Notice Regarding Commencement of Tender Offer for Shares of Minori Solutions Co., Ltd.,
by SCSK Corporation (a Sumitomo Corporation Subsidiary)

Sumitomo Corporation hereby announces that SCSK Corporation, a consolidated subsidiary of Sumitomo Corporation, has resolved to acquire common shares of Minori Solutions Co., Ltd., through a tender offer in order to make Minori Solutions Co., Ltd., a wholly-owned subsidiary of SCSK Corporation.

Profile of SCSK Corporation

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<thead>
<tr>
<th>Address</th>
<th>Toyosu 3-2-20, Koto-ku, Tokyo</th>
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<tbody>
<tr>
<td>Name and Title of</td>
<td>Toru Tanihara, Representative Director, President and Chief Executive Officer, Chief Operating Officer</td>
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<tr>
<td>Representative</td>
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<tr>
<td>Description of Business</td>
<td>Development of IT infrastructure and applications, provision of BPO and other services, etc.</td>
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<tr>
<td>Capital Stock</td>
<td>JPY 21,152 million</td>
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(Attachment) Disclosure document from SCSK Corporation
- Notice on Commencement of Tender Offer to purchase shares of Minori Solutions Co., Ltd. (Securities Code: 3822)
Notice Concerning Commencement of the Tender Offer for the Shares of Minori Solutions Co., Ltd. (Securities Code 3822)

SCSK Corporation (the “Tender Offeror” or the “Company”) hereby announces that, at the meeting of its board of directors held today, the Company resolved to acquire the common stock (the “Target Company Common Stock”) of Minori Solutions Co., Ltd. (the “Target Company”) (Securities Code: 3822, the First Section of the Tokyo Stock Exchange Inc. (the “Tokyo Stock Exchange”)) through the tender offer (the “Tender Offer”) under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) (the “Act”).

1. Purpose, etc. of Purchase, etc.

(1) Overview of the Tender Offer

The Company resolved at a meeting of its board of directors held on October 30, 2019 to implement the Tender Offer as part of the transaction (the “Transaction”) to acquire all of the Target Company Common Stock (excluding the Target Company Common Stock held by the Company and the treasury shares held by the Target Company; hereinafter the same shall apply) with the aim of making the Target Company a wholly owned subsidiary of the Company. As of today, the Company holds 900,000 shares (ownership ratio (Note): 10.45%) of the Target Company Common Stock listed on the First Section of the Tokyo Stock Exchange.

(Note) “Ownership ratio” means the ratio to 8,609,160 shares, which is the total number of issued shares of the Target Company as of September 30, 2019 (8,790,000 shares) set forth in the “Non-consolidated Financial Results for the 2nd Quarter of Fiscal Year Ending March 31, 2020 (Prepared in Conformity with J-GAAP)” (the “Quarterly Financial Results”), as announced by the Target Company on October 30, 2019, less the number of the treasury shares held by the Target Company as of the same date (180,840 shares) (being rounded to the second decimal place; hereinafter the same shall apply with respect to the ownership ratio unless otherwise provided).
In implementing the Tender Offer, the Company executed, on October 30, 2019, agreements with each of the following shareholders: (i) the second largest, major shareholder of the Target Company, Mr. Shingo Nagasawa (number of shares held: 907,600 shares, ownership ratio: 10.54%) (“Mr. Nagasawa”); (ii) the fifth largest shareholder of the Target Company and an advisor to the Target Company, Mr. Masamori Takizawa (number of shares held: 680,300 shares, ownership ratio: 7.90%) (“Mr. Takizawa”); and (iii) the sixth largest shareholder of the Target Company, Flight Co., Ltd. (number of shares held: 348,000 shares, ownership ratio: 4.04%) (“Flight”) (Mr. Nagasawa, Mr. Takizawa and Flight are hereinafter collectively referred to as the “Scheduled Tendering Shareholders”) to the effect of tendering all of Target Company Common Stock held by the respective Scheduled Tendering Shareholders in the Tender Offer (total: 1,935,900 shares, total ownership ratio: 22.49%; hereafter referred to as the “Shares to be Tendered”) (the agreement related to the tendering in the Tender Offer executed with Mr. Nagasawa, the agreement related to the tendering in the Tender Offer executed with Mr. Takizawa, and the agreement related to the tendering in the Tender Offer executed with Flight are hereinafter collectively referred to as the “Tender Offer Agreements”). In addition, as of today, the Company is engaged in good-faith discussion with the largest shareholder of the Target Company, Mitsubishi Research Institute DCS Co., Ltd. (number of shares held: 1,378,000 shares, ownership ratio: 16.01%) (“Mitsubishi Research Institute DCS”) for executing an agreement related to tendering in the Tender Offer, and plans to proceed with the necessary procedures going forward.

For details of the Tender Offer Agreements, please refer to the section titled “(6) Matters Concerning Material Agreements between Tender Offeror and Shareholders of Target Company Related to the Tendering of Shares through Tender Offer” below.

In the Tender Offer, the Company has set the minimum number of shares to be purchased to 4,839,600 shares (ownership ratio: 56.21%) and, if the total number of Share Certificates, etc. that are tendered according to the Tender Offer (the “Tendered Share Certificates, etc.”) falls short of 4,839,600 shares, the Company plans to cancel the purchase of all of the Tendered Share Certificates, etc. The minimum number of shares to be purchased (4,839,600 shares) has been calculated by deducting the number of shares held by the Tender Offeror as of the today (900,000 shares) from the number of shares (5,739,600 shares) calculated by multiplying the voting rights (57,396 votes), which is 66.67% (being rounded to the second decimal place), that is, two thirds of the total voting rights of the Target Company (86,091 votes), based on the number of shares of the Target Company (8,609,160 shares), calculated by deducting the number of treasury shares held by the Target Company as of September 30, 2019 (180,840 shares) from the total number of issued shares of the Target Company as of the same date (8,790,000 shares) as stated in the Quarterly Financial Results by 100. As the maximum number of shares to be purchased has not been set in the Tender Offer, if the total number of Tendered Share Certificates, etc. is equal to or greater than the minimum number of shares to be purchased (4,839,600 shares), the Company plans to purchase all of the Tendered Share Certificates, etc.

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

According to the “Notice of Opinion Regarding the Tender Offer for Shares of Minori Solutions Co.,Ltd. by SCSK Corporation” (the “Target Company Press Release”) announced by the Target Company on October 30, 2019, the Target Company resolved to express its opinion in favor of the Tender Offer and to recommend that shareholders of the Target Company tender their shares in the Tender Offer at the meeting of its board of directors held on October 30, 2019.

For details of the foregoing resolutions of the board of directors’ meeting of the Target Company, please see the Target Company Press Release and the section titled “(v) Unanimous Approval of All Non-interested Directors of the Target Company” under “(3) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, etc. and to Avoid Conflicts of Interest” below.

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

(i) Background to, purpose of and decision-making process of the Tender Offer

The Company is a “global IT services company” created in October 2011 through the merger of Sumisho Computer Systems Corporation (an information services provider established in 1969 as a subsidiary of Sumitomo Corp. originally named Sumisho Computer Service Corp., which was listed on the Second Section of the Tokyo Stock Exchange in 1989, moved to the First Section of the Tokyo Stock Exchange in 1991 and was renamed to Sumisho Computer Systems Corp. in 1992) as the surviving company and CSK Corp. (an independent information services provider which was established in 1968, listed on the Second Section of the Tokyo Stock Exchange in 1982 and shifted to the First Section of the Tokyo Stock Exchange in 1985) as the absorbed company. The Company changed its trade name from Sumisho Computer Systems Corp. to the current trade name upon the merger. As of today, the Company is listed on the First Section of the Tokyo Stock Exchange.

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

As of today, the Company’s group (the “Company Group”) comprises of the Company, 24 consolidated subsidiaries and two equity-method affiliates. Through close coordination of the business segments (Manufacturing & Telecommunication Systems, Distribution & Media Systems, Financial Systems, Global System Solutions & Innovation, Business Solutions,
Mobility Systems, IT Platform Solutions, IT Management and Other), the Company Group provides IT infrastructure development, mobile application development, systems sales, BPO (Business Process Outsourcing) (Note 1), and other services.

(Note) The “BPO (Business Process Outsourcing)”: Services as the external contractor entrusted with a variety of business operations.

Meanwhile, the Target Company was established in 1980 as Japan System Create Corporation, underwent an absorption-type merger with Yan Corporation in 2003 and changed its trade name to JSC Co. Ltd. (“JSC”) in 2005. The Target Company underwent another absorption-type merger in 2010 with eWave Inc. (“eWave”) (a kabushiki kaisha that was established in 1988 as Flight Co., Ltd., underwent an absorption-type merger in 2000 with TIS Software Engineering Co., Ltd., changed its trade name to eWave Inc., and in 2004 listed its shares on the Osaka Exchange, Inc. Nippon New Market “Hercules” Market), and simultaneously changed its trade name to Minori Solutions Co., Ltd. The Target Company listed the Target Company Common Stock on the Jasdaq Securities Exchange, Inc. (currently Tokyo Stock Exchange JASDAQ (Standard) Market) in 2006. The Target Company Common Stock moved to the Second Section of the Tokyo Stock Exchange in June 2015, was subsequently approved for a section transfer to the First Section of the Tokyo Stock Exchange in December 2015, and is listed on the First Section of the Tokyo Stock Exchange as of today.

Under its corporate philosophy of “Through the use of our information technology, we will contribute to the creation of an affluent and productive society by always having high ambitions and constantly growing and taking on new challenges”, the Target Company is engaged in the core businesses of “Software Development”, “System Operations Management” and “Product Sales”. The Target Company focuses on realizing high-quality customer services and aims to support all aspects of its customers’ IT lifecycle, including system planning/design, development/installation, operation/maintenance and analysis/improvement, by promoting higher value-added services, reinforcement of sales structures, internal structure reforms to strengthen human resources and organizational reforms to reinforce order acceptance process.

Furthermore, the Target Company has adopted the slogan of “+ one” (plus one) in meeting the customers’ needs with (i) business system engineers well versed in business systems across wide-ranging industry sectors and business categories such as banks, credit cards, securities, life insurance, accounting and logistics, and (ii) IT infrastructure engineers highly skilled in the development, maintenance and operation of IT infrastructures that support the operation of the respective systems, leveraging their respective strengths in framework technology, Web design technology and numerical analysis, and product solutions (Note 4) such as ERP (Note 2) and RPA (Note 3).

(Note 2) ERP (Enterprise Resource Planning): Plan or concept of properly distributing and leveraging a company’s managerial resources (people, goods, money, information) or infrastructure information system for organizing such resources.

(Note 3) RPA (Robotic Process Automation): Streamlining and automation of processes
through automated operations based on software type robot.

(Note 4) **Product solutions:** Resolving problems of companies by using products (software products, etc.).

