

[Translation]

February 4, 2025

To Whom It May Concern:

Company Name: PROTO CORPORATION  
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President and Representative Director  
(Securities Code: 4298  
TSE Prime Market, NSE Premier Market)  
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**Announcement of Implementation of MBO and  
Recommendation to Shareholders to Tender Shares**

PROTO CORPORATION (the “**Company**”) hereby announces that it adopted a resolution at its board of directors meeting held today to express an opinion in support of a tender offer (the “**Tender Offer**”) for common shares of the Company (the “**Company Shares**”) by Foresight Co., Ltd. (the “**Tender Offeror**”), which is to be implemented as part of a management buyout (MBO) (Note), and to recommend that the Company’s shareholders tender their shares in the Tender Offer.

The above resolution of the Company’s board of directors was adopted based on the assumption that the Company Shares will be delisted through the Tender Offer and a series of subsequent procedures.

(Note) A “management buyout (MBO)” generally refers to a transaction in which management of the target company of an acquisition contributes all or part of the funds for the acquisition and acquires shares of the target company based on the assumption that the target company’s business will be continued.

1. Overview of Tender Offeror

(1)	Name	Foresight Co., Ltd.
(2)	Location	2-2-7 Shinsakae, Naka-ku, Nagoya, Japan (Note 1)
(3)	Title and Name of Representative	Hiroichi Yokoyama, Representative Director and President (Note 2)
(4)	Details of Business	Acquisition and holding of the Company Shares
(5)	Stated Capital	500,000 yen
(6)	Date of Incorporation	December 25, 2024
(7)	Major Shareholders and Their Shareholding Ratios	Mugen Co., Ltd. (“ <b>Mugen</b> ”) 100.00%
(8)	Relationship between Company and Tender Offeror	
	Capital Relationship	There is no capital relationship between the Tender Offeror and the Company that should be described. Mr. Hiroichi Yokoyama (“ <b>Mr. Hiroichi Yokoyama</b> ”), the Tender Offeror’s Representative Director, holds 902,000 Company Shares (ownership ratio (Note 3): 2.23%).

Personnel Relationship	Mr. Hiroichi Yokoyama, the Company's Chairman and Representative Director, concurrently holds the office of the Tender Offeror's Representative Director.
Business Relationship	N/A
Status as Related Party	The Tender Offeror is a related party of the Company, as Mugen, a major shareholder of the Company, holds 100.00% of the Tender Offeror's voting rights.

(Note 1) As of February 2, 2025, the Tender Offeror was located in Chiyoda-ku, Tokyo; its head office was relocated to 2-2-7 Shinsakae, Naka-ku, Nagoya as of February 3, 2025. As of today, the Tender Offeror is in the process of applying for registration of the location change.

(Note 2) The Tender Offeror was incorporated with Mr. Toshitake Kani as a director at the time of its incorporation; however, thereafter, on February 3, 2025, Mr. Toshitake Kani submitted a letter of resignation from the office of director, and Mr. Hiroichi Yokoyama assumed the office of the Tender Offeror's Representative Director. As of today, the Company is in the process of applying for registration of the Representative Director change.

(Note 3) **"Ownership ratio"** refers to the ratio (rounded up or down to the second decimal place; the same applies hereinafter to calculations of ratios) to 40,401,666 shares, which is the number of shares obtained as follows (the **"Reference Share Number"**): 41,925,300 shares, which is the total number of the Company's issued shares as of December 31, 2024 as stated in "Consolidated Financial Results for the Nine Months Ended December 31, 2024 Japanese GAAP" released by the Company on February 4, 2025 (the **"Company's Q3 Financial Results"**), minus 1,523,634 shares, which is the number of treasury shares owned by the Company as of December 31, 2024 as stated in the Company's Q3 Financial Results (92,160 shares, which is the number of Company Shares owned by the employee stock ownership plan (ESOP) trust, are not included in the treasury shares owned by the Company; the same applies hereinafter).

## 2. Tender Offer Price

2,100 yen per common share (the **"Tender Offer Price"**).

## 3. Details of, and Grounds and Reasons for, Opinion on Tender Offer

### (1) Details of Opinion

The Company adopted a resolution at its board of directors meeting held today to express an opinion in support of the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer based on the grounds and reasons stated in "(2) Grounds and Reasons for Opinion" below.

The above resolution of the Company's board of directors was adopted by the method stated in "D. Approval of All Company Directors without Conflicts of Interest and No Objection Opinion of All Company Corporate Auditors without Conflicts of Interest" in "(6) Measures to Ensure Fairness of Tender Offer, Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

### (2) Grounds and Reasons for Opinion

The statements in "(2) Grounds and Reasons for Opinion" that relate to the Tender Offeror are based on explanations given by the Tender Offeror.

## A. Overview of Tender Offer

The Tender Offeror is a wholly-owned subsidiary of Mugen (number of shares owned: 13,614,480 shares; ownership ratio: 33.70%), which is a major, and the largest, shareholder of the Company, is the asset management company for the Company's founding family, and is a stock company incorporated on December 25, 2024 mainly for the purpose of acquiring and owning the Company Shares listed on the Prime Market of Tokyo Stock Exchange, Inc. (the "TSE") and the Premier Market of Nagoya Stock Exchange, Inc. (the "NSE"). As of today, Mr. Hiroichi Yokoyama, the Company's Chairman and Representative Director (number of shares owned: 902,000 shares; ownership ratio: 2.23%), is serving as the Representative Director of the Tender Offeror. The Tender Offeror does not own any Company Shares.

The Tender Offeror decided to implement the Tender Offer as part of a transaction to privatize the Company Shares (the "**Transaction**") by acquiring all of the Company Shares (excluding treasury shares owned by the Company and the Agreed Non-Tendering Shares (as defined below)).

The Transaction will be an MBO, and Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama ("**Mr. Motohisa Yokoyama**"; number of shares owned: 537,960 shares; ownership ratio: 1.33%), the Company's Senior Managing Director, will continue to manage the Company after the Transaction. There is no particular agreement between the Tender Offeror and the Company's other directors or auditors concerning the assumption of office of officer after the Tender Offer.

