

October 9, 2019

Name of listed company:
BANDAI NAMCO Holdings Inc.
Name of representative:
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Notice Regarding Commencement of Tender Offer for Stock in SOTSU CO., LTD.
(Securities Code:3711)

BANDAI NAMCO Holdings Inc. (the “Company” or the “Tender Offeror”) announces that it adopted a resolution at its board of directors meeting held today as below to acquire common stock in SOTSU CO., LTD. (the Tokyo Stock Exchange, Inc., the “Tokyo Stock Exchange”, JASDAQ Standard Market, the “JASDAQ Standard Market,” securities code:3711; the “Target Company” and the “Target Company’s Common Stock”) through a tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent amendments; “Act”).

1. Purpose, Etc. of Purchase, Etc.

(1) Overview of the Tender Offer

As of the date hereof, the Tender Offeror holds 3,340,000 shares of common stock of the Target Company (the “Target Company’s Common Stock”) (shareholding ratio: 22.79% (Note)) which are listed on JASDAQ Standard Market (the “JASDAQ Standard Market”), and the Target Company is an affiliate of the Company to which the equity-method is applicable. The Tender Offeror resolved at the meeting of its board of directors held on October 9, 2019, to implement the Tender Offer as part of transactions (the “Transactions”) for the purpose of acquiring all of the Target Company’s Common Stock (excluding the Target Company’s Common Stock held by the Tender Offeror and the

treasury shares held by the Target Company; hereinafter the same shall apply) and making the Target Company a wholly-owned subsidiary of the Tender Offeror.

(Note) “Shareholding ratio” means the ratio to 14,654,255 shares which is equivalent to the total number of issued shares of the Target Company as of August 31, 2019 (i.e., 15,000,000 shares) set forth in the “Summary of Consolidated Financial Results for the Year Ended August 31, 2019 (Based on Japanese GAAP)” (the “Financial Results”), as announced by the Target Company on October 9, 2019, less the number of the treasury shares held by the Target Company as of the same date (i.e., 345,745 shares) (rounded to two decimal places; hereinafter the same shall apply unless otherwise provided with respect to the statement of the shareholding ratio).

To make the Tender Offer, the Tender Offeror, on October 9, 2019, entered into a tender offer application agreement (the “Application Agreement”) with (i) Mr. Yuji Nasu, who is the founder of the Target Company and its largest shareholder among the major shareholders of the Target Company (number of shares owned: 4,290,000 shares; shareholding ratio: 29.27%; Mr. Nasu is hereinafter referred to as the “Founder Shareholder”) and (ii) NUSCO Co., Ltd., which is the asset management company of the Founder Shareholder and the third largest shareholder among the major shareholders of the Target Company (number of shares owned: 2,920,000 shares; shareholding ratio: 19.93%; NUSCO Co., Ltd. is hereinafter referred to as the “Asset Management Company,” and the Founder Shareholder and the Asset Management Company are collectively called “Prospective Tendering Shareholders”) to tender all of the Prospective Tendered Shares they respectively own (total number of shares: 7,210,000 shares; shareholding ratio: 49.20%; “Prospective Tendered Shares”) in the Tender Offer. For details of the Application Agreement, please refer to “(3) Matters concerning Material Agreement related to the Tender Offer” below.

In the Tender Offer, the Tender Offeror has set 7,210,000 shares (shareholding ratio: 49.20%), which is equal to the number of the Prospective Tendered Shares, as the minimum number of the shares to be purchased, and, if the total number of the share certificates, etc., the sale of which is proposed in response to the Tender Offer (“Tendered Share Certificates, Etc.”), is less than such minimum number, the Tender Offeror will not purchase any of Tendered Share Certificates, Etc. However, the Tender Offeror intends to obtain all of the Target Company's Common Stock in the Tender Offer, and, therefore, has not set the maximum number of the shares to be purchased, and, if the total number of

Tendered Share Certificates, Etc., is equal to or more than the minimum number, the Tender Offeror will purchase all of Tendered Share Certificates, Etc.

As the Tender Offeror aims to make the Target Company its wholly-owned subsidiary, if the Tender Offeror fails to acquire all of the Target Company's Common Stock through the Tender Offer, after completion of the Tender Offer, the Tender Offeror plans to acquire all of the Target Company's Common Stock through implementing a series of procedures to make the Tender Offeror the sole shareholder of the Target Company as stated in "(5) Policy for Organizational Restructuring, Etc. after the Tender Offer (Matters Relating to So-called 'Two-step Acquisition')" below.

According to the "Announcement concerning Implementation of the Tender Offer of Our Shares by BANDAI NAMCO Holdings Inc. and Recommendation for Tender Offer" (the "Target Company's Press Release") made by the Target Company as of October 9, 2019, the Target Company resolved at its board of directors meeting held on October 9, 2019, to the effect that the Target Company would express an opinion to support the Tender Offer and recommend that the shareholders of the Target Company tender their shares through the Tender Offer.

For details of the resolution of the board of directors of the Target Company as set forth above, please refer to the Target Company's Press Release and "e. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company," of "(4) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below.

- (2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy After the Tender Offer
 - a. Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer

The Tender Offeror was founded in September 2005 when BANDAI CO., LTD. ("BANDAI") and NAMCO LIMITED (the current BANDAI NAMCO Entertainment Inc.) performed a management integration through a joint share transfer and became a company listed on the First Section of the Tokyo Stock Exchange in the same month. The Tender Offeror is a pure holding company which controls a group of companies (consisting of the Tender Offeror, 106 subsidiaries (as of March 31, 2019), and 12

affiliated companies (as of the same date); “BANDAI NAMCO Group”), with widely recognized IP, such as the *Mobile Suit Gundam* series (“powerful IP.” IP refers to intellectual property rights relating to characters, etc.; hereinafter the same) as their core strength, operating a variety of entertainment-related businesses, including toys, plastic models, network content, home video game, amusement machines, visual and music content, amusement facilities, among others.

The BANDAI NAMCO Group is organized into group companies that constitute five business units—Toys and Hobby (the business related to manufacturing and marketing of toys, plastic models, confectionery and foods, capsule toys, cards, apparel, sundries, stationery, prizes, and other products); Network Entertainment (the business related to planning, developing, and distributing of network content; and planning and sales of home video games software), Real Entertainment (the business related to planning, developing, manufacturing, and marketing of amusement machines, etc.; and planning and operation of amusement and other facilities), Visual and Music Production (the business related to planning, production, and marketing of visual and music content and package software; and planning and operation of events and live performances), and IP Creation (the business related to planning and production of animation; management and administration of copyrights)—and affiliated business companies that provide support for each business unit. Each unit conducts business centering on the “IP axis strategy,” through which IP (including those relating to characters, among other), which are the BANDAI NAMCO Group’s greatest strength, are distributed as optimal products and services to optimal regions at optimal times by making the most of the unique world view and features of such characters, among others.

The BANDAI NAMCO Group’s mission is to continue to offer “Dreams, Fun and Inspiration,” through entertainment, to people throughout the world, and its vision is to become “The Leading Innovator in Global Entertainment”. From a mid to long term perspective, under such mission and vision, the Tender Offeror aims to be the world’s most inspiring entertainment group for fans, as a group of companies and employees that have the unique ideas and creativity to meet expectations, not only in terms of its business scale but also in the quality and appeal of its products and services. Under the IP axis strategy, the Tender Offeror has accelerated creation of new IP and proceeded with strategies by unifying the efforts of all companies in the BANDAI NAMCO group in each region. Under the Mid-term Plan which started from April 2018, with the mid-term vision of “CHANGE for the NEXT: Empower, Gain Momentum, and Accelerate Evolution,” the Tender Offeror aims to evolve the IP axis strategy further and achieve

penetration and expansion in global markets. Moreover, in promoting specific strategies, the Tender Offeror aims to be a group that continues to change to progress to the next stage rather than adhering to previous business models and established ideas in the light of considering the changes in the global entertainment market environment and consumer preferences, the emergence of new competitors, and other factors.

According to the Target Company's Press Release, the Target Company was established as Toyo Agency Co., Ltd. in December 1962 and has been carrying out the planning and sales of team goods, an agent business of licensing Copyrights (It means the right to allow others to commercialize products and characters that are components of the products or to utilize them in other ways based on copyrights, trademark rights, etc.; hereinafter the same), and other management work on behalf of the Japanese baseball team Yomiuri Giants after being designated as its exclusive agency (currently, a designated agency). After the Target Company had changed its company name to Sotsu Agency Co., Ltd in August 1977, it expanded its business by producing its first TV animation work and starting a Copyrights business utilizing the Copyrights of the TV animation characters in October 1977. The Target Company was registered with the Japan Securities Dealers Association in April 2003, and, in December 2004, the Target Company cancelled its registration with the Japan Securities Dealers Association and listed its stock on the JASDAQ Market managed by JASDAQ Securities Exchange, Inc. (the "JASDAQ Securities Exchange"). After the Target Company changed its company name to the current one, SOTSU CO., LTD., in April 2007, the stock of the Target Company was listed on the JASDAQ Market operated by Osaka Securities Exchange Co., Ltd. (the "Osaka Securities Exchange") in April 2010, as a result of the merger of the JASDAQ Securities Exchange and the Osaka Securities Exchange. The stock was then listed on the JASDAQ Standard Market managed by the Tokyo Stock Exchange in July 2013, following the market integration between the Tokyo Securities Exchange and the Osaka Securities Exchange. As of the date hereof, The Target Company Group consists of the Target Company and four consolidated subsidiaries, whose main businesses are a media business (business associated with the planning and production of animated programs, sales promotion of goods related to IP of animations, promotional campaigns, planning and proposing events, etc.), a rights business (business associated with the licensing of the commercialization of IP of animations, management of Copyrights, etc.), and a sports business (business associated with the planning and sales of goods of a professional baseball team, planning and operation of attractions, etc. related to sporting events of a professional baseball team, advertising through sports media, etc.). By operating under

the management philosophy of “being an entertainment company that shares dreams and impressions with children around the world,” the Target Company holds a medium- and long-term management strategy of expanding its core animation business (a business where the Target Company creates and develops animated characters, and utilizes their Copyrights, and that is conducted both in the aforementioned media business and rights business), as well as of diversifying its business as an entertainment company and expanding its business field. Specifically, the Target Company is operating its business with a medium-term business policy where it plans (I) as an effort to expand animation and content business, (i) to focus on obtaining Copyrights of animation IP by proactively investing in contents, such as maintaining the production of the original animations, as well as to create mid- and long-term successful works and popular IP, (ii) to establish new ways of making profits from animated works, such as running plays associated with animation and developing video game business based on animation, and (iii) to create works by collaborating with new business partners, (II) as an effort to cultivate new overseas markets, in foreign countries, mainly in the Asia region, to develop promotional businesses for character events and IP goods and producer businesses, such as a Copyrights business, and (III) as an effort to diversify the business by means of alliance and mergers and acquisitions, to carry out mergers and acquisitions and joint ventures with entertainment businesses.