The Company acquired an interest in eWave in 2006 when it issued new shares and subsequently acquired 250,000 shares of the Target Company Common Stock pursuant to the absorption-type merger of JSC and eWave in 2010 (ownership ratio relative to the total number of the issued shares of the Target Company at the time (4,395,000 shares) was 5.69%). The Company acquired additional 250,000 shares of the Target Company Common Stock as a result of the Target Company splitting the Target Company Common Stock at a ratio of 1:2 on August 1, 2015 (ownership ratio of 500,000 shares of the Target Company Common Stock held by the Company after the split relative to the total number of issued shares of the Target Company at the time (8,790,000 shares) was 5.69%), and additionally acquired 400,000 shares of the Target Company Common Stock on May 15, 2018, resulting in the Company’s current ownership ratio of the Target Company Common Stock as of the submission date of today. In April 2010, Mr. Tetsuo Oyoshi transferred to the Target Company as an executive operating officer because of the transfer from Sumisho Computer Systems Corp., which is the Company’s predecessor, and Mr. Oyoshi is the director of the Target Company at this point.

At present, the demand for the IT services in Japan, where the Company Group conducts its business, is expected to maintain mild growth. Meanwhile, given the diversification of companies' IT needs, the paradigm shift from “ownership” of systems to “use” of systems and the chronic shortage of engineers in Japan, there is a growing need for a structural change of IT services companies to deal with these changes in the market. Welcoming these changes in the market as opportunities for growth, the Company has implemented the following three basic strategies based on its medium-term business plan from April 2015: shift to a service provision business; promotion of strategic businesses that factor in the changing times; and second stage of global expansion.

(i) **Shift to a service provision business**

The Company is shifting from a labor-intensive conventional business model as represented by entrusted development, to a service provision business which is not dependent on the supply capability of engineers. This will enable the Company to deal with the shortage of engineers in Japan and meet the diverse IT needs of customers, ensure growth potential, and realize the high-performing, profitable company set out in the medium-term business plan. Moreover, the Company is enhancing its competitiveness in the market by creating proprietary, high added-value services and expanding business through long-term, stable relationships with customers by providing joint-use or pay-per-use IT service (Note 5) which leverages intellectual properties that the Company cultivated heretofore and know-how of business operations that is unique to this industry.

(Note 5) **Pay-per-use IT service:** Service which provides IT service/infrastructure as a service, which charges customers according to the amount they use.
(ii) Promotion of strategic businesses that factor in the changing times

The Company is allocating its management resources preferentially to the fields of our strengths and expected growth industries with the development of economy and technology by using its customer base and the business foundation which the Company Group has, while assessing its growth potential, and aiming to expand them as our future core business.

As one such example, the Company has abundant development experience in the development of on-board systems of Japanese automobile manufacturers, and commenced model base development (MBD), which improves the efficiency and quality of development, before others by leveraging such development experience, and this business is expanding year by year. In addition, the Company independently developed domestic on-board BSW (Note 7) “QINeS BSW” equipped with a real-time OS compliant with “AUTOSAR” (Note 6), a standardized on-board software specification, and started the sale of products and the provision of development support service from October 2015. As a company capable of providing a full lineup of BSW as the on-board system infrastructure and MBD support services for supporting on-board system development, the Company will expand its manpower structure and promote R&D and business investment, and thereby contribute to the enhancement of competitiveness of the Japanese automobile industry.


(Note 7) BSW (Basic Software): Operating system, drivers and middleware for computers for automotive control.

(iii) Second stage of global expansion

The Company deal with IT service demands in connection with client companies’ overseas forays, that is, demands for IT services generated during the process of Japanese companies expanding their business activities from within Japan to other countries (the Company defines the demands as the “greater Japanese market”), and the Company supports with high quality Japanese-style as the global strategy and works on expanding these global business. In the first stage set forth in the previous medium-term management plan (October 2011 to March 2015), the Company worked on expanding our business with a focus on customer support from within Japan. In the second stage set forth in the current medium-term management plan, in addition to strengthening and expanding overseas bases, the Company are working to develop overseas systems and expand initiatives in strategic businesses.

As an example of this global strategy, the Company executed a memorandum on comprehensive cooperation and partnership with FPT Corporation (head office: Hanoi, Vietnam), Vietnam’s largest IT company, in October 2018 to provide IT services in the Asia-Pacific region, and is expanding the supply capacity of engineers and service domains in the Asia-Pacific region and supporting the overseas expansion of Japanese corporations through this partnership.

In light of the current innovation of digital technologies such as AI and IoT (Note 8),
aggressive IT investment demands, in addition to conventional IT investment aiming to streamline business, for strengthening business competitiveness and reforming business models (digital transformation: DX (Note 9)) are of an expanding trend with client companies. Furthermore, triggered by digital technologies, actions for creating new businesses and services are gaining momentum through co-creation between companies across industry lines without being limited to conventional frameworks.

In order to deal with this kind of market transition, the Company will seek to expand its conventional core businesses centered around the entrusted development, maintenance and operation of IT systems through further sophistication and improved productivity on the one hand, and aim to provide new values to customers through the co-creation with client companies in the DX sector and the deployment of new services and solutions on the other.

With regard to the management resources required therefor, the Company will shift the management resources created through the improved productivity of its core businesses to the DX sector on the one hand, and utilize the know-how/knowledge obtained in the DX sector for the further sophistication of its core businesses on the other. Thus, the Company will accelerate its business deployment through the synergies of these two measures.

In addition, the Company believes that the quality of its personnel is important to realize the foregoing business deployment, and the Company will engage in active human resource investment and cultivation, and strengthen its human resources through such investment and cultivation. In addition to conventional project-based human resources, the Company will implement human resource cultivation measures in response to the increased demands of so-called value-creation human resources that support the innovation of client companies and create new values with customers, and increase the added values provided to customers, which will consequently lead to the growth of the Company, by focusing on creating an environment where each and every employee can easily display his/her capabilities and personalities.

(Note 8) IoT (Internet of Things): the Internet of Things.

(Note 9) DX (Digital Transformation): Creation and flexible modification of new business models by utilizing new digital technologies for future growth and stronger competitiveness.

Meanwhile, according to the Target Company Press Release, (i) the form of IT systems in corporate clients is changing from “ownership” to “usage” and the concept of IT system companies changing significantly from development contractors to service providers, which will result in the further increase in market shares of major IT system companies; and (ii) the technical innovations of cloud computing, DX, IoT, and AI are advancing with increasing speed and the service contents demanded by clients are becoming rapidly sophisticated and specialized. In order for the Target Company to continue providing sophisticated IT solutions that meet the changes in its corporate clients, the Target Company believes that it is important for the Target Company to (a) actively advance and expand to a growth area where added values which utilizes new technologies created from technical innovations are high; (b) secure and train technically proficient and specialized personnel with profound knowledge in individual
industrial sectors; and (c) further expand the customer base. In order to realize the above, it is necessary for the Target Company to focus even more on human resources development and investment in research and development.

Consequently, from around March 2019, in addition to pursuing growth based on its independent human resources development and investment in research and development, the Target Company started exploring and considering broader business options, including partnering with other companies.

Under the foregoing circumstances, from around late March 2019, the Target Company, regarding the possibility of partnerships, approached a number of companies, including the Company, that have business scale and knowledge/know-how capable of dealing with the acceleration of innovations in IT technologies and the foregoing changes in business environments, including the changes in the needs of its corporate clients; and have compatibility with the Target Company in terms of future business operation policies.

Meanwhile, in order to achieve sustained growth factoring in mid-to-long term developments and changes in social, market and technological environments, the Company has been considering the reinforcement of its business foundation through coordination and partnership with others to be an extremely important factor, not to mention the pursuit of autonomous growth by maximizing internal resources, and has been seeking such opportunities.

In around late March 2019, in response to the Target Company’s approach to the Company regarding discussion for partnership, the Company also started considering the various possibilities regarding reinforcing the relationship between the Company and Target Company. The Company and the Target Company have an ongoing business relationship of 10 years ever since the Company’s initial investment, and now the Target Company is an indispensable presence in the Company’s business promotion as one of the key partners in the Company’s system development business. Moreover, in light of the confidence between the management including presidents of both companies, strong affinity of the Company’s management strategy and the Target Company’s management strategy, and minimal overlap in the businesses of both companies which have been confirmed through their business relationship over the years, it could be said that the foundation for strengthening the relationship of both companies already exists. By leveraging this foundation and realizing integrated management of both companies, the Company strongly believes that the pursuit of business synergies will be possible in the short term, and the provision of values in the DX sector will be possible in the mid-to-long term. Such business synergies and related strategies are as follows:

(i) Improvement of productivity and profitability of existing businesses at the Target Company

The Company actively promotes efforts in building the Company’s own software engineering environment that can be used across the entire company, and realizing “development without production (tsukuranai kaihatsu) (using parts and templates regarding software, automatic generation technology and standard development environment)” and “infrastructure without building (kouchiku shinai infura) (automatic building of infrastructure
environment from templates prepared using standard specifications)” by using the foregoing environment. Furthermore, in addition to the Company’s standard development environment, the Company is seeking to improve the quality level by introducing and promoting the Company’s development standards.

Due to shortening the development process and stabilizing quality by realizing the development using intellectual properties and templates held by the Company Group through introducing the Company’s development standard environment and technology platform in the system development, maintenance and operation as the Target Company’s existing businesses, the Company is assuming that it will be possible to improve the productivity, profitability and quality in the respective businesses.

(ii) Expansion and reinforcement of the Target Company’s existing businesses

The Company believes that the sophistication of the Target Company’s IT services and strengthening of its competitiveness in the market can be sought by combining the Company’s technical strength and the Company’s various solutions, upon leveraging the strength of the solutions provided by the Target Company, in the fields of CAE (Note 10), SAP (Note 11), RPA, RegTech (Note 12), and in the business related to electricity and transport, which the Target Company’s important customers and the Target Company is focusing on.

For example, in the CAE solution as one of the domains that the Target Company is focusing on, the Company believes that it will be possible to provide a total solution to customers by combining it with relevant businesses including the Company’s manufacturing engineering business.

(Note 10) CAE (Computer Aided Engineering): Efficient performance of design/structure analysis of industrial products and desk tests by introducing a computer system.

(Note 11) SAP: Enterprise resource planning package configured from business systems related to accounting, sales/purchase inventory management, trade control, asset management, human affairs/salary/attendance/human resource management, and personal identification number management provided by SAP SE.

(Note 12) RegTech: A term which combines “Regulation” and “Technology”, and refers to efforts for reducing costs and improving productivity associated with various restrictions by utilizing advanced technology.

(iii) Implementation of strategy for expanding the Target Company’s business by leveraging the Company’s customer base

The Company has provided, over many years, IT services to broad-ranging industries including manufacturing, logistics, finance and telecommunications. It is the Company’s advantage in having a solid and comprehensive customer base that covers key companies in these industries.

