

(This notice has been translated from the original notice in Japanese. In the event of any discrepancy between this English translation and, the original notice in Japanese, the original notice in Japanese shall prevail.)

May 12, 2021

Name of Company: Sanshin Electronics Co., Ltd.  
Representative: Toshiro Suzuki (Representative Director, COO)  
(Code No.: 8150, Listed in the First Section of the Tokyo Stock Exchange)  
Enquiries to: Akio Misono (Director, Senior Operating Officer, and Senior General  
Manager of Finance & Accounting Division)  
(Tel: +81-3-3453-5111)

For Immediate Release:

**Notice Regarding Planned Acquisition of Treasury Stock and Tender Offer of Treasury  
Stock and Reduction of General Reserve, Capital Reserve, and Retained Surplus**

Sanshin Electronics Co., Ltd. (the “Company”) hereby announces that the Company’s Board of Directors meeting held today resolved the acquisition of the Company’s treasury stock based on Paragraph 1 of Article 156 of the Companies Act (Act No. 86 of 2005), as amended (the “Companies Act”), which applies *mutatis mutandis* pursuant to Paragraph 3 of Article 165 of the same Act and the Company’s Articles of Incorporation, and resolved to make a tender offer of treasury stock (the “Tender Offer”) as the specific acquisition method of treasury stock, and resolved to propose an agenda regarding the reduction of the general reserve, capital reserve, and retained surplus to the Ordinary General Meeting of Shareholders of the Company which is scheduled to be held in June 2021.

The Tender Offer is planned to be made on the precondition that the agenda regarding the reduction of the general reserve, capital reserve, and retained surplus will be passed at the Ordinary General Meeting of Shareholders of the Company which is scheduled to be held in June 2021.

Details

1. Objectives of the Tender Offer

The Company has developed two types of business, i.e., its device business and solution business. With respect to its device business, in addition to sales of semiconductors (such as system LSIs, microcomputers, liquid-crystal display driver ICs, and memory) and electronic components (such as connectors, capacitors, and circuit boards) mainly to electronics manufacturers, the Company has provided technical support for software development, module development, etc. With respect to its solution business, the Company has provided optimal ICT infrastructures to each of its customers by combining network devices, security products, enterprise systems, the cloud, and data centers. Further, the Company handles innovative technology, such as AI/IoT, and technology which continues to evolve by cloud native computing, and deals with everything from designing and building to operation and maintenance. In the V70 Medium-term Management Plan, a five-year plan with the fiscal year ending March 31, 2021 as the final year, the outline of which was announced in the “Reference Materials for Investor Meeting for the Year ended March 2016” dated May 18, 2016 (the “V70”), the Company aimed at early realization of a 5% ROE and an ordinary profit ratio of 2%, and the Company planned to improve profitability through transformation of its business portfolio with respect to the device business and to establish a higher revenue base by enhancing its existing business and creating a business which deals with new technology, such as the cloud, with respect to the solution business.

However, in the fiscal year ending March 31, 2017, which is the first year of V70, the device business was affected by rapid exchange fluctuations, decreases in the product range caused by changes in the product strategy of Renesas Electronics Corporation (“Renesas Electronics”) which is a major

supplier, and other events. As a result, as shown by the fact that consolidated ordinary losses of 952 million yen and net losses attributable to shareholders of the parent company of 1,575 million yen were recorded, consolidated business performance was stagnant compared to the fiscal year ending March 31, 2016, which is the previous fiscal year (consolidated ordinary profits of 1,500 million yen and net profits attributable to shareholders of the parent company of 977 million yen), and also fell below the forecasts for consolidated business performance for the fiscal year ending March 31, 2017 (ordinary profits of 1,350 million yen and net profits and/or[loss attributable to shareholders of the parent company of 980 million yen) announced in the “Summary of Financial Results for Fiscal Year Ended March 31, 2016 [Japan Standards] (Consolidated)” dated May 13, 2016. Because it was expected that the business environment surrounding the Company would remain harsh, in the “Notice Regarding Medium-Term Management Plan (V70)” dated May 15, 2017, the Company announced that 1) the Company had revised part of the quantitative targets for the fiscal year ending March 31, 2021, which is the final year of V70, and aimed at consolidated ordinary profits of 3 billion yen as its new quantitative target, and 2) in order to ensure the achievement of a 5% ROE, which was the target for the final year, the Company would take measures to enhance its capital efficiency through increasing its consolidated payout ratio to approximately 100% during the three periods from the fiscal year ending March 31, 2018 to the fiscal year ending March 31, 2020, and also through acquiring treasury stock while setting the maximum acquisition cost at 20 billion yen for a total of the three periods.

Under these circumstances, the Company began verifying the progress and outlook for the achievement of V70 from the middle of January 2018. We were able to confirm positive performance transitions in terms of business profit, but we recognized that enhancement of capital efficiency in order to achieve a 5% ROE (the aforementioned quantitative target) was an urgent task. Consequently, the Company began considering the acquisition of its treasury stock because enhancement of capital efficiency, such as earnings per share (EPS) and ROE, and returns of profits to our shareholders, could be expected by acquiring a certain amount of the Company’s treasury stock in a relatively short period of time. On May 14, 2018, the Company announced the tender offer of its treasury stock totaling approximately 19.7 billion yen for which the tender offer period was from May 15, 2018 to June 11, 2018 (the “Previous Tender Offer”) and made the Previous Tender Offer as a result of taking into consideration the fact that its financial situation and prior and existing dividend policy would not be significantly affected, and also taking into consideration the most recent price transition of the Company’s stock.

Subsequently, the Company made efforts to achieve the quantitative targets for the final year (fiscal year ending March 31, 2021) of V70 (i.e., a 5% ROE and consolidated ordinary profits of 3 billion yen). However, during and after the fourth quarter of the fiscal year ending March 31, 2020, the COVID-19 pandemic resulted in the continuous stagnation of many business operations, not only of the Group but also of our customers and suppliers. Furthermore, it is unclear when the COVID-19 pandemic will end. Additionally, the cancellation of the dealership agreement with Renesas Electronics as of the end of June 2020 resulted in an unavoidable impact on the achievement of V70 quantitative targets. Thus, the Company disclosed the “Notice Regarding the Withdrawal of the V70 Medium-Term Management Plan Quantitative Targets” on May 27, 2020. In the notice, the Company stated that, because it judged that it would be difficult to achieve the quantitative targets (i.e., a “5% ROE ” and “consolidated ordinary profits of 3 billion yen”) in the fiscal year ending March 31, 2021, which is the final year of V70, it withdrew these quantitative targets. Moreover, in regard to the future medium-term management plan, while formulating a medium-term management plan with new quantitative targets is expected to require a substantial amount of time due to the extreme uncertainty of the management environment, because ROE and ordinary profits will continue to be the Group’s important management indices, the Company also disclosed its policy that the Company, for the time being, will focus on enhancing the required business infrastructure with the aim of improving these two indices. Further, in parallel with these efforts, from late August 2020, the Company began considering and formulating a new medium-term management plan with the fiscal year ending March 31, 2022 as the first year and the fiscal year ending March 31, 2024 as the final year (the “New Medium-term Management Plan”). In considering and formulating the New