Upon implementation of the Tender Offer, the Tender Offeror agreed in writing with Mugen (a shareholder of the Company) (number of shares owned: 13,614,480 shares; ownership ratio: 33.70%), Mr. Hiroichi Yokoyama (number of shares owned: 902,000 shares; ownership ratio: 2.23%), Mr. Motohisa Yokoyama (number of shares owned: 537,960 shares; ownership ratio: 1.33%), and Mr. Yoshihiro Yokoyama (a shareholder of the Company and a relative of Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama; "**Mr. Yoshihiro Yokoyama**") (number of shares owned: 313,000 shares; ownership ratio: 0.77%) (Mugen, Mr. Hiroichi Yokoyama, Mr. Motohisa Yokoyama, and Mr. Yoshihiro Yokoyama are hereinafter collectively referred to as the "**Agreed Non-Tendering Shareholders**" or "**Messrs. Yokoyama et al.**"), as of February 4, 2025, in which the Agreed Non-Tendering Shareholders each agreed not to tender any of the Company Shares it owns (total: 15,367,440 shares; ownership ratio: 38.04%) (the "**Agreed Non-Tendering Shares**") in the Tender Offer, and which provides to the effect that upon successful completion of the Tender Offer, they will support each proposal related to the Squeeze-out Procedures (as defined below; hereinafter the same) at the Extraordinary Shareholders Meeting (as defined in "(5) Policy for Reorganization after Tender Offer (Matters concerning 'Two-Step Acquisition')" below; hereinafter the same). They also agreed in writing that upon request by the Tender Offeror before the share consolidation of the Company Shares (the "**Share Consolidation**"), which is to be conducted as part of the Squeeze-out Procedures, becomes effective, Mugen will execute a lending agreement with all or some of the other Agreed Non-Tendering Shareholders and engage in the Share Lending Transaction (as defined below) in relation to the Company Shares (these agreements are hereinafter collectively referred to as the "**Non-Tender Agreement**"). For details of the Non-Tender Agreement, please see "4. Matters concerning Material Agreements between Tender Offeror and Company's Shareholders concerning Tendering Shares" below. As a result, upon the successful completion of the Tender Offer, (i) the Tender Offeror, which will own Company Shares in an amount equal to or greater than the lower limit of the number of shares to be purchased 11,567,000 (ownership ratio: 28.63%), (ii) the Agreed Non-Tendering Shareholders (ownership ratio: 38.04%), and (iii) shareholders of the Company who will not tender their shares in the Tender Offer (excluding the Tender Offeror and the Agreed Non-Tendering Shareholders) will be the shareholders of the Company. In addition, as a result of the Squeeze-out Procedures which are to be conducted after the successful completion of the Tender Offer, the Tender Offeror and all or some of the Agreed Non-Tendering Shareholders will be the Company's shareholders.

The Tender Offeror set the lower limit of the number of shares to be purchased through the Tender Offer at 11,567,000 shares (ownership ratio: 28.63%), and if the total number of share certificates, etc. that are tendered in the Tender Offer (the “**Tendered Shares**”) falls short of that lower limit (11,567,000 shares), none of the Tendered Shares will be purchased. On the other hand, as the purpose of the Tender Offer is to privatize the Company Shares, the Tender Offeror has not set an upper limit on the number of shares to be purchased, and if the total number of Tendered Shares is equal to or greater than the lower limit of the number of shares to be purchased (11,567,000 shares), all the Tendered Shares will be purchased. The lower limit (11,567,000 shares) of the number of shares to be purchased through the Tender Offer is the number of shares resulting from the following: (a) the number of voting rights (404,016 units) pertaining to the Reference Share Number (40,401,666 shares), multiplied by two-thirds (2/3) (which results in 269,344 units); less (b) the total number of voting rights (153,674 units) pertaining to the Agreed Non-Tendering Shares owned by the Agreed Non-Tendering Shareholders (which results in 115,670 units); multiplied by (c) the share unit number of the Company (100 shares). The Tender Offeror set the lower limit of the number of shares to be purchased through the Tender Offer because it plans to privatize the Company Shares through the Transaction, and when implementing the Share Consolidation, a special resolution at a shareholders meeting as set forth in Article 309, paragraph (2) of the Companies Act (Act No. 86 of 2005, as amended; the “**Companies Act**”) will be required. Thus, taking into consideration the foregoing, the Tender Offeror set the lower limit in order to ensure that it can perform the Transaction. The number of Agreed Non-Tendering Shares were deducted when calculating the number of voting rights as stated above because the Tender Offeror reached an agreement with the Agreed Non-Tendering Shareholders based on which the Agreed Non-Tendering Shareholders will not tender any of the Company Shares it owns in the Tender Offer, and which provides to the effect that upon successful completion of the Tender Offer, Mugen will support each proposal related to the Squeeze-out Procedures at the Extraordinary Shareholders Meeting.

If the Tender Offeror fails to acquire all of the Company Shares (however, excluding treasury shares owned by the Company and the Agreed Non-Tendering Shares) through the Tender Offer, the Tender Offeror intends to implement a series of procedures (the “**Squeeze-out Procedures**”; for details, please see “(5) Policy for Reorganization after Tender Offer (Matters concerning ‘Two-Step Acquisition’)” below) after the successful completion of the Tender Offer so as to make itself and all or some of the Agreed Non-Tendering Shareholders the only shareholders of the Company.

With respect to the Agreed Non-Tendering Shareholders, upon request by the Tender Offeror, there is a possibility that Mugen will execute a share lending agreement in relation to the Company Shares with all or some of the other Agreed Non-Tendering Shareholders and borrow all or some of the Company Shares owned by Mr. Hiroichi Yokoyama, Mr. Motohisa Yokoyama, and Mr. Yoshihiro Yokoyama, who will be the lenders (the “**Share Lending Transaction**”), effective as of the time before the Share Consolidation becomes effective. Specifically, it is intended that (i) all or some of Mr. Hiroichi Yokoyama, Mr. Motohisa Yokoyama, and Mr. Yoshihiro Yokoyama will be the lenders in the Share Lending Transaction and lend all or some of the Company Shares they own to Mugen; and (ii) after the Share Consolidation becomes effective, Mugen, which is the borrower in the Share Lending Transaction, will cancel the Share Lending Transaction and return to all or some of Mr. Hiroichi Yokoyama, Mr. Motohisa Yokoyama, and Mr. Yoshihiro Yokoyama, who are the lenders, Company Shares in an amount equivalent to all of the Company Shares Mugen borrowed, thereby making all or some of the Agreed Non-Tendering Shareholders continue to own the Company Shares after the Squeeze-out Procedures. If the Share Lending Agreement is to be implemented, the Tender Offeror intends to request that the Company split the Company Shares with the reference date and the ratio separately specified by the Tender Offeror, so that Mugen, which will be the borrower, can return Company Shares in an amount equivalent to the Company Shares Mugen borrowed, after the Share Consolidation. As of today, however, the details thereof have not been determined.

Share lending fees and other terms and conditions have not been determined; however, terms and conditions that are of the same level as those that may be set for similar arm’s length share lending transactions will be set. Even if the share lending is to be conducted with consideration, it is

expected to be conducted between Mugen and Mr. Hiroichi Yokoyama, Mugen and Mr. Motohisa Yokoyama, and Mugen and Mr. Yoshihiro Yokoyama as formal specially related parties as set forth in Article 27-2, paragraph (7), item (1) of the Financial Instruments and Exchange Act (the “**Act**”) continuously for one year or more, before the date of execution of each share lending agreement stipulating share lending fees and other terms and conditions. Accordingly, the Share Lending Transaction will constitute a “purchase, etc. excluded from application” set forth in the proviso clause of Article 27-2, paragraph (1) of the Act.

The Tender Offeror intends to arrange funds required for settlement of the Tender Offer by taking out a loan (the “**Loan**”) from MUFG Bank, Ltd. and, subject to certain conditions, including the successful completion of the Tender Offer, the Tender Offeror intends to receive the Loan by the business day immediately preceding the commencement date of settlement of the Tender Offer.

