the Company to be held on July 27, 2021, the proposition for the Tender Offer at the Tender Offer Price of 3,810 yen would be deliberated. In respect of Share Options, it is stipulated that the Share Option Holders may exercise their allotted Share Options on or after the day following the day when they lose their position as Director or Corporate Officer of the Company, respectively, within the exercise period for Share Options. Thus, even if the Tender Offeror acquires the Share Options, it is understood that the Tender Offeror may not exercise them. Therefore, on July 16, 2021, the Tender Offeror proposed to the Company the Share Option Offer Price of one (1) yen per unit

At the same time, the Tender Offer informed Toray on July 16, 2021, that it was considering the Tender Offer Price of 3,810 yen, which it already proposed to the Company. Also, on July 19, 2021, it informed Fukui Bank of the same. Subsequently, on July 21, 2021, the Tender Offeror was informed by Toray that Toray's internal procedures for approval of the execution of the Tender Agreement (Toray) with the Tender Offer Price of 3,810 yen were completed. Also, on the same day, the Tender Offeror was informed by Fukui Bank of the acceptance by Fukui Bank of the execution of the Tender Agreement (Fukui) with the Tender Offer Price of 3,810 yen.

Based on the above background and after discussions, on July 26, 2021, the Tender Offeror executed the Tender Agreement (Fukui) with Fukui Bank. and, on July 27, 2021, since the Tender Offeror was informed by the Company that at the Board of Directors meeting of the Company held on the same day, the Company would resolve the propositions to express its opinion in favor of the Tender Offer as stated in "f. The process and reason leading up to the Company's decision to support the Tender Offer" below and recommend its shareholders tender their shares in the Tender Offer, it has decided to conduct the Tender Offer as part of the Transactions, at the Tender Offer Price of 3,810 yen and the Share Option Offer Price of one (1) yen per unit. And on the same day, the Tender Offeror has determined as follows: CIE has been of interest to the management policy of the Company; it has intentions to continue to be a shareholder of the Company, as in past years, after going-private transactions and support Mr. Matsuki, the Representative Director of the Company and the same of the Tender Offeror, while respecting the current management structure by the existing management team of the Company to the maximum extent after the consolidation of shares; it is also ready to provide its assistance and support to the maximum extent toward enhancing the corporate value of the Company. Further, the Tender Offeror considers that it would help improve the corporate value of the Company to receive and enjoy the support from CIE, which has the above intentions and multiple investment records and can leverage its expertise in financing aspects. Accordingly, on July 27, 2021, the Tender Offeror has executed the Non-Tender Agreement with CIE, and the Tender Agreement (Toray) with Toray.

For implementing the Tender Offer and executing the Non-Tender Agreement above, the Tender Offeror has independently held discussions and negotiations with CIE and NAVF, respectively, and there have been no discussions or matters agreed upon among three parties, the Tender Offeror, CIE, and NAVF. Also, the Tender Offeror determined the Tender Offer Price based on financial information materials disclosed by the Company, results of the due diligence conducted with the Company from early June 2021 through late June 2021, actual examples of premium rates in MBO cases conducted for going-private in the past 10 years (about 5% - about 135%), and consultations and negotiations with the Company. Accordingly, the Tender Offeror has not obtained a Share Valuation Report from a Third-Party Valuation Agent. Also, in determining the Share Option Offer Price, the Tender Offeror has not obtained any Valuation Report from a Third-Party Valuation Agent.

Note 3      The days when the market price exceeded the Previous Tender Offer Price Before the Change (2,850 yen) are as follows. The numbers in parentheses are the lowest and the highest of the closing price of

the market stock price of the Company Shares during the applicable period or on the day described below.

- (i) One (1) trading day of March 25, 2021 (2,986 yen)
- (ii) 80 trading days from March 29, 2021, to July 26, 2021 (2,879 yen - 3,130 yen)  
Days when the price exceeded the Previous Tender Offer Price (3,000 yen) are as follows.
  - (i) 17 trading days from March 29, 2021, to April 20, 2021 (3,005 yen - 3,050 yen)
  - (ii) One (1) trading day of April 22, 2021 (3,005 yen)
  - (iii) One (1) trading day of April 26, 2021 (3,005 yen)
  - (iv) Three (3) trading days from May 7, 2021, to May 11, 2021 (3,005 yen - 3,080 yen)
  - (v) Seven (7) trading days from June 2, 2021, to June 10, 2021 (3,020 yen - 3,070 yen)
  - (vi) One (1) trading day of June 14, 2021 (3,005 yen)
  - (vii) Two (2) trading days from June 16, 2021, to June 17, 2021 (3,005 yen - 3,045 yen)
  - (viii) Six (6) trading days from June 22, 2021, to June 29, 2021 (3,005 yen - 3,075 yen)
  - (ix) Four (4) trading days from July 2, 2021, to July 7, 2021 (3,035 yen - 3,080 yen)
  - (x) Nine (9) trading days from July 12, 2021, to July 26, 2021 (3,035 yen - 3,130 yen)

*e. Management policy after the Tender Offer*

The Transaction falls under the category of a so-called management buyout (MBO), and even after the completion of the Tender Offer, Mr. Matsuki expects to continue to manage the Company as President and Representative Director of the Company and propel the business activities of the Company as described in "c. Background leading up to the Previous Tender Offer" above. There is no special agreement between the Tender Offeror and other Directors of the Company (including Audit and Supervisory Committee Members) regarding their appointment as officers after the Tender Offer. And for details of the management structure of the Company after the Tender Offer, including the composition of its officers, the Tender Offeror will determine in consultation with the Company after the successful consummation of the Tender Offer. Maintaining the current management structure of the Company is also one of the possible options. In addition, both the Investment Agreement (MBSF) and the Investment Agreement (Fukui) provide for several matters requiring prior notification to MBSF/Fukui Bank and matters requiring prior approval from MBSF/Fukui Bank respectively. However, neither of them expects to be actively involved in the management of the Tender Offeror or the Company, and they have verbally confirmed that they would consent to the management policy proposed by Mr. Matsuki.

At the same time, the Tender Offeror will seek advice and support from CIE to improve the Company's corporate value as necessary in the future. However, in the Non-Tender Agreement, CIE has agreed to respect the current management structure operated by the existing management team of the Company to the maximum extent, continue to provide support and assistance for the improvement of the Company's corporate value as its shareholder at the request of the Tender Offeror or the Company even after the consolidation of shares, and not dissent to the management policies determined by the current management team of the Company. Other than the above agreements, there is no matter expressly agreed between CIE and the Tender Offeror regarding CIE's stance on its involvement in the Company's management. In addition, according to CIE, there is a possibility that it considers the sale of the Company Shares at the timing when it prospects that corporate value of the Company would increase to some extent after providing its support for that purpose, and at the same time, there is another possibility that it continues to hold the Company Shares over the medium-to-long term. Assuming the case where CIE sells the Company Shares in the future, the Tender Offeror has verbally agreed with CIE to discuss a possible sale price of the Company Shares to be received by CIE as consideration for that sale on the following premise, and they are currently advancing discussions. Given that the Tender Offer Price is confirmed as a fair price per share of the Company Shares at the time immediately after the consolidation of shares becomes effective ("Time of Completion of MBO"), if CIE sells the Company Shares at some point in the future, it will not receive, as consideration for that sale, any amount exceeding the amount that properly reflects an increase or decrease in the corporate value of the Company on or after the Time of Completion of MBO in terms of money per share of the

Company Shares to the Tender Offer Price. For calculating that sale price of the Company Shares, the Tender Offeror has envisaged that firstly it employs the calculation method to be deemed reasonable and agreed by and between the Tender Offeror and CIE and assesses the corporate value of the Company; compares that value with the corporate value of the Company assessed based on the Tender Offer Price at the time of completion of MBO, and compute the amount equivalent to an increase or decrease in the corporate value of the Company after the Time of Completion of MBO. However, as of today, the details have not been agreed upon. At the same time, as stated in “(6) Measures to Ensure Fairness of the Tender Offer such as Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” “e. Setting by the Tender Offeror a minimum number of shares to be purchased exceeding a number equivalent to the majority of minority” below, for the Tender Offer, the Tender Offeror has taken the measures to ensure fairness of the Tender Offer Price, including setting a minimum number of shares to be purchased exceeding a number equivalent to the majority of minority. In other words, the Tender Offer intends not to conduct the Transactions, including the Tender Offer, unless obtained approval from the majority of shareholders of the Company who do not have a material interest with the Tender Offeror. Accordingly, the Tender Offeror believes that once the Tender Offer is successfully consummated with approval from the majority of shareholders of the Company who do not have a material interest with the Tender Offeror, the Tender Offer Price can be confirmed as a fair price per share of the Company approved by general shareholders. However, at present, the prospective buyer and specific timing of such sale have not been agreed upon, and CIE has verbally agreed with the Tender Offeror that it may not sell the Company Shares without the consent of the Tender Offeror.

The Tender Offeror has not made any arrangement with CIE regarding the dispatch of officers from CIE to the Company after the Tender Offer.

Also, the Tender Offeror does not plan to merge with the Company after the Squeeze Out Procedures are completed.

*f. The process and reasons leading up to the Company's decision to support the Tender Offer*

As stated in the “c. Background leading up to the Previous Tender Offer” above, the Company received a request from Mr. Matsuki to hold discussions and negotiations for implementing the Previous Transaction in mid-November 2020. And to ensure the fairness of the Previous Transaction, including the fairness of the Previous Tender Offer Price and other aspects of the Previous Tender Offer, the Company appointed TMI Associates as a legal advisor independent of Mr. Matsuki, the Tender Offeror, the Company, and NAVF; KPMGFAS (“KPMG”) as a financial advisor and a Third-Party Valuation agent independent of Mr. Matsuki, the Tender Offeror, the Company, and NAVF on December 10, 2020. And even after the close of the Previous Tender Offer, the Company has continuously received advice from TMI Associates and KPMG on necessary matters, such as points to keep in mind from a legal perspective when communicating to the Tender Offer telephone conferences with CIE and their details.

Subsequently, on May 27, 2021, after receiving from the Tender Offeror the Proposal Letter of May 27, 2021, the Company again appointed TMI Associates and KPMG as its legal advisors, financial advisors and Third-Party Valuation Agent, respectively. Further, in advance of the deliberations and resolutions on approval or non-approval of the Transactions by its Board of Directors meeting, the Company established a special committee as of June 1, 2021 (“**Special Committee**”) and built a structure for consideration of the Transactions to make its decision thereon carefully, eliminate the possibility of arbitrariness and conflicts of interest in the decision-making process of the Company’s Board of Directors, and to secure the fairness of the Transactions. For the composition of the Special Committee and specific details of activities, please see “(6) Measures to Ensure Fairness of the Tender Offer such as Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” “c. Establishment of an independent special committee at the Company and obtainment of a report from the special committee” below. Also, on June 21, 2021, after the establishment of the Special Committee, the Company received from the Tender Offeror the Proposal Letter of June 21, 2021.

Under the above structure, the Company had repeated discussions and considerations with the Tender Offeror on multiple occasions following the negotiation strategy confirmed in advance by and the opinions, instructions, and requests from the Special Committee on essential points in the negotiations regarding the purpose of the

Transactions, the management policy after the Transactions, and the terms and conditions of the Transactions, including the Tender Offer Price, while receiving the advice from TMI Associates and KPMG.