Medium-term Management Plan, at the Company's Board of Directors meeting held on February 3, 2021, the Company recognized that the enhancement of its capital efficiency with the aim of optimizing its capital structure by allocating capital surplus generated from the following situations to the purchase of its treasury stock could be an effective option which would contribute to the maintenance or improvement of the Company's medium- and long-term corporate value given, among other things, the following situations: 1) while the business was downsized as shown by the consolidated sales for the fiscal year ending March 31, 2021 (112.791 billion yen) which decreased by approximately 35 billion yen from the consolidated sales for the fiscal year ending March 31, 2019 (147.879 billion yen) due to the fact that, in the volume business specialized in a finance function (the Company fills the temporal gap between the period from collection from customers to payment to suppliers), the Company had withdrawn from unprofitable business during the fiscal year ending March 31, 2020, the fact that the dealership agreement with Renesas Electronics for the device business had been terminated as of the end of June 2020, and other facts, the borrowings necessary for the finance function decreased due partly to the withdrawal from the unprofitable business and there was room for capital optimization to a certain degree; 2) through promoting business structural reforms for a higher rate of return by enhancing additional services (i.e., charged services) using the enhancement of AI/IoT solution business as well as individual sales and final product sales of the semiconductors and electronic components to growth areas (such as the industrial robot market) as beachheads, it would be expected that the ratio of service-type business, for which the purchase amount would be low relative to the sales and accounts receivable terms would be shorter in comparison with individual sales of the semiconductors and electronic components, would increase, and that the increase in the capital requirement would be restrained; and 3) no large-scale M&A with other companies, etc, was planned for the time being. Subsequently, in the "Notice Regarding the New Medium-Term Management Plan" dated February 3, 2021, the Company announced these consideration processes as the outline of the New Medium-term Management Plan and stated that the details thereof would be announced at the time of the announcement of the settlement of accounts for the fiscal year ending March 31, 2021. The details of the outline of the New Medium-term Management Plan are mainly as follows: 1) the Company recognizes a ROE and ordinary profits as important management indices, and aims to achieve a 5% ROE at an early stage; 2) with regard to the device business, the Company rebuilds profits by concentrating on growth markets, and improves its profit structure by increasing the efficiency of existing business and streamlining the existing business; 3) with regard to the solution business, the Company strengthens its cloud business based on the Sanshin Data Center, and seeks to expand its business domain through technological capability and collaboration with partners; and 4) with regard to capital efficiency, the Company aims to reduce assets (such as through liquidation of receivables, reduction of strategically-held shares), and considers optimizing capital in conjunction with improving profitability through business structural reforms, and considers then carrying out a dividend increase as well as the acquisition and cancellation of treasury stock within the period of the New Medium-term Management Plan, while maintaining its financial soundness.

On the other hand, as of June 22, 2015, Mr. Yoshiaki Murakami ("Mr. Murakami"), who is considered to be a shareholder of ATRA K.K. ("ATRA"), a parent company of City Index Eleventh Co., Ltd ("City Index Eleventh"), the largest shareholder of the Company, held 1,490,400 shares of the Company's stocks, together with those held by companies related to Mr. Murakami and persons related to Mr. Murakami (Note 1), (holding rate as of the end of March 2015 (Note 2) of 5.29%) according to the Statement of Large-Volume Holdings submitted by Mr. Murakami on June 29, 2015. Subsequently, according to the Statement of Changes to the Statement of Large-Volume Holdings No. 10 submitted by Mr. Murakami on December 4, 2015, Mr. Murakami transferred all of his stocks in the Company to C&I Holdings Co., Ltd. ("C&I Holdings"), one of the companies related to Mr. Murakami, on November 27, 2015, and since that time, he has not directly held the Company's stocks. However, according to the Statement of Changes to the Statement of Large-Volume Holdings No. 34 submitted by C&I Holdings on June 18, 2018, the companies related to Mr. Murakami and the persons related to Mr. Murakami held 11,397,500 shares of the Company's stocks in total (holding rate as of the end of March 2018 (Note 3) of 40.25%) as of June 11, 2018. In addition, the companies related to Mr. Murakami and the persons related to Mr. Murakami transferred

the Company's stocks to the Company through the application for the Previous Tender Offer, and according to the Statement of Changes to the Statement of Large-Volume Holdings No. 35 submitted by C&I Holdings on July 10, 2018 after the Previous Tender Offer, the total number of the Company's stocks held by the companies related to Mr. Murakami and the persons related to Mr. Murakami was 4,070,900 shares (holding rate (Note 4) of 21.07%) as of July 3, 2018. Afterwards, the companies related to Mr. Murakami and the persons related to Mr. Murakami acquired the Company's stocks through on-market trading, and transfer, etc., of the Company's stocks has been carried out between the companies related to Mr. Murakami and the persons related to Mr. Murakami. According to the Statement of Changes to the Statement of Large-Volume Holdings No. 47 dated November 11, 2020, which is the most recent published material, as of November 4, 2020, City Index Eleventh held 6,590,300 shares of the Company's ordinary stocks (holding rate of 34.12%), and S-Grant. Co., Ltd. ("S-Grant. Co., Ltd."; together with City Index Eleventh, "City Index Eleventh, etc."), the joint holder of the Company's stocks, held 118,800 shares of the Company's ordinary stocks (holding rate of 0.62%). As of November 4, 2020, except for City Index Eleventh, etc., the Company is not aware of any companies related to Mr. Murakami or persons related to Mr. Murakami holding the Company's stocks.

(Note 1) "Companies related to Mr. Murakami" refers to companies shown as submitters or joint holders in the Statement of Large-Volume Holdings submitted by Mr. Murakami on June 29, 2015 and the Statements of Changes to the Statement of Large-Volume Holdings submitted subsequently (City Index Eleventh, S-Grant. Co., Ltd., C&I Holdings, ATRA, Minami-aoyama Real Estate K.K., Re-Build K.K., Office Support K.K., Reno Co., Ltd, City Index Third, Co., Ltd., and ATRA Holdings K.K.), and "persons related to Mr. Murakami" refers to individuals shown as joint holders in the Statements of Changes to the Statement of Large-Volume Holdings (Ms. Aya Nomura, Mr. Hironao Fukushima, and Mr. Fuminori Nakashima).

(Note 2) "Holding rate as of the end of March 2015" means the rate in relation to the number of stocks (28,179,257 shares) obtained by subtracting the number of treasury stocks held by the Company as of March 31, 2015 (1,102,116 shares) from the total number of the Company's shares outstanding as of the same date (29,281,373 shares) shown in the Summary of Financial Results for Fiscal Year Ended March 31, 2015 announced by the Company on May 13, 2015 (rounded off to two decimal places).

(Note 3) "Holding rate as of the end of March 2018" means the rate in relation to the number of stocks (28,317,577 shares) obtained by subtracting the number of treasury stocks held by the Company as of March 31, 2018 (963,796 shares) from the total number of the Company's shares outstanding as of the same date (29,281,373 shares) shown in the Summary of Financial Results for Fiscal Year Ended March 31, 2018 announced by the Company on May 14, 2018 (rounded off to two decimal places).

(Note 4) "Holding rate" means the rate in relation to the number of stocks (19,316,708 shares) obtained by subtracting the number of treasury stocks held by the Company as of March 31, 2021 (4,964,665 shares) from the total number of the Company's shares outstanding as of the same date (24,281,373 shares) shown in the Summary of Financial Results for Fiscal Year Ended March 31, 2021 announced by the Company on May 12, 2021 (rounded off to two decimal places; hereinafter the same applies to the calculation of the holding rate). Hereinafter the same applies.

From late April 2015, which was when Mr. Murakami acquired the Company's stocks at the latest, the Company continued dialogue with Mr. Murakami with regard to the Company's management strategy and capital policy. The Company seriously considered Mr. Murakami's opinion to the effect that business integration with a semiconductor trading company should be carried out with the aim of industrial reorganization, and although there was a candidate with whom the Company discussed directly, no project which was expected to generate synergy could actually be found. Based on this, the Company decided to aim to improve its corporate value through its own structural reform. As a result, since early November 2019, a difference in opinion arose between the Company and Mr. Murakami. Although the Company continued dialogue with Mr. Murakami with regard to the

Company's management strategy and capital policy afterwards, the difference in opinion was not resolved.

Comprehensively taking into account the status of consideration of the New Medium-term Management Plan above, including the Company's capital policy, as well as the status of dialogue with Mr. Murakami, the Company's business environment, the Company's business outlook, the stock market condition in the COVID-19 related confusion, at the meeting of the Company's Board of Directors held on September 16, 2020, the Company resolved to start to consider acquisition of the treasury stocks and to consider carrying out such acquisition through a tender offer of the treasury stocks as the specific acquisition method of treasury stock given that 1) it is not realistic to acquire the treasury stock at a large scale through purchase from the market in light of the liquidity of the Company's ordinary stocks and 2) the tender offer method, which enables an opportunity to be secured for our shareholders to consider the application while taking into consideration the trend of the market stock prices, is considered to be appropriate from the perspective of equality between shareholders and transparency of the transaction. One of the purposes of such resolution is to stabilize the management through, among other things, facilitation of business implementation, by means of acquiring the Company's stocks from City Index Eleventh, which (according to the Statement of Changes to the Statement of Large-Volume Holdings No. 46 submitted by the same company on August 14, 2020) held 6,463,400 shares of the Company's ordinary stocks (holding rate of 33.46%) as of August 6, 2020, and lowering the ratio of the Company's stocks held by City Index Eleventh by approximately 20%.