After the Transaction, the Company believes that it will be possible to realize the
deployment of the Target Company’s expansion strategy of each of its core businesses, as well as the further business growth of the Target Company by providing the Target Company’s services to the roughly 8,000 customers of the Company.

(iv) Strengthening and expansion of capability to provide services through deployment of the Company’s IT service to the Target Company’s customers

In addition to the technical capabilities and IT service know-how cultivated by the Company in various sectors, the capability to provide services to the Target Company’s customers can be strengthened and expanded by offering consulting, data center business, BPO business, IoT infrastructure, and the various solutions of the Company, and the Company believes that this will lead to the further reinforcement of business profitability.

(v) Strengthening and expansion of the Target Company’s global business deployment

The Company is aiming to contribute to the business improvement and technical innovation of Japanese companies by actively supporting customers aspiring for global deployment based on IT services backed by security and reliance with high quality Japanese-style support, which understands customer needs, and promptly incorporating global state-of-the-art technology and providing the same to Japanese companies. The Company believes that the Target Company can also achieve overseas business deployment and receive orders from around the world by leveraging the Company’s capability of providing global services, such as the Company’s overseas resources, technical capabilities and customer base.

In light of the business synergies described above, the Company determined that, by implementing business deployment and management strategy on a greater scale to deal with the structural transformation of the times upon moving the relationship of both parties to the next level, it would be possible to consequently improve the corporate values of both companies.

And in mid April, 2019, based on the two reasons described below, the Company reached a conclusion that, in order to maximize the corporate values of both companies, it would be optimal for the Company to acquire 100% of the shares of the Target Company, and subsequently unify the business operation of the Company and the Target Company as the Company Group, rather than the Target Company joining the Company Group with maintaining the list.

1) Sophistication of utilization of business foundation and management resources

Through their business relationship focusing on the system development over the years, a certain level of business relationship already exists between the Company and the Target Company, the affinity of their businesses is high, there is minimal overlap in their business
relationship, customer base, and business domain, and there are quite a few fields of a complementary relationship. However, there will be certain restrictions in the mutual utilization of their customer base, operating base, financial base and other management resources even though the Target Company will become a listed subsidiary of the Company. Meanwhile, the Company believes that the expansion/deepening of the customer base of both companies and the mutual utilization of operating base, financial base and other management resources of both companies without restriction can be realized at a higher level by making the Target Company the Company’s wholly owned subsidiary through the Transaction, and this will lead to the further business growth and improved corporate values of the Target Company and the Company Group through the promotion thereof.

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

In order to deal with changes in the business environment which is recognized as a business challenge, the Company believes that it is necessary to mutually utilize the management resources of both companies and engage in business management from a mid-to-long term perspective. However, in the cooperation between listed companies, there may be a conflict particularly with the interests of the Target Company’s minority shareholders that seek profits from a short-term perspective, and there may be restrictions on strategic business transformation, such as in the mutual sharing of strategies and resources. By the Target Company participating in the Company Group through the Transaction, the Company believes that it should be able to focus on executing its mid-to-long term management policy which utilizes the customer base, operating base, financial base and other management resources of both companies to the fullest extent, which are never realized under the current capital relationship. Furthermore, even in the management strategy of the Target Company and the Company Group, the issue of potential conflicts of interest between the Company and the Target Company’s minority shareholders will not arise, and faster and more flexible decision-making should become possible as a result of the Target Company becoming a wholly owned subsidiary of the Company, rather than the Target Company participating in the Company while maintaining its status as a listed company.

Based on the considerations above, in mid April 2019, the Company made a proposal to the Target Company to commence discussions and negotiations regarding the Target Company becoming a wholly owned subsidiary of the Company, and, in late April, 2019, appointed Daiwa Securities Co. Ltd. (“Daiwa Securities”) as a financial advisor and third-party valuation institution independent from both the Company and the Target Company, and Nishimura & Asahi as its external legal advisor.

Meanwhile, after receipt of the proposals from the Company in the mid April 2019, as a result of further examining the possibility of collaboration, the Target Company decided to engage in negotiations by narrowing down the partner candidate to the Company which has business scale and knowledge/know-how capable of dealing with the acceleration of innovations in IT technologies and the changes in business environments, including the
changes in the needs of its corporate clients, has compatibility with the Target Company in terms of future business operation policies, and has few obstacles to collaboration such as duplication in business operation, in late April 2019, and to commence serious discussions with the Company. Subsequently, the Target Company appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (“Mitsubishi UFJ Morgan Stanley Securities”) as a financial advisor and a third-party valuation institution independent from the Company and the Target Company, and TMI Associates as an outside legal advisor. On June 21, 2019, the Target Company also established the Special Committee (as defined in the section titled “(iv) Establishment by the Target Company of an Independent Special Committee and Obtainment of Written Report from the Special Committee” under “(3) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, etc. and to Avoid Conflicts of Interest”, below; hereinafter the same; and for the constitution and specific activities of the Special Committee, please see the section titled “(iv) Establishment by the Target Company of an Independent Special Committee and Obtainment of Written Report from the Special Committee” under “(3) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, etc. and to Avoid Conflicts of Interest” below) consisted of independent third party member in order to avoid conflicts of interest, and thereby built its structure for engaging in discussions and negotiations regarding the Transaction.

Based on the above, the Company made a proposal to the Target Company on August 30, 2019, which included the purchase price per share of the Target Company Common Stock in the Tender Offer (“Tender Offer Price”) at 2,400 yen. Subsequently, in light of the results of negotiations and discussions with the Target Company, the Company resolved at a meeting of its board of directors held on October 30, 2019 to commence the Tender Offer.

Based on the details of the Target Company Common Share Valuation Report received from its third-party valuation institution, Mitsubishi UFJ Morgan Stanley Securities (defined in “(ii) Procurement by the Target Company of a share valuation report from an independent third-party valuation institution” under “(3) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, etc. and to Avoid Conflicts of Interest” below; hereinafter the same) and legal advice from its legal advisor, TMI Associates, the Target Company has engaged in careful discussions and deliberate examinations multiple times with the Company from the perspective of improving the Target Company’s corporate value with regard to conditions for the Transaction, including the Tender Offer Price, giving maximum respect to the details of the Report submitted from the Special Committee (defined in “(iv) Establishment by the Target Company of an Independent Special Committee and obtainment of written report from the Special Committee” under “(3) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, etc. and to Avoid Conflicts of Interest”).

As a result of the foregoing consultation and consideration, the Target Company came to the conclusion that performing the Transaction is expected to generate the following effects, and such effects will allow the Target Company to adapt to the foregoing transformations in the business environment and will contribute to the further improvement of the Target Company’s corporate value.
(i) Expansion of Growing Field Businesses

The Target Company aims to transfer from the labor-intensive business to the high-value added business and plans to actively throw its human resources and capital into growing field businesses which arise from the customers’ strategic IT investment demands, such as AI, RPA and cloud, and to expand the growing field businesses such as DX business. On the other hand, high capital strength and further technical capabilities are required to perform the active and continued investment in the growing fields as specified above in parallel with the existing entrusted development business, and there is a limit to the Target Company independently continuing such investment in the mid-to-long term. The Target Company believes that, through the Transaction, it will be able to expand the growing high-value added fields using new technologies, such as in the DX business, by utilizing the managerial resources, including development resources, retained by the Company.

(ii) Stable Procurement of Human Resources and Strengthening Human Resource Development

The Target Company believes that, through the Transaction, it will be able to secure more excellent human resources with highly specialized knowledge by utilizing the Company’s reputation and human resources searching capacity. The Target Company further believes that, by unifying the business management of both companies, the Target Company’s engineers will be able to contact with technics and personnel belonging to the Company Group who have accumulated achievements and experience in various kinds and types of businesses, which would lead to the technical growth of employees and the expansion of opportunities for employees to actively involved in their work.

(iii) Deepening Existing Businesses and Expanding Customer Base

The Target Company believes that, through the Transaction, it will be able to provide a wider variety of client companies with solutions, including CAE, RPA, SAP and RegTech which the Target Company is focusing on, by utilizing the Company’s solid customer base and global business foundation. Further, the Target Company recognizes that there is little conflict of customer base between both companies. Therefore, the Target Company believes that collaboration with the Company will maximize the improvement of capacity to provide services to each company’s existing customers by sharing and utilizing technical capabilities and know-how cultivated by both companies, which will result in promoting further favorable relationship with the existing customers.

To maximize the aforementioned effects, the Target Company is required to develop a decision-making system under which various measures to resolve the Target Company’s business challenge can be promptly performed. If the Target Company does not become the Company’s wholly owned subsidiary, an issue of conflict of interest with the Target Company’s minority shareholders may arise with respect to transactions, etc., between the Target Company and the Company, which may cause an obstacle to agile mutual utilization of managerial resources and know-how, etc., between the Company and the Target Company. In addition, upon the implementation of the various measures specified above such as the active and continued investment in growing fields, the Target Company’s revenue will temporarily deteriorate, and it may therefore
be impossible to satisfy the expectation of the existing shareholders seeking stable revenue growth. Further, in the short term, there may be a risk of the share price becoming unstable as a result of the Target Company being unable to obtain sufficient evaluation from the capital market, and the Target Company believes that it is not necessarily appropriate to cause the Target Company’s minority shareholders to bear such risk.

From the foregoing perspective, the Target Company considers that the most effective way from the perspective of improving the corporate value is to remove the aforementioned concerns by means of going private and to implement the various measures as specified above, and the best option is to become a wholly owned subsidiary of the Company because, as a collaboration partner, the Company already shares the Target Company’s direction of business and managerial strategies through the intimate business relationship with the Target Company for 10 years, and it is confirmed that there is little conflict in the business of both companies. Accordingly, the Target Company came to believe that becoming a wholly owned subsidiary of the Company will enable the Target Company to respond to continuously changing business environment based on the fast and flexible decision-making, and thereby it may realize the growth strategies more effectively.