Accordingly, the Company concluded that the Transactions would contribute to enhancing the corporate value of the Company Group, given the following points.

- (i) As in the Previous Transaction, the Restructuring Plan stated in “c Background leading up to the Previous Tender Offer” above, which is contemplated by the Tender Offeror, aim to improve the profitability of the Company Group drastically from a medium-to-long-term perspective; its details are considered as reasonable; therefore, it is believed to be highly likely that the measures will contribute to resolving the management issues facing the Company Group stated in “c. Background leading up to the Previous Tender Offer” above.
- (ii) At the same time, as in the Previous Transaction, the whole Restructuring Plan requires a large amount of initial investment or continued investments. Thus, carrying out these measures while keeping the Company listed on the stock exchange poses a risk of cash flow deterioration in the short term, and it is not always clear whether the Company can surely improve its earning capacity drastically in the medium-to-long term. Also, it is likely to impair the interests of the shareholders of the Company through a decline in the share price of the Company Shares without obtaining favorable evaluation from the capital market. Therefore, it is considered reasonable to take going-private procedures for the Company Shares to carry out the Restructuring Plan.
- (iii) In addition, as in the Previous Transaction, in the sense of a means of going-private transactions for the Company Shares, it is considered beneficial from the viewpoint of enhancing the effectiveness of the Restructuring Plan to implement a management buyout (MBO) under the leadership of Mr. Matsuki, who is most familiar with the business contents of the Company Group, integrate the ownership and management of the Company to a certain extent, and have him assume the management of the Company.
- (iv) As in the Previous Transaction, some disadvantages are associated with going-private transactions in general. Specifically, a company will no longer be able to raise funds through equity financing from the capital market or receive the advantages it has enjoyed as a listed company, such as good publicity and social credibility. However, given the current financial condition of the Company Group and the current low-interest-rate environment for indirect financing, the need for raising funds through equity financing is not high, at least for the foreseeable future. Since the improvements in the Group’s visibility and social credibility can be achieved through diligent business execution, the disadvantages associated with going-private transactions in the Group are considered limited.
- (v) Unlike in the Previous Transaction, CIE is expected to remain as a shareholder of the Company after the Transactions. On this point, as stated in “e Management Policy after the Tender Offer” above, the Tender Offeror has reached an agreement with CIE that: CIE respects the current management structure operated by the existing management team of the Company to the maximum extent; continue to provide maximum support and assistance for the enhancement of the corporate value of the Company as its shareholder at the request of the Tender Offeror or the Company even after the consolidation of shares; and not dissent to the management policy to be determined by the current management team of the Company. Given the above, it is considered that the remaining of CIE as a shareholder of the Company after the Transactions will never preclude any of the matters from (i) to (iv) above.

In the Transactions, in the case when there are shareholders who hold equal shares or more than the Agreed Non-tendering Shares owned by CIE (number of shares owned: 515,600 shares, Ownership Ratio: 8.33%) after the Tender Offer, the Procedures for Consultations and Support are to be conducted. On this point, as of July 27, 2021, the Company has not become aware of the existence of such shareholders and is unable to identify them; therefore, it is also unable to determine the role of such shareholders and their impact on enhancing its corporate value and make a decision on the assumption that the above shareholders will remain as shareholders of the Company.

Accordingly, the Company has concluded that, as of July 27, 2021, it just has to determine whether the Tender Offer should be conducted on the assumption that only the Tender Offeror or the Tender Offeror and CIE alone become its shareholders after the Transactions. Therefore, the Company made its decision on the assumption above, and if it is predicted that any change might occur in that assumption, the Company will reconsider the matters described above.

In addition, after considering the points below, the Company concluded that the Tender Offer Price was a reasonable price that ensured the benefits to be enjoyed by general shareholders of the Company and that the Tender Offer provided a reasonable opportunity to sell their Company Shares.

- (i) The Tender Offer Price exceeds the upper limit of the calculation result gained using the market approach, also it exceeds the upper limit of the range set using the discounted cash flow analysis method ("DCF method"). Both methods are employed by KPMG for the valuation of the Company Shares as described in "(3) Matters Regarding Calculation" below.
- (ii) The Tender Offer Price represents a premium of 25.54% over 3,035 yen, the closing price of the Company Shares on the First Section of TSE on July 26, 2021, the Business Day before the announcement date of the Tender Offer, and a premium of 25.00% over 3,048 yen, the simple average of the closing prices for the one-month period up to the same date (rounded off below a decimal place. The same shall apply to the calculation of the simple average of the closing price hereinafter.), a premium of 26.62% over 3,009 yen, the simple average closing price for the three-months period up to the same date, and a premium of 30.26% over 2,925 yen, the simple average closing price for the six-months period up to the same date, respectively. And the above premiums are considered reasonable compared to the premium level in cases of tender offers for going-private transactions conducted (recent cases of tender offers conducted as part of so-called MBOs) in the past five(5) years.
- (iii) The Tender Offer Price exceeds the offer price of 2,350 yen proposed in the Approach for Consideration of MBO (RSM), which Mr. Matsuki received on November 27, 2020, and the Previous Tender Offer Price of 3,000 yen.
- (iv) The Tender Offer Price exceeds the Company's book value per share (BPS) of 3,794 yen as of March 31, 2021.
- (v) In determining the Tender Offer Price, the measures to ensure the fairness of the Tender Offer Price and avoid conflicts of interest have been taken as described in "(6) Measures to Ensure Fairness of the Tender Offer such as Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below. Thus, it is deemed that due consideration has been given to the interests of minority shareholders.
- (vi) After taking the above measures, the Tender Offer Price was set at a price proposed as a result of negotiations and discussions conducted sincerely and continuously between the Company and the Tender Offeror, in the same manner as in arm's-length transactions.
- (vii) As described in "(6) Measures to Ensure Fairness of the Tender Offer such as Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" "c. Establishment of an independent special committee at the Company and obtainment of a report from the special committee" the report (toshin) submitted from the Special Committee to the Company as of July 27, 2021 ("Report") also determined that the terms and conditions of the Transactions, including the Tender Offer Price, are reasonable.

From the points above, at the Board of Directors meeting held on July 27, 2021, the Company resolved to express its opinion in support of the Tender Offer, recommend its shareholders tender their shares in the Tender Offer, and leave the decision to the Share Option Holders as to whether or not they tender their Share Options in the Tender Offer, respectively, as the purchase price per unit of Share Options is set at one(1) yen.

### **(3) Matters Regarding Calculation**

*a. Names of the Valuation Agent and the Relationship between the Company and the Tender Offeror*

In order to express the opinion regarding the Tender Offer, the Company appointed KPMG, a financial advisor, as a Third-Party Valuation Agent independent of Mr. Matsuki, the Tender Offeror, the Company, Toray, Fukui Bank, NAVF, CIE, Ms. Nomura, and Mr. Murakami (hereinafter, collectively referred to as the "**Tender Offer Related Parties**"), and requested the valuation of the Company Shares from KPMG. Furthermore, KPMG is not a related party of the Tender Offer Related Parties and has no material interest in the Tender Offer. In addition, KPMG will also receive a fixed amount of compensation for its services as a financial advisor and Third-Party Valuation Agent, regardless of the success or failure of the Transactions.

*b. Overview of Calculation*

After considering the valuation method to use for the analysis of the share value of the Company Shares from among methods for analyzing share value, and based on the belief that it is appropriate to value the Company Shares in a multifaceted manner on the premise that the Company is a going concern, KPMG analyzed the share value per Company Share using the market price method, because the Company Shares are listed on the First Section of TSE and have a market value, and the DCF method, in order to appropriately reflect the status of the Company's future business activities in the valuation. The Company subsequently obtained a Share Valuation Report (the "**Company Share Valuation Report**") from KPMG on July 27, 2021. Furthermore, KPMG did not use the comparable company method as a method of valuing the Company Shares in view of constraints on the similarity of comparable companies' businesses and profitability with those of the Company. KPMG also did not use the net asset method because the Company intends to continue its business as a going concern. In addition, the Company has not obtained a written opinion regarding the fairness of the Tender Offer Price (fairness opinion) from KPMG.

The range of the per-share value of the Company Shares valued based on each of the above methods is as follows.

Market price method	2,925 yen to 3,048 yen
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DCF method	3,288 yen to 3,759 yen
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Under the market price method, the range of the share value per Company Share is valued at between 2,925 yen and 3,048 yen, based on 3,035 yen, which is the closing price of the Company Shares on the First Section of TSE on the record date of July 26, 2021, 3,048 yen, which is the simple average of the closing prices of the Company Shares in ordinary trading for the most recent one-month period, 3,009 yen, which is a simple average of the closing prices of the Company Shares in ordinary trading for the most recent three-month period, and 2,925 yen, which is a simple average of the closing prices of the Company Shares in ordinary trading for the most recent six-month period.

Under the DCF method, the range of the share value per Company Share is valued at between 3,288 yen and 3,759 yen, as a result of valuing the enterprise value and share value of the Company by discounting free cash flows expected to be generated by the Company from the fiscal year ending March 31, 2022, onward to the present value at a certain discount rate, based on various factors such as earnings and investment plans in the business plan prepared by the Company for the period from the fiscal year ending March 31, 2022, to the fiscal year ending March 31, 2025, financial information of the Company for the fiscal year ended March 31, 2021, publicly available information, and other materials. A discount rate between 9.3% and 10.3% was used, and the perpetuity growth method was used to calculate the terminal value, with a perpetual growth rate of -0.5% to +0.5%.

The specific figures of the Company's business plan, which KPMG assumed in its valuation based on the DCF

method, are as follows. The main changes between the business plan used in the valuation for the Tender Offer and the business plan used in the valuation for the Previous Tender Offer are the result of reflecting such factors as: (i) in the dyeing and textile sales businesses, orders for uniform applications have been recovering since the beginning of the fiscal year ending March 31, 2022, and the future outlook has improved; (ii) in the dyeing business, orders for automobile interiors have remained strong since the beginning of the fiscal year ending March 31, 2022; (iii) in the control equipment business, orders have been strong since the beginning of the fiscal year ending March 31, 2022, and production capacity has improved due to the expansion of factories; and (iv) the results of renewed reviews and analysis based on the fact that as of February 9, 2021 when the Previous Tender Offer was announced, a state of emergency had been declared as a result of the COVID-19 pandemic, and the prospect of a vaccine was unclear, but the declaration of a state of emergency was subsequently lifted in Japan, and as vaccinations for COVID-19 progressed in North America and Europe, it became possible that improving economic sentiment in North American and Europe together with the early recovery of the Chinese economy would lead to an improvement in the outlook for the Company's operating results. It does not expect significant changes in profits in the following financial forecasts. Additionally, the effects of the various measures expected to be realized through the execution of the Transactions are not included in the following financial forecasts, as it is difficult to estimate the specific impact on earnings at this point in time.