In addition, in considering and determining the tender offer of the treasury stocks, the Company resolved to establish the Capital Policy Review Committee, which consists of the independent external directors and independent external Audit & Supervisory Board Members of the Company, at the meeting of the Company's Board of Directors held on September 16, 2020, in order to verify whether the tender offer will contribute to such improvement of the Company's medium- and long-term corporate value and to confirm conditions for contribution to improvement cautiously. On the same date, the Capital Policy Review Committee was established. The Capital Policy Review Committee consists of six members, specifically, Takeshi Uchimura, Minoru Nishino, Tatsuo Takeuchi, and Akihiro Fujioka, all of whom are the independent external directors of the Company, as well as Shohei Yamamoto and Kuniharu Kezuka, both of whom are the independent external Audit & Supervisory Board Members of the Company. Each member satisfies the requirements of independence and externality relating to the independent external directors or independent external Audit & Supervisory Board Members of the Company and does not have any transaction relationship, personnel relationship, or other interests making the independence of such member doubtful with respect to Mr. Murakami, who is considered to be a shareholder of ATRA, a parent company of City Index Eleventh, or his relatives or any entity that is controlled by him or on which he has material impacts.

After that, the Company held meetings of the Capital Policy Review Committee four times during the period from September 2020 to November 2020, and in the meetings, the rationality of the tender offer of the treasury stocks, the soundness of the Company's finances after the tender offer, the impact on the Company's management of the existence of the major shareholder, City Index Eleventh, and other issues were discussed. Based on these discussions, the Company determined to start considering implementation of the tender offer of the treasury stocks at the meeting of the Company's Board of Directors held on November 18, 2020, and on December 22, 2020, the Company explained the status of consideration by the Company to City Index Eleventh, etc. and confirmed the intentions of City Index Eleventh, etc., towards implementation of the tender offer of the treasury stocks. Specifically, on the same date, upon the formulation of the New Medium-term Management Plan, the Company explained that the enhancement of its capital efficiency with the aim of the capital optimization in conjunction with improvement of profitability through its own business structural reforms would contribute to the maintenance or improvement of the Company's medium- and long-term corporate value and that the Company was considering the tender offer of the treasury stock as a method for the capital optimization. In response to this, on December 25, 2020, the Company confirmed that the intention of City Index Eleventh, etc., is that they may agree to sell their stocks in the Company if the

Company makes the tender offer of the treasury stock. Based on the confirmation of the intentions of City Index Eleventh, etc., the Company further considered the New Medium-term Management Plan including financial soundness and announced the consideration processes as the outline of the New Medium-term Management Plan in the “Notice Regarding the New Medium-Term Management Plan” dated February 3, 2021.

Based on the above circumstances, on March 2, 2021, the Company reported to the Company’s Capital Policy Review Committee the progress of consideration of the New Medium-term Management Plan above, an outline of the tender offer of the treasury stocks, and the intention of the Company’s major shareholder, City Index Eleventh. Furthermore, with respect to implementation of the tender offer of the treasury stocks by the Company, the Company consulted with the Capital Policy Review Committee concerning the rationality of the purposes and transaction conditions thereof, the fairness of the procedures, the conditions to be satisfied for the tender offer of the treasury stocks contributing to improvement of the Company’s medium- and long-term corporate value, and the appropriateness of the commencement of negotiation with the Company’s major shareholder, City Index Eleventh, relating to implementation of the Tender Offer. Specifically, as the report to the Capital Policy Review Committee, the Company has explained that, through promoting business structural reforms for a higher rate of return in the New Medium-term Management Plan by enhancing additional services (i.e., charged services) using the enhancement of AI/IoT solution business as well as individual sales and final product sales of the semiconductors and electronic components to growth areas (such as the industrial robotics market) as beachheads, the increase in the capital requirement will be restrained in connection with an increase in the ratio of service-type business, for which the purchase amount will be low relative to the sales and accounts receivable terms will be shorter in comparison with individual sales of the semiconductors and electronic components, and explained that the Company’s policy is that the Company aims to improve its corporate value by improving capital efficiency through returning to shareholders the surplus expected to be generated from the restraining of the increase in the capital requirement, and then reported that 1) it is expected to achieve a 5% ROE during the period of the New Medium-term Management Plan by carrying out a tender offer of treasury stock at a scale in which the number of shares to be acquired is up to approximately 7 million shares, and the purchase price is up to approximately 15.7 billion yen and 2) an increase of a distributable amount is necessary for the acquisition of the treasury stock at the scale and, in order to increase the distributable amount, it is necessary to reduce the general reserve, capital reserve, and retained surplus (and in order to do so, it is necessary to obtain approval for the agenda regarding the reduction thereof at the Ordinary General Meeting of Shareholders of the Company which is scheduled to be held in June 2021). In addition to these, the Company has also reported about the status of its dialogue with City Index Eleventh, who is a major shareholder, and reported that the same company has an intention to agree to sell its ordinary stocks in the Company.

The Company’s Capital Policy Review Committee carefully discussed the matters above three times, on March 2, March 11, and March 15, 2021 taking into account the circumstances above and, on March 17, 2021, submitted to the Company’s Board of Directors the report to the effect that, on the following preconditions, the Tender Offer contributes to maintenance or improvement of the Company’s medium- and long-term corporate value and that it is appropriate for the Company to commence negotiation with City Index Eleventh regarding implementation of the Tender Offer: 1) prior to the implementation of the Tender Offer, the Company executes with City Index Eleventh a tender offer application agreement in which the parties agree that City Index Eleventh applies for the Tender Offer; and 2) Mr. Murakami and his related persons including City Index Eleventh agree with the Company that they will not acquire the stocks in the Company after the Tender Offer (the “Report Dated March 17”). In the report, the Capital Policy Review Committee pointed out that application by major shareholders is essential and prior negotiation with major shareholders to a certain degree is unavoidable in order to achieve a 5% ROE, which is its quantitative target, at an early stage and to succeed in the tender offer of the treasury stocks at this scale, and that it is appropriate to consider that the purposes include the facilitation of implementation of the Company’s business and stabilization of management through giving major shareholders the opportunity of withdrawal from investment in the Company’s stocks because the committee determined that it is best for the improvement of the

Company's corporate value to aim to achieve the New Medium-term Management Plan while maintaining the independence of the Company. Furthermore, comprehensively considering the factors above as well, the Capital Policy Review Committee stated that the Tender Offer does not aim for self-protection of the Company's management, or interests of major shareholders or any other particular third party only, and that the purposes thereof were found to be reasonable. Based on the details of the discussions at the Capital Policy Review Committee and the content of the Report Dated March 17, the Company formulated the New Medium-term Management Plan with the fiscal year ending March 31, 2024 as the final year more concretely. In addition, under such medium-term management plan, the Company proceeded with considering internally in the direction of achieving a 5% ROE, which is its quantitative target, at an early stage, by carrying out the acquisition of treasury stock in order to promote business structural reforms for a higher rate of return and for the capital optimization in conjunction with improvement of profitability through business structural reforms. On the basis of such consideration, on March 17, 2021, the Company determined that, in order to achieve a 5% ROE at an early stage, the tender offer of treasury stock at a scale of which the number of shares to be acquired is up to approximately 7 million shares, and the purchase price is up to approximately 15.7 billion yen in total, should be carried out. Moreover, application by City Index Eleventh is essential in order to succeed in the tender offer of treasury stock at this scale, and therefore, the Company decided that it should acquire treasury stock from City Index Eleventh. For that purpose, prior negotiation with City Index Eleventh to a certain degree is unavoidable. Accordingly, on April 23, 2021, the Company started discussions with City Index Eleventh on the terms and conditions, including the purchase price, etc., for implementing the tender offer of treasury stock.

The Company held discussions with City Index Eleventh regarding the tender offer of treasury stock twice, on April 23, 2021, and April 27, 2021. In those discussions, the Company was told by City Index Eleventh that such tender offer will contribute to the improvement of the shareholder value for all of the Company shareholders as long as the tender offer is implemented as part of measures to practice ROE management (improvement of capital efficiency) and improve shareholder value, and that if the Company carries out the Tender Offer, City Index Eleventh and S-Grant. Co., Ltd., the joint holder of the Company stock, will apply all the Company ordinary stock they hold (Note 5) for the Tender Offer. As of May 7, 2021, the Company has received a document stating the above intention from City Index Eleventh.