- B. Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer and Management Policy after Tender Offer
- (i) Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer

In October 1977, the Company’s founder, Mr. Hiroichi Yokoyama, launched “*Chukosha Tsuhin Used Car Communication Magazine*”; and taking this launch as an opportunity, the Company was incorporated in June 1979 as Project Eight Co., Ltd. Thereafter, the Company’s trade name was changed to PROTO CORPORATION in February 1991. In September 2001, the Company registered its shares with the Japan Securities Dealers Association (JSDA) as over-the-counter shares; in December 2004, it listed its shares on the JASDAQ Securities Exchange (the “**JASDAQ Securities Exchange**”). In accordance with the merger of the JASDAQ Securities Exchange and Osaka Securities Exchange Co., Ltd. (the “**OSE**”) in April 2010, the Company listed its shares on the JASDAQ Market of the OSE. Thereafter, the Company listed its shares on the JASDAQ (Standard) Market of the OSE in October 2010 in accordance with the integration of the Hercules Market, JASDAQ Market, and NEO Market of the OSE. Thereafter, in accordance with the integration of the spot markets of the OSE and the TSE in July 2013, the Company listed its shares on the JASDAQ (Standard) Market of the TSE, then changed the market to the First Section of the TSE in March 2019, and further, listed its shares on the First Section of the NSE in September 2019. In accordance with the restructuring of market divisions conducted by the TSE and the NSE in April 2022, the markets on which the Company’s shares are currently traded were changed to the Prime Market of the TSE and the Premier Market of the NSE, respectively.

As of today, the Company’s group consists of the Company, 19 consolidated subsidiaries, and one equity-method affiliate (collectively, the “**Company Group**”), and it mainly engages in the platform business and commerce business.

Details of the Company Group’s business activities are as stated below.

- (a) Platform business

Among mobility-related business sectors, the Company mainly operates in the sectors of used cars, maintenance, and new cars. The Company collects product stock data held by used car distributors, car dealers, and the like, as well as service information from car maintenance factories, by posting advertisements on the Company’s platforms and registering in stock registration systems, and the Company generates earnings mainly from the monthly fees for using the Company’s platforms that are paid by used car distributors and car dealers to the Company. The Company organizes and classifies the collected data and then creates a database, and ultimately provides the data as useful informational content for consumers through the Company’s media platforms. By matching the consumer demand for informational content with product stock data owned by distributors, etc. on the Company’s

platforms, the Company supports consumer purchasing behavior and concurrently contributes to the expansion of sales opportunities for distributors.

In the used car sector, the Company operates “Goonet” in the used car market, in which dissymmetry of information occurs between sellers and purchasers, to serve as a mediator for sellers and purchasers, and provides information on prices, condition, distributors, etc. of used cars. The Company also operates “MOTOR GATE”; this is the background system for Goonet, and many used car distributors use it as a system for operational management, including sales management, customer management, and stock management. In addition, to help used car distributors increase their business efficiency, the Company released, among others, “MG AI,” which is an optional function generating used car information to be posted on Goonet based on images of used cars via AI.

In the maintenance sector, as in the used car sector, dissymmetry of information is likely to occur between car maintenance shops and users seeking maintenance shops; “Goonet Pit” serves as a mediator, and users can look for maintenance shops from menus such as installation of customer-brought parts, maintenance/repair/coating/metal sheeting, oil exchange, specified test/inspection/assessment, and track records of work.

In the new car sector, the Company provides new car dealers with the “DataLine SalesGuide”; this is a tool supporting sales negotiations, and it proposes reasonable times for upgrading to new cars to customers who are considering replacing their cars with new ones. By utilizing big data on used car prices and calculating the future prices of cars, it is possible for the Company to make clear the difference between the case where customers replace their cars and the case where they do not, and to make reasonable proposals to customers who are considering replacing their cars.

In addition, as a service for corporations, including used car distributors, the Company provides useful information for used car distributions, including information on the bid prices for used cars collected from auto auction sites across the country and information on reference prices of used cars independently commercialized by the Company based on the information on bid prices. Further, the Company provides the “ID Cars (Goo appraised cars + used cars certified by manufacturers)” service, in which information on the condition of used cars is disclosed to consumers, thereby enhancing security and reliability in selecting used cars.

(b) Commerce business

The Company’s group entity sells imported/domestically manufactured tires and wheels mainly through the tire/wheel online shopping sites “AUTOWAY LOOP” and “Tire World Shop BEST,” as well as at real stores.

Also, GOONET EXCHANGE COMPANY LIMITED, a consolidated subsidiary, exports cars purchased from auction sites and helps domestic distributors of used cars export used cars through “GOONET Exchange,” a media platform for foreign users.

In addition, COSMIC RYUTSUU SANGYO LTD., INC., another consolidated subsidiary, engages in the business of distributing vouchers, gift cards, and other tickets through directly operated stores and an EC site called “J·market.”

(c) Others

In addition to the above-mentioned platform business and commerce business, the Company Group is engaged in the maintenance and management of real estate (including leasing), agriculture, BPO (Note 1), software development and sales, temporary staffing, video production, basketball team management, electricity sales, and investment.

(Note 1) BPO is an abbreviation for “business process outsourcing” and refers to outsourcing of a part of the business process of corporate activities, on an aggregate basis, to specialized business operators.

The Company Group set “changing company - generate change by continuing to challenge -” as its corporate goal, and since its foundation, it has been aiming to achieve the following: “customer satisfaction (useful information and services),” “employee prides (company and work),” and “trust from shareholders (future and achievements).” To this end, the Company Group collected, from a massive amount of information, including that regarding cars and daily living, the information that best suits customers, reviewed that information, and provided content suiting individual customers’ needs by editing and processing it. Starting from the launch of “*Chukosha Tsuhin Used Car Communication Magazine*” in 1977, which was before the spread of the Internet, the Company Group developed “Data Line,” which is a system for searching used car data, in the late 1990s when the Internet was not yet mainstream; in and after the year 2000, the Company Group extended its media platforms in the mobility sector to not only used cars but also motorbikes, parts, car inspections, maintenance, and new cars, and also continued to change the media platforms from magazines to the Internet and web applications. By doing so, the Company Group believes that it has cemented its position as the industry leader.

However, as stated above, while the Company Group is developing both its platform business and commerce business mainly in the mobility sector, the external environment surrounding the Company Group is changing significantly due to the following factors, among others: diversification of car user needs and lifestyles; MaaS (Note 2); car sharing; development of automated driving technology and electric vehicles; mutual entry among used car distributors, maintenance shops, new car dealers, and gasoline stations; and entry by major IT companies into the mobility-related industry in sync with the development of information technologies. In order to indicate its growth strategy taking into consideration these environmental changes, the Company Group established the “Mid-term Management Plan (FY ending March 2023 to FY ending 2025)” (the “**Mid-term Management Plan**”) as stated in “Financial Results for the Year Ended March 2022” released on May 13, 2022, facilitated development of new products and services and improvement of functions of existing products, and also made efforts to increase the introduction of products and services that contribute to DX, mainly in the mobility sector in the platform business.

(Note 2) MaaS is an abbreviation of “Mobility as a Service”; it is a type of service that conducts searches, reservations, settlements, etc. simultaneously by matching a number of public or other transportation services in an optimal way, in response to the transfer needs of local residents or travelers during individual transfers/trips. It will be an important tool that makes transfers more convenient and that resolves local issues with services other than transportation services, such as sightseeing services and medical services, at the relevant destinations.

Since then, the Company Group has been promoting its business in accordance with the Mid-term Management Plan; however, the volume of used cars on the market is declining along with the decline in the number of new cars sold due to the suspension of production plants, resulting from the global shortage of semiconductors and the COVID-19 pandemic, and the number of overall sales of cars is declining commensurately with the population decline. Taking this trend into account, it is expected that the volume of cars handled by used car distributors, maintenance shops, and new car dealers will also decline; thus, the Company Group recognizes that it is necessary to establish a robust business structure that can respond quickly to changes in the market environment.

