

Announcement Regarding the Commencement of Tender Offer for Shares in FUJITSU FRONTECH LIMITED (Securities Code 6945)

Tokyo, Japan, July 30th, 2020 – Fujitsu Limited (the “Tender Offeror”) hereby announces that it has passed a resolution at its Board of Directors meeting held on July 30, 2020, to acquire common shares (“Target Company Shares”) and Share Options (“Share Options”; for the definition of relevant different series of share options, refer to “(2) Types of Share Certificates, etc. to be Purchased” under “2. Outline of the Tender Offer” below) in FUJITSU FRONTECH LIMITED (the “Target Company” listed on the Second Section of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”) under the Code 6945), through a tender offer (the “Tender Offer”) as stipulated in the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”), with details as described below.

Description

1. Purpose of the Purchase

(1) Outline of the Tender Offer

As of today, the Tender Offeror holds 12,775,350 Target Company Shares (ownership ratio (Note 1): 52.99%) listed on the Second Section of the Tokyo Stock Exchange, and the Target Company is a consolidated subsidiary of the Tender Offeror. The Tender Offeror has recently decided, at its Board of Directors meeting held on July 30, 2020, to conduct the Tender Offer as part of a transaction (the “Transaction”) intended to make the Target Company a wholly-owned subsidiary of the Tender Offeror by acquiring all Target Company Shares (including the Target Company Shares to be issued upon exercise of the Share Options and excluding the Target Company Shares held by the Tender Offeror and the treasury shares held by the Target Company) and all Share Options.

(Note 1) “Ownership ratio” means the percentage (rounded to two decimal places) of Target Company Shares owned by the Tender Offeror to the number of shares (24,107,947 shares) calculated as follows: (i) the total number of issued Target Company Shares as of today (24,121,062 shares), which is calculated by adding the number of shares to be issued as a result of the exercise of 1,059 Share Options (Note 2) as of June 30, 2020 as reported by the Target Company on July 14, 2020 (105,900 shares, the “Number of Potential Shares”) to the total number of issued Target Company Shares as of June 30, 2020 stated in the Q1 Financial Statement (Japanese GAAP) (consolidated) for the year ending March 2021 released on July 30, 2020 by the Target Company (the “Target Company’s Financial Statement”) (24,015,162 shares); less (ii) the number of treasury shares held by the Target Company as of June 30, 2020 as stated in the Target Company’s Financial Statement (13,115 shares).
The same applies hereafter in the calculation of an ownership ratio.

(Note 2) Details of 1,059 Share Options are shown in the table below.

Name of the Share Options	Number of units as of June 30, 2020	Number of resulting shares to be issued
The 4th Share Option	18	1,800
The 5th Share Option	19	1,900

The 6th Share Option	27	2,700
The 7th Share Option	30	3,000
The 8th Share Option	53	5,300
The 9th Share Option	114	11,400
The 10th Share Option	201	20,100
The 11th Share Option	242	24,200
The 12th Share Option	355	35,500
Total	1,059	105,900

In the Tender Offer, the minimum number of shares to be purchased is set at 3,296,650 shares, which is obtained by the following calculation: (i) the number of voting rights (241,079 shares) represented by the number of the Target Company Shares (24,107,947 shares) calculated as follows: (a) the total number of issued Target Company Shares as of June 30, 2020 stated in the Target Company's Financial Statement (24,015,162 shares), plus (b) the Number of Potential Shares (105,900 shares), less (c) the number of treasury shares owned by the Target Company as of June 30, 2020 stated in the Target Company's Financial Statement (13,115 shares); multiplied by (ii) a factor of two-thirds (with the product being 160,720 shares, which is rounded up to the nearest whole number); multiplied by (iii) 100 shares, which constitutes one unit of the Target Company; less (iv) the Target Company Shares held by the Tender Offeror as of today (12,775,350 shares). If the total number of share certificates, etc. tendered to the Tender Offer (the "Tendered Share Certificates") is less than the minimum number of shares to be purchased, the Tender Offeror will not purchase any of the Tendered Share Certificates. While the purpose of the Tender Offer is to make the Target Company a wholly-owned subsidiary, implementation of the share consolidation, as stated in "(4) Policy on Restructuring, etc. after the Tender Offer (matters concerning the so-called two-step acquisition)" below, requires a special resolution of a general meeting of shareholders as prescribed in Article 309, Paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended; the "Companies Act"). Therefore, in order to successfully execute the Transaction, the minimum number of shares to be acquired has been set so that the total voting rights to be held by the Tender Offeror after the Tender Offer will be two-thirds or more of the total voting rights of the Target Company. On the other hand, the Tender Offeror has set no maximum number of share certificates, etc. to be purchased in the Tender Offer, and if the total number of Tendered Share Certificates is at least the minimum number of share certificates, etc. to be purchased (3,296,650 shares), the Tender Offeror will purchase all of the Tendered Share Certificates.

If the Tender Offer has been successfully completed, but the Tender Offeror is unable to acquire all of the Target Company Shares (including the Target Company Shares to be issued upon exercise of the Share Options and excluding the Target Company Shares held by the Tender Offeror and the treasury shares held by the Target Company) and the Share Options as a result of the Tender Offer, the Tender Offeror intends to acquire all of the Target Company Shares (including the Target Company Shares to be issued upon exercise of the Share Options and excluding the Target Company Shares held by the Tender Offeror and the treasury shares held by the Target Company) and the Share Options, and make the Target Company a wholly-owned subsidiary by implementing the procedures described in "(4) Policy on Restructuring, etc. after the Tender Offer (matters concerning the so-called two-step acquisition)" below (the "Squeeze-Out Procedure") after the Tender Offer is successfully completed.

According to the "Announcement of Opinion Regarding the Tender Offer for Our Certificates by Fujitsu Limited, the Controlling Shareholder, and Recommendation to the Shareholders to Tender Their Shares" dated July 30, 2020 published by the Target Company (the "Target Company's Press Release"), the Target Company, at its Board of Directors meeting held on July 30, 2020, adopted resolutions: (i) to express its support for the Tender Offer; (ii) to recommend that shareholders of the Target Company apply for the Tender Offer; and (iii) to leave to

the discretion of the holders of the Share Options (“Share Option Holders”) the decision as to whether or not to tender their Share Options to the Tender Offer, because the offer price for these Share Options (“the Offer Price for Share Options”) has been set at 1 yen.

For details of the above resolutions by the Board of Directors of the Target Company, please see the Target Company’s Press Release and “(vi) Approval of All Directors (including Audit and Supervisory Committee Members) without Conflicts of Interests” in “(Measures to Ensure the Fairness of Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” in “2. Outline of the Tender Offer, (5) Basis for Calculation of the Tender Offer Price, ② Background of Calculation” below.

(2) Background, Purpose, and Decision-making Process Which Led to the Decision to Implement the Tender Offer As Well As the Management Policy after the Tender Offer

① Background, Purpose, and Decision-making Process Which Led to the Decision to Implement the Tender Offer

The Tender Offeror was established as Fuji Tsushinki Manufacturing Co., Ltd. in June 1935, listed its shares on the Tokyo Stock Exchange in May 1949, Osaka Stock Exchange (currently Tokyo Stock Exchange) in December 1960, and on the Nagoya Stock Exchange in October 1961, and changed its trade name to the current one in June 1967. The Tender Offeror is a corporate group (including the Target Company, “the Offeror’s group”) consisting of the Tender Offeror, its 391 consolidated subsidiaries and 60 affiliated companies accounted for by the equity method (as of March 31, 2020). The Tender Offeror provides various services in the field of ICT (Note 1), and at the same time to support these services offers comprehensive services through its total solution business, ranging from the development, manufacture, sale to maintenance of leading-edge, high-performance and high-quality products. In “Technology Solutions (Note 2),” which is its main business segment, the Tender Offeror plays a central role in the development, manufacture, sale of products and provision of services using the most advanced technologies in cooperation with each group company.

The Offeror’s Group believes it is important to realize sound profits and growth and to continuously improve corporate value.

Regarding the market environment in which the Offeror’s group operates, the existing IT market, such as conventional mission-critical systems, is expected to shrink at a moderate pace from now on. On the other hand, spending on modernization (Note 3) to replace legacy systems and increase efficiency is predicted to solidly increase. Moreover, spending on digitization, including AI, data utilization, and IoT (Note 4), is expected to rapidly expand.

In these circumstances, spearheading companies’ DX initiatives (Note 5), which is an area of rising demand, the Offeror’s group aims to transform itself into a DX company that contributes to resolution of social issues. To this end, the Group formulated a new Management Direction on September 26, 2019 (the “Management Direction”).

In the Management Direction, the Group defines the DX business based on technologies, such as AI and data utilization, and modernization including migration to the cloud that collectively represent an essential step in realizing DX as the “digital field” and aims to achieve growth in it.

In the digital field, to accelerate the DX business, the Group established a consulting company focused on DX “Ridgelinez Limited” on Jan 15, 2020. In formulating plans and making proposals, the new company exploits various avenues, including strategic consulting, industry-specific consulting, and solutions-based consulting, to become a one-stop provider of technology implementations using optimal services and products from both inside and outside the company.

Computing, AI, 5G network, cybersecurity, Hybrid IT, data management, and IoT are key technologies supporting DX. The Group defines these seven technologies as the key technology fields and concentrates resources to strengthen them. In addition to strengthening these technologies, the Group will make investments to create new business opportunities and promote new business. The Group will also invest in corporate venture capital and start-ups and pursue M&A as appropriate.

In addition, the Offeror's group will implement internal reform by upgrading internal processes and information infrastructure in order to accelerate DX of the Group.

Regarding the conventional IT business for which the Offeror's group has a strong customer base, in addition to further pursuit of efficiency improvement, the Group will make a concerted effort to gain opportunities for deals in order to secure profit. On July 17, 2020, Fujitsu announced the establishment of Fujitsu Japan Ltd., on October 1, 2020 to further expand its business in Japan, with the understanding that the Offeror currently holds the top share in the domestic IT services market.

In the business outside Japan, the Group continues to promote business model transformation in order to put it on a growth track. In particular, the Group split Europe into two regions, Northern & Western Europe and Central & Eastern Europe, assigning an executive in each region to flexibly develop businesses there.

The Group will also strengthen non-financial initiatives. The Offeror's group positions the SDGs (Note 6) at the heart of its approach to management. As a responsible corporation, the Group has previously promoted activities based on specific themes in various regions around the world. From now on, the Group will organize its activities around globally integrated themes. The Group will set targets in each category, such as human rights, diversity and inclusion, wellbeing, which aims for health in mind and body, the environment, ethical conduct and compliance, and community, initiating activities to resolve the issues confronting society while seeking to achieve globally sustainable growth.

Through these initiatives, the Group will vigorously promote its transformation into a DX company while enhancing global competitiveness. With a view to flourishing in the run-up to its 2035 centenary and far into the future in a rapidly changing world, the Tender Offeror has set the Purpose: "Make the world more sustainable by building trust in society through innovation." The Group's medium-term performance targets set towards the achievement of the Purpose are revenue of 3,500 billion yen, which is the sum of revenue and a consolidated operating profit margin of 10% from Technology Solutions for the year ending March 2023.

In addition, the recent spread of COVID-19 has affected economic activity on a global scale, and the prospects for a quick recovery are uncertain. Various effects have been seen across diverse industries, including a drop in consumer spending due to restrictions on out-of-home activities and traveling and the emergence of supply chain risks due to trade restrictions imposed by countries around the world. On the other hand, IT-related demand, such as for tools for teleworking and online education is expected to grow as a result of the anticipated shift from face-to-face interactions in daily life and business activities to online environments. As data becomes more and more intricately connected, with a focus on people, the Tender Offeror will contribute to the creation of a safer and more convenient society by leveraging its digital technology and experience in and knowledge of diverse industries.

Based on the recognition that establishment and operation of the internal control framework including the compliance system is one of the most important management matters from the viewpoint of maintaining and enhancing corporate value, the Offeror's group is working to ensure compliance, adhering to the Code of Conduct included in the Fujitsu Way; which sets out the principles on which all decisions and actions should be based for the officers and employees of Tender Offeror Groups around the world.

(Note 1) "ICT" refers to information and communication technology.

(Note 2) "Technology Solutions" is a comprehensive services business segment that combines products, software and services in an optimal way, mainly for corporate customers, and consists of solutions/services, system platforms, international regions excluding Japan, and technology solutions common

(Note 3) "Modernization" refers to transformation to a system that can respond to changes and rapidly utilize advanced technologies, while utilizing existing assets.

(Note 4) "IoT" stands for Internet of Things, and refers to a system that connects various things around us to the Internet.

(Note 5) "DX" stands for Digital Transformation, which uses digital technologies and data to deliver innovative services and transform business processes.

(Note 6) "SDGs" stands for Sustainable Development Goals, which were adopted by the United Nations

in 2015 as common development goals for the international community to make the environment, society and economic activities sustainable for the future.

According to the press release issued by the Target Company, on the other hand, the Target Company was established in November 1940 as Kanaiwa Kousakusho Co., Ltd. for the purpose of manufacturing western-style tableware, automatic lathe equipment and automobile parts, and became a wholly-owned subsidiary of the Tender Offeror in November 1944 when the Tender Offeror acquired all of its shares. The Target Company changed its trade name to Kambara Kikai Kogyo Ltd. in November 1944, to Kambara Kikai Denshi Ltd. in June 1970, and to Fujitsu Kiden Ltd. in June 1972. The Target Company began the development, production, and sale of financial terminal systems in August 1974, and began the development, production, and sale of retail terminal systems in September 1980, thereby significantly expanding its business scope. The Target Company listed its shares on the Second Section of the Tokyo Stock Exchange in February 1988, and changed its trade name to “FUJITSU FRONTECH LIMITED” in July 2002.

The Target Company Group (a corporate group comprised of the Target Company and its subsidiaries, hereinafter the same), as of today, consists of the Target Company and 14 consolidated subsidiaries, and primarily engages in the development, production, sale of front technology products (Note 7) and provision of related solution services.

Based on the concept of “Touch, Connect, and Change,” the Target Company Group will support the reform in frontline area of customers as a “DX (Digital Transformation) Company at the Forefront of Customer.” As a medium-term vision, the Target Company aims to realize safe and secure society where everyone can live comfortably, through proposing companies and their customers to “touch” hardware provided by the Target Company, which “connects” people with companies, leading to development of unprecedented new services and solutions, with companies making “changes” to enrich people's lives and innovate their front-line operations. Positioning technologies and products, which are the Target Company's strengths, as the core factors that bring about digital innovation in the frontline area, the Target Company delivers new business value with the idea of “Koto” (service oriented way of thinking) to enhance customers business in the integrated areas of products, solutions, and services.

The Target Company Group will actively develop business based on these policies, but the business environment surrounding the Group has changed significantly. Responding to changes such as cashless operations, the sharing economy, and a decline in the labor force is becoming an increasingly important issue. For example, domestic financial institutions, which are in a difficult business environment under the negative interest rate policy, are increasingly aware of the need to reduce costs, and thus have announced various strategies one after another, such as sharing ATM terminals with other financial institutions, mergers and alliances, in addition to measures to reduce the number of sales offices and personnel. Similar to the automotive industry, the financial industry is undergoing a financial version of the CASE (Note 8) revolution, and strategies and investments to respond to the financial CASE revolution are becoming more important. For example, each financial institution is working to improve productivity and expand its business areas through digital innovation technologies such as AI and RPA (Note 9). Other industries are also promoting cashless settlement at front offices to address work style reforms and the growing labor shortage. Meanwhile, there is a potential need for more efficient cash management operations at back offices, where cash proceeds from sale and changes are managed, and the momentum to introduce BPO services is increasing at client companies. While the business environment surrounding client companies is becoming increasingly challenging due to changes in the business environment and the shift to a cashless society, an environment has been established in which new service models can be created in various industries due to the progress of automation and labor-saving, diversification of payment methods, and increasing demands for security and safety. In this environment, corporate management is required to formulate flexible management policies and quickly execute strategies.