(Note 5) According to the Statement of Changes to a Statement of Large-Volume Holdings No. 47 submitted by City Index Eleventh, etc., to the Director-General of the Kanto Finance Bureau on November 11, 2020, as of November 4, 2020, the Company ordinary stock held by City Index Eleven is 6,590,300 shares (holding rate of 34.12%), the Company ordinary stock held by S-Grant. Co., Ltd. is 118,800 shares (holding rate of 0.62%), and the total of shares held by City Index Eleven, etc., is 6,709,100 shares (holding rate of 34.73%).

After being informed of the above negotiation details, the Capital Policy Review Committee continued their consideration and held discussions on April 28 and May 11, 2021. In particular, it was reported in those discussions that, as of April 28, 2021, the Company is expecting to receive a document from City Index Eleventh stating that it intends to apply for the Tender Offer, and that, as of May 11, 2021, the Company has received the aforementioned document from City Index Eleventh, and the status of discussions concerning the terms and conditions including the purchase price was reported as well. Further, the Capital Policy Review Committee deliberately discussed the fairness of the Tender Offer procedures and the transaction conditions of the Tender Offer including the purchase price. Consequently, they submitted a report ("Reported Dated May 12") to the Company's Board of Directors, stating that the Tender Offer implementation, with the purpose of achieving a 5% ROE, which is its quantitative target, at an early stage, by carrying out the large-scale return to shareholders, which aims for capital optimization due to business structural reforms under the New Medium-term Management Plan, and including the facilitation of implementation of the Company's business and stabilization of management as part of such purposes, will contribute to the maintenance or improvement of the Company's medium- and long-term corporate value; that the transaction

conditions of the Tender Offer are rational; that the considerations and discussions with City Index Eleventh concerning the Tender Offer are conducted after establishing the Capital Policy Review Committee, which consists of the independent external directors and independent external Audit & Supervisory Board Members of the Company, and therefore, the fairness of procedures is secured; and that, in light of the terms and conditions of the Tender Offer at present, there are no additional conditions in particular that need to be satisfied to ensure that the Tender Offer will contribute to the improvement of the Company's medium- and long-term corporate value.

After receiving the Report Dated May 12, the Company announced today its V73 New Medium-term Management Plan, which is a three-year plan with the fiscal year ending March 31, 2024 as the final year. In that plan, the Company set its target to achieve a 5% ROE at an early stage, and stated that, as part of specific realization measures, in the device business, it will (a) focus on improving its profitability by an increase in sales through the expansion of the product lineup for products of overseas manufacturers and cost reduction through the review of sales operations, and (b) promote portfolio reform by developing new businesses with a higher rate of return, such as through sales of AI/IoT solutions mainly targeting the manufacturing/infrastructure market, and the expansion of services to provide relevant services in the robotics market using final product sales of parts/modules as a beachhead; for the solution business, it will (a) expand its application services using cloud infrastructure and endeavor to establish a subscription business model, (b) focus on enhancement of the latest digital technological capability such as AI/IoT, 5G, and virtualization, so that it will be able to seize business opportunities associated with the development of DX, and (c) endeavor to increase its customers by proposing solutions through providing consultations with thorough knowledge of the customers' practices and through consistent ICT technology from system design, system construction, to the operation and maintenance thereof, and by co-creation through cooperating with partners. The Company also stated in the same plan that it will proceed with business structural reforms and endeavor to expand its business in the growth market with an eye toward medium- and long-term continuous growth of the Company. The New Medium-term Management Plan also refers to the plan that the Tender Offer will be implemented in order to achieve a 5% ROE, which is the quantitative target, at an early stage.

For determining the purchase price in the Tender Offer ("Tender Offer Price"), considering the fact that the Company's ordinary stock is listed in the First Section of the Tokyo Stock Exchange and that acquisition of treasury stock by listed companies is often carried out through purchasing shares from the market through financial instrument exchange, and by placing importance on clarity and objectivity of the standard, we conducted an examination by using the market price of the Company's ordinary stock as a basis. Further, although generally, net assets per share on a consolidated basis is referred to when considering the share value, from the perspective of respecting the interests of shareholders who continue to own the Company's ordinary stock without applying for the Tender Offer, the Company has decided to take into account that, when considering the Tender Offer Price, the level of the price shall not exceed the net assets per share on a consolidated basis. In addition, the Company discussed the Tender Offer Price with City Index Eleventh twice, on April 23 and April 27, 2021, and confirmed that City Index Eleventh hope to determine that the net assets per share on a consolidated basis is the Tender Offer Price as a condition for applying for the Tender Offer. Under the idea that promoting the New Medium-term Management Plan as well as increasing capital efficiency through, among other means, capital optimization by profitability improvement through the business structural reform, tender offer of treasury stocks, and a dividend increase will contribute to the maintenance or improvement of the Company's medium- and long-term corporate value, as well as taking into account the fact that implementation of the Tender Offer and application by City Index Eleventh is essential for the achievement of the target established in the New Medium-term Management Plan, as well as the increase of profitability and capital efficiency through implementation of the Tender Offer, the Company gave unofficial consent to City Index Eleventh with regard to setting the Tender Offer Price as 2,249 yen, which is equal to the net assets per share on a consolidated basis as of the end of the fiscal year ending March 31, 2021, on April 27, 2021.

In addition, to secure fairness in the calculation of the Tender Offer Price, the Company requested



calculation of the value of the Company's ordinary stock to IR Japan, Inc. ("IR Japan") and Plutus Consulting Co., Ltd ("Plutus") as third party calculation institutions which are independent from the Company. The Company referred to the calculation results (For detailed calculation results, please refer to "3. Tender Offer Outline - (3) Basis for Calculation of Tender Offer Price - 1) Basis for Calculation" below.) in the share valuation report obtained from IR Japan as of May 11, 2021 ("IR Japan's Share Valuation Report") and the share valuation report obtained from Plutus as of May 11, 2021 ("Plutus' Share Valuation Report") in calculating the Tender Offer Price. IR Japan and Plutus are not affiliated parties of the Company and City Index Eleventh, etc., and do not have any material interests in the Tender Offer. Further, the Company did not obtain an evaluation for the fairness of the Tender Offer Price (fairness opinion) either from IR Japan or Plutus.

Moreover, while referring to the market price of the Company's ordinary stock, the Company has taken into account that, amongst others, if the Tender Offer Price is set at 2,249 yen, which is the same amount as the net assets per ordinary stock of the Company on a consolidated basis as of the end of the fiscal year ending March 31, 2021, such amount is within the range of the stock value per share of the Company's stock calculated by the discounted cash flow method ("DCF Method") in the IR Japan's Share Valuation Report (i.e., 2,062 yen to 2,449 yen), and within the range of the stock value per share of the Company's stock calculated by the DCF Method in the Plutus' Share Valuation Report (i.e., 2,169 yen to 2,357 yen); as a result, the Company has decided that the Tender Offer Price will be 2,249 yen.

The Company's business plan (for five years from the fiscal year ending March 31, 2022, to the fiscal year ending March 31, 2026), which IR Japan and Plutus used as the premise for calculation by the DCF Method, includes fiscal years in which significant increases and decreases in profits are expected. In particular, in the fiscal year ending March 31, 2022, a significant decrease of profits compared to the preceding fiscal year is expected due to the effect of downsizing of business resulting from termination of the dealership agreement between Renesas Electronics. Further, in the fiscal year ending March 31, 2023 and the fiscal year ending March 31, 2024, a significant increase in profits compared to the preceding fiscal year is expected due to the expansion of business concerning new overseas products. Moreover, since it was difficult to estimate in specific terms the effect of the Tender Offer implementation, the aforementioned business plan is not premised on the Tender Offer.

In addition, the Capital Policy Review Committee reported in the Report Dated May 12 that, taking into account the calculation results contained in IR Japan's Share Valuation Report and the Plutus' Share Valuation report, as well as the discussions with City Index Eleventh, it is rational to set the Tender Offer Price at 2,249 yen. Subsequently, based on the discussions between City Index Eleventh mentioned above, unofficial consent was given concerning the Tender Offer Price to be set at the amount of the net assets per share on a consolidated basis, and there will be improvement in profitability and capital efficiency, etc. by implementing the Tender Offer. Taking this into account, and based on the calculation results contained in IR Japan's Share Valuation Report and Plutus' Share Valuation Report as well as the Capital Policy Review Committee's report, the Company has decided that the Tender Offer Price will be 2,249 yen.