The relationship between the Tender Offeror and the Target Company to date is as described below. In July 2000, BANDAI, which is the Tender Offeror’s consolidated subsidiary as of the date hereof, acquired 39,000 shares of the Target Company’s Common Stock (shareholding ratio: 21.70%) from an existing shareholder for the purpose of strengthening business collaboration regarding the *Mobile Suit Gundam* series. In January 2003, as a result of a consolidation of shares of the Target Company, the number of the Target Company’s Common Stock owned by BANDAI became 7,800 shares. Subsequently, BANDAI sold 1,500 shares of the Target Company’s Common Stock in April 2003, acquired 500 shares of the Target Company’s Common Stock from an existing shareholder in November 2003, and acquired 300 shares of the Target Company’s Common Stock from an existing shareholder in January 2004, and consequently, the number of the Target Company’s Common Stock owned by BANDAI became 7,100 shares (shareholding ratio: 16.13%). Following the management integration of BANDAI and NAMCO LIMITED in September 2005, the Tender Offeror, who was founded at the time of the management integration, became the owner of 7,100 shares of the Target Company’s Common Stock in December 2005, and subsequently, the

Tender Offeror acquired 702,900 shares, 710,000 shares, and 1,420,000 shares respectively, through a stock split of the Target Company implemented in June 2009, March 2011, and December 2014. Additionally, in October 2016, the Tender Offeror acquired 500,000 shares of the Target Company's Common Stock from the Founder Shareholder. Consequently, as of the date hereof, the Tender Offeror owns 3,340,000 shares of the Target Company's Common Stock (shareholding ratio: 22.79%), and the Target Company is the Tender Offeror's affiliate to which the equity-method is applicable. The Tender Offeror and the Target Company have built a mutually close relationship as key business partners that jointly develop and operate the *Mobile Suit Gundam* series, one of BANDAI NAMCO Group's main IP.

In the entertainment market surrounding the Tender Offeror and the Target Company, the pace of technological advances and changes in consumer preferences are expected to accelerate, and competition in the global market is expected to intensify. Specifically, there seems to be important, long-term issues, including (i) intensification of competition in IP creation, (ii) the diversification of customer needs, (iii) intensification of changes in the environment, (iv) increasingly intense competition on a global scale and so on. The Tender Offeror believes that it is essential to work together to address these issues swiftly by unifying the efforts of all companies in the BANDAI NAMCO group in accordance with the main strategy outlined in the Mid-term Plan. More specifically, the Tender Offeror believes that the following measures are required: (1) in order to respond to changes in the environment, such as development of oligopolies in the distribution and media fields, the widespread penetration of networks, and technological improvements, the Tender Offeror will strengthen new IP creation capability in various ways, including further strengthening the IP axis strategy, making efforts to create product or service-originated IP and visual product-originated IP, utilizing an internal/external idea posting system, collaborating with partner companies, and making strategic investments; (2) in order to maximize the IP value, the Tender Offeror will promote collaboration among businesses and cross-functional projects in the BANDAI NAMCO Group, create and develop new businesses, expand the regions for product and service rollout, and swiftly respond to new platforms; and (3) in order to become "The Leading Innovator in Global Entertainment," which is the vision of the BANDAI NAMCO Group, the Tender Offeror must achieve business expansion in the global market. In particular, in the Americas, Europe, and Asia, the Tender Offeror will need to work to expand the existing businesses according to the characteristics of each region, and at the same time, enhance the IP lineup of products and services offered and the business categories.

Under these circumstances, the Tender Offeror decided that, in order to advance the main strategies of the BANDAI NAMCO Group outlined in the Mid-term Plan, namely “Accelerate evolution in IP axis strategy” and “Gain momentum with ALL BANDAI NAMCO,” more reliably and promptly, it is necessary to proceed with initiatives targeting the acceleration and expansion of its business through further strengthening the collaboration with respect to the *Mobile Suit Gundam* series, which is the Target Company’s main IP in its Rights Business and which has been jointly developed and operated with the Target Company. The Tender Offeror also recognizes that synergies can be expected because the initiative of the Target Company’s Media Business to create new IP is highly compatible with the BANDAI NAMCO Group’s initiative to enhance the creation of new IP and the Tender Offeror and the Target Company will be able to create and develop optimal IP together in collaboration and in conjunction with the various businesses of the BANDAI NAMCO Group in the entertainment field.

Accordingly, the Tender Offeror began full-fledged consideration in late February 2019 of the acquisition of the Target Company’s Common Stock, including making the Target Company a wholly-owned subsidiary of the Tender Offeror. In early April 2019, the Tender Offeror proposed the same to the Founder Shareholder, the largest shareholder and an adviser of the Target Company. In late May 2019, both parties obtained the endorsement of the Founder Shareholder for discussion about implementing the Transactions. In mid-July 2019, the Tender Offeror determined that, in order to realize the synergies described below, it is essential to acquire all the Target Company’s Common Stock and to privatize the Target Company, and that this will also contribute to the enhancement of the Target Company’s corporate value, and the Tender Offeror proposed the Transactions to the Target Company, including making the Target Company its wholly-owned subsidiary.

The Tender Offeror is growing through business development centered on the IP axis strategy, which utilizes the BANDAI NAMCO Group’s strengths. The Tender Offeror believes that, by making the Target Company a wholly-owned subsidiary of the Tender Offeror, with respect to the *Mobile Suit Gundam* series, which is the Target Company’s main IP in its Rights Business and which has been jointly developed and operated by the Tender Offeror and the Target Company, (i) the Tender Offeror will be able to strengthen its collaboration with the Target Company as a member of the BANDAI NAMCO Group and further strengthen the value chain covering production, licensing, manufacturing, and sales, and at the same time, (ii) the value of the *Mobile Suit Gundam* series as IP can be maximized through realizing further expedited decision-making by the Target Company’s

management. In these respects, the Tender Offeror expects synergies in businesses between the Tender Offeror and the Target Company. In addition, the initiatives of the Target Company's Media Business to create diverse new IP, which is a strength of the Target Company, is highly compatible with the BANDAI NAMCO Group's initiative to enhance the creation of new IP, which is the BANDAI NAMCO Group's main focus, and the Tender Offeror expects these initiatives to substantially drive the expansion of the businesses of both companies through expanding of the range of their products and services that utilize IP.

In addition to the realization of the above synergies, with respect to the enhancement of the Target Company's corporate value, the Tender Offeror proposed the Transactions to the Target Company for the following reasons. Since, in the entertainment market surrounding the Tender Offeror and the Target Company, the pace of technological advances and changes in consumer preferences are expected to accelerate, and competition in the global market is expected to further intensify, in order to swiftly conduct global business based on such change in the market environment and maximize the value of the *Mobile Suit Gundam* series as IP, the Tender Offeror believes that both companies need to share their visions for the market, promptly make unified decisions, and conduct their businesses as an integrated unit.

Also, with respect to the enhancement of new IP creation by the Target Company through utilization of the BANDAI NAMCO Group's management resources, in light of the fact that it takes a long time to create powerful IP and turn it into profitable businesses, and that there is uncertainty as to whether these will succeed, the Target Company needs to be managed from a medium-to-long-term perspective in order to generate the synergies as stated above. In addition, there is a risk that the Target Company will not meet the expectations of its current shareholders who are seeking stable earnings growth, due to a temporary decline in earnings that may occur in creating the powerful IP and turning it into profitable businesses. Therefore, the Tender Offeror believes that privatization of the Target Company through the Transactions will make it possible to eliminate such risk and carry out business operations from a medium-to-long-term perspective, thereby enhance the Target Company's corporate value. At the same time, by making the Target Company a wholly-owned subsidiary of the Tender Offeror, smooth and easy conveyance and management of information, etc. will be realized, the range of management resources of the BANDAI NAMCO Group that can be shared with the Target Company will be expanded, and the Target Company's function of creating new IP through the utilization of such management resources will be strengthened.

In mid-July 2019, the Tender Offeror and the Target Company concluded that making the Target Company a wholly-owned subsidiary of the Tender Offeror would enable both companies to (i) share their visions for the domestic and overseas markets and make unified decisions quickly and (ii) realize not only the acceleration of business but also thread expansion of business in global markets, toward which they have only previously made efforts individually, of both companies' business and, thereby, raise the Target Company's corporate value and strengthen the entire BANDAI NAMCO Group's earnings base. Since then, both companies have further proceeded with discussions on the terms and conditions of the Transactions.

Based on the above discussion etc., between the both of companies about the terms and conditions of the Transactions, the Tender Offeror has determined, by resolution of the meeting of the board of directors held on October 9, 2019, to implement the Tender Offer, with the aim of making the Target Company its wholly-owned subsidiary.