Furthermore, the Company determined that the Transaction will provide a reasonable opportunity to all of the shareholders of the Target Company to sell their shares in light of the following facts; specifically, (a) the Tender Offer Price exceeds the range of the calculation results based on the market price analysis and the comparable company analysis and falls within the range of the calculation result based on the DCF Analysis (as defined in the section titled “(ii) Procurement by the Target Company of a share valuation report from an independent third-party valuation institution” under “(3) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, etc. and to Avoid Conflicts of Interest” below) in the calculation results based on the Target Company Common Share Valuation Report, (b) the Tender Offer Price represents a premium of 28.57% (rounded to the second decimal place; hereinafter, the same applies to all premium values (percentages) in this section) on 2,100 yen, which is the closing price of the Target Company Common Stock on the First Section of the Tokyo Stock Exchange on October 29, 2019, the business day immediately preceding the date of the announcement of commencement of the Tender Offer; a premium of 40.55% on 1,921 yen (rounded to the nearest yen; the same applies to all closing price averages hereinafter), which is the simple average closing price for the one (1) month immediately preceding October 29, 2019; a premium of 41.66% on 1,906 yen, which is the simple average closing price for the three (3) months immediately preceding October 29, 2019; and a premium of 46.34% on 1,845 yen, which is the simple average closing price for the six (6) months immediately preceding October 29, 2019, (c) the measures for ensuring fairness and measures for avoiding conflicts of interest described in the section titled “(3) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, etc. and to Avoid Conflicts of Interest” below have been taken, and it is acknowledged that consideration has been given to the interests of minority shareholders, and (d) after taking the foregoing measures for ensuring fairness and measures for avoiding
conflicts of interest, the Target Company and the Company have engaged in discussions and negotiations equivalent to discussions and negotiations in transactions between independent parties, and, more specifically, the Target Company and the Company determined that the Tender Offer Price is a price that was proposed as a result of sincere and continuous discussions and negotiations in light of the calculation results of the share value of the Target Company Common Stock provided by Mitsubishi UFJ Morgan Stanley Securities as well as the discussions with the Special Committee.

In light of the above, the Target Company passed a resolution in its board of directors’ meeting held on October 30, 2019 to the effect that the Target Company would express its opinion in support of the Tender Offer and recommend that the Target Company’s shareholders tender their shares in the Tender Offer. For details on the method of resolution, please see the section titled “(v) Unanimous Approval of All Non-interested Directors of the Target Company” under “(3) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, etc. and to Avoid Conflicts of Interest” below.

(ii) Management Policy after the Tender Offer

Through the Target Company’s stronger collaboration with the Company Group based on the Transaction, the Company will seek to further increase the earnings growth potential by promoting productivity and cost efficiency, in addition to utilizing the technical base, customer base and human resources of the Company, and accelerate the earnings growth and improve the corporate value of the Company Group, including the Target Company, by unifying the business management of both companies.

Furthermore, in order to maximize the Target Company’s distinctive brand power in the software entrusted development services that has been cultivated to date, after the Transaction, the Company will maintain the Target Company’s corporate status and brand while strengthening business activities of sales and marketing through unified business operation as the Company Group, and consequently perform software entrusted development/maintenance/operation services.

In addition, with regard to the development of new businesses such as the DX business, the Company will promote the development of new services and solutions while actively exchanging personnel and sharing technologies/knowledge between the companies, and seek business deployment capable of realizing the synergy of strengthened cooperation based on the Transaction. In particular, from the perspective of human resource development to become the keystone thereof, the Company will promote strategic education/training programs and focus on the human resource reform of the Target Company and the Company to meet the demands of a new generation, including the promotion of the mid-to-long term DX business.

Although the management structure following the Tender Offer has not yet been determined as of today, the Company plans to hold further discussion with the Target Company to build a management structure that would be suitable for the future management strategy and business operation of both companies based on maintaining the current management structure of the Target Company.
Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, etc. and to Avoid Conflicts of Interest

While the Tender Offer is not considered as a tender offer by a controlling shareholder, in light of the following facts that: (i) as described in the section titled “(1) Overview of the Tender Offer” above, the Company holds 900,000 shares (ownership ratio: 10.45%) of the Target Company Common Stock as of today; (ii) the Company has executed a Tender Offer Agreement with each of the Scheduled Tendering Shareholders on October 30, 2019 and the Scheduled Tendering Shareholders have agreed to tender all of their Target Company Common Stock in the Tender Offer; and (iii) the Company plans to make the Target Company its wholly owned subsidiary, the Company and the Target Company implemented the following measures in order to avoid arbitrariness and conflicts of interest in their decision-making regarding the Tender Offer, and to ensure the fairness thereof, while giving consideration to the impact on the minority shareholders of the Target Company and ensuring the fairness of the Tender Offer Price. The measures implemented by the Target Company described below are based on the Target Company Press Release and the explanation provided by the Target Company.

(i) Procurement by the Tender Offeror of a share valuation report from an independent third-party valuation institution

In order to ensure the fairness of the Tender Offer Price, when determining the Tender Offer Price, the Company requested Daiwa Securities, a financial advisor, to evaluate the share value of the Target Company Common Stock as a third-party valuation institution that is independent of the Company and the Target Company in late April 2019. Daiwa Securities is not a related party to the Company or the Target Company, and has no material interest in the Tender Offer.

For details on the share valuation report related to the share value of the Target Company Common Stock that the Company procured from Daiwa Securities (the “Tender Offeror’s Valuation Report”), please see the sections titled “2. Overview of Purchase”, “(4) Basis of Calculation, etc. of Price of Purchase, etc.”, “(i) Basis of Calculation” and “(ii) Background of Calculation” below.

(ii) Procurement by the Target Company of a share valuation report from an independent third-party valuation institution

According to the Target Company Press Release, in examining the Tender Offer Price presented by the Company and expressing its opinion regarding the Tender Offer, as a measure for ensuring the fairness, the Target Company requested Mitsubishi UFJ Morgan Stanley Securities, a third-party valuation institution that is independent of the Target Company and the Company, to evaluate the share value of the Target Company Common Stock, and procured a share valuation report dated October 29, 2019 (the “Target Company Common Share Valuation Report”) from Mitsubishi UFJ Morgan Stanley Securities. Mitsubishi UFJ Morgan Stanley Securities is not a related party to the Target Company or the Company, and has no material interest in the Tender Offer.
As a result of considering the calculation methods to be adopted in calculating the share value of the Target Company Common Stock among multiple share value calculation methods, Mitsubishi UFJ Morgan Stanley Securities calculated the share price for the Target Company Common Stock using (i) the market price analysis because the Target Company Common Stock are listed on the First Section of the Tokyo Stock Exchange and have a market share value, (ii) the comparable company analysis because there are numerous listed companies comparable to the Target Company and analogical inference of the share value of the Target Company Common Stock is possible through this approach, and (iii) the discounted cash flow analysis (the “DCF Analysis”) so as to reflect in the evaluation the status of future business activities, on the premise that the Target Company is an ongoing business concern and from the perspective that it would be appropriate to multilaterally evaluate the share value of the Target Company Common Stock. The Target Company has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from Mitsubishi UFJ Morgan Stanley Securities.

The calculation result of the share value of Target Company Common Stock per share performed by Mitsubishi UFJ Morgan Stanley Securities is as follows.

Market price analysis: 1,845 yen to 1,921 yen
Comparable company analysis: 1,934 yen to 2,477 yen
DCF analysis: 2,286 yen to 2,797 yen

The market price analysis, with the reference date on October 29, 2019, showed that the value per share of the Target Company Common Stock was in the range of 1,845 yen to 1,921 yen, based on the following prices of the Target Company Common Stock on the First Section of the Tokyo Stock Exchange: the simple average closing price for the past one (1) month (1,921 yen); the simple average closing price for the past three (3) months (1,906 yen); and the simple average closing price for the past six (6) months (1,845 yen).

For the comparable company analysis, the share value of the Target Company Common Stock was calculated by comparing the market prices of the shares and financial indicators showing profitability, etc., of some listed companies engaged in business similar to that conducted by the Target Company. This analysis showed that the value per share of the Target Company Common Stock was in the range of 1,934 yen to 2,477 yen.

For the DCF Analysis, the corporate value and the share value of the Target Company were calculated by first estimating the amount of future free cash flow that the Target Company is expected to generate based on various factors, such as the business plan of the Target Company from the fiscal year ending March 2020 through the fiscal year ending March 2022, recent business performance and publicly disclosed information, and then deriving the present value of that amount using a certain discount rate, and adjusted financially, such as adding the value of surplus cash and cash equivalents held by the Target Company. This analysis showed that the value per share of the Target Company Common Stock was in the range of 2,286 yen to 2,797 yen. It should be noted that the business plan on which the DCF Analysis was premised does not anticipate a large increase or decrease in earnings. Furthermore, the business plan is not based on the premise of the implementation of the Transaction.
(Note) In calculating the share value of the Target Company Common Stock, Mitsubishi UFJ Morgan Stanley Securities basically used the information provided by the Target Company and publicly disclosed information as is, and did not independently examine the accurateness and completeness of such materials and information on the premise that they are all accurate and complete. In addition, the information regarding the financial forecasts of the Target Company is based on the premise that it has been reasonably prepared based on the best forecasts and judgments currently obtained by the Target Company. Furthermore, Mitsubishi UFJ Morgan Stanley Securities did not independently evaluate or appraise the Target Company’s assets and liabilities (including off-the-book assets and liabilities and other contingent liabilities), or request such evaluation or appraisal to a third-party institution. The calculation performed by Mitsubishi UFJ Morgan Stanley Securities reflects the foregoing information up to October 29, 2019.

(iii) Advice to the Target Company from an independent legal advisor

According to the Target Company Press Release, the Target Company appointed TMI Associates as its legal advisor in early June, 2019, and received legal advice on the methods and processes of decision-making, and other points to note in decision-making on the Transaction including the Tender Offer. TMI Associates is independent from the Company or the Target Company, and has no material interest in the Company and the Target Company.

(iv) Establishment by the Target Company of an Independent Special Committee and obtainment of written report from the Special Committee

According to the Target Company Press Release, the Target Company established on June 21, 2019 an independent special committee (the “Special Committee”) in order to avoid arbitrariness in the Target Company’s decision-making regarding the Transaction including the Tender Offer, and to ensure fairness, transparency and objectivity in the Target Company’s decision-making process. The Special Committee consisted of the following three members independent from the Company and the Target Company: Mr. Shinichi Koyama (who is an outside director of the Target Company and an independent officer), and outside experts Mr. Akira Nishida (attorney, Nishida Law Office) and Mr. Yoshihiko Terada (certified public accountant, Trustees Advisory Co. Ltd.). The Target Company consulted with the Special Committee on the following matters (collectively, the “Consulted Matters”): (i) whether or not the purpose of the Transaction is justifiable; (ii) whether or not fairness of the negotiations procedures in the Transaction is ensured; (iii) whether or not the consideration to be provided to the minority shareholders of the Target Company based on the Transaction is adequate; and (iv) whether or not the Transaction is disadvantageous to the minority shareholders of the Target Company based on (i) through (iii) and other factors.

During the period from June 21, 2019 to October 28, 2019, the Special Committee held a total of 5 meetings where the members discussed and examined the Consulted Matters. Specifically, based on the materials submitted by the Target Company, the Special Committee
received explanations from and conducting an interview with the Target Company regarding the details of the Tender Offer’s proposal, the purpose of the Transaction, background up to the Transaction, specific details of the corporate value of the Target Company expected to improve based on the Transaction, the Target Company’s business plan, terms and conditions of the Transaction and decision-making process of the same. The Special Committee additionally received explanations from and conducted an interview with the Tender Offeror regarding (a) the background and purpose that led to the proposal of the Transaction, (b) selection of the scheme of the Transaction, (c) management policy after the execution of the Transaction, and (d) treatment of employees. In addition, the Special Committee received explanations from and conducted an interview with Mitsubishi UFJ Morgan Stanley Securities regarding the share valuation of the Target Company Common Stock, and additionally received explanations from and conducted an interview with TMI Associates regarding the measures to ensure fairness of the Transaction in terms of its procedures, and other measures to avoid conflicts of interest.