In response to the results of the discussions with City Index Eleventh, based on the fact as mentioned above that, (i) in order to achieve the quantitative target of a 5% ROE at an early stage by carrying out the acquisition of treasury stock to promote business structural reforms for a higher rate of return and for the capital optimization in conjunction with improvement of profitability through business structural reforms under the New Medium-term Management Plan, it is expected that the Company needs to carry out a tender offer of treasury stock at a scale in which the number of shares to be acquired is up to approximately 7 million shares, and the purchase price is up to approximately 15.7 billion yen, and (ii) application by City Index Eleventh is essential for the tender offer of the treasury stocks at this scale to be successful, the Company believes that the Group will be able to improve its medium- and long-term corporate value by acquiring the treasury stock by way of a tender offer and striving for the achievement of the New Medium-term Management Plan. Further, in order to prevent assets from flowing outside of the Company from the perspective of respecting the interests of

shareholders who continue to own the Company's ordinary stock without applying for the Tender Offer, the Company concluded that it would be preferable to set the purchase price at a price which does not exceed the net assets per share of the Company's ordinary stock on a consolidated basis. Due to this, the Company wishes for the shareholders other than City Index Eleventh, etc., to continue to hold the Company's ordinary stock; however, of course, the Company believes that in the end, it is up to the shareholders whether or not to apply for the Tender Offer.

On the basis of the above, it was resolved in the Board of the Directors meeting held on May 12, 2021, that, on the precondition that the agenda regarding the reduction of the general reserve, capital reserve, and retained surplus will be passed at the Ordinary General Meeting of Shareholders of the Company which is scheduled to be held in June 2021, and based on Paragraph 1 of Article 156 of the Companies Act which applies *mutatis mutandis* pursuant to Paragraph 3 of Article 165 of the same Act and the Company's Articles of Incorporation, the Company will carry out the acquisition of treasury stock as stated in "(1) Resolution Details" in "Contents of the Resolution of the Board of Directors Meeting Regarding Acquisition of Treasury Stock" and implement the Tender Offer as the specific acquisition method, and that the Tender Offer Price will be 2,249 yen. In addition, it was also resolved that the number of share certificates planned for purchase in the Tender Offer shall be up to 7,000,000 shares, from the perspective to provide shareholders other than City Index Eleventh, etc., with the opportunity to apply for the Tender Offer and based on factors such as the Company's liquidity on hand, capital strategy under the New Medium-term Management Plan, dividend policy, and the soundness of the Company's finances after the Tender Offer implementation.

The Company plans to appropriate its own funds for the entire payment of the Tender Offer. In this regard, the Company's liquidity on hand (cash and deposits) on a consolidated basis as of the end of March 31, 2021, is approximately 25,544 million yen. Therefore, the Company believes that the Tender Offer will not have a material impact on the Company's financial situation and dividend policy and that the soundness and security of the Company's finances will be secured. Because an increase of a distributable amount is necessary to acquire treasury stock of 7,000,000 shares, the Company will propose an agenda regarding the reduction of the general reserve, capital reserve, and retained surplus at the Ordinary General Meeting of Shareholders of the Company which is scheduled to be held in June 2021.

As of today, City Index Eleventh is the largest shareholder and a major shareholder of the Company, and also falls under the category of other affiliated companies; however, if City Index Eleventh applies for the Tender Offer, it will no longer be the largest shareholder, major shareholder, or fall under the category of other affiliated companies. Therefore, there may be changes to the largest shareholder, major shareholder, and other affiliated companies. If such a change occurs, the Company will announce the change together with the result of the Tender Offer.

The policy for the disposal of the Company's treasury stock to be acquired in the Tender Offer has not been decided at this point.

## 2. Contents of the Resolution of the Board of Directors Meeting Regarding Acquisition of Treasury Stock

### (1) Resolution Details

Type of Share Certificates	Total Number of Shares	Total Purchase Price
Ordinary stock	7,000,100	15,743,224,900 yen

(Note 1) Total number of outstanding shares: 24,281,373 shares (as of May 12, 2021)

(Note 2) Ratio against total number of outstanding shares: 28.83% (Rounded off to the nearest two decimal places)

(Note 3) Acquisition period: June 22, 2021 to August 31, 2021

- (2) Listed Share Certificates, etc. Pertaining to Treasury Stock That Were Already Acquired Based on the Said Resolution

None

3. Tender Offer Outline

(1) Schedule, etc.

1)	Resolution Date of Board of Directors Meeting	May 12, 2021 (Wednesday)
2)	Publication Date for Commencing the Tender Offer	June 22, 2021 (Tuesday)(to be fixed) Electronic public notice will be posted, and the posting of the electronic public notice will be published in Nihon Keizai Shimbun newspaper.  (Internet Address for Electronic Public Notice <a href="http://disclosure.edinet-fsa.go.jp/">http://disclosure.edinet-fsa.go.jp/</a> )
3)	Submission Date of the Tender Offer Statement	June 22, 2021 (Tuesday)(to be fixed)
4)	Tender Offer Period	From June 22, 2021 (Tuesday) to July 19, 2021 (Monday)(20 business days)(to be fixed)

(2) Tender Offer Price

2,249 yen per ordinary stock

(3) Basis for Calculation of Tender Offer Price

1) Basis for Calculation

In determining the Tender Offer Price to be 2,249 yen, considering the fact that the Company's ordinary stocks are listed in the First Section of the Tokyo Stock Exchange and that acquisition of treasury stock by listed companies is often carried out through purchasing shares from the market through financial instrument exchange, and by placing importance on clarity and objectivity of the standard, we conducted an examination based on the market price of the Company's ordinary stock. Further, although generally, net assets per share on a consolidated basis is referred to when considering the share value, from the perspective of respecting the interests of shareholders who continue to own the Company's ordinary stock without applying for the Tender Offer, the Company has decided to take into account that, when considering the Tender Offer Price, the level of the price shall not exceed the net assets per share on a consolidated basis. In addition, the Company discussed the Tender Offer Price with City Index Eleventh twice, on April 23 and April 27, 2021, and confirmed that City Index Eleventh hope to determine that the net assets per share on a consolidated basis is the Tender Offer Price as a condition for applying for the Tender Offer. Moreover, to secure fairness in the calculation of the Tender Offer Price from the perspective of protecting shareholders other than City Index Eleventh, etc., the Company requested calculation of the value of the Company's ordinary stock to IR Japan and Plutus as third party calculation institutions which are independent from the Company. IR Japan and Plutus are not affiliated parties of the Company and City Index Eleventh, etc., and do not have any material interests in the Tender Offer. The Company referred to the calculation results stated in IR Japan's Share Valuation Report obtained from IR Japan as of May 11, 2021, and Plutus' Share Valuation Report obtained from Plutus as of May 11, 2021. In IR Japan's Share Valuation Report, calculation was conducted by using each of the market share price method

and DCF Method. The range of stock value per share of the Company's stock calculated in each said method is as follows: In the market share price method, May 11, 2021, which is the business day immediately preceding May 12, 2021, the day on which the Tender Offer implementation was announced, is used as a reference date, and based on the closing price of the Company's stock at the financial instruments exchange on the reference date which is 2,070 yen, the simple average closing price for the last one month which is 2,077 yen, the simple average closing price for the last three months which is 2,061 yen, and the simple average closing price for the last six months which is 2,061 yen, the range of the Company's stock value per share is analyzed to be from 2,061 yen to 2,077 yen. In the DCF method, future cash flow on the basis of the business plan created by the Company is discounted to its current value at a certain discount rate to analyze corporate value and stock value. As a result of such analysis, the stock value per share of the Company's ordinary stock ranged from 2,062 yen to 2,449 yen. The Company did not obtain evaluation for the fairness of the Tender Offer Price (fairness opinion) from IR Japan.

In Plutus' Share Valuation Report, calculation was conducted by using each of the market share price method and DCF Method. The range of stock value per share of the Company's stock calculated in each said method is as follows: In the market share price method, May 11, 2021, which is the business day immediately preceding May 12, 2021, the day on which the Tender Offer implementation was announced, is used as a reference date, and based on the closing price of the Company's stock at the financial instruments exchange on the reference date which is 2,070 yen, the simple average closing price for the last one month which is 2,077 yen, the simple average closing price for the last three months which is 2,061 yen, and the simple average closing price for the last six months which is 2,061 yen, the range of the Company's stock value per share is analyzed to be from 2,061 yen to 2,077 yen. In the DCF method, future cash flow on the basis of the business plan created by the Company is discounted to its current value at a certain discount rate to analyze corporate value and stock value. As a result of such analysis, the stock value per share of the Company's ordinary stock ranged from 2,169 yen to 2,357 yen. The Company did not obtain evaluation for the fairness of the Tender Offer Price (fairness opinion) from Plutus.