According to the Target Company's Press Release, in response to the proposal of the Transactions from the Tender Offeror in mid-July 2019, the Company, as stated in "b. Obtaining of a Share Price Valuation Report from an Independent Third-party Valuation Institution by the Target Company" and "c. Advice from an Independent Law Firm Received by the Target Company" of "(4) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest," appointed AGS Consulting Co., Ltd. ("AGS") as its financial advisor and third-party valuation institution and TMI Associates ("TMI") as its legal advisor, both of which are independent from the Tender Offeror and the Target Company, in order to ensure the appropriateness of the value per share of the Target Company's Common Stock in the Tender Offer (the "Tender Offer Price") and fairness of the Transactions including the Tender Offer, such as appropriateness of the process of the Transactions. Furthermore, the Target Company requested AGS, a third-party valuation institution, to submit the report on the value of the Target Company's Common Stock (the "Target Company's Share Valuation Report") and established a special committee (please refer to "d. Establishment of an Independent Special Committee and Obtaining of the Report by the Target Company" of "(4) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below for the composition and specific activities of the special committee) to consider the proposal of the Transactions. The Target Company has had multiple discussions and deliberations with the Tender Offeror since mid-July 2019 on measures to increase the corporate value of both companies, such as strengthening the

business and streamlining the management of the Target Company by strengthening the cooperation with the BANDAI NAMCO Group, as well as matters, such as the purpose of the Transactions, the management structure and strategy after the implementation of the Transactions, and the terms and conditions of the Transactions.

In addition, the Target Company has received legal advice on the decision-making process and methods and other issues regarding the Transactions including the Tender Offer from TMI, a legal advisor, and received a report dated October 8, 2019 from the special committee (the “Report”) (please refer to “d. Establishment of an Independent Special Committee and Obtaining of the Report by the Target Company” of “(4) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below for the outline of the Report). The Target Company carefully discussed and examined the terms and conditions of the Transactions from the perspective of whether the Transactions can improve the corporate value of the Target Company and whether the Tender Offer Price and other conditions of the Transactions are appropriate, etc. based on the legal advice received from TMI, a legal advisor, and the share price valuation report with regard to the Target Company’s Common Stock obtained from AGS, a third-party valuation institution, as of October 8, 2019, and respecting the Report submitted by the special committee.

As a result, the Target Company believes that, if the Transactions are executed, the following synergies can be realized by means of strengthening the cooperation with the Tender Offeror.

(i) Acceleration of the growth of the Target Company by centralizing and accelerating the decision-making process based on the group management strategies

The Target Company has consulted and collaborated with the BANDAI NAMCO Group for operating its business especially with respect to the *Mobile Suit Gundam*, the main IP of the Target Company. For example, regarding IP related to the *Mobile Suit Gundam*, the Target Company has taken charge of projects such as commercialization or holding events, the BANDAI NAMCO group has taken charge of projects such as filming or publication, and both parties have discussed the scope of operation for which each of them is responsible regarding projects relating to the both fields. However, the Target Company, in consideration of the changes of the market environment in the entertainment industry and the Target Company’s mid-term business policy, assumes that the number of projects in which each of the aforementioned fields, of which each of the Target Company and BANDAI NAMCO Group has separately been in charge, is intermingled together

complexly will increase regardless of whether they are domestic projects or international ones, and it will be a challenge for the Target Company to deal with them with speedy and detailed considerations. Under the situation above, the Target Company believes that, by being a wholly-owned subsidiary of the Tender Offeror through the Transactions and responding as an integrated unit, the entire group can realize unified and quick strategical decisions not only on the business related to the *Mobile Suit Gundam* but also on other entertainment businesses, respond to the aforementioned challenges, and accelerate the growth of the Target Company, which, as a result, contributes to mid- to long-term improvement of the corporate value of the Target Company.

(ii) Overseas expansion and scaleup of each project through the utilization of the management resources of the BANDAI NAMCO Group, etc.

The Target Company has set “cultivation of new overseas markets” as a mid-term management strategy as mentioned above. Recently, the investment scale of each project, especially the ones related to the business of the *Mobile Suit Gundam*, have tended to be large-scale. Although these challenges have required a response from the Target Company, the Target Company believes that it is limited in what it can do to deal with these challenges with its own resources, with its current human and physical resources, business scale, etc. In order to overcome this situation and achieve further growth, the Target Company believes that joining the BANDAI NAMCO Group through the Transactions and obtaining new management resources, etc. from the BANDAI NAMCO Group will enable the Target Company to manage the overseas expansion and the scaleup of each project. In addition, as mentioned above, the Target Company has set the mid-term management strategy of expanding its business by creating not only the *Mobile Suit Gundam* series but also other new IP in the core animation business, and it believes that the Transactions will also make it possible for the Target Company to accelerate the creation of new IP and increase the probability of producing successful content by using the know-how and management resources of the BANDAI NAMCO Group that relates to the anime production.

The Target Company believes that implementing the various measures above may fail to meet the expectations of the current shareholders, who seek stable improvement of the Target Company’s profits, which could temporarily deteriorate due to the global expansion of the business of *Mobile Suit Gundam*, investments in production partnerships and other new capital investments required to create new IP, etc. and may involve the risk

of destabilization of the Target Company's Common Stock price because of an unsatisfactory valuation by the capital markets. The Target Company believes that it would not necessarily be appropriate for its existing shareholders to bear such risk.

Therefore, on October 9, 2019, the Target Company has come to the conclusion that, considering the compatibility between the Tender Offeror's management philosophy and business policies and those of the Target Company, and for the Target Company to survive in the entertainment industry, which is in a harsh environment with difficulties such as, "intensification of competition in IP creation," "diversification of customer needs," "intensification of changes in the environment," and "increasingly intense competition on a global scale," etc., becoming a wholly-owned subsidiary of the Tender Offeror through the Transactions and further strengthening cooperation with the BANDAI NAMCO Group would be its best option that will lead to the enhancement of its mid- to long-term corporate value.

In addition, based on the following points, etc., on October 9, 2019, the Target Company determined that the Transactions will provide all the shareholders of the Target Company with a reasonable opportunity to sell their shares: (a) the Tender Offer Price exceeds, among the valuation results based on the Target Company's Share Price Valuation Report, the price ranges calculated by the market price analysis and the comparable company analysis, and is within the price range calculated by the discounted cash flow analysis (the "DCF analysis"); (b) the Tender Offer Price is a price with a 66.22% premium (rounded to the second decimal place; this also applies to figures (%) for premiums on each share value below) on the closing price of 1,865 yen of the Target Company's Common Stock on the JASDAQ Standard Market on October 8, 2019, which is the business day immediately preceding the date of the public announcement of the Tender Offer; a 66.49% premium (rounded to the nearest one (1) yen; this applies to figures for simple average closing prices below) on the simple average closing price of 1,862 yen of the Target Company's Common Stock for the preceding one (1) month period up to October 8, 2019; a 62.73% premium on the simple average closing price of 1,905 yen of the Target Company's Common Stock for the preceding three (3) month period up to October 8, 2019; and a 58.65% premium on the simple average closing price of 1,954 yen of the Target Company's Common Stock for the preceding six (6) month period up to October 8, 2019; (c) the measures to ensure the fairness and avoid conflicts of interest as set out in (4) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the

Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” are implemented, and the Target Company believes that the interests of the minority shareholders of the Target Company have been considered; and (d) the Tender Offer Price was offered as a result of the discussions and negotiations between the Target Company and the Tender Offeror that are equivalent to those between independent parties, with the measures above to ensure the fairness and to avoid conflicts of interest, more specifically, as a result of the earnest and continuous discussions and negotiations based on the valuation result of the Target Company’s Common Stock obtained from AGS and discussions with the special committee.

Based on the above, on October 9, 2019, the Target Company resolved at the meeting of the board of directors to express an opinion supporting the Tender Offer and to recommend the shareholders of the Target Company to tender their shares in the Tender Offer. For the details of the resolution at the above-mentioned meeting, please refer to “e. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company” of “(4) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest”.

b. Management Policy after the Tender Offer

Under the management policy after the implementation of the Tender Offer, it is expected that the Target Company group will, the same as ever before, independently develop its business in line with BANDAI NAMCO Group’s spirit of “autonomy and independence.” The members of the board of directors of each company of the Target Company group will be determined after the implementation of the Tender Offer through discussions between the Tender Offeror and the Target Company with due regard to the existing structure, and the current terms and conditions for the employees of each company of the Target Company group will, in principle, be maintained. On the business front, as a member of the BANDAI NAMCO Group, the Tender Offeror and the Target Company will, going forward, collaborate to establish the optimal business structure, through such means as further strengthening cooperation and sharing information more closely than ever before.

After making the Target Company the wholly-owned subsidiary of the Tender Offeror through the Transactions, the Tender Offeror is considering entering into (i) a transaction through which all of the shares of J • Broad Co., LTD.’s (“J • Broad”) held by the Target Company (number of shares owned: 375,700 shares, the Target Company’s shareholding

ratio: 87.61%) will be transferred to the Founder Shareholder or the Asset Management Company, and (ii) a transaction through which all of the shares of SOTSU ENTERTAINMENT CO., LTD. held by the Asset Management Company (number of shares owned: 60 shares, the Asset Management Company's shareholding ratio: 9.09 %) will be transferred to the Target Company, and the Tender Offeror consulted on these issues with the Founder Shareholder or the Asset Management Company. The terms and conditions and other details of these transactions have not yet been specifically determined as of the filing date of this Statement and they will be determined after the completion of making the Target Company a wholly-owned subsidiary of the Tender Offeror.

Additionally, in association with the consultations for the purpose implementing the transactions regarding the shares of J • Broad stated in (i) above, it is likely that the Founder Shareholder, acting as the representative director and chairman of J • Broad as of the date hereof, will continue to remain in his position after the completion of making the Target Company a wholly-owned subsidiary of the Tender Offeror through the Transactions.

(3) Matters concerning Material Agreement related to the Tender Offer

As stated in “(1) Overview of the Tender Offer” above, to make the Tender Offer, the Tender Offeror, on October 9, 2019, entered into the Application Agreement with the Prospective Tendering Shareholders, in which it was agreed that all of the Target Company's Common Stock that the Prospective Tendering Shareholders respectively own would be tendered.

In the Application Agreement, the following matters are prescribed as the conditions precedent for the Prospective Tendering Shareholders to tender their shares in the Tender Offer. In this regard, each of the Prospective Tendering Shareholders is not restricted from tendering his or her shares in the Tender Offer by waiving all or part of the above-mentioned conditions precedent at its own discretion.