As a result of careful discussions and deliberate examinations of the Consulted Matters after taking the foregoing procedures, the Special Committee submitted on October 29, 2019 to the Target Company’s board of directors a written report on the Consulted Matters (the “Report”), with the unanimous approval of members. A summary of the written report is as follows:

I. Whether or not the purpose of the Transaction is justifiable

The Target Company considers that (i) the form of IT systems in corporate clients is changing from “ownership” to “usage” and the concept of IT system companies changing significantly from development contractors to service providers, which will result in the further increase in market shares of major IT system companies; and (ii) the technical innovations of cloud computing, DX, IoT, and AI are advancing with increasing speed and the service contents demanded by clients are becoming rapidly sophisticated and specialized. In order for the Target Company to continue providing sophisticated IT solutions that meet the changes in its corporate clients, it is important for the Target Company to (a) actively advance and expand to a growth area where added values which utilizes new technologies created from technical innovations are high; (b) secure and train technically proficient and specialized personnel with profound knowledge in individual industrial sectors; and (c) further expand the customer base. In order to realize the above, it is necessary for the Target Company to focus even more on human resources development and investment in research and development. In that context, from around March 2019, in addition to pursuing growth based on its independent human resources development and investment in research and development, the Target Company started exploring and considering broader business options including partnering with other companies, and from around late March 2019, the Target Company, regarding the possibility of partnerships, approached a number of companies, including the Tender Offeror, that (1) have business scale and knowledge/know-how capable of dealing with the acceleration of innovations in IT technologies and the foregoing changes in business environments, including the changes in the needs of its corporate clients; and (2) have compatibility with the Target Company in terms of future business operation policies. In response to the Tender Offeror’s proposal in mid April, 2019, and as a result of further examination, the Target Company decided
to engage in negotiations by narrowing down the partner candidate to the Tender Offeror which have business scale and knowledge/know-how capable of dealing with the acceleration of innovations in IT technologies and the changes in business environments, including the changes in the needs of its corporate clients; have capability with the Target Company in terms of future business operation policies; and have few obstacles to the collaboration such as duplication in business operations in late April 2019. As a result of multiple consultation with the Tender Offeror and consideration in the Target Company from the perspective of improving the Target Company’s corporate value with regard to conditions for the Transaction, including the Tender Offer Price, the Target Company came to the conclusion that performing the Transaction is expected to generate the following effects, and such effects will allow the Target Company to adapt to the foregoing transformations in the business environment and will contribute to the further improvement of the Target Company’s corporate value.

(1) Expansion of growing field businesses
(2) Stable procurement of human resources and strengthening human resource development
(3) Deepening existing businesses and expanding customer base

To maximize the aforementioned effects, the Target Company is required to develop a decision-making system under which various measures to resolve the Target Company’s business challenge can be promptly performed. If the Target Company does not become the Tender Offeror’s wholly owned subsidiary, an issue of conflict of interest with the Target Company’s minority shareholders may arise with respect to transactions, etc., between the Target Company and the Tender Offeror, which may cause an obstacle to agile mutual utilization of managerial resources and know-how, etc., between the Tender Offeror and the Target Company. In addition, upon the implementation of the various measures such as the active and continued investment in growing fields, the Target Company’s revenue will temporarily deteriorate, and it may therefore be impossible to satisfy the expectation of the existing shareholders seeking stable revenue growth. Further, in the short term, there may be a risk of the share price becoming unstable as a result of the Target Company being unable to obtain sufficient evaluation from the capital market, and it is not necessarily appropriate to cause the Target Company’s minority shareholders to bear such risk.

From the foregoing perspective, the most effective way from the perspective of improving the corporate value is to remove the aforementioned concerns by means of going private and to implement the various measures as specified above, and the best option is to become a wholly owned subsidiary of the Tender Offeror because, as a collaboration partner, the Tender Offeror already shares the Target Company’s direction of business and managerial strategies through the intimate business relationship with the Target Company for 10 years, and it is confirmed that there is little conflict in the business of both companies. Accordingly, becoming a wholly owned subsidiary of the Tender Offeror will enable the Target Company to respond to continuously changing business environment based on the fast and flexible decision-making, and thereby it may realize the growth strategies more effectively.

There is no unreasonable point in the meaning and purpose of the Transaction (including the Tender Offer) stated above, and it is recognized as a result of reasonable examination.
Therefore, since the Transaction is to be conducted for the purpose of improving the corporate value of the Target Company, the Special Committee considers that the purpose of the Transaction is justifiable.

II. Fairness of the negotiation procedures for the Transaction
   (a) With advice and opinions from Mitsubishi UFJ Morgan Stanley Securities as a third party valuation institution independent from the Target Company and the Tender Offeror and TMI Associates as a legal advisor, the Target Company has engaged in careful examinations and discussions regarding validity of conditions for the Tender Offer including the Tender Offer Price from the perspective of improving the Target Company’s corporate value, (b) the Target Company has engaged in serious discussions and negotiations multiple times with the Tender Offeror regarding the Tender Offer Price, and (c) any person having special interest in the Transaction are not included in the directors who engaged in examinations and discussions of the Transaction on behalf of the Target Company. Further, there is no fact from which it is inferred that the Tender Offeror or any other person having special interest in the Transaction unfairly influenced the Target Company in the process of discussions, examinations and negotiations regarding the Transaction. Based on the above, the negotiation procedures for the Transaction, including the Tender Offer, are fair.

III. Validity of the consideration to be provided to the minority shareholders of the Target Company through the Transaction
   (a) Based on the valuation of the Target Company Common Stock by Mitsubishi UFJ Morgan Stanley Securities as a third party valuation institution independent from the Target Company and the Tender Offeror, the Tender Offer Price exceeds the upper limit of the calculation result obtained from the comparable company analysis and the market price analysis, and falls within the range of calculation result obtained from the DCF analysis and exceeds the intermediate value of such range; the calculation methods used for the valuation of shares by Mitsubishi UFJ Morgan Stanley Securities are not particularly unreasonable; and the Tender Offer Price represents: (i) a premium of 28.57% on 2,100 yen, which is the closing price of the Target Company Common Stock on the First Section of the Tokyo Stock Exchange on October 29, 2019, the business day immediately preceding the date of the notice of commencement of the Tender Offer; (ii) a premium of 40.55% on 1,921 yen, which is the simple average closing price for the one (1) month immediately preceding October 29, 2019; (iii) a premium of 41.66% on 1,906 yen, which is the simple average closing price for the three (3) months immediately preceding October 29, 2019; and (iv) a premium of 46.34% on 1,845 yen, which is the simple average closing price for the six (6) months immediately preceding October 29, 2019, and the level of such premiums are not considered to be unreasonable in light of the premium level in recent transactions similar to the Transaction, such as tender offer transactions aimed at making a domestic listed company a wholly owned subsidiary. Therefore, it is highly likely that the level of the Tender Offer Price will be judged as fair, in light of the court precedents for prior similar cases which aimed at going private in Japan;
   (b) It is recognized that the Tender Offer Price was determined based on the results of
negotiations over the Transaction; and

(c) Press release and other materials clearly state that the Target Company’s minority shareholders who did not tender their shares in the Tender Offer will finally receive payment of money in the procedures to make the Target Company a wholly owned subsidiary, which will be carried out after the Tender Offer, and that the amount of money to be paid in such procedures will be calculated to be the same as the price obtained by multiplying the Tender Offer Price by the number of the Target Company Common Stock owned by such shareholders.

Considering (a) through (c) above, the consideration to be provided to the minority shareholder of the Target Company through the Transaction, including the Tender Offer, is fair.

IV. Whether or not the Transaction is disadvantageous to the minority shareholders of the Target Company

In addition to the facts set out in items (I) to (III) above: (i) in order to secure an appropriate opportunity for the Target Company’s shareholders to decide whether to tender their shares in the Tender Offer and an opportunity for any persons other than the Tender Offeror to make competing offers for the purchase of the Target Company Common Stock, and thereby in order to ensure the appropriateness of the Tender Offer Price, the tender offer period for the Tender Offer will be set to thirty (30) business days which is longer than the statutory minimum tender offer period (twenty (20) business days); and (ii) the Tender Offeror and the Target Company have not entered into any agreement to restrict the Target Company’s contact with any person proposing competing offers other than the Tender Offeror, so that the opportunity of a person other than the Tender Offeror to conduct a tender offer or any other transactions will not be unreasonably restricted, which, in addition to the setting of the tender offer period specified above, ensures opportunities to make a competing offer, etc., and the Target Company and the Tender Offeror thereby carefully ensure the fairness of the Tender Offer. Based on (i) and (ii) above, and as a result of carefully considering the influence on minority shareholders of the Target Company by the Transaction, the Special Committee is in the opinion that the Transaction (including the procedures to make the Target Company a wholly owned company by means of the approval of the Demand for Shares Cash-Out or the Share Consolidation) is not disadvantageous to the Target Company’s minority shareholders.

(v) Unanimous approval of all non-interested directors of the Target Company

According to the Target Company Press Release, the Target Company prudently discussed and examined the details of the terms and conditions of the Tender Offer by the Company based on the explanation of the Tender Offer provided by the Tender Offeror and discussed with the Tender Offeror, and by acquiring the Target Company Common Stock Valuation Report from Mitsubishi UFJ Morgan Stanley Securities as stated in the section titled “(ii) Procurement by the Target Company of a share valuation report from an independent third-party valuation institution” and “(iii) Advice to the Target Company from an independent legal advisor” above, while receiving legal advice from TMI Associates.

Consequently, based on the basis and reasons described in the section titled "“(i)
Background to, purpose of and decision-making process of the Tender Offer” under (2) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer” above, the Target Company passed a resolution in its board of directors’ meeting held on October 30, 2019 to the effect that with the attendance of all directors and the unanimous approval of directors including those who are also audit and supervisory committee members, when the Tender Offer is commenced, the Target Company will express its opinion in support of the Tender Offer and recommend that the Target Company’s shareholders tender their shares in the Tender Offer.

(vi) Measures to secure opportunities for others to make any competing offers

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

In addition, the Company has set the tender offer period of thirty (30) business days, which is longer than the statutory minimum tender offer period of 20 business days (the “Tender Offer Period”). By setting a relatively long Tender Offer Period, the Company aims to secure an appropriate opportunity for all shareholders of the Target Company to decide whether to tender their shares in the Tender Offer, and thereby to ensure the appropriateness of the Tender Offer Price.