Regarding the capital relationship between the Tender Offeror and the Target Company, as a result of its

listing on the Second Section of the Tokyo Stock Exchange in February 1988 and its selling 1,200,000 shares on the market immediately after its listing by the Tender Offeror, the Tender Offeror held 8,400,000 shares (ownership ratio:60.43% (“Ownership ratio” in this paragraph refers to the percentage of the number of shares owned by the Tender Offeror to the total number of issued shares of the Target Company at each time point, rounded to two decimal places.)) as of May, 1988. The number of shares held by the Tender Offeror increased to 9,660,000 shares (ownership ratio: 60.43%) in May 1988 as a result of the stock split conducted by the Target Company at a ratio of 1.15 shares per share. The number of shares held by the Tender Offeror increased to 11,109,000 shares (ownership ratio: 60.43%) in November 1989 as a result of the stock split conducted by the Target Company at a ratio of 1.15 shares per share. The ownership ratio held by the Tender Offeror decreased to 53.20% in May, 1990 as a result of the stock offering conducted by the Target company. The number of shares held by the Tender Offeror increased further to 12,775,350 shares in May 1991 (ownership ratio: 53.20%) as a result of the stock split conducted by the Target Company at a ratio of 1.15 shares per share. As a result, as of today, the Tender Offeror holds 12,775,350 Target Company Shares (ownership ratio: 52.99%).

The Target Company belongs to the technology solutions segment of the Tender Offeror as a consolidated subsidiary of the Tender Offeror. The Tender Offeror procures some of the Target Company's mainstay products, such as system products, front solution products and services, while selling its products such as PCs and servers to the Target Company. They have a continuous and stable business relationship, and sales to the Tender Offeror account for 40% of the Target Company's total sales.

The Tender Offeror has decided to review the capital relationship with its listed subsidiaries in light of the fact that parent-subsidiary listings have attracted a great deal of attention from investors from the viewpoint of corporate governance. In February 2020, the Tender Offeror established a specialized department as its corporate function for the purpose of planning and executing plans and measures for the optimal group formation and governance in the group management, including the review above.

Since the Tender Offeror has a significant business relationship with the Target Company, it is desirable that the Offeror's group as a whole can make mutual use of management resources and speed up decision-making processes, and that the Target Company cooperates with and unifies with the Offeror's group to generate business synergies. For the group businesses that do not generate synergies with the Target Company, the Tender Offeror intends to increase the relevant business value through drastic measures, including partnerships and alliances with external partners outside of the Tender Offeror Group that has insights of the business. The target business will be identified in the process of considering the business strategy that is planned after the Tender Offer, including details of comprehensive synergies. (Refer to “(2)Background , Purpose, and Decision-making Process Which Led to the Decision to Implement the Tender Offer As Well As the Management Policy after the Tender Offer” , “(3)Management Policy after Completion of the Tender Offer”)

The Tender Offeror decided that it is necessary to establish a prompt decision-making structure in order to respond to rapid business changes for implementing these fundamental structural reforms, and also for the Target Company, it is required to conduct restructuring flexibly regardless of stock price fluctuations due to a temporary deterioration in earnings. In this context, it has become necessary to make the Target Company a wholly owned subsidiary of the Tender Offeror, and then consider and carry out the building of synergies between the two companies and business restructuring.

Therefore, in late March 2020, the Tender Offeror decided to consider making the Target Company a wholly-owned subsidiary, and on April 20, 2020, after the plan was explained to the Target Company, working-level members of both companies began to discuss specific processes. On May 26, 2020, the Tender Offeror submitted to the Target Company an initial letter of intent to make the Target Company its wholly-owned subsidiary through a tender offer, and the Target Company also established a special committee and commenced detailed examination of the Transaction. The Tender Offeror conducted due diligence on the Target Company from early June to early July 2020, received a business plan from the Target Company in late June 2020, interviewed the Target Company management, and on July 3, 2020, submitted a letter of intent setting the purchase price per share of the Target Company Shares (“the Tender Offer Price”) at 1,410 yen.

Since then, the Tender Offeror has continuously discussed and negotiated with the Target Company the terms and conditions of the Transaction, including the Tender Offer Price. Specifically, the Tender Offeror received a proposal from the Target Company to set the Tender Offer Price at 1,800 yen on July 10, 2020, proposed to the Target Company to set the Tender Offer Price at 1,490 yen on July 16, 2020, and received a proposal again from the Target Company to set the Tender Offer Price at 1,720 yen on July 17, 2020. On 7/22, the Tender Offeror proposed to the Target Company that the Tender Offer Price be 1,520 yen. On the same day, the Target Company proposed a Tender Offer Price of 1,600 yen.. After these negotiations, on July 28, 2020, the Tender Offeror made a Final proposal to the Target Company, including setting the Tender Offer Price at 1,540 yen. On the other hand, regarding the Share Options, all the Share Options have been issued to the directors and executive officers of the Target Company as stock compensation-type stock options, and they may be exercised, provided that this is done within ten days from the following day of losing their position either as a director or executive officer of the Target Company. Based on this, it is understood that the Tender Offeror cannot exercise the Share Options even if the Tender Offeror acquires such options. Therefore, on July 16, 2020, the Tender Offeror has set the Target Company 1 yen per unit as the Offer Price for Share Options.

The Tender Offeror believes that the following specific benefits can be expected from the Transaction.

(i) Mutual use of management resources and speedy decision-making in the Offeror's group as a whole

Tender Offeror believes that the business environment surrounding the Target Company is changing significantly, as evidenced by the trend toward the cashless society due to increased opportunities for contactless transactions and the expansion of FinTech (Note_10) along with the development of AI. By making the Target Company a wholly-owned subsidiary, the Tender Offeror can promptly respond to the expected drastic changes in the business environment. The Offeror's group as a whole can make mutual use of management resources, such as solutions for bank branch offices the palm vein authentication technology developed by the Target Company, and expedite decision-making within the Group.

(ii) Generate synergies through an enhanced collaboration with the Offeror's group as well as an integration with it with regard to the solution service business of the Target Company

Given that the Tender Offeror is now in the process of transforming from an IT company to a DX company under the Management Direction, we think the Target Company will also play an important role in the initiative after becoming a wholly-owned subsidiary of the Tender Offeror. Towards solidifying a new business model such as for an accelerated integration with FinTech firms for collaboration with SNS entities and for mobile payment, P2P (Note 11) remittance and cryptocurrency services, further growth will likely be achieved by developing and delivering digital technologies and solutions through both entities' integrated efforts to realize a change to innovative services and business processes fully leveraging digital technologies and data, in main financial, industrial, distribution and public domains addressed by the Target Company. While palm vein authentication and RFID (Note 12) are used for some products and services from the Tender Offeror, we think they will likely be spread and promoted further if the firm leverages as the driver for the DX-related services offerings aimed by the Tender Offeror.

(iii) Increase the business value of the global product business

In the Management Direction, the Offeror's group seeks to grow and, at the same time, to achieve an increased profitability, and announced a goal of attaining an operating profit margin of 10% in the technology solution unit (the fiscal year ending March 31, 2023). The Target Company's global product business is thought to be in a challenging environment in terms of profitability as evidenced by: (i) an expanding and spreading shift to cashless transactions in emerging market countries (especially in China); (ii) branch reduction by banks; (iii) sluggish investments for hardware overhauls; (iv) a rise of local Chinese companies; and (v) intensifying competition with rival firms in the mechanical components Note 13 business. As the tender offeror, we intend to strongly support the Target Company

as we think it will be required to take drastic measures at a higher level than at present, including collaboration or alliance with external partners, by promoting the mutual use of management resources and the speeding-up of decision making, in the face of growing needs for automation and labor-saving on the part of the distribution and retail industries beset with persistent labor shortage (an expansion of sales of cash handling equipment, POS systems and self-checkout systems Note 14 that enable high-speed block processing at the front office and the back office).

- (Note 7) "Front technology product" refers collectively to products or services that are delivered combining the solution service with the Target Company's technologies in various domains generating interface (front) between the customer and consumers such as the financial, distribution and public sectors.
- (Note 8) "CASE," being essentially a term indicating social or technological changes for the automobile industry, refers to a coined word using the initials of "Connected," "Autonomous driving," "Sharing" and "Electric vehicle." A marked transformation in the financial services industry is herein called financial CASE, which refers to a coined word using the initials of "Cashless," "Artificial Intelligence (AI)," "Sharing" and "Employee labor saving."
- (Note 9) "RPA," being an abbreviation for "Robotic Process Automation," refers to a type of automation technology related to business processes.
- (Note 10) "FinTech" is a coined word combining the words finance and technology.
- (Note 11) "P2P remittance" refers to a transfer of money between different persons by way of smartphone.
- (Note 12) "RFID," being an abbreviation for "Radio Frequency Identification," refers to automatic recognition technology using short-distance radio communication. In general, RFID refers to a system and its components that use radio communication to distinguish and control various objects attached with an RFID tag.
- (Note 13) "mechanical component" refers to a cash recycling unit and a cash dispenser unit installed on financial terminals such as ATMs, distribution terminals such as self-checkout systems, (SCO) and deposit machines, and terminals for sports such as betting machines for horse races, vouchers, and boat ticket machines. These units process deposits and withdrawals by verifying and sorting banknotes inserted into these terminals.
- (Note 14) "Self-checkout systems" refers to a system and terminal at distribution retail store such as supermarket for allowing customer to read bar code, RFID tag or the like of merchandise to be purchased by himself and to settle account without passing through salesclerk.

By a resolution passed at a Board of Directors meeting held on July 30, 2020, the Tender Offeror decided to conduct the Tender Offer for the purpose of converting the Target Company into a wholly-owned subsidiary of the Tender Offeror. The consultations and deliberations were carefully conducted based on the legal advice received from Nishimura & Asahi, the advice from Mizuho Securities Co., Ltd. (hereinafter referred to as "Mizuho Securities".) from a financial point of view, and the valuation report of shares of common stock of the Target Company prepared by Mizuho Securities dated July 30 2020 (hereinafter referred to as "share value calculation report (Mizuho Securities)").

This is because, in light of the above-mentioned consideration, consultation and judgment, the Tender Offeror concluded that, in order to further improve the Target Company's enterprise value, it would be reasonable: (i) for the Tender Offeror and the Target Company to avoid a conflict of interests with minority shareholders of the Target Company; (ii) for it to become a wholly-owned subsidiary of the Tender Offeror; (iii) for it and the Tender Offeror to fully use the business platforms, operational expertise and business resources on a mutual basis under a closer relationship; (iv) for both parties to build a strong capital relationship and cooperative link; (v) for both parties to mutually complement their sales platforms; and (vi) for the Tender Offeror and the Target Company to run the organizations as one team under swift and flexible business decision-making. For the outline of the share valuation report (Mizuho Securities), please refer to "1. Basis of Calculation" in "5. Basis for Calculation of Tender Offer Price" under "2. Outline of the Tender

Offer".

② Developments and Reasons for the Decision by the Target Company

The Target Company's Press Release says: (i) its working-level members began to consult with their counterparts at the Tender Offeror on a specific process, prompted by the fact that, on April 20, 2020, the Target Company was informed by the Tender Offeror of its wish to start consultations on the Transaction and Target Company and the Tender Offeror have commenced discussions on specific processes. (ii) the Target Company elected SMBC Nikko Securities Inc. ("SMBC Nikko Securities") as financial advisor and third-party evaluation institution in late April 2020 and Anderson Mori & Tomotsune as legal advisor in mid-May 2020 in order to secure the fairness of the Tender Offer Price and the Transaction including the Tender Offer in light of the fact that a structural conflict of interest could potentially occur in the consideration by the Target Company on the Transaction. This was because the Transaction fell under an important transaction with a controlling shareholder and three of eight directors of the Target Company were serving concurrently as officers and employees of the Tender Offeror while the Target Company was a consolidated subsidiary of the Tender Offeror and the Tender Offeror was a controlling shareholder of the Target Company as of April 2020, as shown in "(Measures to Ensure the Fairness of Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)" in "2. Outline of the Tender Offer, (5) Basis for Calculation of the Tender Offer Price, ② Background of Calculation" below. The Target Company's Press Release also says that: (i) on May 26, 2020, the Tender Offeror submitted to the Target Company an initial letter of intent expressing a wish to convert the latter party into a wholly-owned subsidiary of the former party by way of a Tender Offer; and (ii) in response to it, the Target Company 1) established a special committee independent from the firm in order to avoid a conflict of interest, in light of advice from Anderson Mori & Tomotsune, 2) built a system to consult and negotiate on the Transaction and 3) began full-scale deliberations. For details of the special committee, see "(iv) Establishment by the Target Company of an independent special committee and acquisition by the company of a report from the special committee" in "(Measures to Ensure the Fairness of Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)" in "2. Outline of the Tender Offer, (5) Basis for Calculation of the Tender Offer Price, ② Background of Calculation" below.

Subsequently, starting from early June 2020, the Target Company was subjected to due diligence by the Tender Offeror, submitted a business plan to it in late June 2020, was interviewed by it before beginning consultations and negotiations with it on whether or not to conduct the Transaction as well as on the terms and conditions of it, including on the significance and purpose of it and the business management platform and business policy following the Transaction while receiving advice from SMBC Nikko Securities and Anderson Mori & Tomotsune. It was also learned that, given that the Tender Offeror submitted a letter of intent to the Target Company on July 3, 2020, both parties consulted and negotiated with each other discreetly on multiple occasions for the purpose of an adequately evaluating the enterprise value of the Target Company without being affected by the behavior of its market share price. This was despite wide fluctuations of the market share price from late January 2020 as a result of the recent global spread of the COVID-19 infection.

It was also learned that on July 3, 2020 the Target Company received the first proposal from the Tender Offeror including for setting the Tender Offer Price at 1,410 yen, following which both parties continued to consult and negotiate with each other on the terms and conditions of the Transaction such as the Tender Offer Price. Specifically, on July 10, 2020 the Target Company proposed to the Tender Offeror that the Tender Offer Price be set at 1,800 yen, and subsequently on July 16, 2020 the former party received a proposal from the latter party that the Tender Offer Price be set at 1,490 yen. On July 17, 2020, the Target Company proposed to the Tender Offeror that the Tender Offer Price be set at 1,720 yen, and moreover, in response to the Tender Offeror's proposal to set the Tender Offer Price at 1,520 yen on July 22, 2009, on the same day, the Tender Offeror proposed that the Tender Offer Price be set at 1,600 yen. After undergoing the above-mentioned negotiations, the Target Company on July, 28th, 2020 ended up receiving from the Tender Offeror a final proposal including for setting the Tender Offer Price at 1,540 yen, according to the information. The details of the Target Company's consideration of the final proposal are described below.

The Target Company says it concluded the Transaction would help improve its enterprise value in consideration of the above-mentioned developments, as outlined below.

It was learned that, to improve the enterprise value of the Target Company aiming to become a “DX (Digital Transformation) Company at the Forefront of Customer” in light of the changing operating environment for the Target Company Group, it must probably take measures urgently to put into action the following key strategies: a) business expansion with solution services that anticipate changes in customer needs; b) creating solution businesses based on unique technologies and developing distinctive LCM services (Note 15); and c) expanding the scope of the mechanical component business. To execute these measures reliably, it is essential to have a network with business operators in and outside Japan and a strong financial position enabling the organization to withstand business change. The Target Company thinks it will be able to take the above-mentioned strategy into action, as outlined below, by strengthening its collaboration with the Tender Offeror, which is the consolidated parent company, and with its group companies and by actively tapping into various resources held by the Offeror's group.