The Company's business plan (for five years from the fiscal year ending March 31, 2022, to the fiscal year ending March 31, 2026), which IR Japan and Plutus used as the premise for calculation by the DCF Method, includes fiscal years in which significant increases and decreases in profits are expected. In particular, in the fiscal year ending March 31, 2022, a significant decrease of profits compared to the preceding fiscal year is expected due to the effect of downsizing of business resulting from termination of the dealership agreement between Renesas Electronics. Further, in the fiscal year ending March 31, 2023 and the fiscal year ending March 31, 2024, a significant increase in profits compared to the preceding fiscal year is expected due to the expansion of business concerning new overseas products. Moreover, since it was difficult to estimate in specific terms the effect of the Tender Offer implementation, the aforementioned business plan is not premised on the Tender Offer. While referring to the market price of the Company's ordinary stock, the Company has taken into account that, amongst others, if the Tender Offer Price is set at 2,249 yen, which is the same amount as the net assets per ordinary stock of the Company on a consolidated basis as of the end of the fiscal year ending March 31, 2021, such amount is within the range of the stock value per share of the Company's stock calculated by the DCF Method in the IR Japan's Share Valuation Report (i.e., 2,062 yen to 2,449 yen), and within the range of the stock value per share of the Company's stock calculated by the DCF Method in the Plutus' Share Valuation Report (i.e., 2,169 yen to 2,357 yen); as a result, the Company has decided that the Tender Offer Price will be 2,249 yen. The Tender Offer Price, 2,249 yen, is a price with a premium of 8.65% (rounded off to two decimal places; the same applies hereinafter in the calculation of the premium rate) of 2,070 yen, which is the closing price of the Company's ordinary stock on May 11, 2021, the business day immediately preceding today, today being the date on which the Board of Directors resolved the Tender Offer implementation, at a premium of 8.28% of 2,077 yen, which is the simple average closing price of the Company's ordinary stock for the last one month up to May 11, 2021, and at a premium of 9.12% of 2,061 yen, which is the simple average closing price for of the Company's ordinary stock for the last three months up to May 11, 2021.

The difference of 58 yen between the tender offer price at the Previous Tender Offer (i.e., 2,191 yen), the period of which was from May 15, 2018 to June 11, 2018, and the Tender Offer Price (i.e., 2,249 yen) is due to fluctuation of the net assets per share of the Company's ordinary stock on a consolidated basis that was referred to in determining the tender offer price. In particular, the net assets per share referred to in the Previous Tender Offer were 2,191 yen, while the net assets per share referred to in the Tender Offer increased by 58 yen and are 2,249 yen.

## 2) Calculation Background

From late August 2020, the Company began considering and formulating the New Medium-term Management Plan. In considering and formulating the New Medium-term Management Plan, at the Company's Board of Directors meeting held on February 3, 2021, the Company recognized that the enhancement of its capital efficiency with the aim of optimizing its capital structure by allocating capital surplus to the purchase of its treasury stock could be an effective option which would contribute to the maintenance or improvement of the Company's medium- and long-term corporate value. Subsequently, in the "Notice Regarding the New Medium-Term Management Plan" dated February 3, 2021, the Company announced these consideration processes as the outline of the New Medium-term Management Plan and stated that the details thereof would be announced at the time of the announcement of the settlement of accounts for the fiscal year ending March 31, 2021.

On the other hand, as of November 11, 2020, City Index Eleventh, the largest shareholder of the Company, held 6,590,300 shares of the Company's ordinary stocks (holding rate of 34.12%), and as of the same date, S-Grant. Co., Ltd., the joint holder of the Company shares, held 118,800 shares of the Company's ordinary stocks (holding rate of 0.62%). From late April 2015, which was when Mr. Murakami, who is considered to be a shareholder of ATRA, a parent company of City Index Eleventh, acquired the Company's stocks at the latest, the Company continued dialogue with Mr. Murakami with regard to the Company's management strategy and capital policy. However, in early November 2019, a difference in opinion arose between the Company and Mr. Murakami, who insisted on business integration with a semiconductor trading company with the aim of industrial reorganization. Although the Company continued dialogue with Mr. Murakami afterwards, the difference in opinion was not resolved. Accordingly, comprehensively taking into account the status of consideration of the New Medium-term Management Plan above, including the Company's capital policy, as well as the status of dialogue with Mr. Murakami, the Company's business environment, the Company's business outlook, the stock market condition in the COVID-19 related confusion, the Company resolved to start to consider acquisition of the treasury stocks and to consider carrying out such acquisition through a tender offer of the treasury stocks as the specific acquisition method of treasury stock, at the meeting of the Company's Board of Directors held on September 16, 2020. One of the purposes of such resolution is to stabilize the management through, among other things, facilitation of business implementation, by means of acquiring the Company's stocks from City Index Eleventh, which held 6,463,400 shares of the Company's ordinary stocks (holding rate of 33.46%) as of August 6, 2020, and lowering the ratio of the Company's stocks held by City Index Eleventh by approximately 20%.

In addition, in considering and determining the tender offer of the treasury stocks, the Company resolved to establish the Capital Policy Review Committee, which consists of the independent external directors and independent external Audit & Supervisory Board Members of the Company, at the meeting of the Company's Board of Directors held on September 16, 2020, in order to verify whether the tender offer will contribute to such improvement of the Company's medium- and long-term corporate value and to confirm conditions for contribution to improvement cautiously. On the same date, the Capital Policy Review Committee was established. The Capital Policy Review Committee consists of six members, specifically, Takeshi Uchimura, Minoru Nishino, Tatsuo Takeuchi, and Akihiro Fujioka, all of whom are the independent external directors of the Company, as well as Shohei Yamamoto and Kuniharu Kezuka, both of whom are the independent external Audit & Supervisory Board Members of the Company. Each member satisfies the requirements of independence and

externality relating to the independent external directors or independent external Audit & Supervisory Board Members of the Company and does not have any transaction relationship, personnel relationship, or other interests making the independence of such member doubtful with respect to Mr. Murakami, who is considered to be a shareholder of ATRA, a parent company of City Index Eleventh, or his relatives or any entity that is controlled by him or on which he has material impacts.

After that, the Company held meetings of the Capital Policy Review Committee four times during the period from September 2020 to November 2020, and in the meetings, the rationality of the tender offer of the treasury stocks, the soundness of the Company's finances after the tender offer, the impact on the Company's management of the existence of the major shareholder, City Index Eleventh, and other issues were discussed. Based on these discussions, the Company determined to start considering implementation of the tender offer of the treasury stocks at the meeting of the Company's Board of Directors held on November 18, 2020, and on December 22, 2020, the Company explained the status of consideration by the Company to City Index Eleventh, etc. and confirmed the intentions of City Index Eleventh, etc., towards implementation of the tender offer of the treasury stocks.

Based on the above circumstances, on March 2, 2021, the Company reported to the Company's Capital Policy Review Committee the progress of consideration of the New Medium-term Management Plan above, an outline of the tender offer of the treasury stocks, and the intention of the Company's major shareholder, City Index Eleventh. Furthermore, with respect to implementation of the tender offer of the treasury stocks by the Company, the Company consulted with the Capital Policy Review Committee concerning the rationality of the purposes and transaction conditions thereof, the fairness of the procedures, the conditions to be satisfied for the tender offer of the treasury stocks contributing to improvement of the Company's medium- and long-term corporate value, and the appropriateness of the commencement of negotiation with the Company's major shareholder, City Index Eleventh, relating to implementation of the Tender Offer.

The Company's Capital Policy Review Committee carefully discussed the matters above three times, on March 2, March 11, and March 15, 2021 taking into account the circumstances above and submitted the Report Dated March 17 to the Company's Board of Directors on March 17, 2021. In the report, the Capital Policy Review Committee pointed out that application by major shareholders is essential and prior negotiation with major shareholders to a certain degree is unavoidable in order to achieve a 5% ROE, which is its quantitative target, at an early stage and to succeed in the tender offer of the treasury stocks at this scale, and that it is appropriate to consider that the purposes include the facilitation of implementation of the Company's business and stabilization of management through giving major shareholders the opportunity of withdrawal from investment in the Company's stocks because the committee determined that it is best for the improvement of the Company's corporate value to aim to achieve the New Medium-term Management Plan while maintaining the independence of the Company. Furthermore, comprehensively considering the factors above as well, the Capital Policy Review Committee stated that the Tender Offer does not aim for self-protection of the Company's management, or interests of major shareholders or any other particular third party only, and that the purposes thereof were found to be reasonable.