The Company has not set a minimum number of shares of the so-called “majority of the minority” to be purchased in the Tender Offer because, as described in “(1) Overview of the Tender Offer” above, in view of the number of shares and the ownership ratio (total: 4,213,900 shares and total ownership ratio: 48.95%) held by the Company (number of shares held: 900,000 shares and ownership ratio: 10.45%), Scheduled Tendering Shareholders (number of shares held: 1,935,900 shares and ownership ratio: 22.49%) and Mitsubishi Research Institute DCS (number of shares held: 1,378,000 shares and ownership ratio: 16.01%), as of the date hereof, due to which setting a minimum number of shares to be purchased by the “majority of the minority” in the Tender Offer may make the successful completion of the Tender Offer unstable, which, in turn, may be disadvantageous for minority shareholders who wish to tender their shares in the Tender Offer. The Offeror still believes that sufficient consideration has been given to the interests of minority shareholders of the Target Company, since the measures described in (i) through (i) above have been taken to ensure the fairness of the Tender Offer.

(4) Policy for Organizational Restructuring, etc. after the Tender Offer (Matters Relating to “Two-step Acquisition”)

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

(i) Demand for Shares Cash-Out

If, upon completion of the Tender Offer, the Company owns 90% or more of the voting rights of all shareholders of the Target Company and the Company becomes a special controlling shareholder as set forth in Article 179, Paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same), the Company plans to request all of the Target Company’s shareholders that did not accept the Tender Offer (excluding the Company and the Target Company; hereinafter the same) (the “Shareholders Subject to Shares Cash-Out”) to sell all of the Target Company Common Stock they own pursuant to the provisions of Part II, Chapter II, Section 4-2 of the Companies Act (the “Demand for Shares Cash-Out”), promptly after the completion of the settlement of the Tender Offer. In the Demand for Shares Cash-Out, the Company plans to set forth that the amount equivalent to the Tender Offer Price will be delivered to the Shareholders Subject to Shares Cash-Out as the price per share of the Target Company Common Stock. In such case, the Company will notify the Target Company of it and will require the Target Company to approve the Demand for Shares Cash-Out. If the Target Company approves the Demand for Shares Cash-Out by a resolution of its board of directors, in accordance with the procedures set forth in the relevant laws and ordinances, without individual approvals by the Shareholders Subject to Shares Cash-Out, the Company will acquire, as of the acquisition date set forth in the Demand for Shares Cash-Out, all of the Target Company Common Stock owned by the Shareholders Subject to Shares Cash-Out. The Company plans to deliver the amount equivalent to the Tender Offer Price to each of such Shareholders Subject to Shares Cash-Out as the price per share of the Target Company Common Stock owned by each of the Shareholders Subject to Shares Cash-Out. In addition, according to the Target Company Press Release, if the Target Company receives from the Company its intention to Demand for Shares Cash-Out 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 Shareholders Subject to Shares Cash-Out may file a petition with a court to determine the sale price of the Target Company Common Stock that they own, pursuant to the provisions of Article 179-8 of the Companies Act and other relevant laws or ordinances.

(ii) Share Consolidation

On the other hand, if, after the completion of the Tender Offer, the Company owns less than 90% of the Target Company’s voting rights, the Company plans to request the Target Company to hold an extraordinary meeting of shareholders (the “Extraordinary Shareholders’ Meeting”) that will resolve proposals including: (a) a proposal regarding consolidation of the Target Company Common Stock (the “Share Consolidation”) under Article 180 of the Companies Act and (b) a proposal regarding an amendment to the articles of incorporation subject to the Share Consolidation becoming effective for the purpose of abolishing the
provision regarding the number of shares constituting one unit of stock, promptly after the completion of the settlement of the Tender Offer.

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

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

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

In connection with the procedures described in (i) and (ii) above, if a petition is filed with a court to determine the sale price of the Target Company Common Stock in the Demand for Shares Cash-Out or to determine the price with respect to the request to purchase shares which is made in relation to the Share Consolidation, the sale price of the Target Company Common Stock subject to such petition or the price with respect to the request to purchase shares subject to such petition will ultimately be determined by a court.

Specific procedures and the schedule thereof in each case above will be announced by the Target Company promptly once they are determined through mutual discussions between the Company and the Target Company.
Shareholders of the Target Company should consult with tax advisors under their own responsibility regarding tax implications in relation to the tender in the Tender Offer or any of the procedures above.

(5) Possibility of Delisting and Reasons Therefor

As of today, the Target Company Common Stock is listed on the First Section of the Tokyo Stock Exchange. However, since the Company has not set the maximum number of share certificates, etc. to be purchased, etc. in the Tender Offer, depending on the result of the Tender Offer, the Target Company Common Stock may be delisted pursuant to the procedures prescribed by the Tokyo Stock Exchange in accordance with the Tokyo Stock Exchange’s criteria for delisting. In addition, even if the Target Company Common Stock does not fall under such criteria at the time of the completion of the Tender Offer, if the Company implements each of the procedures described in the section titled “(4) Policy for Organizational Restructuring, etc. after the Tender Offer (Matters Relating to “Two-step Acquisition”)” above after the Tender Offer is completed, the Target Company Common Stock will fall under the criteria for delisting and will be delisted pursuant to the prescribed procedures. The Target Company Common Stock will no longer be traded on the Tokyo Stock Exchange after the delisting.

(6) Matters Concerning Material Agreements between Tender Offeror and Shareholders of Target Company Related to Tendering of Shares through Tender Offer

As indicated in the section titled “(1) Overview of the Tender Offer” above, the Company has executed a Tender Offer Agreement with each of the Scheduled Tendering Shareholders on October 30, 2019. Under the Tender Offer Agreements, the Scheduled Tendering Shareholders are obligated to tender their Share Certificates, etc. in the Tender Offer once the Company commences the Tender Offer, and not to withdraw such tender. In addition, under the Tender Offer Agreements, the Scheduled Tendering Shareholders are not subject to any preconditions for tendering their Share Certificates, etc. in the Tender Offer.

In addition, the Company is engaged in good-faith discussion with Mitsubishi Research Institute DCS for executing an agreement related to tendering in the Tender Offer, and plans to proceed with the necessary procedures going forward.

2. Overview of Purchase, etc.

(1) Overview of the Target Company

<p>| (i) Name | Minori Solutions Co.,Ltd. |
| (ii) Location | 17F Shinjuku NS Bldg., 2-4-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo |
| (iii) Name and Title of Representative | President, Yuji Morishita |
| (iv) Contents of | Software development business, software |</p>
<table>
<thead>
<tr>
<th>Business Operation/Management Business and System Equipment Sales Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>(v) Stated Capital</td>
</tr>
<tr>
<td>(vi) Date of Establishment</td>
</tr>
<tr>
<td>(vii) Major Shareholders and Ownership Ratios (as of March 31, 2019)</td>
</tr>
<tr>
<td>Mitsubishi Research Institute DCS Co., Ltd.</td>
</tr>
<tr>
<td>Shingo Nagasawa</td>
</tr>
<tr>
<td>SCSK Corporation</td>
</tr>
<tr>
<td>Minori Solutions Co., Ltd. Employee Shareholding Association</td>
</tr>
<tr>
<td>Masamori Takizawa</td>
</tr>
<tr>
<td>Flight Co., Ltd.</td>
</tr>
<tr>
<td>Morihiro Matsuda</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust Account)</td>
</tr>
<tr>
<td>Minori Solutions Co., Ltd. Client Shareholding Association</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relationship between the Listed Company and the Target Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Relationship</td>
</tr>
<tr>
<td>Personnel Relationship</td>
</tr>
<tr>
<td>Business Relationship</td>
</tr>
<tr>
<td>Status as Related Party</td>
</tr>
</tbody>
</table>

(2) Schedule, etc.

(i) Schedule

| Resolution of Board of Directors | October 30, 2019 (Wednesday) |
| Date of Notice of Commencement of Tender Offer | October 31, 2019 (Thursday) |
| The Tender Offeror will give electronic public notice and publish to such effect in The Nihon Keizai Shimbun newspaper. (Electronic public notice address: http://disclosure.edinet-fsa.go.jp/) |
| Filing Date of Tender Offer | October 31, 2019 (Thursday) |
(ii) Initial period set at time of filing

From October 31, 2019 (Thursday) to December 12, 2019 (Thursday) (for 30 business days)

(iii) Possibility of extending the period of purchase, etc. pursuant to Target Company’s request

Not applicable.

(3) Price of purchase, etc.

2,700 yen per common stock

(4) Basis of calculation, etc. of price of purchase, etc.

(i) Basis of calculation

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

Daiwa Securities is not a related party to the Company or the Target Company, and has no material interest in the Tender Offer.

As a result of consideration of the calculation methods for the Tender Offer, Daiwa Securities calculated the share price for the Target Company Common Stock using (i) the market price analysis because the Target Company Common Stock are listed on the First Section of the Tokyo Stock Exchange, and (ii) the DCF Analysis so as to reflect in the evaluation the status of future business activities. The Company obtained the Tender Offeror’s Valuation Report from Daiwa Securities as of October 29, 2019. The Company has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from Daiwa Securities.

The calculation result of the share value of Target Company Common Stock per share performed by Daiwa Securities is as follows.

Market price analysis: 1,845 yen to 2,100 yen
DCF analysis: 2,382 yen to 3,206 yen

The market price analysis, with the reference date on October 29, 2019, showed that the value per share of the Target Company Common Stock was in the range of 1,845 yen to 2,100 yen, based on the following prices of the Target Company Common Stock on the First Section of the Tokyo Stock Exchange: the closing price on the reference date (2,100 yen); the simple average closing price for the past one (1) month (1,921 yen); the simple average closing
price for the past three (3) months (1,906 yen); and the simple average closing price for the past six (6) months (1,845 yen).

For the DCF Analysis, the corporate value and the share value of the Target Company were calculated by first estimating the amount of future free cash flow that the Target Company is expected to generate in and after the 3rd quarter of the fiscal year ending March 2020 based on various factors, such as earnings estimates and investment plans in the business plan of the Target Company for 3 fiscal years from the fiscal year ending March 2020 through the fiscal year ending March 2022 and publicly disclosed information, and then deriving the present value of that amount using a certain discount rate. This analysis showed that the value per share of the Target Company Common Stock was in the range of 2,382 yen to 3,206 yen. It should be noted that the business plan on which the DCF Analysis was premised does not anticipate a large increase or decrease in earnings. Furthermore, the expected synergies to be realized though the implementation of the Transaction are not taken into account because it is difficult to make detailed estimate of the impact on earnings at this point.