#### Business plan used in the valuation for the Previous Tender Offer

(Millions of yen)

	Fiscal year ended March 31, 2021 (six months)	Fiscal year ending March 31, 2022	Fiscal year ending March 31, 2023	Fiscal year ending March 31, 2024
Net sales	10,976	22,860	23,408	24,390
Operating income	397	1,043	1,176	1,393
EBITDA	666	1,609	1,733	1,940
Free cash flow	1,429	717	1,302	1,179

#### Business plan used in the valuation for the Tender Offer

(Millions of yen)

	Fiscal year ending March 31, 2022	Fiscal year ending March 31, 2023	Fiscal year ending March 31, 2024	Fiscal year ending March 31, 2025
Net sales	24,836	25,073	25,906	26,786
Operating income	1,417	1,654	1,784	1,935
EBITDA	1,983	2,211	2,331	2,495
Free cash flow	585	1,497	1,442	1,513

When calculating the value of the Company Shares, KPMG used information received from the Company, information obtained through interviews, information disclosed to the public, and other materials as they were, in principle, and assumed that all such materials and information used were accurate and complete and that there were no facts that were not disclosed to KPMG that may have a material impact on the calculation of the share value of the Company Shares. KPMG also has not independently verified the accuracy and completeness of such information and materials. In addition, KPMG has not independently valued, appraised, or assessed the assets or liabilities (including off-balance-sheet assets and liabilities and other contingent liabilities) of the Company and its subsidiaries, including the analysis and valuation of individual assets and liabilities, and has not requested any valuations, appraisals, or assessments thereof from any Third-Party Valuation Agents. The calculation of the share value of the Company Shares by KPMG reflects information, economic conditions, etc. through July 26, 2021, and the business plan of the Company used by KPMG for valuation with the DCF method was assumed to have been reasonably prepared by the management of the Company based on their best forecasts and judgments as of the relevant record date. However, KPMG has held multiple question-and-answer sessions with the Company regarding the Company's business plan, which was used as the basis for the valuation, and has confirmed the reasonableness of the Company's business plan in so far as it does not contain any unreasonable assumptions, based on KPMG having understood the background of its preparation and the current status of the Company.

Since the Share Option Offer Price is set at one (1) yen, the Company has not obtained any Valuation Report nor written opinion (fairness opinion) from the Third-Party Valuation Agent.

#### **(4) Policy for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to the “Two-Step Acquisition”)**

As stated in “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer” “a. Overview of the Tender Offer” above, in the event that the Tender Offeror fails to obtain all of the Company Shares (including the Company Shares to be issued upon the exercise of the Share Options, but excluding the treasury shares held by the Company and the Agreed Non-tendering Shares) and Share Options through the Tender Offer, after the successful consummation of the Tender Offer, the Tender Offeror plans to implement the Squeeze Out Procedure by using the following method.

Specifically, the Tender Offeror intends to request that the Company hold an extraordinary shareholders' meeting in mid-November 2021 (“**Extraordinary Shareholders’ Meeting**”) to resolve the following propositions: to implement the consolidation of shares of the Company Shares pursuant to Article 180 of the Companies Act (“**share consolidation**”); and to make a partial amendment to the Company’s Articles of Incorporation to abolish the provision of share unit number, conditional upon the share consolidation becomes effective. The Tender Offeror and CIE intend to vote in support of each of the propositions above at the Extraordinary Shareholders’ Meeting. If the proposition for the Share Consolidation is approved at the Extraordinary Shareholders’ Meeting, the shareholders of the Company will, on the effective date of the Share Consolidation, hold the number of Company Shares proportionate to the ratio of the Share Consolidation that is approved thereat. If owing to the Share Consolidation, fractions of less than one share arise, each shareholder of the Company for whom fractional shares arise will receive an amount of cash obtained by selling the Company Shares equivalent to the total number of fractional shares (if such total number includes fractions of less than one share, that fractions will be rounded down, and the same applies hereunder) to the Company or the Tender Offeror, as per the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. With regard to the sale price of the Company Shares equivalent to the total number of fractional shares, the Tender Offeror will compute the amount of money to be delivered, as consideration for that sale of the Company Shares, to each shareholder of the Company who did not tender in the Tender Offer (excluding the Tender Offeror, CIE, and the Company if the shareholders of the Company are the Tender Offeror and CIE, and excluding the Tender Offeror and Company if the shareholder of the Company is the Tender Offeror only) to become equal to the price obtained by multiplying the Tender Offer Price by the number of the Company Shares held by each shareholder. After that, the Tender Offeror plans to request the Company to file a petition for permission of voluntary sale with the court.

The ratio of the consolidation of the Company Shares has not been determined as of today. However, to ensure that the Tender Offeror and CIE (for the procedures to be taken in the case where there are shareholders who own equal shares or more than the Agreed Non-tendering Shares held by CIE (number of shares owned: 515,600 shares, Ownership Ratio: 8.33%), please see “Note 2” of “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer” “a. Overview of the Tender Offer” above.) own all the Company Shares (excluding the treasury shares held by the Company), it is intended that shareholders (excluding the Tender Offeror, CIE, and the Company if the shareholders of the Company are the Tender Offeror and CIE, and excluding the Tender Offeror and Company if the shareholder of the Company is the Tender Offeror only) who did not tender in the Tender Offer will have any Company Shares classified as fractional shares of less than one share. In this connection, as described in “4 Important Agreements relating to the Tender Offer” in which “(1) Non-Tender Agreement” below, the Tender Offeror has reached an agreement with CIE that, after the completion of the Squeeze Out Procedure, CIE respects the current management structure operated by the existing management team of the Company to the maximum extent; continue to provide its maximum support and assistance for the improvement of the Company's corporate value as a shareholder of the Company at the request of the Tender Offeror or the Company; and not dissent to the management policy to be determined by the current management team of the Company. In the event that the shareholders of the Company are not limited to the Tender Offeror and CIE, the Tender Offeror, CIE, and other shareholders will have a consultation on the policies for improving the corporate value of the Company and their respective roles. Even when they fail to reach an agreement, CIE will consent to the decision of the Tender Offeror as provided for in the Non-Tender Agreement.

In the interest of protecting the rights of minority shareholders in connection with the procedures above, the Companies Act provides that in cases where fractional shares are included in the number of shares when a stock company consolidates shares, the shareholders of the company may demand that the stock company purchase, at a fair price, all of the fractional shares from among shares that they hold, and they may file a petition for the court to determine the price in accordance with its Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations. As stated above, the number of Company Shares held by its shareholders who did not tender their shares in the Tender Offer (excluding the Tender Offeror, CIE, and the Company if the shareholders of the Company are the Tender Offeror and CIE, and excluding the Tender Offeror and Company if the shareholder of the Company is the Tender Offeror only) are expected to be classified as fractional shares of less than one share as a result of the Share Consolidation; therefore, shareholders of the Company who dissent the Share Consolidation may file the above petition. In the event that a petition is filed as above, the acquisition price of the Company Shares will ultimately be determined by the court.

Depending on amendments and enforcement of the relevant laws and regulations, the interpretation thereof by authorities, or other situations, the timing or methods of implementation of the above procedure may be altered. However, even in such a case, if the Tender Offer is successfully consummated, a method will be employed to deliver some amount of cash eventually to the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Tender Offeror, CIE, and the Company if the shareholders of the Company are limited to the Tender Offeror and CIE, and excluding the Tender Offeror and Company if the shareholder of the Company is limited to the Tender Offeror), And the amount of cash to be delivered to each applicable shareholder will be computed to become equal to the amount obtained by multiplying the Tender Offer Price by the number of Company Shares held by each applicable shareholder. In that case, the specific procedures, the timing of the implementation, and related matters are to be promptly announced by the Company, once determined after consulting with the Company.

In addition, if, despite the successful consummation of the Tender Offer, the Tender Offeror fails to acquire all of the Share Options in the Tender Offer and Share Options remain unexercised, the Tender Offeror will request that the Company acquires and cancels the Share Options or recommend that Share Option Holders waive their Share Options or implement other procedures reasonably necessary for the execution of the Transactions. The Company is going to cooperate in responding to the request above, if received.

It is further noted that the Tender Offer will never solicit the shareholders of the Company to vote for the propositions at the Extraordinary Shareholders' Meeting. All shareholders of the Company and Share Option Holders are requested to confirm with certified public tax accountants or other experts on their own responsibility regarding the

tax consequences or treatment of tendering their shares in the Tender Offer or each of the procedures outlined above.

## (5) Prospects and Reasons for Delisting

Although the Company Shares are listed on the First Section of TSE as of today, the Tender Offeror has not set an upper limit on the number of shares to be purchased in the Tender Offer, and therefore, depending on the results of the Tender Offer, the Company Shares may be delisted through prescribed procedures in accordance with the delisting criteria set forth by TSE. In addition, even in the case where the applicable criteria are not met at the successful consummation of the Tender Offer if the Squeeze Out Procedure is implemented thereafter as stated in “(4) Policy for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to the “Two-Step Acquisition”)” above, the Company Shares will be delisted following the prescribed procedure in accordance with the delisting criteria of TSE. Once delisted, the Company Shares will no longer be traded on the First Section of TSE.

## (6) Measures to Ensure Fairness of the Tender Offer such as Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest

Since the Tender Offer will be conducted as part of the Transactions for a management buyout (MBO), structural conflicts of interest and information asymmetry issues may arise as common issues. Given that fact, the Tender Offeror and the Company have taken the following measures to secure the fairness of the Transactions, including the Tender Offer, from the viewpoint 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.

Among the statements below, matters relating to the measures implemented by the Tender Offeror are based on the explanations provided by the Tender Offeror.

### a. *Obtainment by the Company of Share Valuation Report from an independent Third-Party Valuation Agent*

As stated in “(3) Matters Regarding Calculation” above, in order to ensure fairness and appropriateness in the decision-making process of the Board of Directors of the Company pertaining to the Transactions, including the Tender Offer, the Company appointed KPMG as a Third-Party Valuation Agent independent of Tender Offer Related Parties, and obtained the Company Share Valuation Report dated July 27, 2021 from KPMG. Furthermore, KPMG is not a related party of the Tender Offer Related Parties and has no material interest in the Tender Offer. In addition, KPMG will also receive a fixed amount of compensation for its services as a financial advisor and Third-Party Valuation Agent, regardless of the success or failure of the Transactions.

Furthermore, the Special Committee confirmed at its first meeting held on June 1, 2021, that since there are no issues related to the independence and expertise of the Third-Party Valuation Agent appointed by the Company, it has approved this institution as the Company's Third-Party Valuation Agent, and it also confirmed that it might receive expert advice itself as necessary.

Regarding with the Overview of the Company Share Valuation Report, please see the relevant explanation in “(3) Matters Regarding Calculation” above.

### b. *Advice from a law firm independent from the Company*

In order to ensure fairness and appropriateness in the decision-making process of the Board of Directors of the Company pertaining to the Transactions, including the Tender Offer, the Company appointed TMI Associates as a legal advisor who is independent of the Tender Offer Related Parties and received from TMI Associates necessary legal advice on the method and process for decision-making by the Board of Directors of the Company, including procedures concerning the Transactions, and other points of attention. Furthermore, TMI Associates is not a related party of the Tender Offer Related Parties and has no material interest in the Tender Offer. In addition, TMI Associates will only receive compensation based on the number of billable hours, regardless of the success or failure of the Transactions, and its compensation will not include any performance-based compensation subject to the completion of the Transactions.