(a) Business expansion with solution services that anticipate changes in customer needs

We believe that DX reform can be realized by combining the digitization of the frontline business of customers, which is the specialty of the Target Group, with the digitization of the core business of customers, which is the specialty of the Tender Offeror Group. Through the fusion of these two companies' businesses, each system that has not yet gone beyond digitization will generate new and unexpected value from a variety of data, which will lead to the expansion and efficiency of customers' businesses. The Target Company believes that this is true DX, and believes that close cooperation between the two companies is essential to its realization. By further strengthening the collaboration structure between the two companies, both parties believe that it will be possible to expand business by building a system that can consistently respond to customer needs not only in the financial sector but also in a wider range of fields, including distribution, public, medical care, logistics, and manufacturing, and by realizing the DX reform of hardware, software, and services in a trinity.

(b) Creating solution businesses based on unique technologies and developing distinctive LCM services

As a DX company, the ultimate goal of the Target Company is to provide solutions and services that will enable the digital transformation of its customers, but the role of the hardware that supports that goal is also very important. The Target Company thinks it will be able to grow market needs widely, expand its product business and shift to total solution business by combining its unique technologies, especially RFID and palm vein authentication, which will be a key to distinguishing itself from other companies, with the Offeror's group's solution services while enhancing its platform business in the security and sensing domains. In addition, regarding the hardware required for the Tender Offeror Group to provide solutions, it is believed that it will be possible to expand business by broadly providing not only RFID and vein authentication devices but also those that meet requirements in combination with operation, maintenance, and repair services while assessing performance and quality.

(c) Expanding the scope of the mechanical component business

The mechanical components of the Target Company are widely supplied not only as a constituent unit of ATM equipment in Japan, but also to manufacturers of ATMs, self-checkout systems, cash management systems and transportation terminal reader devices in circulation around the world. The Target Company currently manufactures and sells approximately 50,000 units annually. The Target Company recognizes that in addition to the increase in sales volume through cost reductions and the development of new customers, it is important to expand into the solution and service business based on its mechanical component of more than 500,000 units operating globally. Specifically, by collecting data on business operations and equipment operations, analyzing and forecasting them using AI, the company aims to solve new business problems for customers and improve services through equipment preventive maintenance, thereby developing new DX business fields. To this end, the Tender Offeror believes that it is essential to

make the most effective use of the advanced IT technology and global human and material management resources of the Tender Offeror Group. The Target Company says that, to execute the above-mentioned measures and raise its enterprise value continuously, the Offeror's group and the Target Company Group must maximize their group profits by devising and executing business strategies as one team from a mid- to long-term perspective through collaborating with each other more actively than before. The Target Company also says it concluded that the best action helping raise its enterprise value is to become a wholly-owned subsidiary of the Tender Offeror because of the following:

- (a) While being a listed firm, the Target Company is unable to deny the possibility of harming the interests of minority shareholders in the near term as the above-mentioned measures in the process include 1) a move to expand products and services by leveraging the Offeror's group's extensive DX expertise as an active measure when diversifying the Target Company's solution business and 2) matters that might affect the Target Company's business performance and financial position in the near term because there would likely be measures and investments potentially impacting the Target Company Group's existing business structure as the group achieves a further operational evolution at the time of an operational unification for the Tender Offeror's human and tangible business resources and its IT technologies and systems;
- (b) To execute the above-mentioned measures in ways responding quickly to rapid change in the business environment, the Target Company must essentially build a system for swift decision-making;
- (c) Becoming a wholly-owned subsidiary of the Tender Offeror will enable the Target Company to execute the above-mentioned measures swiftly while avoiding a conflict of interest issue from occurring. This is despite the fact that a potential issue of a conflict of interest between the Tender Offeror, which will be the parent of the Target Company, and minority shareholders of the Target Company will become more pronounced than before due to an enhanced collaboration between it and the Offeror's group, including transactions such as product procurement and sales transactions via the Offeror's group, transactions required for using its sales-distribution networks in and outside Japan and transactions on use of its IT system; and
- (d) Becoming a wholly-owned subsidiary of the Tender Offeror will likely let the Target Company improve its corporate creditworthiness and financial position further in harmony with the former party.

The Target Company is able to claim the Tender Offer Price (1,540 yen a Target Company Share) to be one with a reasonable level of premium in comparison to average premium in instances of a controlling shareholder converting a subsidiary into a wholly-owned subsidiary by using tender offer as provided by SMBC Nikko Securities because of the following.

(i) The Tender Offer Price exceeds the evaluation results upper limit under the market share price method, among results of evaluation done by SMBC Nikko Securities for the value of shares in the Target Company, as shown in “(ii) Acquisition by the Target Company of a share value evaluation letter from an independent third-party evaluation institution” in “(Measures to Ensure the Fairness of Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” in “2. Outline of the Tender Offer, (5) Basis for Calculation of the Tender Offer Price, ② Background of Calculation” below, and is within the range of the results of an evaluation done with the listed peer comparison method and the discounted cash flow method (the “DCF Method”).

(ii) The Tender Offer Price has a premium of: 1) 4.94% over the closing price 1,620yen of Target Company Shares on the Tokyo Stock Exchange on July 29, 2020, the business day prior to today (a number in the third decimal place is rounded off to the second decimal place; this shall apply to calculation of a premium rate or discount hereinafter); 2) 28.98% over the simple average closing price 1,194 yen for the last one month (a number less than 1 is rounded off to the nearest whole number; this shall apply to calculation of simple average closing price hereinafter); 3) 37.75% over simple average closing price 1,118 yen for the last three months; and 4) 38.36% over the simple average closing price 1,113 yen for the last six months.

(On May 13, 2020, the Target Company released “Notice on Difference between Consolidated Earnings

Forecast and Actual Results” and its market share price temporarily declined immediately after the release. However, the share price is said to have since been trading without falling markedly. Thus, in considering premium over the market share price of the Target Company Shares, management has concluded that the Tender Offer Price is at a reasonable level given that it has an ample premium over the closing price on the business day prior to the day on which the Tender Offer is to be announced (today) as well as over the simple average closing prices for the last one month, three months and six months.

The Target Company says it concluded that the Tender Offer would provide its shareholders with opportunities to sell Target Company Shares for a price with a reasonable premium and reasonable terms and conditions in light of the fact that: (iii) consideration is deemed to have been given for the interests of minority shareholders as measures to secure the fairness of the Tender Offer are to be taken as set forth in “(Measures to Ensure the Fairness of Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” in “2. Outline of the Tender Offer, (5) Basis for Calculation of the Tender Offer Price, ② Background of Calculation” below; (iv) the Tender Offer Price is one proposed as a result of multiple consultations and negotiations between the Tender Offeror and the Target Company that were comparable in extent to those between independent parties after the above-mentioned measures were taken; (v) fairness and reasonableness are deemed to have been secured for the report obtained from the special committee as shown in “(iv) Establishment by the Target Company of an independent special committee and acquisition by the company of a report from the special committee” in “(Measures to Ensure the Fairness of Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” in “2. Outline of the Tender Offer, (5) Basis for Calculation of the Tender Offer Price, ② Background of Calculation” below.

The Tender Offer Price is lower than the amount of net assets per share calculated based on the net assets at book value as of March 31, 2020 of the Target Company. However, considering the difficulty of asset sales, etc. and the occurrence of significant additional costs associated with liquidation, even if the Target Company liquidates, the net assets at book value will not be realized as they are, and a considerable amount of losses are expected. In addition, since the amount of net assets represents the liquidation value of the Company and does not reflect the future profitability, the Company believes that it is not reasonable to emphasize the amount in calculating the corporate value of the Target, which is a going concern.

Accordingly, at a Board of Directors meeting of it held on July 30, 2020, the Target Company expressed consent to the Tender Offer and resolved to recommend that its shareholders participate in the Tender Offer.

With the Offer Price for Share Options being at 1 yen, whether or not to participate in the Tender Offer in relation to the Share Options was resolved to be left to the discretion of Share Option Holders, according to the Target Company.

For details of the resolution by the Board of Directors of the Target Company, see “(vi) Approval of All Directors (including Audit and Supervisory Committee Members) without Conflicts of Interests” in “(Measures to Ensure the Fairness of Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” in “2. Outline of the Tender Offer, (5) Basis for Calculation of the Tender Offer Price, ② Background of Calculation” below.

(Note 15) “LCM Services” refers customer support services that integrates and supports the activities required from the implementation to maintenance phase into a "Lifecycle Management (LCM)" (includes system implementation support, IT asset management, help desk, and other services)

③ Management Policy after Completion of the Tender Offer

Regarding a post-Tender Offer management policy, the Tender Offeror and the Target Company will set up a project team and study details of comprehensive synergies after completion of the Tender Offer. As for the management platform of the Target Company, as of today, among the directors of the Target Company (excluding directors who are Audit & Supervisory Board Members), Mr. Ryuji Kushida and Mr. Masanori

Niwa are the former officers and employees of the Tender Offeror, Mr. Hiromu Kawakami and Mr. Naoki Yoshida are the former officers and employees of the Tender Offeror, and among the directors who are the Audit & Supervisory Board Members of the Target Company, Mr. Ryuichi Kubota is the former officers and employees of the Tender Offeror, and Mr. Koichi Takahashi is the former officers and employees of the Tender Offeror, however the Tender Offeror currently has no specific plan to send directors to the Target Company. The Tender Offeror has not yet considered altering working conditions at the Target Company or reducing headcount there, among other personnel measures, after completing the Tender Offer.

(3) Measures to Ensure the Fairness of Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

The Target Company is a consolidated subsidiary of the Tender Offeror and the latter party is a controlling shareholder of the former party, as of today, and the Transaction falls under an important transaction with a controlling shareholder. Moreover, of eight directors of the Target Company, Mr. Ryuji Kushida, Mr. Masanori Niwa and Mr. Ryuichi Kubota each serve concurrently as officers and employees of the Tender Offeror. Consequently, the Tender Offeror and the Target Company each took the following measures, including measures to secure the fairness of the Tender Offer Price and in order to avoid a conflict of interest in consideration of the fact that a conflict of interest could potentially occur structurally between them and the Target Company.

Since the Tender Offeror today holds 12,775,350 Target Company Shares (holding ratio: 52.99%) as shown in “(1) Outline of the Tender Offer,” we think setting a minimum number of shares planned to be bought from a majority of minority shareholders in the Tender Offer would likely destabilize the effecting of the Tender Offer, instead failing to contribute to the interests of minority shareholders intending to participate in the Tender Offer. Therefore, the Tender Offeror did not set a minimum number of shares planned to be bought from a majority of minority shareholders in the Tender Offer. Nevertheless, with the Tender Offeror and the Target Company having taken the following measures, ample consideration has been given for the interests of minority shareholders of the Target Company, in our view. Among the below-mentioned measures, those taken by the Target Company are as briefed on by it:

- ① acquisition by the Tender Offeror of a share value evaluation letter from an independent third-party evaluation institution;
- ② acquisition by the Target Company of a share value evaluation letter from an independent third-party evaluation institution;
- ③ acquisition by the Target Company of advice from an external law office;
- ④ establishment by the Target Company of an independent special committee and acquisition by the company of a report from the special committee;
- ⑤ acquisition by the special committee of a share value evaluation letter and a fairness opinion from an independent third-party evaluation institution;
- ⑥ approval by all directors not interested in the Target Company (including audit board members)
- ⑦ non-existence of transaction protection clauses;
- ⑧ a measure to secure an opportunity for Target Company shareholders to adequately decide whether or not to participate in the Tender Offer.

For details of the above-mentioned, see “(Measures to Ensure the Fairness of Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” in “2. Outline of the Tender Offer, (5) Basis for Calculation of the Tender Offer Price, ② Background of Calculation” below.

(4) Policy on Restructuring, etc. after the Tender Offer (matters concerning the so-called two-step acquisition)

As shown in the earlier section titled “(1) Outline of the Tender Offer,” if, via the Tender Offer, being unable to acquire all Target Company Shares (including Target Company Shares to be issued upon exercise of the Share Options and excluding Target Company Shares held by the Tender Offeror and treasury shares held by the Target

Company) and all of the Share Options, the Tender Offeror will carry out the Squeeze-Out Procedure for the purpose of acquiring all Target Company Shares (including Target Company Shares to be issued upon exercise of the Share Options and excluding Target Company Shares held by the Tender Offeror and treasury shares held by the Target Company) and all of the Share Options by the following method after effecting the Tender Offer.

(I) Demand for Sale of Shares, etc.

If the Tender Offeror acquires at least 90% of the voting rights of all shareholders of the Target Company upon successful completion of the Tender Offer and becomes a special controlling shareholder as defined in Article 179, paragraph (1) of the Companies Act, the Tender Offeror intends to require, promptly following the settlement of the Tender Offer, all shareholders of the Target Company (excluding the Tender Offeror and the Target Company, "Selling Shareholders") to sell all the Target Company Shares they hold to the Tender Offeror (the "Demand for Sale of Shares"), and all holder of the Share Options (excluding the Tender Offeror, "Selling Share Option Holders") to sell all the Share Options they hold to the Tender Offeror (the "Demand for Sale of Share Options" and collectively with the Demand for Sale of Shares, the "Demand for Sale of Shares, etc."). In the event of a Demand for Sale of Shares, each of the Target Company Shares held by the Selling Shareholders will be exchanged for a cash consideration equal to the Tender Offer Price, and in the event of a Demand for Sale of Share Options, each of the Share Options held by the Selling Share Option Holders will be exchanged for a cash consideration equal to the Offer Price for Share Options. In such events, the Tender Offeror will notify the Target Company of the Demand for Sale of Shares, etc. and will seek the Target Company's approval thereof. If the Target Company approves the Demand for Sale of Shares, etc. by a resolution of its board of directors, then, in accordance with the procedures provided for in applicable laws and regulations and without requiring the consent of the individual Selling Shareholders and Selling Share Option Holders, the Tender Offeror will, on the day stipulated by the Demand for Sale of Shares, etc., acquire: (i) from all the Selling Shareholders all the Target Company Shares held by them, and (ii) from all the Selling Share Option Holders all the Share Options held by them. Then, the Tender Offeror will deliver, in exchange for the Target Company Shares owned by the Selling Shareholders, an amount equal to the Tender Offer Price per Target Company Share to the respective Selling Shareholders, and in exchange for the Share Options owned by the Selling Share Option Holders an amount equal to the Offer Price for Share Options to the respective Selling Share Option Holders. According to the Target Company Press Release, if a Demand for Sale of Shares, etc. is made by the Tender Offeror, the Target Company's board of directors will give its approval.

In order to protect the rights of minority shareholders in connection with the above procedures, the Companies Act provides that the Selling Shareholders and Selling Share Option Holders may file, in accordance with Article 179-8 of the Companies Act and other applicable laws and regulations, a petition with the court for determination of the sale price of the Target Company Shares and Share Options they own. In the event that such a petition is filed, the sale price of the Target Company Shares and the Share Options will ultimately be determined by the court.

(II) Share Consolidation

If the Tender Offeror acquires less than 90% of the voting rights of all shareholders of the Target Company upon successful completion of the Tender Offer, the Tender Offeror intends to request the Target Company to hold an extraordinary shareholders' meeting (the "Extraordinary Shareholders' Meeting") to resolve, among other things, on the following proposals: (i) consolidation of the Target Company Shares (the "Share Consolidation"); and subject to the Share Consolidation taking effect, (ii) a partial amendment to the Articles of Incorporation of the Target Company by which provisions on share unit numbers are abolished. The Tender Offeror intends to support each of the above proposals at the Extraordinary Shareholders' Meeting. As of today, the Extraordinary Shareholders' Meeting is expected to be held in late November 2020. If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Target Company will, on the effective date of the Share Consolidation, hold the Target Company Shares in numbers proportionate to the ratio of the Share Consolidation approved at the Extraordinary Shareholders'

Meeting. If the Share Consolidation results in fractional number of shares of less than one (1) share, each shareholder of the Target Company with fractional number of shares will receive proceeds from a sale of the Target Company Shares in the aggregate number of such fractions (if the aggregate number includes a fraction less than one (1) share, the fraction is rounded down) to the Target Company or the Tender Offeror in accordance with the procedures stipulated in Article 235 of the Companies Act and other applicable laws and regulations. With respect to the sale price of the Target Company Shares corresponding to the aggregate number of such fractions, the Tender Offeror will request the Target Company to file a petition with the court seeking a permission for a voluntary sale, after calculating the amount of money to be delivered, as a result of the sale, to each shareholder of the Target Company (excluding the Tender Offeror and the Target Company) who have not subscribed to the Tender Offer so that the amount of money equates to the price obtained by multiplying the Tender Offer Price by the number of Target Company Shares held by each such shareholder. The ratio of the Share Consolidation has not been determined as of today, but will be determined in a manner such that the number of the Target Company Shares owned by the shareholders of the Target Company who have not subscribed to the Tender Offer (excluding the Tender Offeror and the Target Company) is less than one (1) share, in order that the Tender Offeror will hold all the shares issued by the Target Company (excluding treasury shares owned by the Target Company).