As announced in “Notification on the establishment of a special investigation committee and the postponement of announcement of the financial results in the second quarter of the fiscal year ending March 2025” released on October 18, 2024, it was suspected that a former Company employee had conducted false deals (Note 3) and that certain amounts of false sales to business partners and false costs of sales had been recorded in the Company (the “**False Deals**”); the Company thus established a

special investigation committee and conducted an investigation. Also, as announced in “Notification on the discussion on the application for the extension of the deadline for submission of an interim report for the fiscal year ending March 2025” released on November 13, 2024 and “Notification on the submission of an application for approval for the extension of the deadline for submission of an interim report for the fiscal year ending March 2025” released on November 14, 2024, the Company had been conducting interviews with related parties, confirming related materials, conducting digital forensic investigations, circulating questionnaires internally, and analyzing and conducting investigations into whether identical or similar cases existed. However, as the Company was scheduled to analyze the causes of the incident and to consider recurrence prevention measures, and as the special investigation committee required a considerable amount of time for its investigation, the Company determined that it was difficult to submit the interim report for the fiscal year ending March 2025 by the statutory deadline; thus, it applied for approval to extend the deadline for submission to December 20, 2024, and on November 14, 2024, it received approval for such extension. Thereafter, as announced in “Notification on the completion of submission of an interim report for the fiscal year ending March 2025” released on December 20, 2024, the Company submitted an interim report for the fiscal year ending March 2025 to the Tokai Local Finance Bureau on December 20, 2024. Further, as announced in “Notification on the formulation of measures for preventing recurrence in response to the results of the investigation by the special investigation committee” released on December 20, 2024, the Company sincerely accepts the special investigation committee’s suggestions for preventing recurrence, which were announced in “Notification on the receipt of an investigative report of the special investigation committee” dated December 10, 2024, and will use all possible efforts to prevent recurrence. The specific measures for preventing recurrence are as stated below:

- (a) measures for improving deficiencies in the sales process (improvement of the process for recording sales);
- (b) measures for improving deficiencies in the purchase process - separation of the authority to select outsources and place orders in transactions for printed matter, etc. from the Business Division (improvement of the procurement record process);
- (c) measures for improving deficiencies in the processes of settling accounts and reporting financial results (sophistication of processes for collecting and analyzing information on risks);
- (d) enhancement of the check system of the Accounting & Finance Division;
- (e) strengthening of the internal audit system; and
- (f) continuation of initiatives for improving organizational climate.

(Note 3) “False Deals” refers to a transaction in which money was sent to or received from a business partner or the like without confirming the provision of services.

The Company released “Notification on the establishment of a special investigation committee and the postponement of announcement of the financial results in the second quarter of the fiscal year ending March 2025” dated October 18, 2024 before the date on which the Company received a letter of intent (the “**Letter of Intent**”) from Mugen (December 6, 2024), and it is not related to the Transaction.

On the other hand, according to the Tender Offeror, given the Company Group’s situation described above and the environment where the number of registered used cars has significantly declined from 8,040,000 cars in 2001 to 6,360,000 cars in 2023 (Note 4), Messrs. Yokoyama et al. believe that it is difficult for the Company to respond to rapid environmental change surrounding the mobility sector and for the Company Group to grow continuously only by implementing the measures it has taken so far. Also, Messrs. Yokoyama et al. recognize that all resources are at risk of being drained due to the global population increase and climate change; thus, to resolve these social issues, they believe that converting to a sound material-cycle society is essential, that the Company Group must establish a sound material-cycle business model for recycling all things and circulating human resources, and that it must play a role in creating such society.

Messrs. Yokoyama et al. believe that in order for the Company Group to further develop over the medium to long term, to improve its corporate value, and to make efforts to create a sound material-



cycle society, the Company Group must develop a management system by which it can implement the measures stated in (a) and (b) below (the Company Group has already been working on some of these measures) more proactively and agilely. Messrs. Yokoyama et al. believe that the Company Group must, instead of only pursuing short-term performance and high share prices, promptly implement these measures through prompt and flexible management decisions and agile allocation of management resources.

(Note 4) Source: Japan Automobile Dealers Association and Japan Light Motor Vehicle and Motorcycle Association

(a) Expansion of volume base charging model in mobility sector

According to the Tender Offeror, in the used car sector and maintenance sector, the Company Group generates earnings mainly from monthly fees for using a background system for posting relevant information on the Company Group's media platforms, and in the new car sector, it generates earnings mainly from monthly fees for using a system supporting commercial negotiations concerning new cars. As such, the monthly unit model, in which monthly fees are determined in accordance with the number of stores dealt with by each customer, is the main core of the Company Group's business.

With the aim of developing a more robust structure for generating earnings, Messrs. Yokoyama et al. are considering to further enhance the volume base charging model as a new axis for generating earnings, in addition to the monthly unit model, which is linked to the number of cars purchased, posted, warehoused, contracted, etc. by used car distributors, maintenance shops, and new car dealers, in relation to the used car evaluation, failure diagnosis, and car maintenance services.

(b) Pursuit of economic and social value through further expansion of platform business

According to the Tender Offeror, since the Company Group's earnings are heavily dependent on the mobility sector, the Company is promoting business development that is not dependent on the mobility sector by targeting new business sectors and utilizing M&A and other means. Recently, in April 2022, the Company expanded its business sectors to selling various vouchers and gift cards through the acquisitions of COSMIC RYUTSUU SANGYO LTD., INC. and COSMIC GC SYSTEM LTD., INC., and in April 2023 and April 2024, it expanded to the travel and tourism business through the acquisition of Kankokeizai News Corporation.

Messrs. Yokoyama et al. believe that in order to improve the Company's corporate value over the medium to long term, it is essential to establish a robust business base that is not affected by ups and downs of specific business sectors, including the mobility business.

Specifically, they are considering extending the Company's business sectors to those other than the mobility business by proactively implementing M&A, as represented by the three companies stated above. In addition, they are considering making further investments in those businesses, thereby consolidating a massive amount of data into one database, and developing the platform business, which provides the database to consumers as useful informational content.

Through these initiatives, the Company believes it will be able to develop the platform business not only in the mobility business but also in a wide range of business sectors, and to evolve into a company that is at the forefront of the sound material-cycle business model, which is an issue for all industries. Messrs. Yokoyama et al. further believe that the expansion of these business sectors will lead to the realization of the Company's corporate goal of becoming a "changing company" that creates new value in society by venturing into new business sectors without being bound by previous ideas or frameworks; they also believe that this will lead to the creation of not only financial value but also social value through its management philosophy: "Change challenges into future power and contribute to society through dreams, emotions, and joy!."

However, for these measures to materialize into earnings, it will be necessary to increase recognition among customers and to build relevant systems, and thus it is expected that it will take a certain amount of time; in particular, a large amount of prior investment, including investments relating to personnel or system, will be required to implement the measures stated in (b), among the measures stated above. Thus, the Company believes that there is a risk that the Company Group's financial condition and performance results will temporarily deteriorate, such as a decline in its profit level and a deterioration in cash flows; therefore, the Company believes that it cannot be ruled out that it may be temporarily difficult for the Company Group to generate the expected profits.