As the Special Committee confirmed at its first meeting held on June 1, 2021, that there are no issues related to the independence and expertise of the legal advisor appointed by the Company, it has approved this institution as the Company's legal advisor, and it also confirmed that it might receive expert advice itself as necessary.

c. *Establishment of an independent special committee at the Company and obtainment of a report from the special committee*

On June 1, 2021, the Company established the Special Committee consisting of members who are independent of the Tender Offer Related Parties, with the aim of paying careful attention to the decision-making of the Company in relation to the Transactions, including the Tender Offer, eliminating any possibility of arbitrariness and conflicts of interest in the decision-making process of the Board of Directors of the Company, and ensuring the fairness of the decision-making process. The Company has appointed three members of the Special Committee: Mr. Isao Ikeda (Professor Emeritus, University of Fukui) and Mr. Shinya Kawamura (Standing Statutory Auditor, DBJ Asset Management Co., Ltd.), who are Outside Directors and Audit and Supervisory Committee Members of the Company, as well as Mr. Takashi Kokubo (Attorney, Kokubo Law Office), who is an outside expert. Mr. Isao Ikeda has been engaged in technical research as a university professor for many years and has deep insight into the business field of the Company. Mr. Shinya Kawamura has previously served at a financial institution and has a wide range of financial knowledge. Mr. Takashi Kokubo has abundant knowledge regarding M&A transactions as an attorney. Accordingly, the Company has appointed these three persons as members of the Special Committee. Furthermore, the Company initially selected these three persons as members of the Special Committee, and the members of the Special Committee have never been changed. In addition, when establishing the Special Committee, the Company determined in advance that it would respect the opinions of the Special Committee to the maximum extent when making any decisions concerning the Transactions and would not approve the Tender Offer if the Special Committee determined that the Transactions was inappropriate. Furthermore, regardless of the content of their report, a fixed amount of compensation will be paid to each member of the Special Committee as consideration for the execution of their duties, and the compensation for Mr. Isao Ikeda and Mr. Shinya Kawamura will be paid separately from their compensation as Outside Directors and Audit and Supervisory Committee Members.

Additionally, the Company also consulted the Special Committee on the following matters (hereinafter, the following matters (a) through (d) are collectively referred to as the "Matters Consulted Upon"): (a) matters related to the reasonableness of the purpose of the Transactions (including whether the Transactions will contribute to the improvement of the Company's corporate value); (b) matters related to the appropriateness of the terms of the Transactions (including the appropriateness of the method of conducting the Transactions and the type of consideration); (c) matters related to the fairness of the procedures for the Transactions (including an examination of what measures should be taken to ensure fairness); and (d) whether or not it would be disadvantageous to minority shareholders for the Board of Directors of the Company to make decisions concerning the implementation of the Transactions (including the expression of opinions regarding the Tender Offer), based on the above matters (a) through (c), and other matters.

The Special Committee had 10 sessions between June 1, 2021, and July 27, 2021, and carefully analyzed and discussed the Matters Consulted Upon. Specifically, the Tender Offeror explained the purpose and reasons for the Transactions, matters related to management policies, investment plans, etc., after the Transactions, and other matters and provided answers to questions. In addition, CIE, Etc. explained the purpose and reasons for CIE remaining a shareholder of the Company after the Transactions, whether CIE intends to be involved in the management policies of the Company after the Transactions, CIE's policies for disposing of the Company Shares after the Transactions, and other matters, and provided answers to questions. In addition, the Company explained the details of the Company Group's businesses, the external environment, current management issues, the content of the business plan on which KPMG based its share valuation, the content of the Tender Offeror's proposal, and other matters, and answered questions, thereby verifying the reasonableness of its explanations. Furthermore, regarding discussions and negotiations related to the Transactions between the Tender Offeror and the Company, the Special Committee

participated in negotiations with the Tender Offeror by, for example, holding discussions after receiving a timely report from the Company on the background, details, etc. of those discussions and negotiations, holding discussions at the Special Committee, and having the Company negotiate in accordance with the negotiation policies approved by the Special Committee. In addition, KPMG explained its methods for valuing the Company Shares and the results thereof and provided answers to questions concerning the valuation method and results from a financial perspective. TMI Associates also provided explanations concerning the Transactions as well as measures taken to mitigate and prevent conflicts of interest in the Transactions and answered questions related to the sufficiency of those measures and other matters. Furthermore, the Company provided explanations concerning the background leading up to the negotiation of the terms of the Transactions, the processes for the determination thereof, and other matters, and provided answers to questions. Based on the above, the Special Committee has discussed and analyzed the Matters Consulted Upon.

As a result of this careful deliberation and analysis of the Matters Consulted Upon, on July 27, 2021, the Special Committee submitted, with the unanimous consent of all members, its Report to the Board of Directors of the Company, with a summary of its contents as follows.

- (i) Reasonableness of the purpose of the Transactions (including whether the Transactions will contribute to the improvement of the Company's corporate value)

The Special Committee received explanations from the Company, the Tender Offeror and CIE ser for the in “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer” “d. Results of the Previous Tender Offer, and background, reasons, and decision-making process leading up to the decision to conduct the Tender Offer”, “e. Management policy after the Tender Offer”, “f. The process and reasons leading up to the Company's decision to support the Tender Offer”, above and checked them. In addition, the Special Committee conducted interviews with the Company, the Tender Offeror and CIE to identify the degree of risk involved in the implementation of the Restructuring Plan and the feasibility thereof, the possibility of improving corporate value by strengthening existing businesses and utilizing existing management resources, the changes in the business environment between the time of the Previous Transaction and the time of the Transactions, the necessity of addressing management issues, the purpose and reasons for CIE to remain as a shareholder of the Company after the Transactions, whether or not CIE intends to be involved in the management policy of the Company after the Transactions, and CIE's policy for the disposal of the Company Shares after the Transactions, and examined them in detail.

As a result, no unreasonable points were found in the content of the Company's and the Tender Offeror's judgment that the Transactions will contribute to the improvement of the corporate value of the Company Group, and the Special Committee has come to the conclusion that the purpose of the Transactions is reasonable.

- (ii) Appropriateness of the terms of the Transactions (including the appropriateness of the method of conducting the Transactions and the type of consideration)

- (a) The Company Share Valuation Report from KPMG

According to the Share Valuation Report from KPMG, a Third-Party Valuation Agent independent of the Tender Offer Related Parties, the range of the share value per Company Share is valued at between 2,925 yen and 3,048 yen under the market price method and between 3,288 yen and 3,759 yen under the DCF method , and the Tender Offer Price (3,810 yen) exceeds the upper limit of the calculation results by the market price methodand the DCF method

The Special Committee received explanations from KPMG that the method, etc. used in the valuation is basically the same as the method, etc. used in the Previous Transaction and conducted interview about changes in the Company's business plan, which is the basis of the valuation by the DCF method, and other changes between the Previous Transaction and the Transactions. As a result, no

unreasonable points were found in light of general valuation practices.

In addition, the Tender Offer Price (3,810 yen) is a price with a 25.54% premium to the closing price of 3,035 yen of the Company Shares on the First Section of the TSE on July 26, 2021, a 25.00% premium to the simple average closing prices of 3,048 yen for the past 1 month up to the same day, a 26.62% premium to the simple average closing prices of 3,009 yen for the past 3 months up to the same day and a 30.26% premium to the simple average closing prices of 2,925 yen for the past 6 months up to the same day, and is considered to be the price with a not unreasonable premium in comparison with the premium level in similar cases (cases of tender offers conducted as part of so-called MBOs).

KPMG did not use the comparable company method as a method of valuing the Company's Shares in the Transactions as in the previous calculation of the value of the Company's shares in the Previous Transaction. According to KPMG, KPMG used SPEEDA (a corporate financial database operated by Uzabase, Inc.) to identify listed companies engaged in "textile processing (dyeing and finishing)" and, after consultation with the Company, selected similar companies engaged in businesses relatively similar to the Company's business. However, considering their financial conditions, business characteristics, etc., none of the companies was appropriate to be listed as a similar company to the Company under the comparable company method. Then, no unreasonable points were found in not using the comparable company method.

The Tender Offer Price is also higher than the proposed price of 2,350 yen in the Approach for Consideration of MBO (RSM) made to Mr. Matsuki on November 27, 2020, which was independent of the Transactions, and the previous Tender Offer Price of 3,000 yen.

The Tender Offer Price is also higher than the net asset value per share (3,794 yen) calculated from the Company's consolidated book value of net assets as of March 31, 2021.

(b) Fairness of procedures in the negotiation process

As set forth in (iii) below, the procedures of the negotiation process for the Transactions, including the Tender Offer, can be recognized to be fair, and the Tender Offer Price can be recognized to have been determined based on the results of such negotiations.

(c) Consideration to be received in the procedures after the Tender Offer

The minority shareholders who did not tender their shares in the Tender Offer will eventually receive cash in the Squeeze Out Procedure to be implemented after the Tender Offer. The amount of cash to be received in the Squeeze Out Procedure will be calculated to be the same as the Tender Offer Price multiplied by the number of the Company's shares held by such shareholders, which will be clearly stated in the press release, etc.

(d) Consideration of Share Option

The Share Options were all issued as stock options to the Company's directors (excluding Outside Directors and directors who are audit and supervisory committee members) and executive officers, and as a condition for exercising the rights, the allotted Share Options may be exercised on and after the day following the day on which the director or executive officer of the Company loses his/her position. The Tender Offeror has determined the Share Option Offer Price to be one (1) yen for each of the Share Options, because it is understood that the Share Options cannot be exercised even if the Tender Offeror acquires the Share Options.

As stated above, from the standpoint of the Tender Offeror, it is understood that the Share Options may not be exercised even if the Share Options are acquired. From the standpoint of the Share Options Holders, the Share Options include a gratis acquisition provision to the effect that the Company may acquire the Share Options without consideration in the event of a merger, etc. in which the Company

becomes an extinct company, and if the Company is delisted before the exercise of the Share Options, it is assumed the Company's shares may not be acquired through the exercise of the Share Options. Therefore, it cannot be said that the Share Option Offer Price of 1 yen is unreasonable.

(e) Type of consideration

The consideration for the Transactions is set to be cash, and in considering that the Tender Offeror is an unlisted company, the type of consideration is recognized to be appropriate.

(f) Summary

In consideration of the above points, the Special Committee has determined that the terms and conditions of the Transactions, including the consideration and its type to be delivered to the minority shareholders of the Company through the Transactions, are appropriate after careful deliberation and analysis.

(iii) Fairness of the procedures for the Transactions (including an examination of what measures should be taken to ensure fairness

(a) Method of examination by the Company

In considering that Transactions will be conducted as part of a so-called MBO and that there are structural conflicts of interest, the Company has examined the Transactions from the perspective of ensuring the fairness of the Tender Offer Price, eliminating arbitrariness in the decision-making process leading to the decision to conduct the Tender Offer, and avoiding conflicts of interest, the Company appointed KPMG as Third-Party Valuation Agent and financial advisor independent of the Tender Offer Related Parties, and TMI Associates as a legal advisor independent of the Tender Offer Related Parties, and established the Special Committee consisting of two independent Outside Directors (Members of the Audit and Supervisory Committee) and one independent outside expert of the Company.

Then, while obtaining advice and opinions, etc. from KPMG and TMI Associates, the Company has carefully examined the appropriateness of the terms and conditions of the Tender Offer, including the Tender Offer Price, and the fairness of the series of procedures for the Transactions, from the perspective of improving the corporate value of the Group and the common interests of its shareholders.