- (a) The Tender Offer is legally and effectively commenced and has not been terminated;
- (b) The representations and warranties made by the Tender Offeror set forth in the Application Agreement (Note 1) are correct and accurate in all material aspects;
- (c) The Tender Offeror is not in breach of the obligations set forth in the Application Agreement (Note 2) in all material aspects; and
- (d) There are no pending claims, lawsuits or proceedings filed with judicial or administrative agencies or other competent authorities that seek an order to restrict or

prohibit the Tender Offer and that are reasonably and likely to be approved thereby; no laws and regulations that restrict or prohibit the implementation of the Tender Offer or the application by the Prospective Tendering Shareholders for the Tender Offer; or no orders, dispositions or rulings issued by judicial or administrative agencies or other competent authorities that restrict or prohibit the implementation of the Tender Offer or the application by the Prospective Tendering Shareholders for the Tender Offer.

(Note 1) The Tender Offeror, in the Application Agreement, as of the execution date of the Application Agreement, the commencement date and the settlement date of the Tender Offer, represents and warrants that: (i) the Tender Offeror is legally incorporated and effectively existing; (ii) the Tender Offeror has power and authorization necessary to execute and perform the Application Agreement and has fulfilled such necessary procedures; (iii) the execution of the Application Agreement is valid, legal, and enforceable; (iv) the licenses and permits required in relation to the execution and performance of the Application Agreement have been obtained and the procedures regarding the licenses and permits required have been duly implemented; (v) there is no violation of the laws and regulations, internal rules, contracts, rulings by the judicial and administrative agencies applicable to the Tender Offeror; and (vi) the Tender Offeror does not have any relationship with antisocial forces and no threats, extorts or claims have been made which is accompanied with violent behavior or activities.

(Note 2) Under the Application Agreement, in addition to the obligation to commence the Tender Offer and the obligation of confidentiality, the Tender Offeror assumes the obligations (i) to take appropriate measures to satisfy items (b) and (c) stated above among the conditions precedent for the obligations of the Prospective Tendering Shareholders; and (ii) until the settlement date of the Tender Offer, to immediately notify the Prospective Tendering Shareholders in writing, if there is any violation of the obligations under the representations and warranties set forth in (Note 1) above or the obligations under the Application Agreement, or if it becomes impossible to satisfy the conditions precedent for any of the Prospective Tendering Shareholders to perform his or her obligations, or if any specific event

occurs which reasonably and likely came any one of items prescribed above.

(4) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

As of the date hereof, the Target Company is not a consolidated subsidiary of the Tender Offeror and the Tender Offer does not fall under the acquisition of a subsidiary company (*juzoku kaisha*). However, taking into consideration (i) that the Target Company is considered an equity-method affiliate of the Tender Offeror based on the Tender Offeror's holding 3,340,000 shares of the Target Company's Common Stock (at the shareholding ratio of 22.79%) and (ii) that the aggregate shareholding ratio of the Prospective Tendering Shareholders who executed the Application Agreement is 49.20%, the Tender Offeror and the Target Company implemented the following measures to ensure the fairness of the price for purchase, etc. and to avoid conflicts of interest.

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

In order to ensure the fairness of the Tender Offer Price, in determining the Tender Offer Price, the Tender Offeror requested PwC Advisory LLC ("PwC"), a financial advisor of the Tender Offeror, acting as a third-party valuation institution that is independent from the Tender Offeror and the Target Company, to evaluate the share value of the Target Company's Common Stock. PwC is not a related party of the Tender Offeror or the Target Company, and has no material interest in the Tender Offer.

For the outline of the share valuation report concerning the share value of the Target Company's Common Stock provided to the Tender Offeror by PwC, please refer to "(A) Basis of Calculation" and "(B) Background of Calculation" of "(2) Price for Purchase, Etc.". The Tender Offeror has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from PwC.

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

According to the Target Company's Press Release, in preparation for the expression of the opinion about the Tender Offer, the Target Company requested its financial advisor, AGS, to evaluate the value of the Target Company's Common Stock as a third-party valuation institution that is independent from the Target Company and the Tender Offeror, and

received the Target Company's Share Price Valuation Report as of October 8, 2019. AGS is not a related party of the Tender Offeror or the Target Company and does not have any material interest in relation to the Transactions. The Target Company has not received any opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from AGS.

After considering as to which stock valuation methods should be applied to calculate the value of the Target Company's Common Stock among various stock valuation methods, assuming that the Target Company is a going-concern and keeping in mind that it is appropriate to evaluate the value of the Target Company's Common Stock from various perspectives, AGS calculated the value per share of the Target Company's Common Stock using (i) the market price analysis in order to take trends of the market price of the Target Company's Common Stock into account, (ii) the comparable company analysis since there are multiple listed companies that are comparable to the Target Company, and it is possible to make an analogical inference of the share value of the Target Company's Common Stock by comparing similar companies, and (iii) the DCF analysis in order to take the current and expected business results of the Target Company into account. According to AGS, the adopted calculation analyses and the ranges of values per share of the Target Company's Common Stock calculated in accordance with such analyses are as follows:

Market price analysis: 1,862 yen - 1,954 yen

Comparable company analysis: 2,518 yen - 2,770 yen

DCF analysis: 2,967 yen - 3,247 yen

In the market price analysis, the record date for calculation was set as October 8, 2019, and the price range of per share value of the Target Company's Common Stock was calculated to be from 1,862 yen to 1,954 yen based on the simple average closing price of 1,862 yen for the preceding one (1) month period, the simple average closing price of 1,905 yen for the preceding three (3) month period and the simple average closing price of 1,954 yen for the preceding six (6) month period on the JASDAQ Standard Market.

In the comparable company analysis, the range of value per share of the Target Company's Common Stock was calculated to be from 2,518 yen to 2,770 yen through

comparison of the share values in the stock market for, and the financial indicators showing the profitability of, the listed companies that run businesses relatively similar to those of the Target Company.

In the DCF analysis, the price range of value per share of the Target Company's Common Stock was calculated to be from 2,967 yen to 3,247 yen, after evaluating the corporate value and share value of the Target Company by discounting to the present value at a certain discount rate the free cash flow that the Target Company is expected to generate from the 4th quarter of the fiscal period ending August 2019, based on the business plan prepared by the Target Company for the fiscal period ending August 2019 to the fiscal period ending August 2022 and various elements such as publicly available information. No significant fluctuations in earnings are anticipated in the business plan prepared by the Target Company that AGS used as a basis for the calculations in the DCF analysis. In addition, the business plan is not based on the assumption that the Transactions will be implemented since the synergies expected as a result of the Transactions would be difficult to estimate at this stage.

c. Advice from an Independent Law Firm Received by the Target Company

According to the Target Company's Press Release, the Target Company appointed TMI as its legal advisor and obtained legal advice from TMI on the decision-making process and methods regarding the Transactions including the Tender Offer and other points to be noted with regard to the decision-making about the Transactions including the Tender Offer. TMI is independent from the Target Company and the Tender Offeror and does not have any material conflicts with the Target Company or the Tender Offeror.

d. Establishment of an Independent Special Committee and Obtaining of the Report by the Target Company

According to the Target Company's Press Release, the Target Company established the special committee at the beginning of August 2019 that is composed of three external experts, Mr. Katsuhisa Nakajima (a certified public accountant belonging to M&A Consortium Co., Ltd.), Mr. Kentaro Suzuki (an attorney-at-law belonging to Shibata, Suzuki & Nakada Law Office), and Mr. Katsuhumi Mizuno (an outside company auditor of the Target Company), who all are highly independent from the Target Company and the Tender Offeror, in order to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest, considering that (i) the Tender Offeror owns 3,340,000 shares of the Target Company's Common Stock (shareholding ratio: 22.79%) and has been treating the

Target Company as an equity-method affiliate, and (ii) the total shareholding ratio of the Prospective Tendering Shareholders who entered into the Application Agreement is 49.20%. The members of the special committee have not been changed since its establishment.

In order to consider the content of the opinions of the Target Company, the Target Company consulted the special committee as to (i) the legitimacy of the purpose of the Transactions, (ii) whether or not the fairness of the procedures of the negotiation regarding the Transactions is ensured, (iii) whether or not appropriateness of the consideration to be delivered to the minority shareholders as a result of the Transactions is ensured, and (iv) whether or not the Transactions would be disadvantageous to the minority shareholders of the Target Company based on (i) through (iii) and other factors (collectively, the “Consulted Matters”).

During the period from August 30, 2019 to October 8, 2019, the special committee was held 5 times in total, and the Consulted Matters were examined and discussed carefully.

In particular, based on each of the materials submitted by the Target Company, the special committee received explanations from the Target Company on matters such as specific contents of the proposal from the Tender Offeror, the purpose of the Transactions, the background leading to the Transactions, specific contents of the corporate value of the Target Company that is expected to be enhanced through the Transactions, the business plan of the Target Company, the conditions of the Transactions, and the decision-making process for such conditions, held Q&A sessions with the Target Company, and also gave the Target Company advice through each phase of the negotiation with the Tender offeror. In addition, the special committee received explanations from the Tender Offeror on matters such as the overview of the Transactions, the background leading to the Transactions, the purpose of the Transactions, the management policy after the Transactions, the terms and conditions of the Transactions, etc. and held Q&A sessions with the Tender Offeror. Further, the special committee received explanations from AGS on the valuation of the Target Company’s Common Stock and held Q&A sessions regarding the matters stated above, as well as receiving explanations from TMI on the measures to ensure fairness in the procedural aspect of the Transactions and to avoid conflicts of interest, and holding Q&A sessions with regard to these matters.

After going through the procedures above, the special committee, as a result of careful examinations and discussions on the Consulted Matters, submitted the Report, the content

of which is as follows, to the board of directors of the Target Company with the unanimous approval of all the members of the special committee on October 8, 2019.

(i) Legitimacy of the Purpose of the Transactions

In the entertainment market, the pace of technological advances and changes in consumer preferences are expected to accelerate, and competition in the global market is expected to intensify. With this in mind, the Tender Offeror decided that, in order to advance the main strategies of the BANDAI NAMCO Group outlined in the Mid-term Plan, namely “Accelerate evolution in IP axis strategy” and “Gain momentum with ALL BANDAI NAMCO,” more reliably and promptly, it is necessary to proceed with initiatives targeting the acceleration and global expansion of the Target Company’s business with regard to the *Mobile Suit Gundam* series, which is the Target Company’s main IP in its Rights Business. The Tender Offeror also believes that synergies can be expected not only in the existing businesses but also in the initiative of the Target Company to create new IP, because such initiative is highly compatible with the BANDAI NAMCO Group’s initiative to enhance the creation of new IP, and therefore the Tender Offeror and the Target Company will be able to create and develop optimal IP together in collaboration and in conjunction with the various businesses of the BANDAI NAMCO Group in the entertainment field. Based on the objective environment, situation and the Tender Offeror’s understandings as described above, the Tender Offeror concluded that making the Target Company a wholly-owned subsidiary of the Tender Offeror would raise the Target Company’s corporate value and strengthen the entire BANDAI NAMCO Group’s earnings base.