In order to protect the rights of the minority shareholders in connection with the above procedures, the Companies Act provides that if the Share Consolidation results in fractional number of shares of less than one (1) share, the shareholders of the Target Company may, in accordance with Articles 182-4 and 182-5 of the Companies Act, and other applicable laws and regulations, request the Target Company to purchase all shares in fractional numbers of less than one (1) share at a fair price, and file a petition with the court for determination of the price of the Target Company Shares. In the event that such a petition is filed, purchase price of the Target Company Shares will ultimately be determined by the court.

Please note that the Tender Offer is not intended in any way to solicit supports of shareholders of the Target Company at the Extraordinary Shareholders' Meeting.

In addition, if, as a result of the consummation of the Tender Offer, the total number of voting rights of the Target Company held by the Tender Offeror is less than 90% of the total number of voting rights of all shareholders of the Target Company, and if the Tender Offeror cannot acquire all of the Stock Acquisition Rights in the Tender Offer and the Stock Acquisition Rights are not exercised but remain, the Tender Offeror plans to request the Target Company to carry out the acquisition and cancellation of the Stock Acquisition Rights and other procedures reasonably necessary to carry out the Transactions.

The method and timing of the procedures in (I) and (II) above may be subject to change depending on revision, enforcement, interpretations by relevant authorities, etc. of the relevant laws and regulations. However, even in such cases, such methods will be adopted that will ensure that money will ultimately be delivered to each shareholder of the Target Company who have not subscribed to the Tender Offer (excluding the Tender Offeror and the Target Company), and the amount of money to be delivered to each shareholder in such cases will be calculated so that the amount equates to the price obtained by multiplying the Tender Offer Price by the number of Target Company Shares held by each such shareholder. In cases where money is to be delivered to Share Option Holders who have not subscribed to the Tender Offer, the amount of money will be calculated so that the amount equates to the price obtained by multiplying the Offer Price for Share Options by the number of Share Options of the Target Company held by each such Share Option holder.

If the Tender Offeror acquires less than 90% of the voting rights of all shareholders of the Target Company upon successful completion of the Tender Offer, fails to acquire all Share Options by the Tender Offer, and there remain unexercised Share Options, the Tender Offeror intends to request or cause the Target Company to acquire and cancel such Share Options, and to take other measures reasonably necessary to consummate the Transaction.

Specific procedures and timing of implementation in the above cases will be discussed with the Target Company and promptly announced by the Target Company as soon as decisions are made. Regarding the tax

treatment of subscription to the Tender Offer or the above procedures, all shareholders of the Target Company and Share Option Holders are kindly requested to confirm on their sole responsibility with an expert such as certified tax accountants.

(5) Possibility of Delisting and Reasons Thereof

The Target Company Shares are listed on the Second Section of the Tokyo Stock Exchange as of today. However, since the Tender Offeror has not set an upper limit on the number of shares to be purchased in the Tender Offer, depending on the outcome of the Tender Offer, the Target Company Shares may be delisted through the prescribed procedures in accordance with the delisting criteria set out by the Tokyo Stock Exchange.

Even if the delisting criteria are not yet applicable upon completion of the Tender Offer, the Tender Offeror intends to implement the Squeeze-Out Procedures as detailed in "(4) Policy for Organizational Restructuring After the Tender Offer (Matters Relating to So-called 'Two-Stage Purchase')" above and if such procedures are implemented, the Target Company Shares will be delisted through the prescribed procedures in accordance with the delisting criteria set out by the Tokyo Stock Exchange. After delisting the Target Company Shares can no longer be traded on the Second Section of the Tokyo Stock Exchange.

(6) Material Agreements Related to the Tender Offer

Not applicable.

2. Outline of the Tender Offer

(1) Outline of the Target Company

(i) Name	FUJITSU FRONTECH LIMITED	
(ii) Location	1776, Yanokuchi, Inagi-shi, Tokyo	
(iii) Name and Title of Representative	Hiromu Kawakami, President and Representative Director	
(iv) Description of Business Activities	Development, manufacturing, and sales of ATM, POS and other systems	
(v) Capital	8,457 million yen (as of March 31, 2020)	
(vi) Date of Establishment	November 9, 1940	
(vii) Major Shareholders and Ownership Percentages (as of March 31, 2020) (Note)	Fujitsu Limited	53.3%
	NOMURA PB NOMINEES TK1 LIMITED (standing proxy: Nomura Securities Co., Ltd.)	3.8%
	BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) (standing proxy: MUFG Bank, Ltd.)	2.7%
	THE MASTER TRUST BANK OF JAPAN, LTD. (trust account)	2.4%
	NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB) (standing proxy: Nomura Securities Co., Ltd.)	2.3%
	NPBN-SHOKORO LIMITED (standing proxy: Nomura Securities Co., Ltd.)	2.2%
	MSIP CLIENT SECURITIES (standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	1.9%
	THE HONGKONG AND SHANGHAI BANKING CORPORATION LTD—SINGAPORE BRANCH PRIVATE BANKING DIVISION A/C CLIENTS (standing proxy: The Hongkong and Shanghai Banking Corporation Ltd, Tokyo Branch)	1.8%

	GOVERNMENT OF NORWAY (standing proxy: Citibank, N.A., Tokyo Branch)	1.6%
	DFA INTL SMALL CAP VALUE PORTFOLIO (standing proxy: Citibank, N.A., Tokyo Branch)	1.5%
(viii)	Relationships Between the Tender Offeror and the Target Company	
	Capital Relationship	As of today, the Tender Offeror holds 12,775,350 Target Company Shares (Ownership Ratio: 52.99%)
	Personnel Relationship	Three members of the board of directors of the Target Company are officer and employees of the Tender Offeror.
	Business Relationship	The Target Company sells software services and data processing and communications products to the Tender Offeror and purchases products such as personal computers, servers and services from the Tender Offeror.
	Status as Related Party	The Target Company is a consolidated subsidiary of, and a related party to, the Tender Offeror.

(Note) "(vii) Major Shareholders and Ownership Percentages (as of March 31, 2020)" is based on "Status of Major Shareholder(s)" in the 105th Annual Securities Report submitted by the Target Company on June 23, 2020.

(2) The Types of Share Certificates, etc. to be Purchased

Common shares Share options

- (i) The share options (stock-based compensation type) issued pursuant to a resolution adopted at the board of directors meeting of the Target Company held on July 26, 2011 (the "4th Series of Share Options") (The exercise period is from August 12, 2011 to August 11, 2041)
- (ii) The share options (stock-based compensation type) issued pursuant to a resolution adopted at the board of directors meeting of the Target Company held on July 26, 2012 (the "5th Series of Share Options") (The exercise period is from August 11, 2012 to August 10, 2042)
- (iii) The share options (stock-based compensation type) issued pursuant to a resolution adopted at the board of directors meeting of the Target Company held on July 29, 2013 (the "6th Series of Share Options") (The exercise period is from August 14, 2013 to August 13, 2043)
- (iv) The share options (stock-based compensation type) issued pursuant to a resolution adopted at the board of directors meeting of the Target Company held on July 30, 2014 (the "7th Series of Share Options") (The exercise period is from August 15, 2014 to August 14, 2044)
- (v) The share options (stock-based compensation type) issued pursuant to a resolution adopted at the board of directors meeting of the Target Company held on July 29, 2015 (the "8th Series of Share Options") (The exercise period is from August 14, 2015 to August 13, 2045)
- (vi) The share options (stock-based compensation type) issued pursuant to a resolution adopted at the board of directors meeting of the Target Company held on July 27, 2016 (the "9th Series of Share Options") (The exercise period is from August 13, 2016 to August 12, 2046)
- (vii) The share options (stock-based compensation type) issued pursuant to a resolution adopted at the board of directors meeting of the Target Company held on July 26, 2017 (the "10th Series of Share Options") (The exercise period is from August 11, 2017 to August 10, 2047)
- (viii) The share options (stock-based compensation type) issued pursuant to a resolution adopted at the board of directors meeting of the Target Company held on July 25, 2018 (the "11th Series of Share Options") (The exercise period is from August 10, 2018 to August 9, 2048)
- (ix) The share options (stock-based compensation type) issued pursuant to a resolution adopted at the board of directors meeting of the Target Company held on July 24, 2019 (the "12th Series of Share Options") (The

exercise period is from August 9, 2019 to August 8, 2049)

Hereinafter the 4th Series of Share Options, the 5th Series of Share Options, the 6th Series of Share Options, the 7th Series of Share Options, the 8th Series of Share Options, the 9th Series of Share Options, the 10th Series of Share Options, the 11th Series of Share Options, and the 12th Series of Share Options are collectively referred to as the "Share Options."

(3) Schedule, etc.

(i) Schedule

Resolution of the Board of Directors	July 30, 2020 (Thursday)
Date of public notice of commencement of the Tender Offer	July 31, 2020 (Friday) An electronic public notice will be issued and a notice to that effect will be posted on the Nihon Keizai Shimbun. (URL for the electronic public notice: https://disclosure.edinet-fsa.go.jp/)
Submission Date of Tender Offer Statement	July 31, 2020 (Friday)

(ii) Initial Period of Purchase, etc.in the Registration Statement

From July 31, 2020 (Friday) to September 14, 2020 (Monday) (31 business days)

(iii) Possibility of Extension at the Target Company's Request

Not applicable.

(4) Tender Offer Price

Common shares: 1,540 yen per share

Share options:

- (i) The 4th Series of Share Options: 1 per share option
- (ii) The 5th Series of Share Options: 1 per share option
- (iii) The 6th Series of Share Options: 1 per share option
- (iv) The 7th Series of Share Options: 1 per share option
- (v) The 8th Series of Share Options: 1 per share option
- (vi) The 9th Series of Share Options: 1 per share option
- (vii) The 10th Series of Share Options: 1 per share option
- (viii) The 11th Series of Share Options: 1 per share option
- (ix) The 12th Series of Share Options: 1 per share option

(5) Basis for Calculation of Tender Offer Price

(I) Basis of Calculation

(i) Common shares

In determining the Tender Offer Price, the Tender Offeror requested Mizuho Securities Co., Ltd. ("Mizuho Securities"), a financial advisor acting as a third-party appraiser independent from the Tender Offeror and the Target Company, to calculate the share value of the Target Company, and referred to the share value calculation report obtained from Mizuho Securities on July 30, 2020. Mizuho Securities is not a related party to the Tender Offeror or the Target Company, and has no material interest in the Transaction. The Tender Offeror has not obtained a written opinion (fairness opinion) from Mizuho Securities to the effect that the Tender Offer Price is fair for the Tender Offeror from a financial perspective.

After reviewing the financial condition of the Target Company and trends in the market price of the Target Company Shares, Mizuho Securities reached the view that the share value of the Target Company should be

evaluated from multiple points of view, and as a result of examining several calculation methods to be adopted, calculated the value of the Target Company Shares using the average market price method, comparable multiple valuation method and the DCF Method. The share value range per Target Company Share calculated using each of the above methods are as follows:

Average Market Price Method:	From 1,113 yen to 1,620 yen
Comparable Multiple Valuation Method:	From 1,361 yen to 1,800 yen
DCF Method:	From 1,338 yen to 1,871 yen

In the average market price method, with July 29, 2020, the business day immediately preceding the announcement date of the Tender Offer, as the reference date, the closing price of the Target Company Share on the Second Section of the Tokyo Stock Exchange as of the reference date was (1,620 yen), the simple average closing price over a one-month period up to the reference date was (1,194 yen), the simple average closing price over the three-month period up to the reference date was (1,118yen), the simple average closing price over the six-month period up to the reference date was (1,113 yen), and based on these values, the share value range per each Target Company Share is calculated as being from 1,113 yen to 1,620 yen.

In the comparable multiple valuation method, the share value of the Target Company was calculated by comparing market share prices of listed companies engaged in business relatively similar to that of the Target Company and their financial indicators representing profitability, and the share value per each Target Company Share was calculated as being from 1,361 yen to 1,800yen.

In the DCF Method, the share value of the Target Company was calculated by discounting the free cash flow that the Target Company is expected to generate in and after the fiscal year ending March 2021 at a certain rate based on the business plan of the Target Company for the period from the fiscal year ending March 2021 to the fiscal year ending March 2025 and financial projections for subsequent periods, and based on other various factors such as publicly disclosed information, and the share value per each Target Company Share was calculated as being from 1,338 yen to 1,871 yen. The business plan of the Target Company which was used as the basis of the DCF method does include business years in which significant fluctuations in earnings are anticipated as compared to the previous year.

Specifically, under the assumption that the effect of the slowdown of business negotiations due to the COVID-19 worldwide pandemic will continue another two and half years, sales and earnings for the fiscal years ending March 2021 and March 2022 are forecasted to be lower than usual before finally starting to recover slowly in the middle of the fiscal year ending March 2023. From the fiscal year ending March 2023 to the fiscal year ending March 2024, thanks to the demands for branch system renewals in the domestic financial industry and the reprinting demand for the issuance of new banknotes as well as an expansion of the recycler market, particularly in the distribution industry in overseas, a substantial growth in sales, and as a result, a substantial growth in operating profit are expected. However, since these factors are expected to be temporary, it is assumed that the operating profit in the fiscal year ending March 2025 will return to the level in the fiscal year ending March 2023. The synergy effects that can be realized through carrying out the Transaction are not included in the above financial forecasts because they are difficult to estimate at this point.

As a result of the spread of the COVID-19, in the first quarter of fiscal 2020, the Target Company posted a significant decrease in operating income compared to the previous fiscal year due to factors such as a review of the development plan for ATMs and branch terminals in Japan and a decrease in operating income resulting from holding public events without spectators, and overseas, due to a decrease in the operation of a factory in the Philippines and a decrease in recycling units for U.S. and Europe.

The Tender Offeror comprehensively considered the results of the due diligence of the Target Company conducted during the period from early June 2020 to mid-July 2020, the results of discussions and negotiations with the Target Company, examples of the premiums paid in tender offers that were carried out in the past by persons other than the issuer (examples of tender offers carried out by a parent company for the purpose of making a listed subsidiary company a wholly-owned subsidiary), market trend of the Target

Company Shares, whether the Tender Offer is supported by the board of directors of the Target Company, and the prospect for subscriptions to the Tender Offer, and in light also of the results of discussions and negotiations with the Target Company, the Tender Offeror finally decided to set the Tender Offer Price for the Target Company Shares at 1,540 yen per share on July 30, 2020.

The Tender Offer Price of 1,540 yen per common share represents a discount of 4.94% on 1,620 yen, the closing price for the Target Company Shares quoted on the Second Section of the Tokyo Stock Exchange on July 29, 2020, the business day immediately preceding the announcement date of the Tender Offer, a premium of 28.98% on 1,194 yen, the simple average closing price over the one-month period up to July 29, 2020, a premium of 37.75% on 1,118 yen, the simple average closing price over the three-month period up to July 29, 2020, and a premium of 38.36% on 1,113 yen, the simple average closing price over the six-month period up to July 29, 2020 respectively.

(ii) Share Options

Since all the Share Options were issued to members of the board of directors and executive officers of the Target Company as a form of stock-based compensation, they are only exercisable during a 10-day period starting from the next day of Share Option holders losing their respective position as a member of the board of directors or as an executive officer of the Target Company, and it is construed that the Tender Offeror may not exercise the Share Options even if the Tender Offeror acquires them, the Tender Offeror decided, pursuant to the resolution adopted at its board of directors meeting held on July 30, to set the Offer Price for Share Options at 1 yen per each Share Option.