The Special Committee confirmed that there were no issues related to the independence and expertise of KPMG and TMI Associates and approved them as the Company's Third-Party Valuation Agent and financial and legal advisors, and the Special Committee also received their professional advice as necessary.

(b) Consultation and negotiation by the Company with the Tender Offeror

Pursuant to the request from the Special Committee, the Company has conducted substantive discussions and negotiations that CIE remain as a shareholder of the Company after the Transactions with the Tender Offeror to ensure the fairness of the Tender Offer from the perspective of improving corporate value and protecting the interests of minority shareholders.

(c) Non-involvement of special interested parties in the negotiation process of the Transactions

None of the directors who will represent the Company in examining and negotiating the Transactions includes any person who has a special interest in the Transactions, and there is no other fact that would lead us to infer that the Tender Offeror or any other person who has a special interest in the Transactions has had undue influence on the Company's side in the process of discussion, examination and negotiation regarding the Transactions.

- (d) Setting minimum number of shares to be purchased exceeding a number equivalent to majority of minority

The Tender Offeror has set a minimum number of shares to be purchased in the Tender Offer, and if the total number of Share Certificates, Etc. tendered is less than the minimum number of share certificates, etc., to be purchased, the Tender Offeror will not purchase all of the Share Certificates, Etc. tendered, and the number of the Company's shares held by Mr. Matsuki to the number of shares held by the Company's shareholders who do not have an interest in the Tender Offeror, i.e., the number of shares corresponding to the so-called "majority of minorities".

In this way, consideration is given to ensuring the fairness of the Tender Offer by placing importance on the intentions of the Company's minority shareholders and not conducting the Transactions, including the Tender Offer, if the approval of a majority of the shareholders other than interested parties of the Tender Offeror is not obtained.

- (e) An opportunity for a counter purchase, etc.

The Tender Offeror has not entered into any agreement with the Company that would restrict contact between a counter offeror and the Company, such as an agreement that includes a deal protection clause that restricts the Company from contacting counter offerors. Further, the Tender Offeror has set a tender offer period of 30 days, which is longer than the statutory minimum period of 20 business days. In this way, by setting a relatively long tender offer period, the Tender Offeror intends to secure an appropriate opportunity for the shareholders of the Company and Share Option Holders to make a decision as to whether or not to tender in the Tender Offer, as well as an opportunity for a counter purchase, etc. of the Company Shares and Share Options by parties other than the Tender Offeror, thereby taking into consideration the ensuring of the fairness of the Tender Offer.

- (f) Summary

In consideration of the above, the Special Committee has carefully deliberated and examined the Transactions and has come to the conclusion that appropriate measures to ensure fairness have been taken in the Transactions, and that the procedures for the Transactions are fair.

- (iv) whether or not it would be disadvantageous to minority shareholders for the Board of Directors of the Company to make decisions concerning the implementation of the Transactions (including the expression of opinions regarding the Tender Offer)

In light of (a) through (c) and other matters described above, it is not disadvantage to the minority shareholders of the Company for the Board of Directors of the Company to (i) express an opinion in favor of the Tender Offer and recommend that the shareholders of the Company tender their shares in the Tender Offer and leave it to the discretion of the Share Option Holders whether or not to tender their Stock Acquisition Rights in the Tender Offer, and (ii) decide to implement the Squeeze Out Procedures using the method of a share consolidation after the Tender Offer.

According to the Tender Offeror, it plans to enter into the Non-Tender Agreement with CIE with respect to the Squeeze Out Procedures, and it is expected that CIE will remain as a shareholder of the Company after the execution of the Transaction. After the Tender Offer, in the event that there are shareholders who own equal shares or more than the Agreed Non-tendering Shares owned by CIE, the Tender Offeror, CIE, and the said shareholders would have a consultation on the improvement of the corporate value of the Company and their respective roles. If they fail to reach an agreement at the consultation, CIE will support a decision made by the Tender Offeror.

However, even if such shareholders will exist, it is not possible to identify them at the time of the above

opinion, and it is not possible to discern the role of such shareholders or their impact on the improvement of the corporate value of the Company. Therefore, the above opinion is based on the assumption that only the Tender Offeror or only the Tender Offeror and CIE will become shareholders of the Company after the Squeeze Out Procedures.

*d. Approval of all non-interested Directors (including audit and supervisory committee members) of the Company*

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

As a result, the Company's Board of Directors believed that the business structure reform plan aimed by the Tender Offeror would be likely to contribute to resolving managerial issues of the Company Group, and to realize the business structure reform plan, it is deemed reasonable to implement MBO by Mr. Matsuki's initiative and proceed with going-private transactions. And it determined that going-private transactions for the Company Shares through the Transactions, including the Tender Offer, will contribute to the improvement of the corporate value of the Company Group; the Tender Offer Price is a reasonable price at which the interests to be enjoyed by the general shareholders of the Company are secured, and the Tender Offer provides opportunities for the reasonable sale of the Company Shares. Accordingly, at the Board of Directors meeting held on July 21, 2021, the following matters were resolved unanimously by all nine (9) Directors of the Company who participated in the deliberation and resolution ((excluding Mr. Matsuki, Mr. Jun Matsuki, and Mr. Masayuki Kohta from among the total of twelve (12) directors of the Company, and including four (4) directors who are Audit and Supervisory Committee Members (including three outside directors); specifically, Mr. Masamoto Tsuchida, Mr. Hiromi Tsukamoto, Mr. Ken Nishimoto, Mr. Kenichi Honda, Mr. Kazuo Kadono, Mr. Makoto Koide, Mr. Isao Ikeda, Mr. Nobuya Kawamura, and Mr. Yuki Takashima.) that the board expresses its opinion in favor of the Tender Offer, thus recommend the shareholders of the Company to tender their shares in the Tender Offer and to leave the decision of the Share Option Holders as to whether or not to tender their shares in the Tender Offer with respect to the Share Options.

Since Mr. Matsuki, the President and Representative Director of the Company, is a Representative Director and shareholder of the Tender Offeror and plans to continue to manage the Company as President and Representative Director after the completion of the Tender Offer, Mr. Jun Matsuki, Director of the Company, is the eldest son of Mr. Matsuki, and Mr. Masayuki Hirata, Director of the Company, is an employee of Toray, the second-largest shareholder of the Company (number of share owned: 464,530 shares, Ownership Ratio:7.50%), they participated in neither of discussions or resolutions at the Board of Directors of the Company nor discussions or negotiations with the Tender Offeror on the side of the Company, from the perspective of avoiding any potential conflicts of interest.

*e. Setting by the Tender Offeror a minimum number of shares to be purchased exceeding a number equivalent to the majority of minority*

The Tender Offeror has set the minimum number of shares to be purchased in the Tender Offer at 3,611,900 shares (58.34% Ownership Ratio), and if the total number of Share Certificates, Etc. tendered is less than the minimum number of share certificates, etc., to be purchased (3,611,900 shares), the Tender Offeror will not purchase all of the Share Certificates, Etc. tendered. The minimum number of shares to be purchased (3,611,900 shares) is set at the number of shares that is calculated by deducting Agreed Non-Tendering Shares (515,600 shares) from the Basis Number of Shares (6,191,133 shares) multiplied by two-thirds and rounded up to the nearest whole unit of 100 shares (4,127,500 shares). The Transactions aim for going-private transactions for the Company Shares and making the Tender Offeror and CIE the sole shareholders of the Company (please see "Note 2" of "(2) Grounds and Reasons for the Opinion Regarding the Tender Offer" "a. Overview of the Tender Offer"). However, the above number has been set to ensure that the requirement of a special resolution at a shareholders' meeting, as specified in Article 309, Paragraph 2 of the Companies Act, can be fulfilled when implementing the procedures for the Share Consolidation set forth in the above "(4) Policy for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to the

“Two-Step Acquisition”)). Also, the minimum number of shares to be purchased (3,611,900 shares) exceeds the total number of shares (3,371,082 shares; Ownership Ratio 54.45%) obtained by adding (a) the number equivalent to a simple majority (2,304,452 shares, equivalent to a majority of the number of the Company Shares held by shareholders of the Company who do not have a material interest with the Tender Offeror, or in other words, the number equivalent to the so-called “majority of the minority,”) of shares (4,608,903 shares) obtained by subtracting the total number of Agreed Tendering Shares (629,503 shares), the number of Planned Tendering Shares (389,900 shares), the number of Agreed Non-tendering Shares (515,600 shares), and the deemed total number of the Company Shares owned by Mr. Matsuki (47,300 shares) as of today, from the Basis Number of Shares (6,191,133 shares) and (b) the aggregate numbers of the Agreed Tendering Shares (629,530 shares), the Planned Tendering Shares (389,800 shares), and the deemed total number of the Company Shares owned by Mr. Matsuki (47,300 shares) as of today. In this way, the Tender Offeror places an importance on the intentions of the minority shareholders of the Company and, if the consent of the majority of shareholders who do not have a material interest in the Tender Offeror is not obtained, the Tender Offeror will not conduct the Transactions, including the Tender Offer.

*f. Measures taken by the Tender Offeror to secure objectivity for ensuring the fairness of the Tender Offer*

The Tender Offeror has not entered into any agreement with the Company that would restrict contact between a counter offeror and the Company, such as an agreement that includes a deal protection clause that restricts the Company from contacting counter offerors. Further, the Tender Offeror has set a tender offer period of 30 days (“**Tender Offer Period**”), which is longer than the statutory minimum period of 20 business days. In this way, by setting a relatively long tender offer period, the Tender Offeror intends to secure an appropriate opportunity for the shareholders of the Company and Share Option Holders to make a decision as to whether or not to tender in the Tender Offer, as well as an opportunity for a counter purchase, etc. of the Company Shares and Share Options by parties other than the Tender Offeror, thereby taking into consideration the ensuring of the fairness of the Tender Offer.

#### **4. Important Agreements relating to the Tender Offer**

##### **(1) Non-Tender Agreement**

The Tender Offeror has entered into a Non-Tender Agreement dated July 27, 2021, with CIE, the largest shareholder of the Company, for all of the Agreed Non-Tendering Shares (number of shares owned: 515,600 shares, Ownership Ratio: 8.33%). The Non-Tender Agreement provides for that: (a) CIE will not tender any Agreed Non-tendering Shares held by CIE in the Tender Offer; (b) in accordance with the request of the Tender Offeror, CIE will exercise its voting rights in favor of the proposition for the consolidation of shares (“**Share Consolidation**”) and any proposition related thereto, in order to make the Tender Offeror and CIE the shareholders of the Company; and (c) if it is reasonably expected that, even after the implementation of the Share Consolidation, there are shareholders who own equal shares or more than the Agreed Non-tendering Shares held by CIE (number of shares: 515,600 shares, Ownership Ratio: 8.33%), the Tender Offeror, CIE and said shareholders will have a consultation on the policies for enhancing the corporate value of the Company and their respective roles. And if they fail to reach an agreement, CIE will consent to the decision of the Tender Offeror.

With respect to management policies, schemes, and other matters for the Company after the Tender Offer, it is provided for that: (d) CIE will respect, to the maximum possible extent, the current management systems conducted by the existing management team of the Company, and even after the Share Consolidation, provide assistance and support for the improvement of the Company’s corporate value to the maximum extent possible as a shareholder of the Company at the request of the Tender Offeror or the Company, and not dissent to management policies set forth by the existing management team of the Company; and that (e) the Tender Offeror and CIE mutually confirm that after the Tender Offer and Share Consolidation, CIE expect to receive neither of any special interests nor special disadvantages compared with general shareholders in the Tender Offer nor to cause any disadvantage to general shareholders in the Tender Offer.