In addition, Messrs. Yokoyama et al. believe that, for as long as the Company remains a listed company, it is required to make a commitment to short-term performance, and as a result of making decisions that prioritize medium- to long-term growth by implementing each of the above measures, the Company may not be able to obtain sufficient evaluations from capital markets, which may cause the price of the Company Shares to decline and may harm the interests of existing shareholders. Thus, they believe that it will be difficult for the Company to implement these measures while remaining listed.

Further, since registering its shares over the counter with the Japan Securities Dealers Association in September 2001 and listing the same on the JASDAQ Securities Exchange in December 2004, the Company has enjoyed various advantages as a listed company, such as increased name recognition, procurement of excellent human resources, and improvement of social credibility. On the other hand, Messrs. Yokoyama et al. do not expect, for the time being, that it will be necessary to obtain funds through equity financing because the Company has a good relationship with financial institutions and is able to raise funds as necessary through indirect financing; they further believe that the Company already has a recognizable name and has established social credibility through its business activities over a long period so far, and that it is possible to continue to procure excellent human resources and to maintain business relationships with its business partners without remaining listed. Based on the foregoing, among others, Messrs. Yokoyama et al. believe that, at present, the necessity of and advantages for the Company maintaining the listing of its shares are declining.

Also, due to the recent amendment of the Corporate Governance Code and the tightening of regulations on capital markets, matters that should be addressed for additional and continuous disclosure of information to stakeholders through annual securities reports and reports on corporate governance are increasing year by year. The burden of personnel and financial costs, such as fees for audits by financial auditors and shareholder meeting-related costs, which are necessary for a listed company to keep its shares listed, as well as securities agency-related costs, is increasing. Thus, Messrs. Yokoyama et al. reached the opinion that they do not believe that maintaining the listing of the Company Shares has any significance, because the possibility that these costs will be a large burden on the Company in facilitating its operation cannot be ruled out.

In September 2024, Messrs. Yokoyama et al. believed that, in order to improve the Company's corporate value, it was necessary (i) to develop a system in which management and employees could work together from a long-term perspective so that they could actively take on challenges and continue to evolve to further strengthen the base of the Company Group's operations, without being bound by commitments to short-term profits and profit distributions, and (ii) to make prompt and flexible management decisions and allocate management resources flexibly. To this end, they reached the conclusion that privatizing the Company Shares as soon as possible was the most effective way to implement each measure agilely, while avoiding the risk to shareholders that the Company's share price would be low due to a temporary deterioration in business performance from the implementation of each of the above measures.

Based on the above thoughts, in order to further consider the Transaction, in early December 2024, Messrs. Yokoyama et al. appointed Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. as an outside financial advisor and TMI Associates as an outside legal advisor, and started to consider the Transaction specifically. On December 6, 2024, Mugen, which is a major, and the largest,

shareholder of the Company, and is the asset management company for the Company's founding family, submitted to the Company the Letter of Intent regarding the Transaction and stated that it wanted to conduct due diligence. On the same day, the Company informed Mugen that it would consider the details of the proposal after developing a system necessary for doing so. Further, in mid-December 2024, the Company informed Mugen that it would establish the Special Committee (as defined in "C. Decision-Making Process and Reasons Leading to Company's Opinion in Support of Tender Offer" below; hereinafter the same) and that it would respond to discussions and negotiations for the implementation of the Transaction. Thereafter, Messrs. Yokoyama et al. conducted financial, tax, and legal due diligence on the Company from December 18, 2024 to January 24, 2025. Then, taking into consideration the overview of the Tender Offer, including the purpose of the Transaction, as stated in the Letter of Intent, the impact of the Transaction on the Company, the details of the management policy after the Transaction, the latest share price trends, and the results of due diligence, Mugen had discussions and deliberations with the Company and the Special Committee regarding the purchase price for the Tender Offer from January 10, 2025 to February 3, 2025.

Specifically, on January 10, 2025, on the assumption that the Company will not pay a year-end dividend for the fiscal year ending March 2025, Mugen made to the Company an initial proposal that set the Tender Offer Price at 1,800 yen, after confirming that a premium of 45.28% was added to 1,239 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on January 10, 2025 (rounded up or down to the second decimal place; the same applies hereinafter to the calculation of premiums on share prices); a premium of 40.19% to 1,284 yen, which was the simple average closing price for the past one-month period (rounded up or down to the nearest whole number; the same applies hereinafter to the calculation of simple average closing prices); a premium of 32.45% to 1,359 yen, which was the simple average closing price for the past three-month period; and a premium of 29.03% to 1,395 yen, which was the simple average closing price for the past six-month period. In response to this, on January 16, 2025, the Company requested that Mugen reconsider the Tender Offer Price because the proposed price was insufficient from the perspective of ensuring the interests of minority shareholders; thus, on January 20, 2025, Mugen made a proposal again that set the Tender Offer Price at 1,900 yen, after confirming that a premium of 52.24% was added to 1,248 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on January 17, 2025; a premium of 49.96% to 1,267 yen, which was the simple average closing price for the past one-month period; a premium of 41.47% to 1,343 yen, which was the simple average closing price for the past three-month period; and a premium of 36.89% to 1,388 yen, which was the simple average closing price for the past six-month period. Thereafter, on January 21, 2025, the Company requested that Mugen reconsider the Tender Offer Price because the proposed price was still insufficient from the perspective of ensuring the interests of minority shareholders; thus, on January 24, 2025, Mugen made a proposal again that set the Tender Offer Price at 1,950 yen, after confirming that a premium of 57.26% was added to 1,240 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on January 23, 2025; a premium of 55.38% to 1,255 yen, which was the simple average closing price for the past one-month period; a premium of 46.51% to 1,331 yen, which was the simple average closing price for the past three-month period; and a premium of 41.10% to 1,382 yen, which was the simple average closing price for the past six-month period. Thereafter, on January 27, 2025, the Company requested that Mugen reconsider the Tender Offer Price because the proposed price was still insufficient from the perspective of ensuring the interests of minority shareholders; thus, on January 29, 2025, Mugen made a proposal again that set the Tender Offer Price at 2,000 yen, after confirming that a premium of 59.74% was added to 1,252 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on January 28, 2025; a premium of 60.51% to 1,246 yen, which was the simple average closing price for the past one-month period; a premium of 51.17% to 1,323 yen, which was the simple average closing price for the past three-month period; and a premium of 45.14% to 1,378 yen, which was the simple average closing price for the past six-month period. Thereafter, on January 30, 2025, the Company requested that Mugen reconsider the Tender Offer Price because the proposed price was still insufficient from the perspective of ensuring the interests of minority shareholders; thus, on January 31, 2025, Mugen made a proposal again that set the Tender Offer Price at 2,050 yen, after confirming that a premium of 64.26% was added to 1,248 yen, which was the closing price of the Company Shares on the Prime Market of the

TSE on January 30, 2025; a premium of 64.92% to 1,243 yen, which was the simple average closing price for the past one-month period; a premium of 55.66% to 1,317 yen, which was the simple average closing price for the past three-month period; and a premium of 49.09% to 1,375 yen, which was the simple average closing price for the past six-month period. Thereafter, on February 3, 2025, the Company requested that Mugen consider setting the Tender Offer Price at 2,150 yen; thus, on February 3, 2025, Mugen made a final proposal that set the Tender Offer Price at 2,100 yen, after confirming that a premium of 67.87% was added to 1,251 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on January 31, 2025; a premium of 68.95% to 1,243 yen, which was the simple average closing price for the past one-month period; a premium of 59.82% to 1,314 yen, which was the simple average closing price for the past three-month period; and a premium of 52.95% to 1,373 yen, which was the simple average closing price for the past six-month period. Thereafter, on February 3, 2025, Mugen received from the Company a response that the Company would accept the final proposal from Mugen.