(II) Background of Calculation

(Background of the Decisions on the Tender Offer Price and the Purchase Price of the Share Options)

Since a parent-subsidiary dual listing is coming under closer scrutiny by investors, the Tender Offeror decided to review the capital structure of its listed subsidiaries and established in February 2020 a dedicated unit as a corporate function charged with development and implementation of a group structure and a governance structure optimal for the group management including the subsidiary capital structure.

Since the Target Company has a large business connection with the Tender Offeror, it is desirable to better utilize the management resources and accelerate decision making within the Offeror's group as a whole, and the Target Company should create synergies through a further cooperation and integration with the Offeror's group. On the other hand, for the Offeror's group without synergies with the Target Company, the Tender Offeror will seek to enhance values of businesses through drastic measures including business partnerships and alliances with external partners outside of the Tender Offeror Group that has insights of the business.

In order to implement these drastic structural reforms, the Tender Offeror has decided that it needs to build a swift decision-making structure to respond to sudden business changes, and carry out the structural changes in a flexible manner without being concerned with the share price fluctuations of the Target Company caused by a temporary deterioration of earnings. Therefore, it has become necessary to make the Target Company a wholly-owned subsidiary of the Tender Offeror and consider and implement synergy development as well as business restructuring between the two companies.

Therefore, the Tender Offeror decided in late March 2020 to pursue a policy of making the Target Company a wholly-owned subsidiary, and after that the Tender Offeror appointed Mizuho Securities as a financial advisor and third-party appraiser independent of the Tender Offeror and the Target Company, and Nishimura & Asahi as a legal advisor independent of the Tender Offeror and the Target Company, and examined specific methods for making the Company a wholly-owned subsidiary. Following the examination, explanation was made to the Target Company on April 20, 2020, a working level discussion on the details of the process started between the two companies. On May 26, 2020, the Tender Offeror submitted the initial letter of intent to the Target Company stating that it intended to make the Target Company a wholly-owned subsidiary by way of a tender offer, and the Target Company established the special committee to start an official deliberation of the Transaction. The Tender Offeror started a due diligence of the Target Company in early June 2020 to end of July of the same year, received from the Target Company its business plan in late June, 2020 conducted

interviews with the Target Company, and submitted the letter of intent setting the Tender Offer Price at 1,410 yen on July 3, 2020. Since then, the Tender Offeror has continuously discussed and negotiated with the Target Company the terms and conditions of the Transaction, including the Tender Offer Price. Specifically, the Tender Offeror received a proposal from the Target Company to set the Tender Offer Price at 1,800 yen on July 10, 2020, proposed to the Target Company to set the Tender Offer Price at 1,490 yen on July 16, 2020, received a proposal from the Target Company to set the Tender Offer Price at 1,720 yen on July 17, 2020. On the 22nd of the same month, the Tender Offeror proposed to the Target Company that the Tender Offer Price be 1,520 yen. On the same day, the Target Company proposed a Tender Offer Price of 1,600 yen. After the above negotiations, on July 28, 2020, the Tender Offeror made a final proposal to the Target Company, including setting the Tender Offer Price at 1,540 yen. On the other hand, since all the Share Options were issued to members of the board of directors and executive officers of the Target Company as a form of stock-based compensation, they are only exercisable during a 10-day period starting from the next day of Share Option holders losing their respective position as a member of the board of directors or as an executive officer of the Target Company, and it is construed that the Tender Offeror may not exercise the Share Options even if the Tender Offeror acquires them, the Tender Offeror proposed to the Target Company on July 16, 2020 to set the Offer Price for Share Options at 1 yen per each Share Option.

Based on the above, the Tender Offeror finally decided on July 30, 2020 to set the Tender Offer Price at 1,540 yen. On the other hand, the Offer Price for Share Options was set at 1 yen per each Share Option by the resolution adopted at the board of directors meeting held on July 30, 2020.

(i) Name of the third parties from whom opinions were obtained upon valuation

In determining the Tender Offer Price, the Tender Offeror requested Mizuho Securities Co., Ltd., a financial advisor acting as a third-party appraiser independent from the Tender Offeror and the Target Company, to calculate the share value of the Target Company, and referred to the share value calculation report obtained from Mizuho Securities on July 30, 2020. Mizuho Securities is not a related party to the Tender Offeror or the Target Company, and has no material interest in the Transaction. The Tender Offeror has not obtained a written opinion (fairness opinion) from Mizuho Securities to the effect that the Tender Offer Price is fair for the Tender Offeror from a financial perspective.

(ii) Outline of Advice

Mizuho Securities evaluated the ranges of value per share of Target Company using the above methods as follows:

Average Market Price Method:	From 1,113 yen to 1,620 yen
Comparable Multiple Valuation Method:	From 1,361 yen to 1,800 yen
DCF Method:	From 1,338 yen to 1,871 yen

(iii) Background of the Decision on the Tender Offer Price and the Purchase Price of the Share Options upon Consideration of the Advice from Mizuho Securities

While understanding that the range of the Tender Offer Price, is within the results of a share valuation report (Mizuho Securities), the Offeror comprehensively considered i) the results of the due diligence conducted during the period from early June to mid-July 2020, ii) the outcome of the discussions/negotiations with the Target Company, iii) examples of premiums granted when tender offers were conducted in the past by a party other than an issuer with the aim of making a target company a wholly owned subsidiary (examples of tender offers by a parent company to make a listed subsidiary a wholly owned subsidiary), iv) the market trend of the Target Company Shares, v) the support for the Tender Offer by the Target Company's board of directors, and vi) the prospect for the tendering of shares to the Tender Offer, and in light also of the results of discussions and negotiations with the Target Company, the Offeror decided on the Tender Offer Price of 1,540 yen per share on July 30, 2020.

Meanwhile, all the Share Options were issued to members of the board of directors and executive officers of the Target Company as a form of stock-based compensation, they are only exercisable during a 10-day period starting from the next day of Share Option holders losing their respective position as a member of the board of directors or as an executive officer of the Target Company, and it is construed that the Tender Offeror may not exercise the Share Options even if the Tender Offeror acquires them, the Tender Offeror decided, pursuant to the resolution adopted at its board of directors meeting held on July 30, to set the Offer Price for Share Options at 1 yen per each Share Option.

(Measures to ensure the fairness of the Tender Offer such as measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest)

While the Target Company is a consolidated subsidiary of the Offeror and the Offeror is the controlling shareholder of the Target Company as of today, this transaction including the Tender Offer is considered as a significant transaction with the controlling shareholder, and furthermore the three out of the Target Company's eight directors, Mr. Ryuji Kushida, Mr. Masanori Niwa and Mr. Ryuichi Kubota, each hold the positions as the officers and employees of the Offeror. These factors may structurally incur conflicts of interest with the Target Company's minority shareholders, and the following measures were taken to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest:

(i) Receipt of a Share Valuation Report from an Independent Third-Party Appraiser by the Offeror

In deciding the Tender Offer Price, the Offeror requested its financial advisor, Mizuho Securities, which served as a third-party appraiser independent from the Offeror and the Target Company, to evaluate the share value of the Target Company. The Offeror received the share valuation report (Mizuno Securities) dated July 30, 2020 and referred to it. Please see "(I) Basis of Calculation" for details.

(ii) Receipt of a Share Valuation Report from an Independent Third-Party Appraiser by the Target Company

According to the Target Company's press release, the Target Company received a share valuation report (hereinafter referred to as the "Share Valuation Report (SMBC Nikko Securities)" from SMBC Nikko Securities, which served as a third-party appraiser independent from the Offeror and the Target Company, in order to ensure the fairness in the process of making a decision on the Tender Offer Price (1,540 yen per share of the Target Company) proposed by the Offeror. Please note that SMBC Nikko Securities is not considered as a related party of the Target Company or the Offeror and has no significant interests in the Tender Offer. Also, the special committee confirmed in the 1st special committee Meeting that no issues with SMBC Nikko Securities' independence arose, and approved it as the financial advisor as well as a third-party appraiser of the Target Company.

The Target Company requested SMBC Nikko Securities, which served as a third-party appraiser independent from the Offeror and the Target Company, to evaluate the Target Company's share price in order to ensure the fairness in the process of making a decision on the Tender Offer Price (1,540 yen per share of the Target Company) proposed by the Offeror, and received the Share Valuation Report (SMBC Nikko Securities) on the evaluation results dated July 30, 2020. SMBC Nikko Securities is not considered as a related party of the Target Company or the Offeror and has no material interests in the Tender Offer. Please note that a substantial portion of the fees that are payable to SMBC Nikko Securities for this transaction is transaction-based fees with a condition that the fees are payable only after completing the announcement on the transaction and the Squeeze-Out procedures with minority shareholders. Considering general practices in similar transactions as well as the fee structure in which no significant cost burdens on the Target Company would arise in the case of failure of the Tender Offer, the Target Company has appointed SMBC Nikko Securities as the financial adviser and a third-party appraiser based on the above-mentioned fee structure. In addition, the Target Company has not obtained an opinion letter on the fairness of the Tender Offer Price (1,540 yen per share of the Target Company) or a fairness opinion.

SMBC Nikko Securities evaluated the Target Company's share value using i) the market price method because the Target Company is listed on the Second Section of the Tokyo Stock Exchange and the market share price is available, ii) the comparable multiple valuation method because there are some listed companies that engage in relatively similar business with the Target Company's and it is possible to infer the share value by comparing with those of similar companies, and iii) the DCF method to reflect the intrinsic value based on the situation of future business activities. The value ranges per share of the Target Company, which are evaluated using the above methods, are as below.

Average Market Price Method:	From 1,113 yen to 1,194 yen
Comparable Multiple Valuation Method:	From 1,278 yen to 1,795 yen
DCF Method:	From 1,371 yen to 1,887 yen

Under the market price method, with the valuation basis date of July 29, 2020, the Target Company's share was valued to be in the range of 1,113 yen to 1,194 yen per share on the basis of the simple average of the Target Company's closing share prices on the TSE, which are i) 1,194 yen for the most recent one month to the valuation basis date ii) 1,118 yen for the most recent three months, and iii) 1,113 yen for the most recent six months.

Under the comparable multiple valuation method, after selecting Toshiba Tec Corporation, Glory Ltd, and Oki Electric Industry Co., Ltd. as a listed company that engages in business that is relatively similar to the Target Company's, the Target Company's share was evaluated using multiplier of EBITDA to the value of company, and was valued to be in the range of 1,278 yen to 1,795 yen.

Under the DCF method, with the valuation basis date of June 30, 2020 and on the basis of business plans created by the Target Company for the 5 fiscal periods from the fiscal period ending March 2021 to that ending March 2025 as well as of various other factors including publicly disclosed information, the Target Company's share was valued to be in the range of 1,371 yen to 1,887 yen as a result of calculating the values of the company and the share by discounting the free cash flows, which the Target Company is expected to generate in and after the second quarter of the fiscal period ending March 2021, to the present value at a certain level of discount rate. A discount rate from 6.42 % to 7.85 % is applied, and the going value is calculated using the perpetual growth method and Exit Multiple analyzed with a perpetual grow rate from -0.25 % to 0.25 % and EBITDA multiple of 4.4 to 5.4 times. The consolidated financial forecasts based on the Target Company's business plans (hereinafter referred to as the "Business Plans"), which SMBC Nikko Securities used as the calculation base in the DCF method, are as below. Please note that, in the Business Plans created by the Target Company and used by SMBC Nikko Securities in the DCF method calculations, there are fiscal periods in which significant increases/decreases are projected on a year-on-year basis. Specifically, assuming that the postponed business negotiations are expected to continue impacting the business for the next two and half years due to the COVID-19 pandemic, it is projected that sales and operating income will decline in the fiscal periods ending March 2021 and 2022, compared with the previous fiscal periods and that they will slowly recover from the middle of the fiscal period ending March 2023. From the fiscal year ending March 2023 to the fiscal year ending March 2024, thanks to the demands for branch system renewals in the domestic financial industry and the reprinting demand for the issuance of new banknotes as well as an expansion of the recycler market, particularly in the distribution industry in overseas, a substantial growth in sales, and as a result, a substantial growth in operating profit are expected. However, since these factors are expected to be temporary, it is assumed that the operating profit in the fiscal year ending March 2025 will return to the level in the fiscal year ending March 2023. The synergy effects that can be realized through carrying out the Transaction are not included in the above financial forecasts because they are difficult to estimate at this point.

As a result of the spread of the COVID-19, in the first quarter of fiscal 2020, the Target Company posted a significant decrease in operating income compared to the previous fiscal year due to factors such as a

review of the development plan for ATMs and branch terminals in Japan and a decrease in operating income resulting from holding public events without spectators, and overseas, due to a decrease in the operation of a factory in the Philippines and a decrease in recycling units for U.S. and Europe.

(Unit: Millions of yen)

	March 2021 (9 months)	March 2022	March 2023	March 2024	March 2025
Sales	79,230	98,800	110,700	120,000	110,000
Operating income	2,900	1,800	4,000	7,200	3,900
EBITDA	6,180	6,424	8,624	11,824	8,524
Free Cashflows	Δ 3,725	Δ 220	183	2,918	4,079

The Share Options are included in the objects of the Tender Offer. However, with regard to the Share Options, the Target Company has not obtained a written calculation and a written opinion concerning the fairness thereof (known as a fairness opinion) from a third-party calculation firm.

(iii) Advice from an outside law firm at the Target Company

According to the press release issued by the Target Company, the Target Company has appointed Anderson Mori & Tomotsune as an outside legal adviser to ensure the transparency and rationality in the decision-making process concerning the Transaction including the Tender Offer, and has received the necessary legal advice from the law firm with regard to the decision-making process and method concerning the Transaction including the Tender Offer, and consideration in the decision-making process concerning the Tender Offer, etc.

In addition, Anderson Mori & Tomotsune does not fall under the category of a related party of the Target Company and the Tender Offeror, and does not have any material interest in the Transaction. Furthermore, the special committee has approved the appointment of Anderson Mori & Tomotsune as a legal advisor of the Target Company at the first meeting after confirming that there are no problems with the independence of the law firm.

(iv) Establishment of an independent special committee at the Target Company and acquisition of a report from the special committee at the Target Company

According to the press release issued by the Target Company, the Target Company established, on May 26, 2020, a special committee consisting of four members having no interests in the Target Company and the Tender Offeror: Mr. Gen Ikegami, an outside director of the Target Company; Mr. Yoji Suzuki, an outside director of the Target Company at the time of the establishment of the special committee; Mr. Takeshi Nakano, an outside expert with a wealth of knowledge on M&A (Lawyer & Certified Public Accountant, Oku, Katayama & Sato); and Mr. Nobuaki Mukai (Lawyer, MOMO-O, MATSUO & NAMBA), in order to eliminate arbitrariness from the decision making regarding the Transaction and ensure the fairness, transparency, and objectivity in the decision-making process of the Target Company. In addition, although Mr. Gen Ikegami, who is one of the members of the special committee, was not an outside director of the Target Company at the time of the establishment of the special committee, he has been a member of the special committee since its establishment because his appointment to an outside director had been unofficially decided at the Board of Directors Meeting of the Target Company. Although Mr. Yoji Suzuki resigned from

an outside director of the Target Company at the Shareholders' Meeting held on June 23, 2020, he remains as a member of the special committee after his resignation. Therefore, there is no change in the members of the special committee since its establishment. Mr. Gen Ikegami is appointed to the chairperson of the special committee, based on mutual election of the members. The Target Company consulted the special committee about the following matters and commissioned the Committee to submit a report regarding the matters to the Board of Directors of the Target Company: (i) whether the objective of the Transaction is recognized to be rational (including whether the Transaction contributes to the improvement of corporate value of the Target Company); (ii) whether the fairness of the conditions of the Transaction (including the Tender Offer Price) is ensured; (iii) whether sufficient consideration is given for the benefit of the shareholders of the Target Company through the fair procedures in the Transaction; (iv) whether the Transaction is recognized not to cause disadvantage to the minor shareholders of the Target Company, other than (i) to (iii) above; and (v) whether it is right or wrong for the Board of Directors of the Target Company to subscribe to the Tender Offer and express its opinion of recommending the shareholders of the Target Company to apply for the Tender Offer (hereinafter referred to as the "Consultation Matters"). Remuneration for the members of the special committee is fixed remuneration to be paid despite success (or failure) of the Transaction or the contents of the report, not including success remuneration contingent on announcement and completion of the Transaction. When considering the Consultation Matters, the special committee has appointed Trustees Advisory Co., Ltd. (hereinafter referred to as the "Trustees") as a third-party calculation firm independent from the Target Company and the Tender Offeror in the middle of June 2020. Remuneration for the Trustees concerning the Transaction is a fixed remuneration to be paid despite success or failure of this Transaction, and it does not include a success remuneration that is paid on the condition that this transaction is completed.