Also, it is provided for that: (f) in principle, CIE will not cancel the Non-Tender Agreement (as an exception, in the

event that a tender offer is commenced by a third party with a purchase price exceeding the Tender Offer Price, the Tender Offeror and CIE shall hold discussions in good faith on the possibility of an increase in the Tender Offer Price or other changes to the terms of the Tender Offer, and if they fail to reach an agreement by a certain date, CIE may cancel the Non-Tender Agreement.); (g) CIE will not additionally acquire or dispose of any Company Shares (including transfer, creation of security rights, and the lending of shares) during the period until the Share Consolidation becomes effective; (h) CIE will not exercise the right to call a shareholders' meeting of the Company, the right to submit agenda items or submit a proposition thereat, during the period until the Share becomes effective; and (i) CIE will not make any proposal related to a tender offer for the Company Shares, the transfer or other disposal of the Company Shares or all or a material part of the Company's businesses, a capital partnership or merger with the Company, other organizational restructuring of the Company, or other action that substantially conflicts with the Tender Offer, nor any other similar proposal.

In addition to the above agreement, the Tender Offeror intends to enter into a separate shareholder agreement after consultation with CIE, but as of today, the specific timing of execution and details of that agreement have not been determined. Further, according to CIE, there is a possibility that CIE considers the sale of the Company Shares at the timing when it prospects that the corporate value of the Company would increase to some extent after implementing its support for that purpose, at the same time, there is another possibility that it continues to hold the Company Shares over the medium-to-long term. Assuming the case where CIE sells the Company Shares in the future, the Tender Offeror has verbally agreed with CIE a possible sale price of the Company Shares to be received by CIE as consideration for that sale on the following premise and they are currently advancing discussions. Given that the Tender Offer Price is confirmed as a fair price per share of the Company Shares at Time of Completion of MBO, when CIE sells the Company Shares at some point in the future, it will not receive, as consideration for that sale, any amount exceeding the amount that properly reflects an increase or decrease in the corporate value of the Company on or after the Time of Completion of MBO in terms of money for per share of the Company Shares to the Tender Offer Price. For calculating that sale price of the Company Shares, the Tender Offeror has envisaged that firstly it employs the calculation method to be deemed reasonable and agreed by and between the Tender Offeror and CIE and assesses the corporate value of the Company; compares that value with the corporate value of the Company assessed based on the Tender Offer Price at the time of completion of MBO, and compute the amount equivalent to an increase or decrease in the corporate value of the Company after the Time of Completion of MBO. However, as of today, the details have not been agreed upon. At the same time, as stated in "3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer" "(6) Measures to Ensure Fairness of the Tender Offer such as Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" "e. Setting by the Tender Offeror a minimum number of shares to be purchased exceeding a number equivalent to the majority of minority" below, for the Tender Offer, the Tender Offeror has taken the measures to ensure fairness of the Tender Offer Price, including setting a minimum number of shares to be purchased exceeding a number equivalent to the majority of minority. In other words, the Tender Offer intends not to conduct the Transactions, including the Tender Offer, unless obtained approval from the majority of shareholders of the Company who do not have a material interest with the Tender Offeror. Accordingly, the Tender Offeror believes that once the Tender Offer is successfully consummated with approval from the majority of shareholders of the Company who do not have a material interest with the Tender Offeror, the Tender Offer Price can be confirmed as a fair price per share of the Company approved by general shareholders. However, at present, the specific timing of such sale has not been agreed upon, and CIE has verbally agreed with the Tender Offeror that it may not sell its Company Shares without the consent of the Tender Offeror.

## (2) **Tender Agreement (Toray)**

The Tender Offeror has entered into the Tender Agreement (Toray), dated July 27, 2021, with Toray, the second-largest shareholder of the Company, and agreed that Toray would tender 464,530 Company Shares held by it (Ownership Ratio: 7.50%) in the Tender Offer. The Tender Agreement (Toray) provides for the following conditions precedent for Toray to tender its shares in the Tender Offer: (a) the Tender Offeror's representations and warranties (Note 1) are true and accurate in all material respects; (b) the Tender Offeror has performed or complied with all its

obligations under the Tender Agreement (Toray) (Note 2) in all material respects; (c) a resolution has been adopted by the Board of Directors of the Company to express its opinion supporting the Tender Offer and recommending that the Company's shareholders tender their shares in the Tender Offer, and such a resolution has been publicly announced and not been changed or withdrawn; (d) the Tender Offer has been lawfully commenced and not been withdrawn; (e) by the day immediately preceding the commencement date of the Tender Offer Period, the Special Committee established by the Company has submitted the Report that the resolution by the Board of Directors of the Company to express its opinion supporting the Tender Offer and recommend the shareholders of the Company to tender their shares in the Tender Offer and the Share Consolidation to be implemented after the Tender Offer will not cause any disadvantage to the minority shareholders of the Company; and (f) no petition, lawsuit or proceeding that would limit or forbid the Tender Offer or Toray's tender therein is pending with any judicial or administrative authority or other competent agencies and there exists none of laws, regulations, and other rules, or none of orders, dispositions, or judgments issued by a judicial or administrative organ, or another similar authority that limits or forbids the Tender Offer or Toray's participation therein. Provided, however, that even if any or all the above conditions precedent are not satisfied, Toray may, at its own discretion, waive such conditions and tender its shares in the Tender Offer.

- Note 1      Under the Tender Agreement (Toray), the Tender Offeror represents and warrants as follows: (a) due incorporation and valid existence; (b) it has the power and authority required to execute the Tender Agreement (Toray), and it has performed the necessary procedures; (c) the enforceability; (d) it has obtained all the licenses, approvals, and other permits relating to the execution and performance of the Tender Agreement (Toray) required to obtain from judicial and administrative agencies on or before the execution or performance thereof; (e) the execution and performance of the Tender Agreement (Toray) and the absence of conflicts with laws, regulations, other rules, its Articles of Incorporation, internal rules, and agreements, etc.; and (f) the absence of any relationship with antisocial forces, etc.
- Note 2      Under the Tender Agreement (Toray), the Tender Offeror assumes obligations to Toray for (a) indemnification and (b) confidentiality.

Furthermore, under the Tender Agreement (Toray), Toray will tender in the Tender Offer and not cancel an agreement related to the purchase of Company Shares to be formed by its tendering. However, if, after the conclusion of the Tender Agreement (Toray), a tender offer for the Company Shares is commenced by a third party with a purchase price higher than the Tender Offer Price, and when Toray reasonably determines that tendering its shares in the Tender Offer may constitute a breach of the duty of due care of a prudent manager by its directors, Toray may choose not to tender its shares in the Tender Offer or withdraw its acceptance of the Tender Offer.

### (3) **Tender Agreement (Fukui)**

The Tender Offeror has entered into the Tender Agreement (Fukui) dated July 27, 2021, with Fukui Bank, the tenth-largest shareholder of the Company, and agreed that Fukui Bank would tender 165,000 Company Shares held by it (Ownership Ratio: 2.67%) in the Tender Offer. The Tender Agreement (Fukui) provides for the following condition precedent for Fukui Bank to tender its shares in the Tender Offer: (a) the Tender Offeror's representations and warranties (Note 3) are true and accurate in all material respects; (b) the Tender Offeror has performed or complied with all its obligations under the Tender Agreement (Fukui) (Note 4) in all material respects; (c) a resolution has been adopted by the Board of Directors of the Company to express its opinion supporting the Tender Offer and recommending that the Company's shareholders tender their shares in the Tender Offer, and such a resolution has been publicly announced and not been changed or withdrawn; (d) the Tender Offer has been lawfully commenced and has not been withdrawn; (e) by the day immediately preceding the commencement date of the Tender Offer Period, the Special Committee established by the Company has submitted the report stating that the Transactions would not cause disadvantage to the minority shareholders of the Company and has not withdrawn that Report; (f) no petition, lawsuit or proceeding that would limit or forbid the Tender Offer or Fukui Bank's tender therein is pending with any judicial

or administrative authority or other competent agencies, and there exists none of laws, regulations, and other rules, or none of orders, dispositions, or judgments issued by a judicial or administrative organ, or another similar authority that limits or forbids the Tender Offer or Fukui Bank's participation therein; (g) there is no undisclosed material facts about business affairs pertaining to the Company (as defined in Article 166-2, the Act); and (h) no emergency event has occurred, such as natural disaster, trouble in the securities settlement system under which it is impossible to make the settlement, and other situation not attributable to Fukui Bank, and it is deemed impossible to tender shares according to social convention. Provided, however, that even if any or all the above conditions precedent are not satisfied, Fukui Bank may, at its own discretion, waive such conditions and tender its shares in the Tender Offer.

- Note 3      Under the Tender Agreement (Fukui), the Tender Offeror represents and warrants as follows: (a) due incorporation and valid existence; (b) that it has the power and authority required to execute and perform the Tender Agreement (Fukui), and that it has performed the necessary procedures; (c) the enforceability; (d) that it has obtained all the licenses, approvals, other permits relating to the execution and performance of the Tender Agreement (Fukui) required to obtain from judicial and administrative agencies on or before the execution or performance thereof; (e) the execution and performance of the Tender Agreement (Fukui) and the absence of conflicts with laws, regulations, other rules, the articles of incorporation, internal rules and agreements, etc.; and (f) the absence of any relationship with antisocial forces, etc.
- Note 4      Under the Tender Agreement (Fukui), the Tender Offeror assumes obligations to Fukui for (a) indemnification and (b) confidentiality.

Furthermore, under the Tender Agreement (Fukui), Fukui Bank will tender in the Tender Offer and not cancel an agreement related to the purchase of Company Shares to be formed by its tendering. However, if, after the conclusion of the Tender Agreement (Fukui), a tender offer for the Company Shares is commenced by a third party with a purchase price higher than the Tender Offer Price, and when Fukui Bank reasonably determines that tendering in the Tender Offer may constitute a breach of the duty of due care of a prudent manager by its directors, Fukui Bank may choose not to tender its shares in the Tender Offer or withdraw its acceptance of the Tender Offer.

#### (4) Investment Agreement (MBSF)

The Tender Offeror and MBSF have agreed to conclude the Investment Agreement (MBSF) by the day following the last day of the Tender Offer Period, under which MBSF will subscribe for a total amount of up to one (1) billion yen of the Series A Preferred Shares to be allotted by the Tender Offeror. The principal conditions precedents for MBSF to make payment are as follows: (a) the Tender Offeror's representations and warranties (Note 5) are true and accurate in all material respects; (b) the absence of event and the specific threat thereof that adversely affects the Company's assets, management, financial position, and other conditions or future prospects; and (c) the procedures necessary for the issuance of the Series A Preferred Shares have been lawfully and effectively completed. For details, please see the capital contribution certificate that the Tender Offeror has obtained from MBSF attached to the Tender Offer Registration Statement to be submitted by the Tender Offeror to Director-General of the Kanto Finance Bureau on July 28, 2021.