Based on the content of the Report Dated March 17, the Company formulated the New Medium-term Management Plan with the fiscal year ending March 31, 2024 as the final year more concretely. In addition, under such medium-term management plan, the Company has been considering internally in the direction of achieving a 5% ROE, which is its quantitative target, at an early stage, by carrying out the large-scale return to shareholders (tender offer of treasury stocks), which aims for capital optimization due to business structural reforms. Accordingly, on April 23, 2021, the Company started discussions with City Index Eleventh on the terms and conditions, including the purchase price, etc., for implementing the tender offer of treasury stocks.

The Company held discussions with City Index Eleventh regarding the tender offer of treasury stocks twice, on April 23, 2021, and April 27, 2021. In those discussions, the Company was told by City Index Eleventh that such tender offer will contribute to the improvement of the shareholder value for

all of the Company shareholders as long as the tender offer is implemented as part of measures to practice ROE management (improvement of capital efficiency) and improve shareholder value, and that if the Company carries out the Tender Offer, City Index Eleventh and S-Grant. Co., Ltd., the joint holder of the Company shares, will apply all the Company ordinary stock they hold for the Tender Offer. As of May 7, 2021, the Company has received a document stating the above intention from City Index Eleventh.

After receiving such consultation, the Capital Policy Review Committee held discussions on April 28, 2021 and May 11, 2021. In particular, it was reported in those discussions that, as of April 28, 2021, the Company is expecting to receive a document from City Index Eleventh stating that it intends to apply for the Tender Offer, and that, as of May 11, 2021, the Company has received the aforementioned document from City Index Eleventh, and the status of discussions concerning the terms and conditions including the purchase price was reported as well. Further, the Capital Policy Review Committee deliberately discussed the fairness of the Tender Offer procedures and the transaction conditions of the Tender Offer including the purchase price. Consequently, the Capital Policy Review Committee submitted the Reported Dated May 12 to the Company's Board of Directors, stating that the Tender Offer implementation, with the purpose of achieving a 5% ROE, which is its quantitative target, at an early stage, by carrying out the large-scale return to shareholders, which aims for capital optimization due to business structural reforms under the New Medium-term Management Plan, and including the facilitation of implementation of the Company's business and stabilization of management as part of such purposes, will contribute to the maintenance or improvement of the Company's medium- and long-term corporate value; that the transaction conditions of the Tender Offer are rational; that the considerations and discussions with City Index Eleventh concerning the Tender Offer are conducted after establishing the Capital Policy Review Committee, which consists of the independent external directors and independent external Audit & Supervisory Board Members of the Company, and therefore, the fairness of procedures is secured; and that, in light of the terms and conditions of the Tender Offer at present, there are no additional conditions in particular that need to be satisfied to ensure that the Tender Offer will contribute to the improvement of the Company's medium- and long-term corporate value

After receiving the Reported Dated May 12, the Company published the New Medium-term Management Plan as of today. The New Medium-term Management Plan also refers to the plan that the Tender Offer will be implemented in order to achieve a 5% ROE, which is the quantitative target, at an early stage.

For determining the Tender Offer Price, by taking the fact that the Company's ordinary stock is listed in the First Section of the Tokyo Stock Exchange and that acquisition of treasury stocks by listed companies is often carried out through purchasing shares from the market through financial instrument exchange into consideration and by placing importance on clarity and objectivity of the standard, the Company conducted an examination by using the market price of the Company's ordinary stock as a basis. Further, although generally, net assets per share on a consolidated basis is referred to when considering the share value, from the perspective of respecting the interests of shareholders who continue to own the Company's ordinary stock without applying for the Tender Offer, the Company has decided to take into account that, when considering the Tender Offer Price, the level of the price shall not exceed the net assets per share on a consolidated basis. In addition, the Company discussed the Tender Offer Price with City Index Eleventh twice, on April 23 and April 27, 2021, and confirmed that City Index Eleventh hope to determine that the net assets per share on a consolidated basis is the Tender Offer Price as a condition for applying for the Tender Offer. Under the idea that promoting the New Medium-term Management Plan as well as increasing capital efficiency through, among other means, improving profitability through the business structural reform and capital optimization by tender offer of treasury stocks and a dividend increase will contribute to the maintenance or improvement of the Company's medium- and long-term corporate value, as well as taking into account the fact that implementation of the Tender Offer and application by City Index Eleventh is essential for the achievement of the target established in the New Medium-term Management Plan, as well as the increase of profitability and capital efficiency through implementation of the Tender Offer,

the Company gave unofficial consent to City Index Eleventh with regard to setting the Tender Offer Price as 2,249 yen, which is equal to the net assets per share on a consolidated basis as of the end of the fiscal year ending March 2021, on April 27, 2021.

In addition, to secure fairness in the calculation of the Tender Offer Price, the Company requested calculation of the value of the Company's ordinary stock to IR Japan and Plutus as third party calculation institutions which are independent from the Company. The Company referred to the calculation results (For detailed calculation results, please refer to "3. Tender Offer Outline - (3) Basis for Calculation of Tender Offer Price -1) Basis for Calculation" above.) in the the Plutus' Share Valuation Report and the IR Japan's Share Valuation Report in calculating the Tender Offer Price. Further, the Company did not obtain an evaluation for the fairness of the Tender Offer Price (fairness opinion) either from IR Japan or Plutus.

Moreover, while referring to the market price of the Company's ordinary stock, the Company has taken into account that, amongst others, if the Tender Offer Price is set at 2,249 yen, which is the same amount as the net assets per ordinary stock of the Company on a consolidated basis as of the end of the fiscal year ending March 31, 2021, such amount is within the range of the stock value per share of the Company's stock calculated by the DCF Method in the IR Japan's Share Valuation Report (i.e., 2,062 yen to 2,449 yen), and within the range of the stock value per share of the Company's stock calculated by the DCF Method in the Plutus' Share Valuation Report (i.e., 2,169 yen to 2,357 yen); as a result, the Company has decided that the Tender Offer Price will be 2,249 yen.

Through these processes, at the meeting of the Company's Board of Directors held on May 12, 2021, the Company resolved that the Tender Offer Price will be 2,249 yen.

(4) Number of Share Certificates Planned for Purchase

Type of Share Certificates	Number of Share Certificates Planned for Purchase	Number of Planned Excess Amount of Shares	Total
Ordinary stock	7,000,000 (shares)	- (shares)	7,000,000 (shares)

(Note 1) If the total number of tendered share certificates in response to the Tender Offer (hereinafter, referred to as "Tendered Share Certificates") does not exceed the number of share certificates planned for purchase (7,000,000 shares), the Company will purchase all of the Tendered Share Certificates. If the total number of Tendered Share Certificates exceeds the number of share certificates planned for purchase (7,000,000 shares), the Company will not purchase all or some of the surplus and the Company will conduct delivery related to the purchase of share certificates and other settlements according to the pro rata method stipulated in Paragraph 5 of Article 27-13 of the Financial Instruments and Exchange Act (Act No. 25 of 1948; including the amendments made later on; hereinafter referred to as the "Act".) which is applied mutatis mutandis pursuant to Paragraph 2 of Article 27-22-2 of the Act and Article 21 of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Listed Share Certificates, etc. by Issuer (Ordinance of the Ministry of Finance No. 95 of 1994; including the amendments made later on).

(Note 2) Even if the shares are less than one unit, such shares are also subject to the Tender Offer. If the shareholders execute their right to demand for purchase of the holder of shares less than one unit pursuant to the Companies Act, the Company may purchase its treasury stock during the tender offer period relating to the Tender Offer (hereinafter, referred to as "Tender Offer Period") according to the legal procedure.



(5) Funds Required for the Tender Offer

15,743,000,000 yen

(Note) This amount is the purchase cost when purchasing all of the planned number of share certificates to be purchased (7,000,000 shares)

(6) Settlement Method

1) Names and Locations of the Head Office of Financial Instrument Business Operators/Banks That Conduct Settlement of the Tender Offer

(TOB Agent)

Mita Securities Co., Ltd. (to be fixed) 3-11, Nihonbashi-kabutocho, Chuo-ku, Tokyo

2) Settlement Start Date

August 13, 2021 (Friday) (to be fixed)

3) Settlement Method

When the Tender Offer Period ends, a written notice for purchase through the Tender Offer will be sent to the addresses of those who agree to apply for the purchase of share certificates concerning the Tender Offer or to those who apply for sales, etc. (hereinafter, referred to as “Tendering Shareholders”) (standing proxies in the case that shareholders reside overseas (including corporate shareholders; hereinafter, referred to as “Non-Japanese Shareholders”) by mail without delay. The purchase will be made in cash. The amount after deducting the applicable withholding tax (Note) from the purchase amount will be sent to the locations designated by Tendering Shareholders (standing proxies in the case of Non-Japanese Shareholders) by TOB Agent without delay after the commencement date of settlement or paid at the account of the Tendering Shareholders of TOB Agents that accept applications.