The special committee was held 9 times for 15 hours in total in a period from June 5, 2020 to July 29, 2020, and discussed the Transaction. Specifically, at the first meeting, the special committee confirmed its management policy that the Committee shall transmit its opinion such as proposal and questions to the Tender Offeror through the Target Company, and that the Committee receives from the Target Company in a timely manner a report on the contents of the discussion with the Tender Offeror, decides upon a course of condition negotiation regarding the Transaction with the Tender Offeror as needed, and may express its opinion at important situations. In addition, the special committee confirmed that the Committee has no objection to the Target Company receiving professional advice from SMBC Nikko Securities, a financial adviser and a third-party calculation firm, and Anderson Mori & Tomotsune, a legal adviser, which the Target Company appointed, because there are no problems in expertise and independence of those advisers, and that the Committee may appoint advisers such as lawyers and certified public accountants for itself and entrust to a third-party organization or other advisors with matters deemed necessary by the Special Committee, such as the valuation of the Target Company's shares at the expense of the Target Company when the Committee deems it necessary. In addition, the Special Committee has confirmed that there are no problems with respect to the interests of the Tender Offeror with regard to the directors of the Target Company who are involved in the examination, negotiation and judgment of the Transaction. After that, the special committee has collected information on the Transaction through the following discussion: (i) the Committee received an explanation from the Tender Offeror about contents of the proposal of the Transaction, objectives of the Transaction, and synergy expected from the Transaction, and had a question and answer session about it; (ii) the Committee received an explanation from directors of the Target Company about a process of receiving a proposal of the Transaction, objectives of the Transaction, the Target Company's opinion about contents of the proposal of the Tender Offeror, effects of the Transaction on the Target Company's corporate value, and a process of preparing the Target Company's business plan and its details, and had a question and answer session about it (the Committee approved the business plan after confirming its details, important preconditions, and preparation process through questions and answers with the Target Company about the business plan the Target Company prepared, based on financial advice from Trustees); (iii) the Committee received an explanation from SMBC Nikko Securities and Trustees about the results of calculating the value of the Target Company Shares and the Transaction scheme, and had a question and answer session about it; and (iv) received advice from Anderson Mori & Tomotsune on measures to ensure fairness in the procedures of the

Transactions, the method and process of decision making by the board of directors of the Target Company in connection with the Transactions, and other measures to avoid conflicts of interest. and had a question and answer session about it, and (v) based on the materials submitted related to the Transaction, information on the Transactions was collected, and based on this information, the Consultative Matters are deliberated and discussed carefully. The Special Committee was informed by the Target Company of the circumstances and details of the discussions and negotiations between the Tender Offeror and the Target Company in relation to the Transactions, and was involved in the negotiation process with the Tender Offeror by holding discussions with the Target Company on several occasions and giving opinions to the Target Company until the Target Company finally proposed the Tender Offer Price.

Based on the above, the special committee submitted the report describing the following summary about the Consultation Matters to the Board of Directors of the Target Company on July 29, 2020.

(A) Rationality of the Purpose of this Transaction

If the Target Company continues to exist as a listed company, it can enjoy the benefits of discretionary management and the implementation of recruitment activities that take advantage of its name value through listing. However, the determination of the Target Company that the Transactions will most contribute to the enhancement of the Target Company's corporate value is specific, premised on the business environment surrounding the Target Company and the management issues of the Target Company, and is consistent with the content generally explained as the business environment and market environment to which the Target Company belongs, and is found to be reasonable in itself. In addition, the current recognition of the business environment and management issues surrounding the Target Company held by the Tender Offeror is reasonable, and it is recognized that the Tender Offeror expects, through the Transactions, (i) the reciprocal use of management resources and the acceleration of decision making by the Tender Offeror Group as a whole, (ii) the creation of synergies by strengthening and integrating the collaboration between the Tender Offeror Group and the Target Company's Solutions/Services business, and (iii) the further enhancement of the business value of the global products business.

From the above, it is considered that the Transaction contributes to the improvement of the corporate value of the Target Company, and it is found that the purpose of the Transaction is reasonable.

(B) Fairness of the terms of this transaction

① Common Shares

The Tender Offer Price of 1,540 yen per share is the price with the premium amount below and considered that a sufficient premium is added, even under the condition that this is -4.94% of the closing price of the Target Company's shares of 1,620 yen on the Second Section of the Tokyo Stock Exchange on July 29, 2020, the business day immediately preceding the date of publication of the Tender Offer.

- 20.88% of the closing price of 1,274 yen on July 27, 2020, the business day immediately prior to July 28, 2020 and 29 when the abnormal value was indicated immediately before the Tender Offer was indicated
- 34.50 % against average closing price of 1,145 yen for the last one month until July 29, 2020
- 39.87% against average closing price of 1,101 yen for the last 3 months ending July 29, 2020
- 38.74% against average closing price of 1,100 yen for the last six months ending July 29, 2020

The Tender Offer price is higher than the upper limit calculated by the average market price method in the calculation results of Trustees and SMBC Nikko Securities and higher than the upper limit calculated by the comparable multiple valuation method of Trustees (1,374 yen) and the median value of the range of share prices calculated by the DCF method (1,554 yen) (divergence within 1%). In addition, it is recognized that the price falls within the range of share prices calculated by the comparable multiple price method and the DCF method of SMBC Nikko Securities. Considering that the Tender Offer Price exceeds the upper limit or is at least within the range despite the difference in the calculated share value between Trustees and SMBC Nikko Securities, and that the difference in the calculated share value is due to the selection of a similar listed company and the difference in the approach to cash and deposits, and that both approaches

can be taken, the Tender Offer Price can be judged to be a reasonable level.

The Target Company published " Notice on Difference between Consolidated Earnings Forecast and Actual Results" on May 13, 2020. Although the market share price of the Target Company's shares temporarily declined immediately after the announcement, the market share price subsequently did not fall significantly and subsequently tended to rise to a higher level. Therefore, when considering the premium to the market share price of the Target Company's shares, it is considered reasonable that Trustees considered the premium to each of the closing price on the business day immediately prior to the announcement date of the Tender Offer (July 27, 2020), the simple average closing price for the most recent one month, the simple average closing price for the most recent three months, and the simple average closing price for the most recent six months is sufficiently secured.

In addition, the fairness of the terms and conditions of the Transaction, including the Tender Offer Price, is deemed to have been ensured in view of the following: (i) Trustees appointed by the Special Committee has submitted an opinion to the effect that the Tender Offer Price 1,540 yen is appropriate from the financial perspective for the minority shareholders of the Target Company (Fairness Opinion); the contents of the calculation of share values prepared by SMBC Nikko Securities, a third-party organization independent of both the Target Company and the Tender Offeror, are not inconsistent with such opinion; (ii) the negotiation process and other procedures related to the Transaction are found to be fair; the Tender Offer Price is found to have been determined based on the results of such negotiations; and (iii) the shareholders who did not tender to the Tender Offer are expected to be given money equivalent to the Tender Offer Price in the squeeze-out procedure.

② Stock Acquisition Rights

The Stock Acquisition Rights were issued to the directors and executive officers of the Target Company as stock compensation-type stock options, and as a condition for the exercise of the rights, it is provided that the Stock Acquisition Rights may be exercised only for 10 days from the day following the day on which the position of director or executive officer of the Target Company was forfeited, and it is understood that the Stock Acquisition Rights may not be exercised even if the Tender Offeror acquires the Stock Acquisition Rights. Therefore, the Company has not made such calculation because it is not reasonable to calculate the value of the Stock Acquisition Rights and compare it with the offered price of the Tender Offeror.

(C) Fairness of the Negotiation Process and Other Procedures Relating to this Case

(i) The Target Company has taken measures to avoid any conflict of interest with regard to the system for the examination and resolution of the Transaction, (ii) substantial discussions and negotiations have been held between the Target Company and the Tender Offeror with regard to the terms and conditions of the Transaction, (iii) the Target Company has obtained the calculation of the share value from SMBC Nikko Securities, which is a third-party organization independent from both the Target Company and the Tender Offeror, and has received necessary advice on the Transaction from Anderson Mori & Tomotsune, which is a legal advisor independent from both the Target Company and the Tender Offeror, and (iv) that the Target Company has established a special committee composed of outside directors of the Target Company and outside experts independent from the Target Company and the Tender Offeror, and has obtained a report on the Transaction, and others; and (v) in view of the fact that there are no unreasonable circumstances with regard to the procedures for the Transactions, such as disadvantageous to minority shareholders of the Target Company, it is considered that sufficient consideration has been given to the interests of shareholders of the Target Company through fair procedures in the Transactions.

In addition, it is recognized that consideration is given to ensuring an opportunity for the shareholders of the Target Company and the holders of Share Options to make an appropriate judgment as to whether or not to tender their shares in the Tender Offer, so that the shareholders of the Target Company and the holders of Share Options who did not tender their shares in the Tender Offer do not become coercive, because, in the Squeeze-Out Procedures, the shareholders and the holders of Share Options are to be

delivered an amount of money calculated by multiplying the same price as the Tender Offer Price (Purchase price of the Stock Acquisition Rights) by the number of the Target Company shares and the Share Options held by each shareholder and the holders of Share Options, and the right to demand purchase of shares or the right to demand a determination of price is secured by using a method called a demand for a share sale or a consolidation of shares. In view of the above, it can be concluded that the squeeze-out procedure is not disadvantageous to minority shareholders.

(D) Verification whether this transaction is disadvantageous to minority shareholders of the Target Company

In addition to (A) to (C) above, there are no special circumstances to consider that the Transaction is disadvantageous to minority shareholders of the Target Company, and considering the impact of the Transaction on minority shareholders of the Target Company, it is considered that the Transaction is not disadvantageous to minority shareholders of the Target Company.

(E) Pros and cons of expressing an opinion to encourage the Target Company's shareholders to apply

Taking into consideration the above (A) through (D) in a comprehensive manner, it is found to be appropriate for the board of directors of the Target Company to express its opinion that it agrees with the Tender Offer pertaining to the shares of the Target Company and recommends that the shareholders of the Target Company apply for the Tender Offer, and to entrust the holders of the Share Options with the decision of whether or not to apply for the Tender Offer pertaining to the Share Options.

(v) Acquisition of a written calculation of share value and a fairness opinion from an independent third-party calculation firm at the special committee

According to the press release issued by the Target Company, The Special Committee, as a third-party appraiser independent of the Target Company and the Tender Offeror, requested Trusty to calculate the share value of the Target Company's shares and to submit an opinion on the fairness of the Tender Offer Price (fairness opinion) (Hereinafter referred to as "Fairness Opinion"). Trustees is not a related party of the Target Company or the Tender Offeror and has no material interest in the Tender Offer.

Based on the determination that it is appropriate to evaluate the share value of the Target Company shares are listed on the Second Section of the Tokyo Stock Exchange, and since there are several listed companies that conduct a relatively similar business to the Target Company, it is possible to analogize the share value of the Target Company's shares by comparing them with similar companies, the Comparable Public Company Ratio Method, and the DCF Method in order to reflect the status of the Target Company's future business activities in the calculation, and the Special Committee was asked to make a calculation of the share value of the Target Company's shares by the DCF Method as of July 2020 29, A share value calculation statement (Hereinafter referred to as "The Share Value Calculation (Trustees)".) relating to the calculation results was submitted. Since Trustees assume that the Target Company is a going concern, they do not use the net asset method, which assumes liquidation.

According to the calculation of share values (Trustees), the ranges of values per share of the Target Company calculated using the above methods are as follows.

Average Market Price Method:	From 1,101 yen to 1,274 yen
Comparable Multiple Valuation Method:	From 1,070 yen to 1,374 yen
DCF Method:	From 1,387 yen to 1,722 yen

Under the average market price method, the range of value per share of the Target Company's common stock is calculated to be between 1,101 yen and 1,274 yen, considering July 27, 2020 to be the base date, the most recent business day not affected by the information distribution, with the viewpoint of eliminating, to the greatest extent possible, the rapid stock price fluctuations of the Target Company's shares on July 28 and

29, 2020, which is considered to be related to the distribution of information by some information distribution companies which indicated the restructuring the group resulting to speculation buying, the closing share of Tokyo Stock Exchange 1,274 yen for the base date, and simple average closing price 1,145 yen for the last one month, 1,101 yen for the last three months and 1,110 yen for the last six months.

Under the comparable multiple price method, Toshiba Tec Corporation, Glory Ltd, and Oki Electric Industry Co., Ltd. are selected as a listed company operating money processing machine business that is relatively similar to the Target Company, and the EBITDA ratio for the business value is used to calculate from 1,070 yen to 1,374 yen, the range of the share value per share of the Target Company's shares.

The DCF method calculates the corporate value and share value by discounting the free cash flow expected to be generated by the Target Company from the second quarter of the fiscal year ending March 2021 to the present value at a certain discount rate with the end of June 2020 as the record date, based on various factors such as the Business Plan prepared by the Target Company and information disclosed to the public, and calculates the range of per share value of the Target Company's shares to be 1,387 yen to 1,722 yen. For the calculation of the discount rate, 7.39 % to 8.39 % is applied, and adopts the perpetual growth rate method and analyzes the perpetual growth rate from -0.5 % to 0.5 % .The consolidated financial forecast based on the Business Plan, on which Trustees assumed the calculation of the DCF Method, is as follows. The business plan used by Trustees for the calculation of the DCF method includes the fiscal year in which a significant increase or decrease in profit from the previous fiscal year is expected. Specifically, Based on the assumption that business negotiations will be extended over the next two and a half years due to the spread of a new COVID-19 infection worldwide, we expect sales and operating income levels to be lower than usual in the fiscal years ending March 2021 and 2022, with a moderate recovery expected from the middle of the fiscal year ending March 2023. From the fiscal year ending March 2023 to the fiscal year ending March 2024, we expect a substantial increase in sales due to the demand for renewal of the branch system for domestic financial institutions and reprinting demand associated with the issuance of new banknotes, and due to the expansion of the recycler market, especially for the distribution sector overseas. On the other hand, because these factors are expected to be temporary, operating income for the fiscal year ending March 2025 is expected to return to the level of the fiscal year ending March 2023. and synergy effects that are expected to be realized through the execution of the Transactions are not included in the following financial forecasts because it is difficult to specifically estimate them at the present time.

	March 2021 (9 months)	March 2022	March 2023	March 2024	March 2025
Sales	79,230	98,800	110,700	120,000	110,000
Operating income	2,900	1,800	4,000	7,200	3,900
EBITDA	6,208	6,421	8,621	11,821	8,521
Free Cashflows	△987	1,866	634	3,234	3,785

As of July 29, 2020, the Special Committee received from Trustees a fairness opinion that the Tender Offer Price of 1,540 yen per share is fair from a financial point of view to minority shareholders of the Target Company. In light of the results of the share value calculation based on the Business Plan prepared by the Target Company, the fairness opinion expresses the opinion that the Tender Offer Price of 1,540 yen per share is fair from a financial point of view to minority shareholders of the Target Company.