Specifically, the synergies are expected with regard to the Tender Offeror’s business and the Target Company’s business because, by making the Target Company a wholly-owned subsidiary of the Tender Offeror, the BANDAI NAMCO Group will be able (i) to strengthen its collaboration as a member of the BANDAI NAMCO Group with respect to the *Mobile Suit Gundam* series, which is the Target Company’s main IP in its Rights Business and which has been jointly developed and operated by the Tender Offeror and the Target Company, (ii) to further strengthen the value chain covering production, licensing, manufacturing, and sales, and (iii) to maximize the value of the *Mobile Suit Gundam* series as IP through realizing further expedited decision-making by the Target Company’s management.

In order to realize the synergies described above, the Tender Offeror concluded that it is necessary to make the Target Company delisted, considering (i) the realization of the development of the business based on unified and quick decision-making, (ii) the necessity of the management with mid to long term perspective (it takes a long time to create powerful IP and turn it into profitable businesses, and a temporary decline in earnings that may occur in creating the powerful IP and turning it into profitable businesses), and (iii) the realization of smooth and easy conveyance and management of information, etc.

There is no unreasonable point in the Target Company's explanation about the significance and the purpose of the Transactions including the Tender Offer, and it can be recognized that it is a result of reasonable examination. In addition, the special committee did not find any point or concern to note in its interview to the Tender Offeror, in which the special committee received explanation with regard to (i) the purpose and the significance of the Transactions from the view point of the Tender Offeror, (ii) the reason for choosing the scheme of the Transactions, (iii) the management policy after the Transactions, and (iv) the prospective treatment of employees of the Target Company.

Based on the above, there is no fact that causes any doubt regarding the fairness of the purpose of the Transactions, the Target Company's explanation that the Transactions are expected to lead to improvement of the corporate value is reasonable, and therefore the special committee concluded that the purpose of the Transactions is legitimate.

(ii) The Fairness of the Negotiation Process of the Transactions

(a) Receiving advice from AGS and TMI, both of which are independent from the Tender Offeror and the Target Company and in consideration of the minority shareholders of the Target Company, the Target Company carefully considered the fairness of the procedures of the Transactions in addition to the formulation of the Target Company's business plan and the calculation of the Target Company's corporate value based on such business plan, the purpose of the Transactions, and the matters required to proceed with each procedure of the Transactions fairly, from the view point of enhancing the corporate value of the Target Company and the common interests of the shareholders, and no point or concern to be noted was found. (b) The Target Company has discussed and considered repeatedly the Transactions with the Tender Offeror from mid-July 2019, and no point to be noted in the discussions,

considerations and negotiations between the Target Company and the tender Offeror that led to the decision of the Tender Offer Price was found. (c) The Target Company has requested AGS, a third-party valuation institution that is independent from the Tender Offeror and the Target Company, for the calculation of the value of the Target Company's Common Stock, and AGS received the latest business plan, etc. of the Target Company (stand-alone basis) that reflects the current situation of its business and, under certain assumptions based on such information, analyzed the value per share of the Target Company's Common Stock by adopting the market price analysis, the comparable company analysis and the DCF analysis, and submitted the Share Price Valuation Report to the Target Company as of October 8, 2019. (d) The Target Company appointed TMI as a legal advisor that is independent from the Tender Offeror and the Target Company in order to ensure the transparency and rationality in the decision-making process, etc. regarding the Transactions and has obtained the legal advice based on the Japanese law from TMI on the decision-making process and methods and other points to be noted regarding the decision-making, with regard to the Transactions. (e) All the directors except Mr. Yuta Nasu among the five (5) directors (including two (2) outside directors) participated in the deliberations and resolutions of the board of directors meeting of the Target Company held as of the date hereof. Mr. Yuta Nasu did not participate in the deliberations and resolutions in order to avoid the suspicion of conflicts of interest and to ensure the fairness of the Transactions since he is the eldest son of the Founder Shareholder. (f) The Tender Offeror set the Tender Offer Period at thirty (30) business days from October 10, 2019 to November 25, 2019, which is longer than the statutory minimum period (twenty (20) business days) stipulated in the Act, to ensure the fairness of the Tender Offer Price by securing appropriate opportunity for the shareholders of the Target Company to decide whether to tender their shares in the Tender Offer as well as opportunity for persons other than the Tender Offeror to purchase the shares of the Target Company; therefore, the Tender Offer Period above is considered to be reasonable. In addition, it can be said that there is no agreement that prevents the persons proposing the competing purchase from contacting the Target Company such as an agreement including transaction protection clause that prohibits the Target Company from contacting the persons proposing the competing purchase. (g) After completion of the Tender Offer, it is intended to implement the demand for shares cash-out or share consolidation as a procedure to acquire all of the Target Company's Common Stock for the purpose of making the Target Company a wholly-owned subsidiary of the Tender Offeror. In

the event that the Tender Offer is completed, the delivery of money to the Target Company's shareholders who did not tender their shares of the Target Company in the Tender Offer is planned, and the amount of such money is intended to be substantially the same as the amount to be delivered to the Target Company's shareholders who tendered their shares of the Target Company in the Tender Offer.

Based on the above, it can be said that the process of the Transactions is fair.

(iii) The Appropriateness of the Consideration to be Delivered to the Minority Shareholders of the Target Company as a Result of the Transactions

AGS is a third-party valuation institution independent from the Tender Offeror and the Target Company and does not have any special interest in the Transactions. According to the Target Company's Share Valuation Report, the value per share of the Target Company's Common Stock is calculated as follows; 1,862 yen to 1,954 yen based on the market price analysis; 2,518 yen to 2,770 yen based on the comparable company analysis; and 2,967 yen to 3,247 yen based on the DCF analysis. The Tender Offer Price, which is 3,100 yen, is within the price range calculated based on the DCF analysis, which indicates the highest price range among the results calculated by each calculation method above. The special committee received explanation from AGS and each person in charge on the calculation methods used for the evaluation of the Target Company's Common Stock, the valuation method used for the evaluation of the Target Company's Common Stock, the selecting policy of the similar companies used in the comparable company analysis (especially the company's size, and total market price, the process of the formation of the stock price, and the necessity of the elimination of the special factors), the assumptions, the calculation process etc., discussed and examined them, and found no irrational points on them.

Based on the above, there is no point to be noted in the decision-making process of the considerations to be delivered to the minority shareholders of the Target Company through the Transaction.

(iv) Whether the Transactions are Disadvantageous to the Minority Shareholders of the Target Company

As a result of the examination of the above (i) to (iii) and other matters, the special committee concluded that the Transactions are not disadvantageous to the minority shareholders of the Target Company.

e. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company

According to the Target Company's Press Release, after the Target Company received the proposal from the Tender Offeror as the Tender Offeror's intent, regarding the terms and conditions of the Transactions including the Tender Offer Price through Mr. Mitsuaki Taguchi, the president of the Tender Offeror, in the middle of July, 2019, the Target Company has continued, from August 30, 2019 to October 8, 2019, to discuss and negotiate with the Tender Offeror while taking into account the mid-report on the calculation of the value of the Target Company's Common Stock and advice on the financial aspect from AGS, legal advice from TMI, and the advice from the special committee given in each phase of the negotiations.

In the process of the discussions and negotiations with the Tender Offeror, the Target Company's board of directors carefully discussed and examined the terms and conditions regarding the Transactions, respecting contents of the Report received from the special committee as of October 8, 2019 (for details of the contents of the Report, please refer to "d. Establishment of an Independent Special Committee and Obtaining of the Report by the Target Company") to the maximum extent and based on the Target Company's Share Valuation Report received from AGS as of October 8, 2019, and legal advice from TMI.

Other than the above, in accordance with the basis and reasons stated in "(a) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer" in "(2) Background, Purpose, and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy After the Tender Offer" above, at the board of directors meeting of the Target Company held on October 9, 2019, all the directors except Mr. Yuta Nasu among the five directors (including two outside directors) participated in the deliberations and resolutions and unanimously resolved to express an opinion supporting the Tender Offer and to recommend all the shareholders of the Target Company to tender their shares in the Tender Offer.

Further, the three (3) statutory auditors of the Target Company who attended the aforementioned board of directors meeting unanimously expressed their opinions that they had no objection against the Target Company expressing an opinion supporting the

Tender Offer and recommending all shareholders of the Target Company to tender their shares in the Tender Offer.

Among directors of the Target Company, Mr. Yuta Nasu, is the eldest son of the Founder Shareholder, who is one of the Prospective Tendering Shareholders, and accordingly, from the perspective of avoiding any suspicion of conflicts of interest, and ensuring the fairness of the Transactions, he did not take part in the deliberations and resolutions at the board of directors meetings of the Target Company, nor did he participate in the discussions and negotiations with the Tender Offeror on behalf of the Target Company.

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

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

The Tender Offeror has set the Tender Offer Period at 30 business days, which is longer than the statutory minimum period of 20 business days. By setting the Tender Offer Period at a relatively long period of time, the Tender Offeror intends to secure an appropriate opportunity for the shareholders of the Target Company to make a decision as to whether to tender their shares in the Tender Offer and an opportunity for persons other than the Tender Offeror to make competing offers with respect to the Target Company's Common Stock, and thereby ensure the fairness of the Tender Offer Price.