In addition, the Series A Preferred Shares to be subscribed to by MBSF are to be class shares with no voting rights for any matters to be resolved at the shareholders' meeting of the Tender Offeror. Furthermore, the Series A Preferred Shares will not give a holder the put option with the Tender Offeror's common shares as consideration. On the other hand, in the Investment Agreement (MBSF), matters requiring the prior notification to MBSF and matters requiring the prior approval from MBSF regarding the business operations of the Tender Offeror or the Company (Note 6) are to be provided, but these provisions are general terms and conditions found in "mezzanine" financing. The Series A Preferred Shares are a method for raising funds required for the purchase, etc., by the Tender Offeror, and the purpose of MBSF is not to secure the right to manage the Tender Offeror or the Company.

Note 5	Under the Investment Agreement (MBSF), the main representations and warranties of the Tender Offeror are expected to be as follows: (a) due incorporation and valid existence; (b) that it has the power and authority required to execute and perform the Investment Agreement (MBSF), and that it has performed the necessary procedures; (c) the enforceability; (d) that it has obtained all the licenses, approvals, other permits relating to the execution and performance of the Investment Agreement (MBSF) required to obtain from judicial and administrative agencies on or before the execution or performance thereof; (e) the execution and performance of the Investment Agreement (MBSF) and the absence of conflicts with laws, regulations, other rules, the articles of incorporation, internal rules, and agreements, etc.; (f) the absence of any relationship with antisocial forces, etc.; and other matters stated in the capital contribution certificate. For details, please see the capital contribution certificate that the Tender Offeror has obtained from MBSF attached to the Tender Offer Registration Statement to be submitted by the Tender Offeror to Director-General of the Kanto Finance Bureau on July 28, 2021
Note 6	In the Investment Agreement (MBSF), the retirement of Mr. Matsuki is provided for as a matter requiring the prior notification to MBSF, while the matters requiring the prior approval from MBSF are as follows: (a) dividends and other actions equivalent to dividends to be paid for common shares held by parties other than the Tender Offeror; (b) payment of officer compensation or bonuses exceeding a certain amount; (c) the assumption of debt outside the scope permitted in advance; (d) provision of collateral or guarantees; (e) investment restrictions exceeding a certain amount; (f) amendments to the articles of incorporation or organizational restructuring, etc., except as necessary for the Squeeze Out Procedure; (g) additional capital contribution from Mr. Matsuki and the issuance of shares, share options, or corporate bonds, except for the Series A Preferred Shares and those related to the Squeeze Out Procedure; (h) changes to important agreements related to the business operations of the Company; and (i) direct transactions with the officers and employees of the Company and its affiliates.

#### (5) Investment Agreement (Fukui)

The Tender Offeror and Fukui Bank have agreed to conclude the Investment Agreement (Fukui) by the day following the last day of the Tender Offer Period, under which Fukui Bank will subscribe for a total amount of up to one (1) billion yen of the Series A Preferred Shares to be allotted by the Tender Offeror. The principal conditions precedents for Fukui to make payment are as follows: (a) the Tender Offeror's representations and warranties (Note 7) are true and accurate in all material respects; (b) the absence of event and the specific threat thereof that adversely affects the Company's assets, management, financial position, and other conditions or future prospects; and (c) the procedures necessary for the issuance of the Series A Preferred Shares have been lawfully and effectively completed. For details, please see the capital contribution certificate that the Tender Offeror has obtained from Fukui Bank attached to the Tender Offer Registration Statement to be submitted by the Tender Offeror to Director-General of the Kanto Finance Bureau on July 28, 2021.

In addition, the Series A Preferred Shares to be subscribed to by Fukui Bank are to be class shares with no voting rights for any matters to be resolved at the shareholders' meeting of the Tender Offeror. Furthermore, the Series A Preferred Shares will not give a holder the put option with the Tender Offeror's common shares as consideration. On the other hand, the Investment Agreement (Fukui) provides for matters requiring prior notification to Fukui Bank and matters requiring prior approval from Fukui Bank (Note 8). However, those provisions are general terms and conditions found in "mezzanine" financing. The Series A Preferred Shares are a method for raising funds required for the purchase, etc., by the Tender Offeror, and the purpose of Fukui Bank is not to secure the right to manage the Tender Offeror or the Company.

Note 7	Under the Investment Agreement (Fukui), the main representations and warranties of the Tender Offeror are expected to be as follows: (a) due incorporation and valid existence; (b) that it has the
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power and authority required to execute and perform the Investment Agreement (Fukui), and that it has performed the necessary procedures; (c) the enforceability; (d) that it has obtained all the licenses, approvals, other permits relating to the execution and performance of the Investment Agreement (Fukui) required to obtain from judicial and administrative agencies on or before the execution or performance thereof; (e) the conclusion and performance of the Investment Agreement (Fukui) and the absence of conflicts with laws, regulations, other rules, the articles of incorporation, internal rules, and agreements, etc.; (f) the absence of any relationship with antisocial forces, etc.; and other matters stated in the capital contribution certificate. For details, please see the capital contribution certificate that the Tender Offeror has obtained from Fukui Bank attached to the Tender Offer Registration Statement to be submitted by the Tender Offeror to Director-General of the Kanto Finance Bureau on July 28, 2021.

Note 8

In the Investment Agreement (Fukui), the retirement of Mr. Matsuki is provided for as a matter requiring the prior notification to Fukui, while the following matters are stipulated as matters requiring the prior approval from Fukui : (a) dividends and other actions equivalent to dividends to be paid for common shares held by parties other than the Tender Offeror; (b) payment of officer compensation or bonuses exceeding a certain amount; (c) the assumption of debt outside the scope permitted in advance; (d) provision of collateral or guarantees; (e) investment restrictions exceeding a certain amount; (f) amendments to the articles of incorporation or organizational restructuring, etc., except as necessary for the Squeeze Out Procedure; (g) additional capital contribution from Mr. Matsuki and the issuance of shares, share options, or corporate bonds, except for the Series A Preferred Shares and those related to the Squeeze Out Procedure; (h) changes to important agreements related to the business operations of the Company; and (i) direct transactions with the officers and employees of the Company and its affiliates.

**(6) Others**

In addition to the agreements described above, the Tender Offeror has still continued to hold discussions with CIE aimed at the execution of a shareholders' agreement as of today, but the details and timing of executing the agreement have not been determined. It is expected that the shareholders' agreement includes the provision to restrict the transfer and other disposals of the Company Shares by CIE, but does not include the provisions regarding any rights to preference dividend, preference allotment of residual assets, "put option" (the right of CIE to require the Tender Offeror to acquire the Company Share held in exchange for monies or equivalent) and "call option" (the right of CIE to require the Tender Offeror to transfer or sell the Company Shares held by the Tender Offeror).

Also, as described above, assuming the case where CIE sells the Company Shares in the future, the Tender Offeror has verbally agreed with CIE to discuss a possible sale price of the Company Shares to be received by CIE as consideration for that sale on the following premise, and they are currently advancing the discussion. Given that the Tender Offer Price is confirmed as a fair price per share of the Company Shares at the Time of Completion of MBO, when CIE sells the Company Shares at some point in the future, it will not receive, as consideration for that sale, any amount exceeding the amount that properly reflects an increase or decrease in the corporate value of the Company on or after the Time of Completion of MBO in terms of money for per share of the Company Shares to the Tender Offer Price. For calculating that sale price of the Company Shares, the Tender Offeror has envisaged that firstly it employs the calculation method to be deemed reasonable and agreed by and between the Tender Offeror and CIE and assesses the corporate value of the Company; compares that value with the corporate value of the Company assessed based on the Tender Offer Price at the time of completion of MBO, and compute the amount equivalent to an increase or decrease in the corporate value of the Company after the Time of Completion of MBO. However, as of today, the details have not been agreed upon. At the same time, as stated in "3. Details and Grounds and Reasons for, the Opinion Regarding the Tender Offer" "(6) Measures to Ensure Fairness of the Tender Offer such as Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" "e. Setting by the Tender Offeror a minimum number of shares to be purchased exceeding a number equivalent to the majority of minority"

below, for the Tender Offer, the Tender Offeror has taken the measures to ensure fairness of the Tender Offer Price, including setting a minimum number of shares to be purchased exceeding a number equivalent to the majority of minority. In other words, the Tender Offer intends not to conduct the Transactions, including the Tender Offer, unless obtained approval from the majority of shareholders of the Company who do not have a material interest with the Tender Offeror. Accordingly, the Tender Offeror believes that once the Tender Offer is successfully consummated with approval from the majority of shareholders of the Company who do not have a material interest with the Tender Offeror, the Tender Offer Price can be confirmed as a fair price per share of the Company approved by general shareholders.

Further, in each of the investment agreements to be entered into with MBSF and Fukui Bank, matters requiring prior notification to MBSF/Fukui Bank and matters requiring prior approval from MBSF/Fukui Bank are provided, respectively. However, neither MBSF nor Fukui Bank are expected to be actively involved in the management of the Tender Offeror or the Company, and each party has verbally confirmed that they will consent to management policies proposed by Mr. Matsuki.

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

Not applicable

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

Not applicable

## **7. Inquiries to the Offeror**

Not applicable

## **8. Request for Extension of the Tender Offer Period**

Not applicable

## **9. Future Prospects**

Please see “(2) Grounds and Reasons for the Opinion Regarding the Tender Offer” “e. Management policy after the Tender Offer”, “(4) Policy for Organizational Restructuring, Etc. after the Tender Offer (Matters relating to the “Two-Step Acquisition” )” and “(5) Prospects and Reasons for Delisting” in “3. Details and Grounds and Reasons for the Opinion Regarding the Tender Offer” above.

## **10. Other Matters**

### **(1) Release of “Notice of Change to year-end expected dividends”**

The Company, at the Board of Directors Meeting held on July 27, 2021, resolved not to distribute a year-end dividend for the fiscal year ending March 2022 on the condition that the Tender Offer is successfully completed. For details, please see “Notice of Change to year-end expected dividends” released by the Company as of July 27, 2021.

End

[Reference] “Announcement Concerning Commencement of a Tender Offer by Sakai Textile Co., Ltd. for the Share Certificates, Etc. of SAKAI OVEX CO., LTD. (Securities Code: 3408)” as of July 27, 2021

## [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 Company are legal entities incorporated outside of the United States, some or all of its directors are non-U.S. residents, 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 and its directors 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 Tender Offeror, the financial advisor of the Tender Offeror and the 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 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 and other applicable laws and regulations in Japan. Such purchase may be conducted at a market price in the market or a price decided by the negotiation outside the market. If any information concerning any such purchases is disclosed in Japan, corresponding disclosure will be made on the English homepage of the financial advisor or the tender offer agent (or through other public disclosure methods).

## [Forward-Looking Statements]

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 might be substantially different from the express or implied predictions set forth herein as “forward-looking statements” due to known or unknown risks, uncertainties, or other factors. Neither the Tender Offeror nor its affiliates assure that such express or implied predictions included as “forward-looking statements” will be achieved. The forward-looking statements contained herein have been prepared based on the information held by the Tender Offeror and the Company as of today, and, unless otherwise required under applicable laws and regulations, neither the Tender Offeror, the Company nor their affiliates assume any obligation to update or revise this document to reflect any future events 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. Even if this press release is received in countries or regions where the implementation of the Tender Offer would be illegal, 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.