In determining the Tender Offer Price, the Company took comprehensively into account several factors, including the valuation results in the Share Valuation Report received from Daiwa Securities, the results of due diligence performed by the Company on the Target Company, the premiums added to the tender offer prices in some precedent tender offers conducted by parties other than the issuer, the likelihood of the Target Company’s board of directors supporting the Tender Offer, the trend of the market price of the Target Company Common Stock, and the outlook for tendering of shares in the Tender Offer, and based on the results of the discussion and negotiation with the Target Company, ultimately set the Tender Offer Price at 2,700 yen per share through a resolution at the board of directors’ meeting held on October 30, 2019.

The Tender Offer Price of 2,700 yen per share represents (a) a premium of 28.57% on 2,100 yen, which is the closing price of the Target Company Common Stock on the First Section of the Tokyo Stock Exchange on October 29, 2019, the business day immediately preceding the date of notice of commencement of the Tender Offer; (b) a premium of 40.55% on 1,921 yen, which is the simple average closing price for the one (1) month immediately preceding from September 30, 2019; (c) a premium of 41.66% on 1,906 yen, which is the simple average closing price for the three (3) months immediately preceding from July 30, 2019; and (d) a premium of 46.34% on 1,845 yen, which is the simple average closing price for the six (6) months immediately preceding from May 7, 2019.

Although the Company acquired 400,000 shares (ownership ratio: 4.65%) of the Target Company Common Stock at 1,697 yen per share on May 15, 2018 through an off-market negotiated transaction, such price was agreed upon between the Company and the counterparty of the transaction based on individual negotiations, and was also the same as the closing price of 1,697 yen of the Target Company Common Stock on May 15, 2018. As described above, the Tender Offer Price of 2,700 yen per share was determined by comprehensively taking into account several factors, including the valuation results in the Tender Offeror’s Valuation Report received from Daiwa Securities, the results of due diligence performed by the Company on the Target Company, the premiums added to the tender offer prices in certain precedent tender
offers conducted by parties other than the issuer, the likelihood of the Target Company’s board of directors supporting the Tender Offer, the trend of the market price of the Target Company Common Stock, and the outlook for tendering of shares in the Tender Offer, and by considering the results of the discussions and negotiations with the Target Company, therefore based on a perspective that is different from a case of acquiring the Target Company Common Stock only from a specific shareholder.

(ii) Background of calculation

(Background to the determination of the Tender Offer Price)

In response to the Target Company’s approach to the Company regarding discussion for partnership, the Company started considering the Transaction from around late March 2019, notified its intention to commence preliminary discussions and considerations with the Target Company regarding the Transaction in mid April, 2019, and, in late April 2019, appointed Daiwa Securities as a financial advisor and third-party valuation institution that is independent of the Company and the Target Company and appointed Nishimura & Asahi as a legal advisor. Then, the Company conducted due diligence on the Target Company from late May 2019 to early October 2019.

Subsequently, on August 30, 2019, the Company made a proposal to the Target Company to set the Tender Offer Price at 2,400 yen per share.

Meanwhile, after receipt of the proposal from the Company in mid April 2019, the Target Company appointed Mitsubishi UFJ Morgan Stanley Securities as a financial advisor and a third-party valuation institution independent from the Company and the Target Company, and TMI Associates as an outside legal advisor. The Target Company also established the Special Committee in order to avoid conflicts of interest, and thereby built its structure for engaging in discussions and negotiations regarding the Transaction.

Subsequently, after the Company discussed and negotiated with the Target Company, in light of the results of such discussions and negotiations, the Company decided to carry out the Tender Offer in the board of directors’ meeting held on October 30, 2019, and determined the Tender Offer Price based on the following background.

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

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

In addition, the Company has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from Daiwa Securities.

(b). Outline of the Opinion

Daiwa Securities evaluated the share value of the Target Company by using the market price analysis method, and the DCF Analysis method. The ranges of the value per share of the
Target Company Common Stock shown by each analysis method are as follows:
Market price analysis: 1,845 yen to 2,100 yen
DCF analysis: 2,382 yen to 3,206 yen

(c). Background to Determination of the Tender Offer Price Based on the Opinion above

In determining the Tender Offer Price, the Company took comprehensively into account several factors, including the valuation results in the Stock Valuation Report received from Daiwa Securities, the results of due diligence performed by the Company on the Target Company from late May, 2019 through early October, 2019, the premiums added to the tender offer prices in some precedent tender offers conducted by parties other than the issuer, the likelihood of the Target Company’s board of directors supporting the Tender Offer, the trend of the market price of the Target Company Common Stock, and the outlook for tendering of shares in the Tender Offer, and based on the results of the discussion and negotiation with the Target Company, ultimately set the Tender Offer Price at 2,700 yen per share through a resolution at the board of directors’ meeting held on October 30, 2019.

(iii) Relationship with the Valuation Agent

Daiwa Securities as the Company’s financial advisor (valuation agent) is not a related party to the Company or the Target Company, and has no material interest in the Tender Offer.

(5) Number of Share Certificates, etc. to be purchased

<table>
<thead>
<tr>
<th>Number of shares to be purchased</th>
<th>Minimum number of shares to be purchased</th>
<th>Maximum number of shares to be purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,709,160 shares</td>
<td>4,839,600 shares</td>
<td>- shares</td>
</tr>
</tbody>
</table>

(Note 1) If the total number of Tendered Share Certificates, etc. falls short of the minimum number of shares to be purchased (4,839,600 shares), all of the Tendered Share Certificates, etc. will not be purchased by the Company. If the total number of Tendered Share Certificates, etc. is equal to or greater than the minimum number of shares to be purchased (4,839,600 shares), the Company will purchase all of the Tendered Share Certificates, etc. The minimum number of shares to be purchased is the number of shares (4,839,600 shares) obtained by deducting the number of shares (900,000 shares) held by the Tender Offeror as of today from the number of shares (5,739,600 shares) obtained by multiplying, by 100, the number of voting rights (57,396 voting rights) corresponding to 66.67% of the number of voting rights 86,091 voting rights pertaining to the number of shares (8,609,160 shares) obtained by deducting the number of treasury shares (180,840 shares) held by the Target Company as of September 30, 2019 as indicated in the Quarterly Financial Results from the number of issued shares (8,790,000 shares) of the Target Company.
as of September 30, 2019 as indicated in the Quarterly Financial Results.

(Note 2) Because the maximum number of shares to be purchased has not been set in the Tender Offer, the number of shares to be purchased is indicated as being the maximum number of shares that the Tender Offeror may acquire in the Tender Offer. This maximum number of shares was obtained by deducting the number of shares (900,000 shares) held by the Tender Offeror as of today and the number of treasury shares (180,840 shares) held by the Target Company as of September 30, 2019 as indicated in the Quarterly Financial Results from the number of issued shares (8,790,000 shares) of the Target Company as of September 30, 2019 as indicated in the Quarterly Financial Results.

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

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

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

<table>
<thead>
<tr>
<th>Number of Voting Rights Represented by Share Certificates, etc. Owned by Tender Offeror prior to Purchase, etc.</th>
<th>9,000</th>
<th>(Ownership Percentage of Share Certificates etc. prior to Purchase, etc.: 10.45%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Voting Rights Represented by Share Certificates, etc. Owned by Special Related Parties prior to Purchase, etc.</td>
<td>0</td>
<td>(Ownership Percentage of Share Certificates etc. prior to Purchase, etc.: 0.00%)</td>
</tr>
<tr>
<td>Number of Voting Rights Represented by Share Certificates, etc. Owned by Tender Offeror after Purchase, etc.</td>
<td>86,091</td>
<td>(Ownership Percentage of Share Certificates etc. after Purchase, etc.: 100.00%)</td>
</tr>
<tr>
<td>Number of Voting Rights Represented by Share Certificates, etc. Owned by Special Related Parties after Purchase, etc.</td>
<td>0</td>
<td>(Ownership Percentage of Share Certificates etc. after Purchase, etc.: 0.00%)</td>
</tr>
<tr>
<td>Total Number of Voting Rights of All Shareholders, etc. of the Target Company</td>
<td>86,080</td>
<td></td>
</tr>
</tbody>
</table>

(Note 1) “Number of Voting Rights Represented by Share Certificates, etc. Owned by Tender Offeror after Purchase, etc.” is the number of voting rights (77,091) with respect to the number of share certificates, etc. to be purchased in the Tender Offer (7,709,160) plus “Number of Voting rights Represented by Share Certificates, etc. Owned by the Tender Offeror prior to Purchase, etc.” (9,000).
(Note 2) 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 March 31, 2019, as described in the Target Company’s Report for the 39th Fiscal Year filed as of March 31, 2019 (described on the basis that 1 unit is 100 shares). However, as shares constituting less than a unit are subject to the Tender Offer, in calculating the “Percentage of Share Certificates, etc. prior to Purchase, etc.” and “Ownership Percentage of Share Certificates, etc. after Purchase, etc.,” “Total Number of Voting Rights of All Shareholders, etc. of Target Company” is the number of voting rights (86,091) corresponding to the number of issued shares (8,609,160 shares) obtained by deducting (a) the number of treasury shares held by the Target Company as of September 30, 2019 (180,840 shares), from (b) the total number of issued shares of the Target Company as of September 30, 2019 (8,790,000 shares) described in the Quarterly Financial Results.

(Note 3) The “Percentage of Share Certificates, etc. prior to Purchase, etc.” and the “Ownership Percentage of Share Certificates, etc. after Tender Offer, etc.” are rounded to two decimal places.

(7) Aggregate Tender Offer Price: 20,814,732,000 yen

(Note) The “Aggregate Tender Offer Price” is calculated by multiplying the number of shares intended to be purchased (7,709,160 shares) by the Tender Offer Price (2,700 yen per share).

(8) Method of Settlement

(i) Name and address of the head office of the financial instruments business operators / banks in charge of settlement for purchase, etc.

Daiwa Securities Co. Ltd.; 1-9-1 Marunouchi, Chiyoda-ku, Tokyo

(ii) Settlement commencement date

December 19, 2019 (Thursday)

(iii) 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, etc.) promptly after the end of the Tender Offer Period.

Payment of the purchase price will be made in cash. The sales price of the Share Certificates, etc. that were purchased shall be remitted (bank charges may apply) by the tender offer agent to the place designated by the Tendering Shareholders, etc. (or the standing proxy in the case of Foreign Shareholders, etc.), or paid to the account of the Tendering Shareholders, etc. opened with the tender offer agent through which the Share Certificates, etc. were tendered.
in the Tender Offer, promptly on or after the commencement date of settlement according to
the instructions given by the Tendering Shareholders, etc.

(iv) Method of returning Share Certificates, etc.

If all of the Share Certificates, etc. are not purchased in accordance with the terms
described in the section titled “(9) Other Conditions and Methods of Purchase, etc.”, “(i)
Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and details thereof”
and “(ii) Conditions of withdrawal, etc. of Tender Offer, details thereof and method of
disclosure of withdrawal” below, the Share Certificates, etc. that need to be returned shall be
returned to the Tendering Shareholders, etc. promptly after two (2) business days following the
last day of the Tender Offer Period (the day of the withdrawal, etc. if the Tender Offer is
withdrawn, etc.) by being restored to the state of the relevant Tendering Shareholder’s Account,
which was opened with the tender offer agent at the time of the relevant tender.