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

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

a. Demand for Shares Cash-Out

If, upon completion of the Tender Offer, the Tender Offeror owns 90% or more of the voting rights of all shareholders of the Target Company and the Tender Offeror becomes a special controlling shareholder as set forth in Article 179, Paragraph 1 of the Companies

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

b. Share Consolidation

Conversely, if, upon the completion of the Tender Offer, the Tender Offeror owns less than 90% of the Target Company's voting rights, the Tender Offeror plans to request the Target Company to hold an extraordinary shareholders' meeting (the "Extraordinary Shareholders' Meeting") that will resolve proposals including: (a) a proposal regarding consolidation of the Target Company's Common Stock (the "Share Consolidation") pursuant to Article 180 of the Companies Act and (b) a proposal regarding an amendment to the articles of incorporation subject to the Share Consolidation becoming effective for the purpose of abolishing the provision regarding the number of shares constituting one

unit of stock. The Tender Offeror believes that it is preferable to hold the Extraordinary Shareholders' Meeting as early as possible in the interests of enhancing the Target Company's corporate value, and it plans to request the Target Company to give public notice regarding setting a record date for the Extraordinary Shareholders' Meeting on any date during the Tender Offer Period in order to set the record date for the Extraordinary Shareholders' Meeting soon after the commencement date of settlement for the Tender Offer; as of the date hereof, this date is planned to be in early December 2019). Further, as of the date hereof, the Extraordinary Shareholders' Meeting is planned to be held in early January 2020. The Tender Offeror plans to vote in favor of each of the above-mentioned proposals at the Extraordinary Shareholders' Meeting.

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

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

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

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

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

Each shareholder of the Target Company should consult with tax advisors at its own responsibility regarding tax implications in relation to the tender in the Tender Offer or any of the procedures above.

(6) Possibility of Delisting and Reasons Therefor

As of the date hereof, the Target Company's Common Stock are listed on the JASDAQ Standard Market. However, since the Tender Offeror has not set the maximum number

of shares to be purchased, etc. in the Tender Offer, depending on the result of the Tender Offer, the Target Company's Common Stock may be delisted pursuant to the procedures prescribed by the Tokyo Stock Exchange in accordance with the Tokyo Stock Exchange's criteria for delisting. In addition, even if the Target Company's Common Stock does not fall under such criteria at the time of the completion of the Tender Offer, if the Tender Offeror implements the procedures described in "(5) Policy for Organizational Restructuring, Etc. after the Tender Offer (Matters Relating to So-called 'Two-step Acquisition')" after the Tender Offer is completed, the Target Company's Common Stock will fall under the criteria for delisting and will be delisted pursuant to the prescribed procedures. The Target Company's Common Stock will no longer be traded on the JASDAQ Standard Market after the delisting.

2. Outline of Purchase, Etc.

(1) Outline of Target Company

(1) Name	SOTSU CO., LTD.
(2) Location	9-5, Ginza 5-chome, Chuo-ku, Tokyo
(3) Name and Title of Representative	Hideyuki Namba, President and Representative Director
(4) Contents of Business	Media business, rights business and sport business
(5) Capital	JPY414,750 thousand (as of May 31, 2019)
(6) Date of Incorporation	December 7, 1962
(7) Major Shareholders and Shareholding Ratios (as of February 28, 2019)	<p>Yuji Nasu BANDAI NAMCO Holdings Inc. NUSCO Co., Ltd. MSCO CUSTOMER SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.) State Street Bank and Trust Company 505224 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) SOTSU Scholarship Foundation Goldman Sachs and Company Regular Account (Standing proxy: Goldman Sachs Japan Co., Ltd.) The Bank of New York 134105 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) The Bank of New York, Treaty JASDEC Account</p>

	(Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department) CBNY-Charles Schwab FBO Customer (Standing proxy: Citibank, N.A., Tokyo Branch)
(8) Relationship between the Listed Company and the Target Company	
Capital Relationship	The Company holds 3,340,000 shares of the Target Company's Common Stock (shareholding ratio: 22.79 %) as of the date hereof. The Target Company holds 260,000 shares of the Tender Offeror's Common Stock (shareholding ratio on the Tender Offer's Common Stock: 0.12 %) as of the date hereof.
Personnel Relationship	Not applicable
Business Relationship	BANDAI NAMCO Group was granted copyrights and merchandising licenses in respect of the <i>Mobile Suit Gundam</i> series, one of its main IP, by the Target Company, its authorized representative.
Status as Related Party	As of date hereof, the Target Company is an affiliate of the Tender Offeror, to which the equity-method is applicable.

(Note 1) "Shareholding ratios" is described based on the "Status of Major Shareholders" in the Target Company's Second Quarter Securities Report for the 57th Fiscal Year filed as of April 12, 2019.

(Note 2) "Shareholding ratio on the Tender Offeror's Common Stock" means the ratio to 219,918,700 shares which is equivalent to the total number of issued shares of the Tender Offeror as of June 30, 2019 (i.e., 222,000,000 shares) set forth in the Tender Offeror's 1st Quarter Securities Report for the 15th Fiscal Year, filed as of August 9, 2019, less the number of the treasury shares held by the Tender Offeror as of the same date (i.e., 2,081,300 shares)(rounded to two decimal places).

(2) Schedule, Etc.

a. Schedule

Resolution of Board of Directors	October 9, 2019 (Wednesday)
Date of Notice of Commencement of Tender Offer	October 10, 2019 (Thursday) Public disclosure will be made electronically, and a notice of such disclosure will be published in the <i>Nihon Keizai Shimbun</i> . EDINET (electronic disclosure for investors' network): (http://disclosure.edinet-fsa.go.jp/)
Filing Date of Tender Offer Registration Statement	October 10, 2019 (Thursday)

b. Period for purchase, etc. as of the time of filing of the Tender Offer Registration Statement
From October 10, 2019 (Thursday to November 25, 2019 (Monday) (30 business days)

c. Possible extension of the Tender Offer Period based on the Target Company's request
N/A

(3) Price for Purchase, Etc.

3,100 yen per share of common stock

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

(A) Basis of Calculation

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

As a result of considering the calculation methods for the Tender Offer, on the assumption that the Target Company is a going-concern, PwC reached the view that it is appropriate to conduct the valuation from various perspectives based on the consideration of the financial condition of the Target Company and trends in the market price of the Target Company's Stock Price, and conducted the valuation of the Target Company's Common Stock using (i) the market share price analysis because market prices are available for the Target Company's Common Stock, (ii) the comparable company analysis because an

analogical inference of the share value of the Target Company's Common Stock is possible through the comparison with listed companies similar to the Target Company, and (iii) the discounted cash flow analysis (the "DCF analysis") so as to reflect the status of future business activities in the evaluation of the share value. The Tender Offeror obtained the share valuation report from PwC on October 8, 2019 ("Tender Offeror's Valuation Report"). The Tender Offeror has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from PwC.

The results of the evaluation by PwC of the value per share of the Target Company's Common Stock are as follows:

Market share price analysis:	1,860 yen to 1,962 yen
Comparable company analysis:	2,675 yen to 3,033 yen
DCF analysis:	2,792 yen to 3,154 yen

Under the market share price analysis, with October 8, 2019 as the record date for calculation, the range of value of per share of the Target Company's Common Stock was calculated to be from 1,860 yen to 1,962 yen. This range was based on the analysis of the closing price of the Target Company's Common Stock on the JASDAQ Standard Market on the record date for calculation which was 1,865 yen, the average closing price for one (1) month, three (3) months and six (6) months up to the record date for calculation (1,862 yen for one (1) month, 1,905 yen for three (3) months and 1,954 yen for six (6) months (any amount less than one (1) yen has been rounded to the nearest one (1) yen; hereinafter the same shall apply to the calculation of the volume weighted average price and the simple average closing price in this paragraph.)), and the volume weighted average price for one (1) month, three (3) months and six (6) months up to the record date for calculation (1,860 yen for one (1) month, 1,923 yen for three (3) months and 1,962 yen for six (6) months).

Under the comparable company analysis, the share value of the Target Company was calculated by comparing the market prices and financial indicators showing profitability, among others, of some listed companies engaged in a business similar to that conducted by the Target Company. This analysis showed that the value per share of the Target Company's Common Stock was to be in the range of 2,675 yen to 3,033 yen.

Under the DCF analysis, the value per share of the Target Company's Common Stock was calculated to be in the range of 2,792 yen to 3,154 yen as a result of analyzing the

corporate value of the Target Company by discounting the free cash flow that is expected to be generated by the Target Company in and after the 4th quarter of the fiscal year ending August 2019 to the present value using a specific discount rate, based on various factors, such as the earnings target forecast for the fiscal year ending August 2019 and the business plan for the fiscal year ending August 2020 through the fiscal year ending August 2022 that were prepared by the Target Company, interviews of the Target Company's personnel and publicly disclosed information. It should be noted that, in the business plan of the Target Company, which is the basis of the DCF analysis above, there is no fiscal year in which a large increase or decrease in income or profit is expected. It should be further noted that the expected synergies to be realized through the implementation of the Transactions are not taken into account because it is difficult to specifically estimate their effect on revenue at this time.

In addition to the valuation results indicated in the Tender Offeror's Valuation Report provided by PwC, the Tender Offeror comprehensively reviewed several factors, such as the results of the due diligence on the Target Company conducted by the Tender Offeror from the beginning of August 2019 to the middle of September 2019, the premiums added in determining the prices for purchase, etc. in prior tender offers for share certificates, etc. (through the procedures for making the affiliates to which the equity-method is applicable a wholly-owned subsidiary) conducted by parties other than the issuer, the likelihood that the Target Company's board of directors would support the Tender Offer, the trend of the market price of the Target Company's Common Stock and the prospect of shares being tendered in the Tender Offer; and took into consideration the results of the discussions and negotiations with the Target Company. As a result, the Tender Offeror ultimately set the Tender Offer Price at 3,100 yen per share through a resolution at the board of directors' meeting held on October 9, 2019.

The Tender Offer Price of 3,100 yen per share represents (a) a premium of 66.22% (rounded to the second decimal place; hereinafter the same shall apply to the premium percentages (%) in this paragraph) on 1,865 yen, which is the closing price of the Target Company's Common Stock on the JASDAQ Standard Market on October 8, 2019, the business day immediately preceding the announcement date of the Tender Offer; (b) a premium of 66.49% on 1,862 yen, which is the simple average closing price of the Target Company's Common Stock for the past one (1) month up to October 8, 2019; (c) a premium of 62.73% on 1,905 yen, which is the simple average closing price of the Target Company's Common Stock for the past three (3) months up to October 8, 2019;

and (d) a premium of 58.65% on 1,954 yen, which is the simple average closing price of the Target Company's Common Stock for the past 6 months up to October 8, 2019.