Although the Stock Acquisition Rights are included in the scope of the Tender Offer, the Special Committee did not obtain a valuation report and an opinion on the fairness of the price (Fairness Opinion) from Trustees

with respect to the Purchase Price of the Stock Acquisition Rights

(vi) Approval by all directors (including audit members) having no interests at the Target Company

According to the press release issued by the Target Company, the Board of Directors of the Target Company carefully discussed and reviewed the conditions of the Transaction in terms of improvement of corporate value while paying a maximum respect to the report submitted from the special committee, based on the written calculation of share value (SMBC Nikko Securities) and legal advice received from Anderson Mori & Tomotsune.

As a result, as stated in "(ii) Developments and reasons for the decision by the Target Company" of "(2) Background, Purpose, and Decision-making Process Which Led to the Decision to Implement the Tender Offer As Well As the Management Policy After the Tender Offer" of "1. Purpose of the Purchase" above, the Target Company deemed the Tender Offer Price to be valid and intended to provide a reasonable opportunity for selling shares to its shareholders. At the Board of Directors Meeting held today, the Target Company expressed its opinion of subscribing to the Tender Offer, and resolved to recommend its shareholders to apply for the Tender Offer and to leave to the holders of the Share Options a judgement for whether to apply for the Tender Offer because the Offer Price for Share Options is set at one (1) yen.

Among the directors (excluding directors who are audit members) of the Target Company, Mr. Ryuji Kushida and Mr. Masanori Niwa are officers or employees of the Tender Offeror and Mr. Hiromu Kawakami is from the Tender Offeror (transferred to the Target Company in January 2019), while, among the directors of the Target Company who are audit members, Mr. Ryuichi Kubota is an officer or an employee of the Tender Offeror and Mr. Hirokazu Takahashi is from the Tender Offeror (transferred to the Target Company in June 2020). For these reasons, at the said Board of Directors Meeting, the resolution was made in the following two-step ways to avoid a possible conflict of interest and ensure the fairness of the Transaction: (i) three (3) directors excluding five (5) directors (Mr. Ryuji Kushida, Mr. Masanori Niwa, Mr. Ryuichi Kubota, Mr. Hiromu Kawakami, and Mr. Hirokazu Takahashi) from eight (8) directors of the Target Company discussed and made the said resolution unanimously; and (ii) five (5) directors including Mr. Hiromu Kawakami and Mr. Hirokazu Takahashi for making a quorum discussed and made the said resolution again unanimously. Furthermore, Mr. Naoki Yoshida is one of the directors of The Target Company who participated in the discussion and resolution at the said Board of Directors Meeting and is from the Tender Offeror. However, considering that he transferred from the Tender Offeror approximately 9 years ago and was not involved in the Transaction at the Tender Offeror and was not in a position to be able to do so, it is judged that there is not a possible conflict of interest in his participation in the discussion and resolution with regard to the decision-making concerning the Transaction at the Target Company.

Moreover, apparently, Mr. Ryuji Kushida, Mr. Masanori Niwa, and Mr. Ryuichi Kubota concurrently serve as executives and regular employees of the Offeror. Therefore, from the viewpoint of avoiding the likelihood of conflict of interest and securing fairness of the Transaction, they have not participated in opportunities for reviewing the Transaction or in consultation or negotiation with the Offeror in the capacity of the Target Company. Furthermore, Mr. Hiromu Kawakami and Mr. Koichi Takahashi have participated in processes of deliberation and resolution in the second step as described above from the standpoint of securing a quorum for the Board of Directors. Despite such participation, since they are from the Offeror, apparently, from the viewpoint of avoiding the likelihood of conflict of interest and securing fairness of the Transaction, they have not participated in opportunities for reviewing the Transaction or consultation or negotiation with the Offeror in the capacity of the Target Company.

(vii) Absence of Deal Protection Provisions

The Offeror has not made any agreement with the Target Company containing deal protection provisions that would prohibit the Target Company from contacting a counter offeror, or any other agreement that would restrict a counter offeror from contacting the Target Company. Thus, the Offeror has given consideration to the ensuring of the fairness of the Tender Offer by securing the opportunity for a counter tender offer.

(viii) Measures for Securing Opportunities for Shareholders of the Target Company to Appropriately Judge concerning Whether or Not They Would Apply for the Tender Offer

As described in “(4) Policy for Organizational Restructuring After the Tender Offer (Matters Relating to the “Two-step Acquisition”)” of “1. Purpose, etc. of the Tender Offer or the Like,” the Offeror secures opportunities for shareholders and the Share Option Holders of the Target Company to appropriately judge whether or not they would apply for the Tender Offer based on the following action, thereby giving consideration such that coercion would not occur: (i) promptly following the successful completion of the Tender Offer payment settlement, the Offeror is planning to demand that the Target Company hold an Extraordinary Shareholders’ Meeting at which the following proposals will be submitted: (a) based on the number of shares to be acquired by the Offeror through consummation of the Tender Offer, a Cash-out, etc. performed by the Offeror for all of the Target Company Shares (including the Target Company Shares to be issued upon exercise of all of the Share Options and excluding the Target Company Shares held by the Offeror and treasury shares held by the Target Company) and for all of the Share Options; or (b) making a partial amendment to the Target Company’s Articles of Incorporation that would abolish the share unit number provisions on the condition that the Share Consolidation becomes effective and the Offeror will adopt a method that will allow shareholders’ appraisal rights or demands for determination of price of shares to be secured for targeted shareholders of the Target Company; and (ii) when performing the Cash-out or the Share Consolidation, money to be delivered to each shareholder of the Target Company will be calculated to make it identical to the price resulting when the Tender Offer Price is multiplied by the number of the Target Company Shares owned by each shareholder (excluding the Offeror and the Target Company), and money to be delivered to each Share Option Holder of the Target Company will be calculated to make it identical to the price resulting when the Offer Price for Share Options is multiplied by the number of the Share Options owned by each Share Option Holder (excluding the Offeror).

Additionally, while the shortest statutory period (the “Tender Offer Period”) for the Tender Offer is 20 business days, the Offeror has set the Tender Offer Period at 31 business days. By setting a relatively long period for the Tender Offer Period, the Offeror intends to ensure that shareholders and the Share Option Holders of the Target Company are given the period to make an appropriate decisions on whether or not to apply for the Tender Offer after thorough consideration regarding the appropriateness of the Transaction and the Tender Offer Price.

(Note 1) Mizuho Securities used the information provided by the Target Company and publicly available information, etc. as they were in principle, when calculating the share value of the Target Company, and relied on them on the premise that all such materials and information were accurate and complete, and that there were no facts which could have a material impact on the analysis and calculation of the Tender Offer Price and which had not been disclosed to Mizuho Securities, and has not independently verified their accuracy. In addition, it is assumed that information related to the financial forecasts of the Target Company was reasonably prepared based on the best forecast and judgment currently available by the management of the Target Company. In addition, the Company has not made any independent appraisal or assessment of the assets and liabilities (off-balance-sheet Assets, liabilities and other contingent liabilities are included.) of the Target Company or its affiliates, nor has it requested a third party to make any appraisal or assessment. The calculation of Mizuho Securities reflects the information as of July 29, 2020.

(Note 2) When creating a share valuation report, SMBC Nikko Securities assumes that all material and information underlying such report are true and correct, has not verified its accuracy or integrity on its own, will not assume any obligation or responsibility for the same, and the Target Company is not aware of the fact that, situations in which, etc. supplied information would cause inaccuracy or misunderstanding. Moreover, SMBC Nikko Securities has not independently assessed, evaluated, or appraised assets or liabilities of the Target Company or its related companies or has not requested that a third-party appraiser perform such assessment, evaluation, or appraisal. If certain problems

have become recognized regarding accuracy and integrity of the aforementioned material and information, calculation results may differ considerably. Furthermore, it is assumed that there exist no receivables or liabilities related to undisclosed litigations, disputes, environments, tax affairs, etc. related to the Target Company or its related companies, other contingent liabilities or off-the-book liabilities of the same, or other facts that would seriously impact the share valuation report. It is presupposed that business plans, etc. used for the share valuation report have been issued by the Target Company in accordance with reasonable and appropriate procedures based on the best predictions and judgment as of the standard calculation date. Also, if analysis has been performed with assumptions provided by SMBC Nikko Securities based on material and information supplied according to the share valuation report, it is assumed that supplied material, information, and assumptions are accurate and reasonable. In relation to the aforementioned assumptions, SMBC Nikko Securities has not verified their accuracy, appropriateness, or feasibility on its own, and it will not assume obligations or responsibilities for the same. In addition, calculation results by SMBC Nikko Securities have been submitted by SMBC Nikko Securities to the Target Company for the sole purpose of contributing to a reference for the Board of Directors of the Target Company to review the Tender Offer Price at the request of the Target Company. Therefore, SMBC Nikko Securities does not raise opinions on the fairness of the Tender Offer Price relating to such calculation results.

(Note 3) In preparing and submitting this Fairness Opinion and preparing the underlying calculation of share value (Trustees), Trustees assumed that all of the materials and information on which it is based were accurate and complete, did not independently verify the accuracy and completeness of such information, and assumed no obligation or responsibility. If the accuracy and completeness of these materials and information are found to be problematic, the calculation results may differ significantly.

In addition, Trustees has not independently assessed, appraised or assessed the individual assets or liabilities of the Target Company or its affiliates, nor is it obligated to do so. Furthermore, Trustees has assumed that there are no undisclosed lawsuits relating to the Target Company and its affiliates, claims and liabilities related to disputes, environment, tax, etc., other contingent liabilities and off-the-book liabilities, and other facts that may have a material impact on the calculation of share value (Trustees),

As used in the calculation of share value (Trustees), Trustees assume that the Business Plan prepared by the Target Company is the most reasonable and accountable business plan prepared based on the best forecast and judgment of the Target Company at the present time, and Trustees has not independently verified its feasibility and assumes no obligation or responsibility.

The Fairness Opinion was prepared on the basis of the information available to Trustees by the date of its preparation, based on the economic and capital markets and other circumstances as of the date of its preparation, and even if the subsequent changes in circumstances affect the opinion of the Fairness Opinion, Trustees are not obliged to modify, change or supplement the content of the Fairness Opinion.

The Fairness Opinion does not express any opinion or make any recommendation regarding the pros and cons of the execution of the Tender Offer or the acceptance or other actions related to the Tender Offer, and does not express any opinion to the holders, creditors or other parties concerned of the securities issued by the Target Company.

It is understood that the Fairness Opinion was provided by Trustees as a basis for the judgment of the Target Company's board of directors and special committee regarding the Tender Offer Price and is not intended to be used for any other purpose.

(C) Relationship with a Third-party Appraiser

The Offeror's financial advisor (appraiser) Mizuho Securities is not a party related to the Offeror or the Target

Company and does not have any material interest in the Tender Offer.

(6) Number of Share Certificates, etc. to be Purchased

Number of share certificates, etc. to be purchased	Minimum number of share certificates, etc. to be purchased	Maximum number of share certificates, etc. to be purchased
11,332,597 (shares)	3,296,650 (shares)	— (shares)

Note 1: If the total number of the Tendered Share Certificates, etc. falls short of the minimum number of share certificates, etc. to be purchased (3,296,650 shares), the Offeror will purchase none of the Tendered Share Certificates, etc. If the total number of Tendered Share Certificates, etc. is at least the minimum number of share certificates, etc. to be purchased (3,296,650 shares), the Offeror will purchase, etc. all of the Tendered Share Certificates, etc.

Note 2: The maximum number of share certificates, etc. of the Target Company that will be acquired by the Offeror in the Tender Offer (11,332,597 shares) is stated as the number of shares to be purchased. The maximum number is the number of shares (11,332,597 shares) obtained as follows: (i) 105,900 shares (the total of the Number of Potential Shares) are added to the total number of the outstanding shares as of June 30, 2020 stated in the Target Company's Third Quarterly Report (24,015,162 shares); (ii) the number of the treasury shares owned by the Target Company as of June 30, 2020 (13,115 shares) and 12,775,350 of the Target Company Shares owed by the Offeror as of June 30, 2020 are deducted from the number of shares (24,121,062 shares).

Note 3: Shares of less than one unit are also eligible for the Tender Offer. If the right to demand purchase of shares of less than one unit is exercised by a shareholder in accordance with the Companies Act, the Target Company may purchase its own shares during the Tender Offer Period in accordance with statutory procedures.

Note 4: The Share Options may be exercised on or before the last day of the Tender Offer Period. In such case, the Target Company Shares issued upon such exercise will be eligible to be targets for the Tender Offer.

Note 5: The Offeror does not intend to acquire through the Tender Offer the treasury shares held by the Target Company.

(7) Changes in Ownership Ratio of Share Certificates, etc. as a Result of the Tender Offer

Number of voting rights represented by share certificates, etc. held by the Offeror before the T e n d e r O f f e r	127,753 voting rights	(Ownership ratio of share certificates, etc. before the Tender Offer: 52.99%)
Number of voting rights represented by share certificates, etc. held by special related parties before the Tender Offer	302 voting rights	(Ownership ratio of share certificates, etc. before the Tender Offer: 0.13%)
Number of voting rights represented by share certificates, etc. held by the Offeror after the T e n d e r O f f e r	241,079 voting rights	(Ownership ratio of share certificates, etc. after the Tender Offer: 100.00%)
Number of voting rights represented by share certificates, etc. held by special related parties after the Tender Offer	0 voting rights	(Ownership ratio of share certificates, etc. after the Tender Offer: 0.00%)
Number of voting rights of all shareholders of the Target	239,478 voting rights	

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Note 1: The “Number of voting rights represented by share certificates, etc. held by special related parties before the Tender Offer, etc.” represents the total number of voting rights represented by the share certificates, etc. held by all special related parties (excluding those excluded from special related parties under Article 3, paragraph 2, item (i) of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer in the calculation of ownership ratio of share certificates, etc. under the items of paragraph 1 of Article 27-2 of the Act), provided that since share certificates, etc. (excluding treasury shares held by the Target Company) held by special related parties are also targets for the Tender Offer, etc., in relation to calculation for “ownership ratio of share certificates, etc. after the Tender Offer, etc.,” the “number of voting rights represented by share certificates, etc. held by special related parties (as of March 31, 2020) (voting rights) (g)” does not contain a numerator. In addition, after checking the nature of share certificates, etc. of the Target Company held by special related parties, the Offeror is planning to disclose amendments to the same, if any.

Note 2: The “Number of voting rights of all shareholders of the Target Company” is the number of voting rights of all shareholders as of March 31, 2020 stated in the 105th securities report submitted by the Target Company on June 23, 2020. However, since the Share Options and shares of less than one unit are also eligible for the Tender Offer, the denominator for the calculation of the “Ownership ratio of share certificates, etc. before the Tender Offer” and “Ownership ratio of share certificates, etc. after the Tender Offer” was the number of voting rights (241,079 voting rights) represented by the number of shares (24,107,947 shares) calculated as follows: (i) 105,900 shares (the total of the Number of Potential Shares) are added to the total number of the outstanding shares as of June 30, 2020 stated in the Target Company’s Quarterly Report (24,015,162 shares); (ii) the number of the treasury shares owned by the Target Company as of June 30, 2020 (13,115 shares) are deducted from the number of shares (24,121,062 shares).

Note 3: “Ownership ratio of share certificates, etc. before the Tender Offer” and “Ownership ratio of share certificates, etc. after the Tender Offer” have been rounded off to two decimal places.

(8) Purchase Price: 17,452 million yen

Note: The purchase price is the product of the number of share certificates, etc. to be purchased (11,332,597 shares) multiplied by the Tender Offer Price (1,540 yen).