After the discussions and negotiations stated above, on February 4, 2025, the Tender Offeror decided to implement the Tender Offer as part of the Transaction, with the Tender Offer Price set at 2,100 yen.

(ii) Management Policy after Tender Offer

The Transaction will be an MBO, and Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama will continue to manage the Company jointly with the other members of the Company's management after the Tender Offer and promote operational measures as stated in "(i) Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer" above. As of today, there is no particular agreement between the Tender Offeror and the Company's other directors or auditors concerning the assumption of office of officer or their treatment after the Tender Offer. The Tender Offeror and Messrs. Yokoyama et al. currently do not expect any matters to arise regarding the Company's management system after the successful completion of the Tender Offer, including the specific composition of the Company's officers, and intend to consider and decide this through discussions with the Company after the successful completion of the Tender Offer.

With respect to the Company Group, according to the Tender Offeror, as stated in "Notification on the establishment of a special investigation committee and the postponement of announcement of the financial results in the second quarter of the fiscal year ending March 2025" released on October 18, 2024, "Notification on the receipt of an investigative report of the special investigation committee" released on December 10, 2024, and "Notification on the formulation of measures for preventing recurrence in response to the results of the investigation by the special investigation committee" released on December 20, 2024, a former employee of the Company conducted the False Deals, and the Company formulated recurrence prevention measures as stated in "(i) Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer"; after the Transaction, Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama intend to maintain a governance system as strict as that of a listed company, and they will sincerely use all possible efforts, not only to prevent recurrence of similar cases by ensuring that the recurrence prevention measures are implemented, but also to contribute to the development of the Company Group and the recovery and improvement of its corporate value.

C. Decision-Making Process and Reasons Leading to Company's Opinion in Support of Tender Offer

As stated in "(i) Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer" in "B. Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer and Management Policy after Tender Offer" above, on December 6, 2024, the Company received from Mugen the Letter of Intent; therefore, on the same date, the Company informed Mugen that it would consider the details of the proposal after developing a system necessary for doing so. As stated in "(6) Measures to Ensure Fairness of Tender Offer, Including Measures to Ensure Fairness of Tender Offer Price and Measures

to Avoid Conflicts of Interest” below, in considering the details of the Letter of Intent, and to ensure the fairness of the Tender Offer Price and fairness of the Transaction, including the Tender Offer, in mid-December 2024, the Company appointed Nishimura & Asahi (Gaikokuho Kyodo Jigyo) (“**Nishimura & Asahi**”) as its legal advisor independent from the Company, the Tender Offeror, Mugen, and the Agreed Non-Tendering Shareholders (collectively, the “**Tender Offer Related Parties**”) and appointed Deloitte Tohmatsu Financial Advisory LLC (“**Deloitte Tohmatsu Financial Advisory**”) as its financial advisor and third-party valuation agent independent from the Company and the Tender Offer Related Parties. In addition, in mid-December 2024, the Company established a special committee (the “**Special Committee**”; for the composition of the Special Committee members, details of specific activities, etc., please see “C. Establishment of Independent Special Committee at Company and Acquisition of Report” in “(6) Measures to Ensure Fairness of Tender Offer, Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest” below) for considering the details of the proposal stated in the Letter of Intent.

Based on the negotiation policy that the Special Committee confirmed in advance, and its opinions, instructions, requests, etc. in material aspects of the negotiations, and with advice from Nishimura & Asahi and Deloitte Tohmatsu Financial Advisory, the Company discussed and negotiated a number of times with Mugen on whether to implement the Transaction.

Also, with respect to the Tender Offer Price, on January 10, 2025, the Company received from Mugen a proposal setting the Tender Offer Price at 1,800 yen; thereafter, taking into consideration the details of the report on the calculation results of the valuation of the Company Shares received from Deloitte Tohmatsu Financial Advisory as well as the Special Committee’s opinion, and with Deloitte Tohmatsu Financial Advisory’s advice, on January 16, 2025, the Company requested that Mugen reconsider the proposal, stating that the proposed price was insufficient from the perspective of ensuring the interests of minority shareholders. Then, the Company repeatedly discussed and negotiated with Mugen various conditions of the Transaction, and on January 20, 2025, it received from Mugen a proposal setting the Tender Offer Price at 1,900 yen; thereafter, taking into consideration the Special Committee’s opinion, on January 21, 2025, the Company again requested that Mugen reconsider the proposal, stating that the proposed price was still insufficient from the perspective of ensuring the interests of minority shareholders. Then, the Company repeatedly discussed and negotiated with Mugen various conditions of the Transaction, and on January 24, 2025, it received from Mugen a proposal setting the Tender Offer Price at 1,950 yen; thereafter, taking into consideration the Special Committee’s opinion, on January 27, 2025, the Company again requested that Mugen reconsider the proposal, stating that the proposed price was still insufficient from the perspective of ensuring the interests of minority shareholders. Then, the Company repeatedly discussed and negotiated with Mugen various conditions of the Transaction, and on January 29, 2025, it received from Mugen a proposal setting the Tender Offer Price at 2,000 yen; thereafter, taking into consideration the Special Committee’s opinion, on January 30, 2025, the Company again requested that Mugen reconsider the proposal, stating that the proposed price was still insufficient from the perspective of ensuring the interests of minority shareholders. Then, the Company repeatedly discussed and negotiated with Mugen various conditions of the Transaction, and after receiving from Mugen a proposal setting the Tender Offer Price at 2,050 yen on January 31, 2025, on February 3, 2025, the Company requested that Mugen set the Tender Offer Price at 2,150 yen, after taking into consideration the Special Committee’s opinion. Then, on February 3, 2025, the Company received from Mugen a proposal setting the Tender Offer Price at 2,100 yen per Company Share, as the highest price that Mugen could propose.

Based on the results of the negotiations, on February 3, 2025, the Company responded to Mugen that it would accept the proposal setting the Tender Offer Price at 2,100 yen on the assumption that the final decision will be made by a resolution of the Company’s board of directors (the board of directors resolution is to be adopted by the method as stated in “D. Approval of All Company Directors without Conflicts of Interest and No Objection Opinion of All Company Corporate Auditors without Conflicts of Interest” in “(6) Measures to Ensure Fairness of Tender Offer, Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest” below) after taking into

consideration the Special Committee's report. The Company confirmed with the Special Committee the appropriateness of the proposal setting the Tender Offer Price at 2,100 yen that it received on February 3, 2025, sought further opinions and the like from Deloitte Tohmatsu Financial Advisory, and carefully considered the proposal taking into consideration the details of the share valuation report obtained from Deloitte Tohmatsu Financial Advisory on February 3, 2025 (the "**Share Valuation Report**"). As a result, the Company determined that the proposed price could be evaluated as having a reasonable premium added to the market price, and that it was reasonable and appropriate taking into consideration, among other factors, the fact that it was within the range of the results of the calculation by Deloitte Tohmatsu Financial Advisory through the discounted cash flow analysis (the "**DCF Analysis**") stated in "(3) Matters Related to Valuation" below. As such, the Company had been continuously negotiating the Tender Offer Price with the Tender Offeror.