In October 2016, the Tender Offeror acquired 500,000 shares of the Target Company's Common Stock, which had been held by the Founder Shareholder, at the purchase price of 2,350 yen per share through the off-market trading. The price applicable to the acquisition was determined through the negotiations with the Founder Shareholder based on the share value of the Target Company's Common Stock (2,200 yen per share; the closing price of the Target Company's Common Stock on the JASDAQ Standard Market on October 11, 2016). There is a difference of an amount of 750 yen between the Tender Offer Price and the above-mentioned purchase price (2,350 yen), since the Tender Offer Price (3,100 yen) has been determined by adding certain premium on the value per share although the share value of the Target Company's Common Stock declines compared to that time..

(B) Background of Calculation

(Background to the determination of the Tender Offer Price)

The Tender Offeror and the Target Company have built a mutually close relationship as key business partners that jointly develop and operate the *Mobile Suit Gundam* series, one of the main IP that was developed as products and services by BANDAI NAMCO Group. Under these circumstances, the Tender Offeror decided that, in order to advance the main strategies of the BANDAI NAMCO Group outlined in the Mid-term Plan, namely "Accelerate evolution in IP axis strategy" and "Gain momentum with ALL BANDAI NAMCO," more reliably and promptly, it is necessary to proceed with initiatives targeting the acceleration and expansion of its business through further strengthening the collaboration with respect to the *Mobile Suit Gundam* series, which is the Target Company's main IP in its Rights Business and which has been jointly developed and operated with the Target Company. The Tender Offeror began full-fledged consideration of the Transactions in late February 2019, and, in early April 2019, the Tender Offeror proposed the same to the Founder Shareholder, the largest shareholder and an adviser of the Target Company, and both parties proceeded with discussions thereafter because both parties obtained the endorsement of the Founder Shareholder to discuss implementing the Transactions in late May 2019. In mid-July 2019, the Tender Offeror made a proposal to the Target Company for the Transactions including making the Target Company a wholly-owned subsidiary of the Tender Offeror, and, as a result, concluded that making the Target Company its wholly-owned subsidiary would enable both companies to (i) share their visions for the domestic and overseas markets and make

unified decisions quickly and (ii) realize not only the acceleration of business but also thread expansion of business in global markets, toward which they have only previously made efforts individually, and thereby raise the Target Company's corporate value and strengthen the entire BANDAI NAMCO Group's earnings base.

Subsequently, taking into consideration the results of the legal due diligence conducted during the period from the beginning of August 2019 to the middle of September 2019, the Tender Offeror repeatedly held discussions and negotiations regarding the Tender Offer Price with the Founder Shareholder and the Target Company from the middle of September 2019.

Based on such discussions and negotiations, the Tender Offeror has determined, by the resolution of the meeting of the board of directors held on October 9, 2019, to implement the Tender Offer as a part of the Transactions with the aim of making the Target Company the Tender Offeror's wholly-owned subsidiary through the procedures for privatization. The Tender Offer Price has been determined to be 3,100 yen based on the background described below.

For details of the background in which the Tender Offeror has determined to implement the Tender Offer, please refer to "a. Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer" of "(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy After the Tender Offer" of "1. Purpose of Purchase, Etc." above.

(a) Obtaining of the Share Valuation Report from an Independent Third-party Valuation Institution

In order to ensure the fairness of the Tender Offer Price, when determining the Tender Offer Price, the Tender Offeror requested PwC, a financial advisor of the Tender Offeror, a third-party valuation institution that is independent from the Tender Offeror and the Target Company, to evaluate the share value of the Target Company's Common Stock, and obtained the Tender Offeror's Valuation Report from PwC on October 8, 2019. The Tender Offeror has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from PwC.

(b) Outline of Advice from PwC

PwC evaluated the share value of Target Company's Common Stock by using the market share price analysis, the comparable company analysis and the DCF analysis. The ranges of the value per share of the Target Company's Common Stock showed by each analysis method are as follows:

Market share price analysis:	1,860 yen to 1,962 yen
Comparable company analysis:	2,675 yen to 3,033 yen
DCF analysis:	2,792 yen to 3,154 yen

(c) Background to Determination of the Tender Offer Price based on the Advice

In addition to the valuation results indicated in the Tender Offeror's Valuation Report provided by PwC, the Tender Offeror comprehensively reviewed several factors, such as the results of the due diligence on the Target Company conducted by the Tender Offeror from the beginning of August 2019 to the middle of September 2019, the premiums added in determining the prices for purchase, etc. in prior tender offers for share certificates, etc. (through the procedures for making the affiliates to which the equity-method is applicable a wholly-owned subsidiary) conducted by parties other than the issuer, the likelihood that the Target Company's board of directors would support the Tender Offer, the trend of the market price of the Target Company's Common Stock and the prospect of shares being tendered in the Tender Offer; and took into consideration the results of discussions and negotiations with the Target Company. As a result, the Tender Offeror ultimately set the Tender Offer Price at 3,100 yen per share through a resolution at the board of directors' meeting held on October 9, 2019.

(iii) Relationship with the Valuation Institution

PwC, a financial advisor of the Company (valuation institution) is not a related party of the Company or the Target Company and has no material interest in relation to the Tender Offer.

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

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
11,314,255 (shares)	7,210,000 (shares)	— (shares)

(Note 1) If the aggregate number of the Tendered Share Certificates, Etc. does not amount to the minimum number of shares to be purchased (7,210,000 shares), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. If the aggregate number of the

Tendered Share Certificates, Etc. is equal to or greater than the minimum number of shares to be purchased (7,210,000 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

(Note 2) Since a maximum number of shares to be purchased has not been set in the Tender Offer, the number of share certificates, etc. to be purchased, as indicated in the column “Number of shares to be purchased” above, is obtained by deducting the sum of (a) the number of treasury shares held by the Target Company as of August 31, 2019 (345,745 shares) and (b) the number of shares held by the Tender Offeror as of the date hereof (3,340,000 shares) from the total number of issued shares as of August 31, 2019 (15,000,000 shares) indicated in the Financial Results.

(Note 3) Shares constituting less than a unit will also be subject to the Tender Offer. The Target Company may purchase its treasury shares in accordance with procedures stipulated in the laws and regulations during the Tender Offer Period from any shareholder who exercises the right to require the Target Company to purchase shares constituting less than a unit under the Companies Act.

(Note 4) The Tender Offeror does not intend to acquire, through the Tender Offer, any treasury shares held by the Target Company.

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

Number of Voting Rights Represented by Share Certificates, Etc. Owned by Tender Offeror prior to Purchase, Etc.	33,400 units	(Ownership Percentage of Share Certificates, Etc. prior to Purchase, Etc.: 22.79%)
Number of Voting Rights Represented by Share Certificates, Etc. Owned by Special Related Parties prior to Purchase, Etc.	0 units	(Ownership Percentage of Share Certificates, Etc. prior to Purchase, Etc.: 0.00%)
Number of Voting Rights Represented by Share Certificates, Etc. Owned by Tender Offeror after Purchase,	146,542 units	(Ownership Percentage of Share Certificates, Etc. after Purchase, Etc.: 100.00 %)

Etc.		
Number of Voting Rights Represented by Share Certificates, Etc. Owned by Special Related Parties after Purchase, Etc.	0 units	(Ownership Percentage of Share Certificates, Etc. after Purchase, Etc.: 0.00 %)
Total Number of Voting Rights of All Shareholders, Etc. of the Target Company	146,535 units	

(Note 1) The “Number of Voting Rights Represented by Share Certificates, Etc. Owned by Tender Offeror after the Purchase, Etc.” is the number of voting rights of the total of (i) the number of the voting rights (113,142 units) with respect to the share certificates, etc. (11,314,255 shares) to be purchased through the Tender Offer and (ii) the “Number of Voting Rights Represented by Share Certificates, Etc. Owned by the Tender Offeror prior to Purchase, Etc.” (33,400 units).

(Note 2) The “Number of Voting Rights Represented by Share Certificates, Etc. Owned by Special Related Parties prior to the Purchase, Etc.” is the total number of the voting rights represented by the share certificates, etc. held by each of the special related parties (however, out of the special related parties, the parties who are excluded from the special related parties (the “Small Scale Owners”), pursuant to Article 3, Paragraph 2, Item 1 of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates by Persons Other Than Issuers (Ministry of Finance Order No. 38 of 1990, as amended; hereinafter referred to as the “TOB Order”), in calculating the ownership percentage of share certificates, etc. pursuant to each of the Items of Article 27-2, Paragraph 1 of the Act, are excluded). Since the share certificates, etc. held by the special related parties (however, treasury shares held by the Target Company are excluded) shall also be subject to the Tender Offer, the “Number of Voting Rights Represented by Share Certificates, Etc. Owned by Special Related Parties after Purchase, Etc.” is indicated as 0 units. Further, after confirming the share certificates, etc. held by any special related party, if any amendment thereto is required, the Company will promptly disclose such amendment.

(Note 3) The “Total Number of Voting Rights of All Shareholders, Etc. of the Target Company” represents the total number of voting rights of all shareholders of the Target Company as of February 28, 2019, as indicated in the Target Company’s

Third Quarter Securities Report for the 57th Fiscal Year filed as of July 12, 2019 (described on the basis that one (1) unit is 100 shares). However, as shares constituting less than a unit are also subject to the Tender Offer, in calculating the “Percentage of Voting Rights Represented by Share Certificates, Etc. prior to the Purchase, Etc.” and “Ownership Percentage of Share Certificates, Etc. after Purchase, Etc.,” the “Total Number of Voting Rights of All Shareholders, Etc. of Target Company” is the number of voting rights (146,542 units) corresponding to the number of shares (14,654,255 shares) obtained by deducting (a) the number of treasury shares held by the Target Company as of August 31, 2019 (345,745 shares) from (b) the total number of issued shares of the Target Company as of August 31, 2019 (15,000,000 shares) indicated in the Financial Results.