(Note) Taxation relations for stocks purchased in the Tender Offer are as follows. (\*)

i In the Case Tendering Shareholders Are Individuals Who Are Japanese Residents or Non-Japanese Residents Who Own Permanent Establishments in Japan

When the proceeds received through the application for the Tender Offer exceed the amount of the portion of the Company’s capital (or consolidated individual stated capital in the case of a consolidated corporation) attributable to the shares that are the basis for the payment, the excess portion shall be considered and taxed as income from dividends. For such income from dividends, in principle, the amount equivalent to 20.315% (income tax and the Special Income Tax for Reconstruction 15.315%, and inhabitant tax 5%) will be withheld. However, in the case that Tendering Shareholders correspond to major shareholders (hereinafter, referred to as “Major Shareholders”) set forth in Paragraph 12 of Article 4-6-2 in the Order for Enforcement of the Act on Special Measures Concerning Taxation (Cabinet Order No. 43 of 1957; including the amendments made later on), the amount equivalent to 20.42% (income tax and Special Income Tax for Reconstruction only) will be withheld.

With respect to the proceeds received other than the above, the difference with acquisition costs, etc. will be the application of separate self-assessment taxation, in principle, as the income earned from the transfer of shares.

ii In the Case Tendering Shareholders Are Individuals Who Are Non-Japanese Residents Who Do Not Own Permanent Establishments in Japan

For the amount considered as income from dividends, the amount equivalent to 15.315% (income tax and Special Income Tax for Reconstruction only) will be withheld, in principle. In the case that Tendering Shareholders correspond to Major Shareholders, the amount equivalent to 20.42% (income tax and Special Income Tax for Reconstruction only) will be withheld.

iii In the Case Tendering Shareholders Are Corporate Shareholders

When the proceeds received through the application for the Tender Offer exceed the amount of the portion of the Company's capital (or consolidated individual stated capital in the case of a consolidated corporation) attributable to the shares that are the basis for the payment, the excess portion shall be considered as dividends, and the amount equivalent to 15.315% (income tax and Special Income Tax for Reconstruction only) will be withheld, in principle.

If Non-Japanese Shareholders wish to request a reduction or exemption of income tax and Special Income Tax for Reconstruction for such deemed dividends according to applicable tax conventions, the Shareholders are asked to submit an Application Form for Income Tax Convention to the TOB Agent by the last day of the Tender Offer Period.

(\* ) For specific questions regarding taxation, please consult with specialists such as certified tax accountants. Shareholders are requested to make their own decisions.

(7) Others

1) This Tender Offer is not carried out in the United States or toward the United States, directly or indirectly, or implemented by using United States mail or other methods/means of interstate commerce or international commerce (including but not limited to telephone, telex, facsimile, electronic mail, and internet communication) or through securities exchange facilities in the United States. Application to the Tender Offer by using the above methods/means or through the above facilities or from the United States cannot be conducted.

In addition, a Tender Offer Statement or purchase documents relating to the Tender Offer are not sent or distributed by mail or other methods in, to, or from the United States; such sending or distribution cannot be conducted. Application for the Tender Offer that violates the above restrictions directly or indirectly will not be accepted.

Those who apply for the Tender Offer (standing proxies in the case of Non-Japanese Shareholders) may be requested to declare or guarantee the following conditions: those who apply for the Tender Offer were not located in the United States either at the time of application for the Tender Offer or sending a tender offer application form; those who apply for the Tender Offer did not receive or send any information or documents related to the Tender Offer in, to, or from United States; Tendering Shareholders did not use United States mail or other methods/means of interstate commerce or international commerce (including but not limited to telephone, telex, facsimile, electric mail, and internet communication) or securities exchange facilities in the United States, directly or indirectly, for purchase, placing a signature on the tender offer application form, or provision of tender offer application form.; or those who apply for the Tender Offer are not those who act as proxies, trustees/delegates without discretion for other individuals (excluding the case that such other individuals provide all of the instructions related to the Tender Offer outside of the United States).

- 2) On May 7, 2021, the Company received a letter from City Index Eleventh stating that they intend to apply for the Tender Offer with respect to all of the Company's ordinary stocks held by City Index Eleventh, etc. For details, please see "1. Objectives of the Tender Offer" above.
- 3) The Company released the "Summary of Financial Results for the Fiscal Year Ended March 31, 2021 [Japan Standards] (Consolidated)" on May 12, 2021. The outline of the Company's summary of financial results based on such release is as follows. The said contents did not undergo audit by audit corporation according to the stipulations in Paragraph 1 of Article 193-2 of the Act. For the details, please refer to the contents of such release.

Outline of Summary of Financial Results for the Fiscal Year Ending March 31, 2021 [Japan Standards] (Consolidated)  
(April 1, 2020 to March 31, 2021)

(a) Profit and Loss (Consolidated)

Fiscal Year	Fiscal year ending March 31, 2021 (70th term)
Net Sales	¥112,791 million
Cost of Sales	¥101,740 million
Selling, General and Administrative Expenses	¥8,883 million
Non-operating Profit	¥138 million
Non-operating Expenses	¥427 million
Net Profit Attributable to Shareholders of Parent Company	¥1,646 million

(b) Performance Per Share (Consolidated)

Fiscal Year	Fiscal year ending March 31, 2021 (70th term)
Net Profit Per Share	¥85.82
Dividend Amount Per Share	¥40.00
Net Assets Per Share	¥2,249.40

(Reference) Treasury Stock Owned by the Company as of March 31, 2021

Total Number of Stocks Outstanding (including treasury stock) 24,281,373 shares

Number of Treasury Stock 4,964,665 shares

4. Matters Relating to Reduction of the General Reserve, Capital Reserve, and Retained Surplus

(1) Purpose of Reduction of the General Reserve, Capital Reserve, and Retained Surplus  
For the purpose of securing a distributable amount that will be used as funds required for the Tender Offer, the Company will reduce the general reserve, capital reserve, and retained surplus and transfer the capital reserve into other capital surplus and transfer the general reserve and retained surplus into retained earnings brought forward, respectively.

(2) Amount of General Reserve to Be Reduced  
Pursuant to Article 452 of the Companies Act, the general reserve will be reduced and transferred into retained earnings brought forward.

1) Amount of Reserve to Be Reduced

General reserve 18,680,000,000 yen

2) Amount of Surplus to Be Increased

Retained earnings brought forward 18,680,000,000 yen

(3) Amount of Capital Reserve and Retained Surplus to Be Reduced

Pursuant to Paragraph 1 of Article 448 of the Companies Act, the capital reserve and the retained surplus will be reduced, and the capital reserve will be transferred into other capital surplus and the retained surplus will be transferred into retained earnings brought forward, respectively.

1) Items and Amount of Reserves to Be Reduced

Capital reserve 5,329,906,456 yen  
Retained surplus 670,983,281 yen

2) Items and Amount of Surplus to Be Increased

Other capital surplus 5,329,906,456 yen  
Retained earnings brought forward 670,983,281 yen

(4) Schedule of Reduction of Capital Reserve and Retained Surplus (to be fixed)

i	Resolution of Board of Directors	May 12, 2021
ii	Public notice concerning making objection by creditors	May 28, 2021 (to be fixed)
iii	Date of resolution of Ordinary General Meeting of Shareholders	June 18, 2021 (to be fixed)
iv	Final deadline for making objection by creditors	June 28, 2021 (to be fixed)
v	Effective Date	June 30, 2021 (to be fixed)

(5) Future Outlook

This reduction of the capital reserve and retained surplus is a reclassification of line items in the “net assets” and will have no impact on business performance.

The reduction of the general reserve, capital reserve, and retained surplus will be carried out on the precondition that [the agenda regarding the reduction of the general reserve, capital reserve, and retained surplus] will be passed at the Ordinary General Meeting of Shareholders of the Company which is scheduled to be held in June 2021.

End