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

(i) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act and
details thereof

If the total number of Tendered Share Certificates, etc. falls short of the minimum
number of shares to be purchased (4,839,600 shares), all of the Tendered Share Certificates,
etc. will not be purchased by the Company. If the total number of Tendered Share Certificates,
etc. is equal to or greater than the minimum number of shares to be purchased (4,839,600
shares), the Company will purchase all of the Tendered Share Certificates, etc.

(ii) Conditions of withdrawal, etc. of Tender Offer, details thereof and method of
disclosure of withdrawal

The Tender Offer may be withdrawn upon the occurrence of any event listed in Article
14, Paragraph 1, Items 1.1 through 1.9 and Items 1.12 through 1.18, Items 3.1 through 3.8 and
Item 3.10, as well as Article 14, Paragraph 2, Items 3 through 6 of the Order for Enforcement
of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended;
hereinafter referred to as the “Enforcement Order”). In the Tender Offer, the “matters
equivalent to the matters listed in Items 1.1 through 1.9” in Article 14, Paragraph 1, Item 3.10
of the Enforcement Order means where it is found that there is a false statement regarding, or
an omission of, a material matter to be stated, in the statutory disclosure documents which the
Target Company submitted in the past, and where the Tender Offeror was not aware of the false
statement or the omission and, despite using due care, the Tender Offeror was unable to be
aware of the false statement or the omission.

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

(iv) Matters concerning Tendering Shareholders, etc.’ right of cancellation of contract

The 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) cancellation documents (copy of the Receipt for Tender Offer Application Form or Tender Offer Acceptance Form and document to the effect of cancelling the contract) to the head office or a branch office in Japan of the entity designated below that received the application from such Tendering Shareholders, etc., by 16:00 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 16:00 on the last day of the Tender Offer Period.

No compensation for damages or penalty payment will be demanded of any Tendering Shareholder by the Tender Offeror even if the Tendering Shareholder cancels a contract. The cost of returning the Tendered Share Certificates, etc. will be borne by the Tender Offeror. When the cancellation of a contract is requested, the Tendered Share Certificates, etc. will be returned promptly after the completion of procedures according to the method described in the section titled “(8). Method of Settlement”, “(iv) Method of Returning Share Certificates, etc.” above.

(v) Method of disclosure if the conditions or other terms of the Tender Offer are changed

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

(vi) Method of disclosure if an amended statement is submitted

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

(vii) Method of disclosure of results of the Tender Offer

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

(10) Date of Notice of Commencement of Tender Offer

October 31, 2019 (Thursday)

(11) Tender Offer Agent

Daiwa Securities Co. Ltd.; 1-9-1 Marunouchi, Chiyoda-ku, Tokyo

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

(1) Policy, etc. after the Tender Offer

Through the Target Company’s stronger collaboration with the Company Group based on the Transaction, the Company will seek to further increase the earnings growth potential by promoting productivity and cost efficiency, and accelerate the earnings growth and improve the corporate value of the overall Company Group, including the Target Company, by unifying the business management of both companies.

Furthermore, in order to maximize the Target Company’s distinctive brand power in the software development services that has been cultivated to date, after the Transaction, the
Company will maintain the Target Company’s corporate status and brand while strengthening business activities of sales and marketing through unified business operation as the Company Group, and consequently perform software development/maintenance/operation services.

In addition, with regard to the development of new businesses such as the DX business, the Company will promote the development of new services and solutions while actively exchanging personnel and sharing technologies/knowledge between the companies, and seek business deployment capable of realizing the synergy of strengthened cooperation based on the Transaction. In particular, from the perspective of human resource development to become the keystone thereof, the Company will promote strategic education/training programs and focus on the human resource reform of the Target Company and the Company to meet the demands of a new generation, including the promotion of the mid-to-long term DX business.

Although the management structure following the Tender Offer has not yet been determined as of today, the Company plans to hold further discussion with the Target Company to build a management structure that would be suitable for the future management strategy and business operation of both companies.

(2) Future Outlooks

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

4. Other Items

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

(i) Agreements between the Tender Offeror and the Target Company, and Details Thereof

According to the Target Company Press Release, as stated in the section titled “1. Purpose, etc. of Purchase, etc.”, “(2) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer”, “(i) Background to, purpose of and decision-making process of the Tender Offer” above, the Target Company resolved at its board of directors meeting held on October 30, 2019 to express an opinion in favor of the Tender Offer, and to recommend that all Target Company shareholders tender their shares through the Tender Offer.

For details of the decision-making of the Target Company, please refer to the Target Company Press Release and the section titled “1. Purpose, etc. of Purchase, etc.”, “(3) Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Price for Purchase, etc. and to Avoid Conflicts of Interest”, “(v) Unanimous Approval of All Non-interested Directors of the Target Company” above.
(ii) Background to, Purpose of and Decision-Making Process of the Tender Offer, and Management Policy after the Tender Offer

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

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

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

(2) Other Information Deemed Necessary for Investors to Determine whether to Tender their Shares through the Tender Offer

(i) Announcement of “Non-consolidated Financial Results for the 2nd Quarter of Fiscal Year Ending March 31, 2020 (Prepared in Conformity with J-GAAP)”

The Target Company announced the Quarterly Financial Results as of October 30, 2019. The outline of the Target Company’s Quarterly Financial Results in the announcement is as stated below. According to the Target Company, the Quarterly Financial Results do not undergo quarterly review by the auditor under Article 193-2, Paragraph 1 of the Act. The outline below is an excerpt from the information disclosed by the Target Company. For details, please refer to the Quarterly Financial Results. Annual profit forecast in the fiscal year ending March 2020 is not amended.

(i) Profit and loss (non-consolidated)

<table>
<thead>
<tr>
<th>Accounting period</th>
<th>2nd quarter of fiscal year ending March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>8,646 million yen</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>7,229 million yen</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>641 million yen</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>17 million yen</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>1 million yen</td>
</tr>
<tr>
<td>Net income for the quarter</td>
<td>545 million yen</td>
</tr>
</tbody>
</table>

(ii) Per share information (non-consolidated)

<table>
<thead>
<tr>
<th>Accounting period</th>
<th>2nd quarter of fiscal year ending March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(iii) Revisions to the dividends forecast for the fiscal year ending March 31, 2020

According to the Target Company, the Target Company pass a resolution in the board of directors’ meeting held on October 30, 2019 to revise the dividends forecast for the fiscal year ending March 31, 2020 which was announced in the “Non-consolidated Financial Results for the 1st Quarter of Fiscal Year Ending March 31, 2020 (Prepared in Conformity with J-GAAP)” dated July 26, 2019, and not distribute year-end dividends for the fiscal year ending March 31, 2020 if the Tender Offer is completed. For details, please see the Target Company’s Notice Concerning Dividends of Surplus and Amendment to Dividends Forecast for the Fiscal Year ending March 31, 2020” dated October 30, 2019.
Soliciting Regulations
This press release is a news statement intended for the announcement of the Tender Offer to the general public and is not intended for soliciting an offer to sell the shares in connection with the Tender Offer. If anyone desires to sell his or her shares, a shareholder should, at his or her own discretion, review the tender offer explanatory statement for the Tender Offer and accept the Tender Offer in his or her own discretion. This press release is not considered as an offer of purchase of securities or solicitation of offer of sales of securities and does not constitute any such part. This press release (or any part of it) or the fact of its distribution does not provide a basis for any kind of agreement pertaining to the Tender Offer, and it may not be relied upon when executing any such agreement.

Regulations of the United States
Although the Tender Offer will be conducted in compliance with the procedures and disclosure standards prescribed in the Financial Instruments and Exchange Act in Japan, such procedures and standards are not necessarily identical to those applicable in the United States. In particular, Sections 13(e) and 14(d) of the U.S. Securities Exchange Act of 1934 (as amended) (the “U.S. Securities Exchange Act of 1934”), and the rules promulgated thereunder do not apply to the Tender Offer, and the Tender Offer is not intended to comply with the procedures or standards set forth in any such provisions. All financial information contained in this press release is based on generally accepted accounting principles in Japan (“Japanese GAAP”), not the U.S. accounting standards. Therefore, the financial information contained in this press release may not necessarily be comparable to the financial information prepared based on the U.S. accounting standards. In addition, the Company and the Target Company are legal entities incorporated outside of the United States, and it may be difficult to enforce any rights or make claims arising under the U.S. securities laws. Furthermore, shareholders may not be able to commence legal proceedings against legal entities incorporated outside the United States in non-U.S. courts for violations of the U.S. securities laws. In addition, U.S. courts do not necessarily have jurisdiction over legal entities and their respective subsidiaries and affiliates outside the United States. Unless otherwise described, all procedures related to the Tender Offer shall be conducted entirely in the Japanese language. All or any part of the documents related to the Tender Offer is prepared in the English language. If there is any inconsistency between the English documentation and the Japanese documentation, the Japanese documentation shall prevail. The financial advisor of the Tender Offeror and the Target Company, the tender offer agent and their respective affiliates may, within their ordinary course of business, purchase, or conduct any act toward the purchase of, the shares of the common stock of the Target Company for their own account or for their customers’ accounts outside the Tender Offer prior to the commencement of, or during, the period of the Tender Offer in accordance with the requirements of Rule 14e-5(b) under the U.S. Securities Exchange Act of 1934 to the extent permissible under the laws related to financial instruments and exchanges and other applicable laws and regulations in Japan. If any information concerning such purchase is disclosed in Japan, the disclosure of such information will be made in the United States in a similar manner.

Forward-Looking Statements
This information, including the information concerning the future business of the Company, other companies, etc., may include the forward-looking expression such as “look for,” “expect,” “aim at,” “schedule,” “convinced of,” and “anticipate.” These expressions are based on the outlook for the business of the Company at this point, and may change depending on the situation going forward. In respect of the information, the Company undertakes no obligation to change forward-looking expressions to current state in order to reflect the actual performance, various circumstances, change of conditions, etc. This press release includes “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933 (as amended) and Section 21E of the U.S. Securities Exchange Act of 1934. Actual results may differ substantially from future expectations or other express or implicit forward-looking statements due to known or unknown risks, uncertainties or other factors. Neither the Tender Offeror nor any of its affiliates promise that the projections and other statements expressed or implied as “forward-looking statements” will ultimately be accurate. The “forward-looking statements” in this press release have been prepared based on information available to the Tender Offeror as of the date hereof, and unless otherwise required by law or regulation or the regulation of financial instruments exchanges, neither the Tender Offeror nor any of its affiliates will be responsible for updating or otherwise revising such forward-looking statements in order to reflect any future event or circumstances.

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