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

(7) Aggregate tender offer price: 35,074 million yen

(Note) The “aggregate tender offer price” is calculated by multiplying the number of shares intended to be purchased (11,314,255 shares) by the Tender Offer Price per share (3,100 yen).

(8) Method of Settlement

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

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

b. Settlement Commencement Date

December 2, 2019 (Monday)

c. Method of Settlement

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

Payment of the purchase price will be made in cash. The Tendering Shareholders, Etc. are entitled to receive the purchase price for the shares under the tender offer promptly

after the commencement date of settlement in a manner designated by the Tendering Shareholders, Etc., such as remittance (a remittance fee may be charged).

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

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

If the aggregate number of the Tendered Share Certificates, Etc. is less than the minimum number of shares to be purchased (7,210,000 shares), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. If the aggregate number of the Tendered Share Certificates, Etc. is equal to or greater than the minimum number of shares to be purchased (7,210,000 shares), the Tender Offeror will purchase all of the Tendered Share Certificates, Etc.

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

The Tender Offer may be withdrawn upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9 and Items 1.12 through 1.18, Items 3.1 through 3.8 and Item 3.10, and Item 4 of the same Paragraph as well as Article 14, Paragraph 2, Items 3 through 6 of the Enforcement Order. In the Tender Offer, the “matters equivalent to the matters listed in Items 1.1 through 1.9” in Article 14, Paragraph 1, Item 3.10 of the Enforcement Order means (i) the cases where it is found that there is a false statement regarding, or an omission of, a material matter to be stated, in the statutory disclosure documents that the Target Company previously submitted and (ii) where the matters listed in Items 1.1 through 1.7 of the same paragraph occur with respect to a material subsidiary of the Target Company.

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

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

Pursuant to Article 27-6, Paragraph 1, Item 1 of the Act, if the Target Company takes any action set forth in Article 13, Paragraph 1 of the Enforcement Order during the Tender

Offer Period, the Tender Offeror may reduce the Tender Offer Price pursuant to standards set forth in Article 19, Paragraph 1, of the TOB Order. Should the Tender Offeror intend to reduce the Tender Offer Price, it will give the public notice thereof through electronic disclosure as well as in the Nihon Keizai Shimbun. However, if it is difficult to give such notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Order and give public notice promptly thereafter. If the Tender Offer Price is reduced, the Tender Offeror will purchase the tendered share certificates, etc. which are tendered even on or prior to the public notice at the reduced Tender Offer Price.

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

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

To cancel a contract via the online service, Tendering Shareholders must complete the cancellation procedures in the manner prescribed on that website (<https://hometrade.nomura.co.jp/>) or must personally deliver or mail (by post) the Cancellation Documents. For the case of cancellation of the contract via the online services, all procedures must be completed in accordance with the manner prescribed on that website by 15:30 on the last day of the Tender Offer Period. Tendering Shareholders, Etc. may not cancel via the online service the contract executed at the office of the Tender Offer Agent they have an account with. To cancel a contract by personally delivering or mailing (by post), Tendering Shareholders, Etc. must request the form of the Cancellation Documents in advance from the office of the Tender Offer Agent with whom they have an account and thereafter send the filled out form to such office by 15:30 on the last day of the Tender Offer Period. If cancellation is made by postal mail, the cancellation will not be effective unless the Cancellation Documents are delivered by 15:30 on the last day of the Tender Offer Period.

No compensation for damages or penalty payment will be claimed against any Tendering Shareholder by the Tender Offeror even if the Tendering Shareholder cancels a contract. The cost of returning the tendered share certificates, etc. will be borne by the Tender Offeror.

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

The Tender Offeror may change the conditions, etc. of the Tender Offer during the Tender Offer Period, except where it is prohibited pursuant to Article 27-6, Paragraph 1 of the Act and Article 13, Paragraph 2 of the Enforcement Order.

Should any terms or conditions of the Tender Offer be changed, the Tender Offeror will give public notice thereof through electronic disclosure as well as in the Nihon Keizai Shimbun. However, if it is difficult to give notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Order and give public notice promptly thereafter. Should any terms or conditions of the Tender Offer be changed, the purchase of the tendered share certificates, etc. tendered on or prior to the date of such public notice will also be made in accordance with the terms and conditions as changed.

f. Method of Disclosure if Amended Statement is Submitted

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

g. Method of Disclosure of Results of the Tender Offer

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

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

October 10, 2019 (Thursday)

(11) Tender Offer Agent

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

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

For the policy, etc. after the Tender Offer, please refer to “(2) Background, Purpose and Decision-Making Process Leading to the Decision to Implement the Tender Offer, and Management Policy After the Tender Offer,” “(5) Policy for Organizational Restructuring, Etc. after the Tender Offer (Matters Relating to So-called ‘Two-step Acquisition’)” and “(6) Possibility of Delisting and Reasons Therefor” of “1. Purpose, Etc. of Purchase, Etc.” above.

4. Others

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

According to the Target Company’s Press Release, the Target Company has resolved at its board of directors meeting held on October 9, 2019 to express an opinion in favor of the Tender Offer, and to recommend that the shareholders of the Target Company accept the Tender Offer. For details of the decision making by the Target Company, please refer to the Target Company’s Press Release and “e. Unanimous Approval by All Non-interested Directors and No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company” under “(4) Measures to Ensure the Fairness of the Tender Offer Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” of “1. Purpose, Etc. of Purchase, Etc.” above.

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

- a. Announcement of “Summary of Consolidated Financial Results for the Year Ended August 31, 2019 (Based on Japanese GAAP)”

The Target Company announced the “Summary of Consolidated Financial Results for the Year Ended August 31, 2019 (Based on Japanese GAAP)” on October 9, 2019. The outline of the Financial Results of the Target Company is as stated below. According to the Target Company, the figures in the Financial Results do not require audit processing under Article 193-2, Paragraph 1 of the Act. The outline below is an excerpt from the information disclosed by the Target Company. For details, please refer to the Financial Results.

(i) Profit & Loss (consolidated)

(Millions of yen)

Fiscal Period	Fiscal Year Ended August 31, 2019
Net sales	14,419
Cost of sales	10,790
Selling, general and administrative expenses	999
Non-operating income	61
Non-operating expenses	9
Profit attributable to owners of parent	1,826

(ii) Per Share Information (consolidated)

(Yen)

Fiscal Period	Fiscal Year Ended August 31, 2019
Earnings per share	124.64
Dividends per share	45

(End of Document)

[Soliciting Regulations]

This press release is intended to announce the Tender Offer to the general public and is not intended to solicit an offer to sell any securities including share certificates, etc.. If a shareholder wishes to tender his or her shares, each shareholder is requested to exercise his/her own judgment after carefully reading the explanatory statement concerning the Tender Offer. This press release is not, and does not constitute any part of, an offer or solicitation of sales, or a solicitation of purchase offer, of securities. This press release (or any part of it) or the fact of its distribution does not provide a basis for any agreement pertaining to the Tender Offer, and it may not be relied upon when executing any such agreement.

[Forward-Looking Statements]

This information, including the information concerning the future business of the Company, other companies, etc., may include forward-looking expressions such as “look for,” “expect,” “aim at,” “schedule,” “convinced of,” “predict,” “intend,” “plan,” “believe,” and “anticipate”. Such statements are based on the Tender Offeror’s current projections regarding future businesses and are subject to change depending on the future conditions. In respect of the information, the Company assumes no obligation to update forward-looking expressions to their current state in order to reflect actual performance and other situations, or any future events and changes in conditions.

[Regulations of the United States]

The Tender Offer is to be conducted in accordance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Act in Japan. However, such procedures and information disclosure standards are not necessarily the same as the procedures and information disclosure standards in the U.S. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934, as amended, and the rules prescribed thereunder do not apply to the Tender Offer, and the Tender Offer does not conform to those procedures and standards. The financial statements contained in this press release and reference materials thereof have been prepared in accordance with Japanese accounting standards and not in accordance with U.S. accounting standards; accordingly, such financial statements may not necessarily be equivalent to those prepared in accordance with U.S. accounting standards. Moreover, as the Tender Offeror is a company incorporated outside of the U.S. and all or some of its directors are non-U.S. residents, it may be difficult to enforce any rights or claims arising under the U.S. federal securities laws. In addition, it may not be possible to commence legal actions against a non-U.S. company or its directors in a non-U.S. court on the ground of a violation of the U.S. securities laws. Furthermore, a company incorporated outside the U.S. and its subsidiaries and affiliates may not necessarily be compelled to submit to the jurisdiction of U.S. courts.

Unless otherwise provided, all procedures for the Tender Offer shall be conducted entirely in the Japanese language. Some or all portion of the documents relating to the Tender Offer are or will be prepared in the English language. However, should there be any inconsistency between the document in English and that in Japanese, the Japanese document shall prevail.

This press release and reference materials thereof contain “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. Due to any known or unknown risks, uncertainties, or any other factors, it is possible that actual results may substantially differ from the projections, etc. as expressly or implicitly indicated in any “forward-looking

statements.” Neither the Tender Offeror nor any of its affiliates gives any assurance that such projections, etc. expressly or implicitly indicated in any “forward-looking statements” will result in being correct. The “forward-looking statements” in this press release and reference materials thereof have been prepared based on the information held by the Tender Offeror as of the date of this press release, and unless otherwise required by applicable laws and regulations or rules of financial instruments exchange, neither the Tender Offeror nor any of its affiliates is obliged to update or modify such statements in order to reflect any events or circumstances in the future.

The Tender Offeror, the financial advisor to the Target Company and the Tender Offer Agent, and their respective affiliates, may, within their ordinary course of business and to the extent permitted under the related Japanese financial instruments and exchange laws and regulations, purchase or take actions to purchase 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 for purchase, etc. in the Tender Offer in accordance with the requirements of Rule 14e-5(b) under the U.S. Securities Exchange Act of 1934. If any information concerning such purchase, etc. is disclosed in Japan, disclosure of such information will be made also in the U.S. through similar means of disclosure.

[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, please note and comply with such restrictions. Regardless of whether this press release is received in any such countries or regions where the implementation of the Tender Offer is unlawful, this press release does not constitute any solicitation of an offer to sell or offer to purchase securities including share certificates concerning the Tender Offer, and is being distributed merely for informational materials.