July 27, 2021

To whom it may concern:

Company Name:	Sakai Textile Co., Ltd.
Representative:	Shintaro Matsuki, Representative Director

**Announcement Concerning Commencement of a Tender Offer for the Share Certificates, Etc. of  
SAKAI OVEX CO., LTD. (Securities Code: 3408)**

Sakai Textile Co., Ltd. (“**Tender Offeror**”) hereby announces that, on July 27, 2021, the Tender Offeror has decided to acquire the common shares (“**Target Company Shares**”) and the Share Options (as defined in “2 Class of Share Certificates, Etc. to be Purchased, Etc.”, “(2) Share Options” below) of SAKAI OVEX CO., LTD. (Code Number: 3408, listed on the First Section of the Tokyo Stock Exchange, Inc. (“TSE”), the “**Target Company**”) through a tender offer (“**Tender Offer**”) pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended).

The Tender Offeror is a stock company established by Shintaro Matsuki (“**Mr. Matsuki**”), Representative Director and President of the Target Company, on January 15, 2021, for the main purposes of acquisition and ownership of the Target Company Shares and Share Options through the Tender Offer. As of today, Mr. Matsuki owns 100% of the issued shares of the Tender Offeror and serves as Representative Director. As of today, the Tender Offeror does not own the Target Company Shares or the Share Options. As disclosed in “Announcement Concerning Commencement of a Tender Offer for the Share Certificates, Etc. of SAKAI OVEX CO., LTD. (Securities Code: 3408)”, dated February 9, 2021 (including the amendments described in “(Amendment) Announcement Regarding Partial Amendments to “Announcement Concerning Commencement of a Tender Offer for the Share Certificates, Etc. of SAKAI OVEX CO., LTD. (Securities Code: 3408)” Due to its Submission of Amendment of Tender Offer Registration Statement,” dated February 10, 2021, and “Announcement Regarding Partial Amendments to “Announcement Concerning Commencement of a Tender Offer for the Share Certificates, Etc. of SAKAI OVEX CO., LTD. (Securities Code: 3408)” Due to the Change in Terms and Conditions of Tender Offer for the Share Certificates, Etc. of SAKAI OVEX CO., LTD.”, dated March 18, 2021), as part of a series of transactions for the purpose of acquiring all of the Target Company Shares (includes shares issued upon the exercise of Share Options, but excludes the treasury shares owned by the Target Company) which are listed on the First Section of TSE and Share Options, delisting the Target Company Shares, and the Tender Offeror becoming the sole shareholder of the Target Company, the Tender Offeror conducted a tender offer (period for purchase etc. from February 9, 2021 through March 24, 2021, purchase etc. price 3,000 yen per share for Target Company Shares, one (1) yen per unit for Share Options, “**Previous Tender Offer**”), however it was unsuccessful since the minimum number of shares planned to be purchased in the Previous Tender Offer was 4,127,800 shares, and the total number of share certificates, etc. tendered in the Previous Tender Offer was 3,939,239 shares, which did not meet the minimum 4,127,800 shares.

As part of a series of transactions (“**Transactions**”) for the purpose of acquiring all of the Target Company Shares (includes shares issued upon the exercise of Share Options, but excludes treasury shares owned by the Target Company, and the Agreed Non-tendering Shares (defined below, and the same shall apply hereinafter.) owned by

the Target Company's largest shareholder City Index Eleventh Co., Ltd. (number of shares owned: 515,600 shares, Ownership Ratio (Note 1): 8.33% , "CIE") which are listed on the First Section of TSE and Share Options, delisting the Target Company Shares, and the Tender Offeror and the largest shareholder CIE becoming the sole shareholders of the Target Company (Note 2), the Tender Offeror has decided to conduct the Tender Offer on July 27, 2021.

The Transactions fall under the category of a management buyout (MBO) (Note 3), and Mr. Matsuki plans to continue to manage the Target Company after the Transaction. There is no special agreement between the Tender Offeror and other Directors of the Target Company (including Audit and Supervisory Committee Members) regarding their appointment as officers after the Tender Offer.

Note 1   **"Ownership Ratio"** is the ratio of Target Company Shares owned divided by the number of shares (6,191,133 shares) which is obtained by adding the number of Target Company Shares which are the subject of 313 units of Share Options (Note 4) listed in the Target Company's 128th Securities Report ("Target Company Securities Report") as of March 31, 2021 (31,300 shares), submitted by the Target Company on June 28, 2021 (6,467,558 shares), to the total number of shares issued and outstanding in the Target Company Securities Report as of March 31, 2021 (6,436,258 shares), then deducting the number of treasury shares owned by the Target Company listed in the Target Company Securities Report as of March 31, 2021 (276,425 shares) (rounded off to two decimal places; the same applies to Ownership Ratio hereinafter.)

Note 2   However, after the Tender Offer, in the event that there are shareholders who own equal shares or more than the Agreed Non-tendering Shares owned by CIE, the Tender Offeror, CIE, and the said shareholders would have a consultation on the improvement of the corporate value of the Target Company and their respective roles ("Trilateral Consultation"). After careful and due consultation, if they fail to reach an agreement at the Trilateral Consultation, the Tender Offeror will consider another course, including making itself the sole shareholder of the Target Company, and CIE will support a decision made by the Tender Offeror.

Note 3   "Management buyout (MBO)" generally refers to a transaction where the management team of a target company contributes all or part of the acquisition funds to purchase the shares of the target company based on the premise of continuing the business of the target company.

Note 4   The table below shows the breakdown of 313 units of Share Options. The holders of Share Options are Directors and executive employees of the Target Company. It is provided that the Share Option Holders may exercise their allotted Share Options on or after the day following the day when they lose their position as Director or Corporate Officer of the Target Company, respectively, within the exercise period for Share Options.

Name of Share Options	Number of units as of March 31, 2021 (units)	Number of subject Target Company Shares (shares)
Series 1 Share Options	61	6,100
Series 2 Share Options	60	6,000

Series 3 Share Options	96	9,600
Series 4 Share Options	96	9,600
Total	313	31,300

For conducting the Tender Offer, the Tender Offeror has executed an agreement with CIE on July 27, 2021, under which CIE will not tender all the Target Company Shares owned (number of shares owned: 515,600 shares, Ownership Ratio: 8.33%, “**Agreed Non-tendering Shares**”) in the Tender Offer (“**Non-Tender Agreement**”). In addition to the above agreement, the Tender Offeror plans to conclude a shareholders’ agreement in consultation with CIE separately, but as of today, the specific timing and details of the agreement have not been decided. For the outline of the Non-Tender Agreement and the matters that may be provided for in the shareholders’ agreement, please see the tender offer registration statement (“**Tender Offer Registration Statement**”) which the Tender Offeror submits in connection with the Tender Offer as of July 28, 2021, “No.1 Outline of the Tender Offer,” “3. Purpose of Purchase, etc.”, “(6) Important Agreements relating to the Tender Offer,” “I Non-Tender Agreement” and “VI Others”.

At the same time, the Tender Offeror has executed an agreement dated July 27, 2021, with Toray Industries, Inc. (number of shares owned: 464,530 shares, Ownership Ratio: 7.50%, “**Toray**”), the second-largest shareholder of the Target Company. Also, it has executed the same dated July 26, 2021, with The Fukui Bank, Ltd. (number of shares owned: 165,000 shares, Ownership Ratio: 2.67%, “**Fukui Bank**”), the tenth-largest shareholder of the Target Company, under which Toray and Fukui Bank will tender all Target Company Shares owned, respectively, (total number of shares owned: 629,530 shares, total Ownership Ratio: 10.17%) in the Tender Offer (agreement with Toray “**Tender Agreement (Toray)**,” and agreement with Fukui Bank “**Tender Agreement (Fukui)**.”) For an overview of these agreements, please see the Tender Offer Registration Statement, “No.1 Outline of the Tender Offer,” “3. Purpose of Purchase, etc.”, “(6) Material Agreements on the Tender Offer,” “II Tender Agreement (Toray)” and “III Tender Agreement (Fukui)”.

In addition, the Tender Offeror was informed from NIPPON ACTIVE VALUE FUND PLC (number of shares owned: 389,800 shares, Ownership Ratio: 6.30%, “**NAVF**”), the forth-largest shareholder of the Target Company, that it has supported the intent of the Transactions and is positively considering tendering all Target Company Shares owned (number of shares owned: 389,800 shares, Ownership Ratio: 6.30%) in the Tender Offer.

The overview of the Tender Offer is as follows:

1 Name of Target Company

SAKAI OVEX CO., LTD.

2 Class of Share Certificates, Etc. to be Purchased, Etc.

(1) Common shares

(2) Share Options

- I. Share Options issued based on the resolution of the Board of Directors Meeting of the Target Company held on June 20, 2014 (“**Series 1 Share Options.**”)
- II. Share Options issued based on the resolution of the Board of Directors Meeting of the Target Company held on June 19, 2015 (“**Series 2 Share Options.**”)
- III. Share Options issued based on the resolution of the Board of Directors Meeting of the Target Company held on June 24, 2016 (“**Series 3 Share Options.**”)
- IV. Share Options issued based on the resolution of the Board of Directors Meeting of the Target Company held on June 23, 2017 (“**Series 4 Share Options.**” and the Series 1 Share Options, the Series 2 Share Options, the Series 3 Share Options and the Series 4 Share Options are collectively referred to as “**Share Options.**”)

3 Period for Purchase, Etc.

From July 28, 2021 (Wednesday) through September 8, 2021 (Wednesday) (30 business days)

4 Price for Purchase, Etc.

(1) 3,810 yen per share of the common share

(2) Share Options

- I. One (1) yen per unit of Series 1 Share Options
- II. One (1) yen per unit of Series 2 Share Options
- III. One (1) yen per unit of Series 3 Share Options
- IV. One (1) yen per unit of Series 4 Share Options

5 Number of Share Certificates, Etc. to be Purchased

Class of Share Certificates, Etc.	Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
Common shares	5,675,533 (shares)	3,611,900 (shares)	— (shares)
Total	5,675,533 (shares)	3,611,900 (shares)	— (shares)

6 Settlement Commencement Date

September 15, 2021 (Wednesday)

7 Tender Offer Agent

Mizuho Securities Co., Ltd. 1-5-1, Otemachi, Chiyoda-ku, Tokyo

With respect to details of the Tender Offer, please refer to the Tender Offer Registration Statement.

End

**[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, some or all of its directors are non-U.S. residents, 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 and its directors 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 Tender Offeror, 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 and other applicable laws and regulations in Japan. Such purchase may be conducted at a market price in the market or a price decided by the negotiation outside the market. If any information concerning any such purchases is disclosed in Japan, corresponding disclosure will be made on the English homepage of the financial advisor or the tender offer agent (or through other public disclosure methods).

**[Forward-Looking Statements]**

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 might be substantially different from the express or implied predictions set forth herein as "forward-looking statements" due to known or unknown risks, uncertainties, or other factors. Neither the Tender Offeror nor its affiliates assure that such express or implied predictions included as "forward-looking statements" will be achieved. The forward-looking statements contained herein have been prepared based on the information held by the Tender Offeror as of today, and, unless otherwise required under applicable laws and regulations, neither the Tender Offeror nor its affiliates assume any obligation to update or revise this document to reflect any future events 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. Even if this press release is received in countries or regions where the implementation of the Tender Offer would be illegal, 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.