Furthermore, the Company received necessary legal advice from Nishimura & Asahi, its legal advisor, on the method, process, and other matters to be noted regarding the decision-making by the Company's board of directors, including various procedures regarding the Transaction; at the same time, it received a written report from the Special Committee dated February 3, 2025 (the "**Report**") (for an overview of the Report, details of specific activities of the Special Committee, and other matters, please see "C. Establishment of Independent Special Committee at Company and Acquisition of Report" in "(6) Measures to Ensure Fairness of Tender Offer, Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest" below). Then, the Company took into consideration legal advice received from Nishimura & Asahi, its legal advisor, and the Share Valuation Report obtained from Deloitte Tohmatsu Financial Advisory, which is a third-party valuation agent, and carefully discussed the Transaction from the viewpoint of whether it would contribute to improving the Company's corporate value and whether the interests of minority shareholders would be ensured by implementing the Transaction through fair procedures, giving the highest degree of respect to the details of the Report submitted by the Special Committee.

As stated in "B. Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer and Management Policy after Tender Offer" above, the Company recognizes that the external environment surrounding the mobility sector in which it mainly develops its business, is changing significantly due to the following factors, among others: diversification of car user needs and lifestyles; MaaS; car sharing; development of automated driving technology and introduction of electric vehicles; mutual entry among used car distributors, maintenance shops, new car dealers, and gasoline stations; and entry by major IT companies into the mobility-related industry in sync with the development of information technologies. The Company believes that, in such a severe environment where changes occur constantly, it is essential to develop a proactive and agile management system.

According to Messrs. Yokoyama et al., in order to respond to the management issues stated above and improve the Company's corporate value over the medium to long term, it is important to carry out a drastic business structure reorganization, without being bound by previous ideas or thoughts, to become a "changing company," which is the Company's corporate goal. To this end, they assume that (i) expansion of the volume base charging model in the mobility sector and (ii) pursuit of economic and social value through further expansion of the platform business are the specific measures that should be taken (for details, please see "B. Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer and Management Policy after Tender Offer" above). The Company determined that the above policies and measures proposed by Messrs. Yokoyama et al. are close to the direction aimed at by the Company and which is stated in "(i) Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer" in "B. Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer and Management Policy after Tender Offer" above, and that they would contribute to improvement of the Company's corporate value over the medium to long term.

In addition, the Company believes that in order to realize the measures stated in (i) and (ii) above, it will be necessary to proactively utilize M&A and make prior investments to create databases containing massive amounts of data as new businesses, among others; on the other hand, since these efforts will cause uncertainty in future earnings, in the short term, there is a risk of a deterioration in the Company's financial condition, due to factors such as a decline in its profit level, deterioration of cash flow, and increase of interest-bearing debts. Thus, the Company believes that if it implements these measures while remaining listed, it will not be sufficiently evaluated by the capital markets, and the possibility that its share price will decline and its shareholders will be affected in the short term cannot be ruled out.

For this reason, the Company determined that the best way to improve its corporate value is to provide its shareholders with the opportunity to sell their shares without suffering any short-term adverse effects, and to develop a robust, stable, and new management system by privatizing the Company Shares, so that it will not be bound by short-term evaluations by the capital markets, and so that it will be able to make decisions agilely and flexibly, with its shareholders and management working together.

In addition, given that Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama are familiar with the details of the Company Group's business and have been successfully leading the Company Group to date, the Company determined that it is reasonable enough for Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama to continue to be in management positions at the Company through the MBO (i.e., that they take part in both ownership and management).

If the Company privatizes its shares, it will not be possible to raise funds through equity financing from the capital markets, and this may affect the procurement of excellent human resources and the expansion of business partners, among others, by improvement of the social credibility and name recognition that the Company has enjoyed as a listed company. However, in light of the Company Group's current financial condition and the recent low interest rates for indirect financing, it is not expected that the Company will need to raise funds in a large scale through equity financing in the next few years. In addition, the Company believes that the disadvantages of privatizing its shares will be limited, for the following reasons, among others: the procurement of excellent human resources and the expansion of business partners, among others, by the improvement of the Company Group's social credibility and name recognition as well as expansion of its business partners may be partially achieved through business activities; while it is conceivable that the privatization of the Company will have an impact on the procurement of human resources, the Company believes that impact will not be significant due to the brand power and name recognition that the Company has cultivated so far; and it will be possible to allocate the listing maintenance costs, resources and costs related to disclosure and auditing required under the Financial Instruments and Exchange Act, and management resources related to shareholder relations, including IR-related costs, which will be necessary as long as the Company is a listed company to settle other management issues.

Therefore, based on the above considerations, the Company's board of directors determined that the advantages of privatizing the Company Shares would outweigh the disadvantages. Based on the above, the Company's board of directors determined that developing a robust, stable, and new management system by privatizing the Company Shares through the Transaction, including the Tender Offer, which enables agile and flexible decision-making and in which its shareholders and management work together, is the best choice for it to improve its corporate value.

In addition, the Company's board of directors took into consideration the following factors, among others, with respect to the Tender Offer Price (2,100 yen): (i) among the results of the calculation of the value of the Company Shares by Deloitte Tohmatsu Financial Advisory as stated in "(3) Matters Related to Valuation" below, it is above the upper limit of the calculation results based on the market price analysis and is within the range and above the median of the calculation results based on the DCF Analysis; (ii) the Tender Offer Price includes a premium of 73.55% added to 1,210 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on February 3, 2025,

which was the business day immediately before the announcement date of the Tender Offer; a premium of 69.08% to 1,242 yen, which was the simple average closing price for the one-month period up to the same date; a premium of 60.18% to 1,311 yen, which was the simple average closing price for the three-month period up to the same date; and a premium of 53.17% to 1,371 yen, which was the simple average closing price for the six-month period up to the same date, and it is a price above the highest price since the listing on the market (1,674 yen, the price on September 16, 2021 during the continuous trading session), and compared to the 75 example cases of premiums added in MBO deals performed for the purpose of privatization that were announced on or after June 28, 2019 and successfully completed on or before January 14, 2025 (in which the reference date was set as the business day immediately before the announcement date, and the median rates of premiums added to the closing price on the business day immediately before the announcement date and to the simple average closing price for the one-month period up to the same date, the three-month period up to the same date, and the six-month period up to the same date were 42.53%, 45.16%, 45.89%, and 49.16%, respectively), the Tender Offer Price includes a comparable and reasonable premium; (iii) the Tender Offer Price includes a premium of 45.23% added to 1,446 yen, which was the closing price of the Company Shares on the Prime Market of the TSE on October 18, 2024, on which the Company issued the “Notification on the establishment of a special investigation committee and the postponement of announcement of the financial results in the second quarter of the fiscal year ending March 2025,” a premium of 40.28% to 1,497 yen, which was the simple average closing price for the one-month period up to the same date; a premium of 46.65% to 1,432 yen, which was the simple average closing price for the three-month period up to the same date; and a premium of 48.83% to 1,411 yen, which was the simple average closing price for the six-month period up to the same date, and compared to the 75 example cases as stated in (ii) above in which similar premiums were added, the Tender Offer Price includes a comparable and reasonable premium. Further, taking into consideration the fact that the market price of the Company Shares declined on and after October 18, 2024, on which the Company issued the “Notification on the establishment of a special investigation committee and the postponement of announcement of the financial results in the second quarter of the fiscal year ending March 2025,” it cannot be determined that it is unreasonable to implement the Transaction at this time because the issuance of the “Notification on the establishment of a special investigation committee and the postponement of announcement of the financial results in the second quarter of the fiscal year ending March 2025” on October 18, 2024,” which is related to the False Deals, is unrelated to the Transaction, as stated in “(i) Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer” in “B. Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer and Management Policy after Tender Offer” above; (iv) it can be determined that the interests of the Company’s minority shareholders have been considered, such as by measures having been taken to resolve the conflicts of interest as stated in “(6) Measures to Ensure Fairness of Tender Offer, Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest” below; (v) the Tender Offer Price has been determined through sincere and continuous discussions and negotiations between the Company and Mugen, after taking the above measures to resolve the conflicts of interest and taking into consideration the details of the calculation results of the value of the Company Shares by Deloitte Tohmatsu Financial Advisory, discussions with the Special Committee, legal advice from Nishimura & Asahi, and other matters; and (vi) the price proposed for the Tender Offer has been significantly increased upon the Special Committee’s request. Thus, the Company’s board of directors determined that the Transaction, including the Tender Offer, was expected to improve the Company’s corporate value and that the Tender Offer would provide shareholders of the Company with a reasonable opportunity to sell their shares.