(9) Payment Method

(A) Name and Main Office Address of Securities Firm, Bank, etc. Settling Payments for Purchase
Mizuho Securities Co., Ltd.: 1-5-1 Otemachi, Chiyoda-ku, Tokyo

(B) Date of Commencement of Payment
September 23 (Wednesday), 2020

(C) Payment Method

Promptly after the expiration of the Tender Offer Period, notice of purchase, etc. through the Tender Offer will be mailed to the address of each person who applies for tender (“Tendering Shareholder(s), etc.” or such shareholder’s standing agent in the case of a shareholder, etc. who is a foreign resident (including institutional stockholders, and hereinafter referred to as “Foreign Shareholder(s), etc.”)) applying for the Tender Offer. Purchase will be made in cash. Based on instructions by a Tendering Shareholder, etc. (or a standing agent in the case of a Foreign Shareholder, etc.), the proceeds from the sale related to purchased share certificates, etc. will be transferred by a tender offer agent to the location designated by such Tendering Shareholder, etc. (or a standing agent in the case of a Foreign Shareholder, etc.) or will be paid to the account of a Tendering

Shareholder regarding whom a tender offer agent has accepted tendering, etc. on or after the date of commencement of payment without delay.

(D) Method of Return of Share Certificates, etc.

In the event that the Offeror eventually purchases no Tendered Share Certificates, etc. pursuant to the conditions set forth in “(A) Conditions Set Forth in the Items of Paragraph 4 of Article 27-13 of the Act and Details Thereof” and “(B) Conditions of Withdrawal, etc. of Tender Offer, Details Thereof, and Method of Disclosure of Withdrawal, etc.” under “(10) Other Conditions and Methods of Purchase, etc.” below, a tender offer agent will return the share certificates, etc. necessary to be returned promptly after completion of the Tender Offer .

The share certificates, etc. to be returned will be returned promptly after the second business day following the last day of the Tender Offer Period (or, in the event of withdrawal, etc. of the Tender Offer, the date of such withdrawal, etc.). As for the Share Options, on or after the commencement date for payment settlement, the documents submitted by the Tendering Shareholders, etc. in connection with the tendering of these Share Options will be returned, in accordance with the instructions of the respective Tendering Shareholders, etc., by delivery of such documents to the respective Tendering Shareholders, etc. or by mailing of such documents to the respective addresses of the Tendering Shareholders, etc.

(10) Other Conditions and Methods of Purchase

(A) Conditions Set Forth in the Items of Paragraph 4 of Article 27-13 of the Act and Details Thereof

If the total number of Tendered Share Certificates, etc. falls short of the minimum number of share certificates, etc. to be purchased (3,296,650 shares), the Offeror will purchase none of the Tendered Share Certificates, etc. If the total number of Tendered Share Certificates, etc. is at least the minimum number of share certificates, etc. to be purchased (3,296,650 shares), the Offeror will purchase all of the Tendered Share Certificates, etc.

(B) Conditions of Withdrawal, etc. of Tender Offer, Details Thereof, and Method of Disclosure of Withdrawal, etc.

If any of the circumstances set forth in Article 14, paragraph 1, item (i), sub-items (a) through (i) and (l) through (r), item (ii), item (iii), sub-items (a) through (h) and (j) and (l), item (v), or paragraph 2, items (iii) through (vi) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended thereafter; the “Cabinet Order”) arises, the Offeror may make a withdrawal, etc. of the Tender Offer. The term “facts equivalent to those set forth in sub-item (a) to sub-item (i) inclusive” as referred to in Article 14, paragraph 1, item (iii), sub-item (j) of the Cabinet Order means cases where any of the statutory disclosure documents submitted by the Target Company in the past is found to contain false statements on important matters or to lack statements on important matters to be contained, and the Offeror was not aware of such false statements, etc. and was not able to know the same despite using reasonable care.

If the Offeror intends to make a withdrawal, etc., the Offeror will issue an electronic public notice and will publish to such effect in the Nihon Keizai Shimbun. However, if it is difficult to issue a public notice no later than the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set forth in Article 20 of the Cabinet Office Ordinance, followed immediately by a public notice.

(C) Conditions of Reduction of the Offer Price, Details Thereof, and Method of Disclosure of Reduction

Pursuant to the provisions of Article 27-6, paragraph 1, item (i) of the Act, the Offeror may reduce the offer price, etc. in accordance with the standards set forth in the provisions of Article 19, paragraph 1 of the Cabinet Office Ordinance if the Target Company engages in any of the acts specified in Article 13, paragraph 1 of the Cabinet Order during the Tender Offer Period.

If the Offeror intends to reduce the offer price, etc., the Offeror will issue an electronic public notice and will publish to such effect in the Nihon Keizai Shimbun. However, if it is difficult to issue a public notice no

later than the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set forth in Article 20 of the Cabinet Office Ordinance, followed immediately by a public notice. If the Offeror reduces the offer price, etc., the Offeror will purchase all Tendered Share Certificates, etc., including those tendered prior to the date of such public notice, at a reduced offer price, etc.

(D) Information on Tendering Shareholders' Right to Terminate Contracts

At any time during the Tender Offer Period, a Tendering Shareholder, etc. may terminate contracts pertaining to the tender offer. A Tendering Shareholder, etc. who wishes to terminate such contracts must deliver or send, no later than 15:00 on the last day of the Tender Offer Period, a written statement of termination of the contracts pertaining to the tender offer (a "Cancellation Statement") to the main office or local branch of the tender offer agent that accepted the application for the Tender Offer from the shareholder, etc. The termination of such contracts will become effective at the time at which such Cancellation Statement has been issued to or arrived at the tender offer agent. Therefore, it should be noted that if a Cancellation Statement is sent, it must reach the relevant office or branch no later than 15:00 on the last day of the Tender Offer Period; otherwise, it will be impossible to terminate the contract.

In addition, even if a Tendering Shareholder, etc. terminates contracts, the Offeror will not claim payment of damage or a penalty from the Tendering Shareholder, etc. All expenses incurred in returning the Tendered Share Certificates, etc. will be borne by the Offeror. If such termination has been proposed, the Tendered Share Certificates, etc. will be returned via the method stated in "(D) Method of Return of Share Certificates, etc." of "(9) Payment Method" promptly following completion of the procedures relating to proposal of such termination.

(E) Method of Disclosure of Changes to Conditions of Tender Offer

During the Tender Offer Period, the Offeror may change the terms and conditions or other details of the Tender Offer, unless prohibited by Article 27-6, paragraph 1 of the Act and Article 13 of the Cabinet Order. If the Offeror intends to change the conditions, etc. of the Tender Offer, the Offeror will issue an electronic public notice containing the details of such change and will publish information to such effect in the Nihon Keizai Shimbun. However, if it is difficult to issue a public notice no later than the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set forth in Article 20 of the Cabinet Office Ordinance, followed immediately by a public notice. If the Offeror changes the conditions, etc. of the Tender Offer, the Offeror will purchase all Tendered Share Certificates, etc., including those tendered prior to the date of such public notice, upon the conditions, etc. of the Tender Offer after such change.

(F) Method of Disclosure in Case of Submission of Amendment

If the Offeror submits an amendment to the Kanto Finance Bureau (except where specified in the proviso to paragraph 11 of Article 27-8 of the Act), the Offeror will immediately make a public announcement of such information contained in the amendment as relates to the content of the public notice of commencement of the Tender Offer, by the method set forth in Article 20 of the Cabinet Office Ordinance. The Offeror will also immediately amend the Tender Offer Explanatory Statement and will deliver the amended Tender Offer Explanatory Statement to the Tendering Shareholders, etc. who have already received the Tender Offer Explanatory Statement prior to the amendment. However, if the amendments are limited to minor sections of the Tender Offer Explanatory Statement, the Offeror will make such amendments by preparing a document stating the reasons for such amendments, the items amended, and the amended details and by delivering such document to the Tendering Shareholders, etc.

(G) Method of Disclosure of Results of Tender Offer

The results of the Tender Offer will be publicly announced by the method set forth in Article 9-4 of the Cabinet Order and Article 30-2 of the Cabinet Office Ordinance on the date immediately following the last day of the Tender Offer Period.

(H) Other Matters

The Tender Offer is not, whether directly or indirectly, made in or to the U.S., or made by U.S. mail or any other method or means of interstate or international commerce (including, without limitation, telephone, telex, facsimile, e-mail or Internet communication), or made through any stock exchange facility in the U.S. No application for the Tender Offer may be made by the aforementioned method or means, or through the aforementioned facility, or from within the U.S.

No tender offer statement or related offer documents are or can be sent or distributed by mail or any other method in, to, or from within, the U.S. No application for the Tender Offer directly or indirectly breaching any of the above restrictions will be accepted.

When making an application for the Tender Offer, the tendering shareholder, etc. (or such shareholder's standing agent in the case of a Foreign Shareholder, etc.) may be requested to make the following representations and warranties to the tendering offer agent: that the Tendering Shareholder, etc. is not located in the U.S. both at the time of making the application and at the time of sending a tender offer application form etc; that the Tendering Shareholder, etc. has not directly or indirectly received or sent any information on the Tender Offer (including any copy of such information) in, to, or from within, the U.S.; that the Tendering Shareholder, etc. has not directly or indirectly used any U.S. mail or other method or means of interstate or international commerce (including, without limitation, telephone, telex, facsimile, e-mail or Internet communication) or any stock exchange facility in the U.S. in connection with the provision of his signature to the tender offer acceptance or application form; and that the Tendering Shareholder, etc. is not acting on behalf of another entity as its agent, trustee or delegate without discretion, who resides in the U.S.

(11) Date of Public Notice of Commencement of Tender Offer

July 31 (Friday), 2020

(12) Tender Offer Agent

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

3. Policies after the Tender Offer and Future Prospects

For the policies, etc. after the Tender Offer, please see “(4) Policy for Organizational Restructuring after the Tender Offer (Matters Relating to the “Two-step Acquisition”)” and “(5) Prospects and Reasons for Delisting” under “1. Purpose, etc. of Tender Offer or the Like” above.

4. Other Matters

(1) Agreements Between the Offeror and the Target Company or Its Officers and Details of Such Agreements

(A) Support for the Tender Offer

According to the press release by the Target Company, at its board of directors meeting held on July 30, 2020, the Target Company adopted a resolution: (i) to express its support for the Tender Offer; (ii) to recommend that shareholders of the Target Company apply for the Tender Offer; and (iii) to leave to the discretion of Share Option Holders holding the Share Options the decision as to whether or not to tender their Share Options to the Tender Offer.

For details, please see the press release of the Target Company and “(vi) Unanimous Approval of All Disinterested Directors (Including Audit and Supervisory Committee Members) of the Target Company” under “(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest)” of “(B) Grounds for Calculation” of “(5) Basis for Calculation of the Tender Offer Price, etc.” of “2. Outline of the Tender Offer, etc.” above.

(B) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer, and Management Policy after the Tender Offer

Please see “(2) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer, and Management Policy after the Tender Offer” of “1. Purpose, etc. of the Tender Offer or the Like” above.

(C) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest

Please see “(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest)” of “(B) Grounds for Calculation” of “(5) Basis for Calculation of the Tender Offer Price, etc.” of “2. Outline of the Tender Offer, etc.” above.

(2) Other Information Required by Investors When Considering Whether to Apply for the Tender Offer

(A) Release of the “Q1 Financial Statement (Japanese GAAP) (consolidated) for Y.E. March 2021”

On July 30, 2020, the Target Company released the “Q1 Financial Statement (Japanese GAAP) (consolidated) for Y.E. March 2021.” Based on the released statement, the details of the Target Company’s consolidated profit and loss, etc. for the relevant fiscal period are as follows. The content of the statement has not received its quarterly review by an audit firm pursuant to the provisions of Article 193-2, paragraph 1 of the Act. The numerical information below is an extract from the Target Company’s summary of financial results. The Offeror is not in a position to verify, and has not verified, the accuracy or validity of such information. Please refer to the released statement for further details.

(i) Profit and loss (consolidated)

Accounting period	Q1 of Y.E. March 2021(the 106 th term)
Revenue	13,970 million yen
Cost of sales	12,729 million yen
Selling, general administrative expenses	3,640 million yen
Non-operating income	14 million yen
Non-operating expenses	64 million yen
Quarterly net income attributable to owners of parent loss	Δ1,853 million yen

(ii) Figures per share (consolidated)

Accounting period	Q1 of Y.E. March 2021(the 106 th term)
Quarterly net loss per share	Δ 77.25 yen
Dividend per share	—yen
Net worth per share	1,813.49 yen

(B) Release of “Notice Regarding Determination of Revision to Fiscal 2021 Year-End Dividend Forecast ”

The Target Company has released “Notice Regarding Determination of Revision to Fiscal 2021 Year-End Dividend Forecast ”as of July 30, 2020. According to such Notification, at the Board of Directors meeting held on the same date, the Target Company has decided not to provide year -end dividends for the fiscal year ending March 2021. Please see the content of such release for details.

(C) Release of “Notice Regarding Determination of Revision of Consolidated Earnings Forecasts for Fiscal 2021”

The Target Company has released “Notice Regarding Determination of Revision of Consolidated Earnings

Forecasts for Fiscal 2021”as of July 30, 2020. The outline of the announcement is as follows. The following summary of the announcement is an excerpt of the announcement made by the Target Company. Please see the content of such release for details.

Revision of Consolidated Earnings Forecasts for Fiscal 2021 (April 1, 2020 to March 31, 2021)

(Unit: 1 million yen)

	Revenue	Cost of Sales	Ordinary income	Profit attributable to owners of parent	Net income per share (yen)
Previous announcement (A)	-	-	-	-	-
Announced Forecast (B)	93,200	500	200	100	Δ4.17
Variance (B-A)	-	-	-	-	-
Variance (%)	-	-	-	-	-
(Reference) Previous year results Fiscal 2020	90,941	1,203	857	Δ728	Δ30.40

This press release is to announce the Tender Offer to the public and has not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first read the Tender Offer Explanatory Statement for the Tender Offer and make their own independent decision. This press release does not constitute, nor form part of, any offer to sell, solicitation of a sale of, or any solicitation of any offer to buy, any securities. In addition, neither this press release (or any part of it) nor the fact of its distribution shall form the basis of or be relied on in connection with any agreement relating to the Tender Offer.

This press release contains information on business development prospects based on the concepts of the management team of the Offeror when acquiring the Target Company Shares and the Share Options. Actual results may extensively deviate from the aforementioned projects due to many factors. This press release may contain expressions suggesting future forecasts, such as “expect,” “forecast,” “intend,” “plan,” “believe,” and “contemplate,” including expressions suggesting future business of the Offeror or other companies. These expressions are based on the Offeror’s business forecasts at present and are subject to change depending on future conditions. The Offeror assumes no obligation to update these expressions suggesting future forecasts in order to reflect actual performance, various conditions, changes to terms and conditions, etc. in this press release.

The Tender Offer is not, whether directly or indirectly, made in or to the U.S., or made by U.S. mail or any other method or means of interstate or international commerce (including, without limitation, telephone, telex, facsimile, e-mail or Internet communication), or made through any stock exchange facility in the U.S. No application for the Tender Offer may be made by the aforementioned method or means, or through the aforementioned facility, or from within the U.S.

Some countries or regions may impose restrictions on the announcement, issuance, or distribution of this press release. In countries or regions in which implementing of the Tender Offer is illegal, please take note of such restrictions and comply with them. This press release shall not constitute a solicitation of an offer to sell or an offer to buy shares relating to the Tender Offer and shall be deemed a distribution of materials for informative purposes only.

Press Contacts:

Fujitsu Limited

Public and Investor Relations Division

Inquiries: <https://www.fujitsu.com/global/about/resources/news/presscontacts/form/index.html>

About Fujitsu

Fujitsu is the leading Japanese information and communication technology (ICT) company offering a full range of technology products, solutions and services. Approximately 130,000 Fujitsu people support customers in more than 100 countries. We use our experience and the power of ICT to shape the future of society with our customers. Fujitsu Limited (TSE:6702) reported consolidated revenues of 3.9 trillion yen (US\$35 billion) for the fiscal year ended March 31, 2020.

For more information, please see <http://www.fujitsu.com>