Based on the above, the Company’s directors who participated in the deliberations and resolutions at the Company’s board of directors meeting held on February 4, 2025 (i.e., among 12 members who comprise the Company’s board of directors, ten directors excluding the following two directors: Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama) resolved to express an opinion in support of the Tender Offer and recommend that the shareholders of the Company tender their Company Shares in the Tender Offer with unanimous consent. Four corporate auditors of the Company (Mr. Shinji Yamada, Mr. Hiroshi Tokano, Mr. Arata Tominaga, and Mr. Hitoshi Saiga) attended the board of



directors meeting, and all of the corporate auditors present stated that they had no objection to adopting the above resolution.

Among the Company's directors, the following directors did not participate in any deliberations or resolutions at the board of directors meeting, nor did they participate in any discussions or negotiations with the Tender Offeror in their capacity as persons representing the Company, as there are conflicts of interest between them and the Company in relation to the Transaction and may be a specially-interested directors: (i) Mr. Hiroichi Yokoyama (relevant conflicts of interest: (a) he is the Tender Offeror's Representative Director, (b) he plans to continue to manage the Company after the Transaction, and (c) he is a Mugen shareholder and is allegedly considering making a direct or indirect investment in the Tender Offeror) and (ii) Mr. Motohisa Yokoyama (relevant conflicts of interest: (a) he plans to continue to manage the Company after the Transaction and (b) he is a Mugen shareholder and is allegedly considering making a direct or indirect investment in the Tender Offeror).

### (3) Matters Related to Valuation

#### A. Name of Valuation Agent and its Relationship with Company and Tender Offeror

In order to ensure the fairness of the decision-making process regarding the Tender Offer Price presented by the Tender Offeror, the Company requested that Deloitte Tohmatsu Financial Advisory, its financial advisor and third-party valuation agent independent of the Company and the Tender Offeror, calculate the share value of the Company Shares and obtained the Share Valuation Report as of February 3, 2025. Meanwhile, the Company has not obtained from Deloitte Tohmatsu Financial Advisory any opinion concerning the fairness of the Tender Offer Price (Fairness Opinion). This is because, in light of the fact that the Tender Offeror and the Company have implemented measures to ensure the fairness of the Tender Offer Price and the Transaction, including the Tender Offer, as well as measures to avoid conflicts of interest as stated in "(6) Measures to Ensure Fairness of Tender Offer, Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest" below, the Company believes that the fairness of the Transaction, including the Tender Offer Price, has been ensured. Deloitte Tohmatsu Financial Advisory is not a related party of the Company or of any Tender Offer Related Party, and it does not have any material interests in connection with the Transaction, including the Tender Offer, needing to be disclosed. Remuneration for Deloitte Tohmatsu Financial Advisory for the Transaction includes, in addition to fixed fees that are payable regardless of whether the Transaction is successfully completed, contingency fees to be paid subject to successful completion or the like of the Transaction. The Company appointed Deloitte Tohmatsu Financial Advisory as its financial advisor and third-party valuation agent based on this remuneration system by determining that the independence of Deloitte Tohmatsu Financial Advisory would not be precluded due only to the sole fact that its remuneration includes contingency fees to be paid subject to successful completion or the like of the Transaction, taking into consideration factors such as making a certain part of the remuneration be contingency fees (i) is reasonable in the sense that it will enable limiting the transaction costs to be borne upon non-successful completion of the Transaction and (ii) is also a general customary practice adopted for remuneration systems in similar kinds of transactions. Further, the Special Committee confirmed that there are no concerns with respect to the independence of Deloitte Tohmatsu Financial Advisory.

#### B. Outline of Valuation

Deloitte Tohmatsu Financial Advisory considered several calculation methods in selecting the calculation method to be adopted in calculating the share value of the Company Shares, and assuming that the Company is a going concern and keeping in mind that it is appropriate to evaluate the share value of the Company Shares from various perspectives, Deloitte Tohmatsu Financial Advisory analyzed the value per share of the Company Shares using (i) the market price analysis, because the Company Shares are listed on the Prime Market of the TSE and the Premier Market of the NSE and there are market prices recorded for the shares, and (ii) the DCF Analysis so as to reflect in the evaluation the status of the Company's future business activities.

The following are the ranges of the per share values of the Company Shares that were calculated based on each analysis mentioned above.

Market price analysis: 1,210 yen to 1,371 yen

DCF Analysis: 1,808 yen to 2,301 yen

Under the market price analysis, using February 3, 2025, the business day immediately preceding the date of announcement of the Tender Offer, as the reference date for calculation, the value per share of the Company Shares was evaluated to range from 1,210 yen to 1,371 yen, based on the closing price of the Company Shares on the reference date (1,210 yen), the simple average closing price for the most recent one month (1,242 yen), the simple average closing price for the most recent three months (1,311 yen), and the simple average closing price for the most recent six months (1,371 yen) of the Company Shares on the Prime Market of the TSE.

Under the DCF Analysis, the Company's corporate value and share value were calculated by discounting to the current value at a certain discount rate the free cash flow that the Company is expected to generate from the fourth quarter of the fiscal year ending March 2025 based on the Company's financial forecast and investment plan under its business plan (the "**Business Plan**") for a period from the fiscal year ending March 2025 to the fiscal year ending March 2028 prepared by the Company, as well as publicly disclosed information and other information. In the calculation above, the discount rate of 8.5% to 10.5% was adopted. In addition, the perpetuity growth rate analysis was adopted to calculate the terminal value, and the perpetuity growth rate of 0% to 1.0% was adopted. As a result, the per share value of the Company Shares was evaluated to range from 1,808 yen to 2,301 yen.

The Business Plan used by Deloitte Tohmatsu Financial Advisory as the basis for calculation in adopting the DCF Analysis does not include fiscal years during which a significant increase or decrease in revenue or in free cash flow is expected in the year-on-year comparison. Meanwhile, the synergies expected to be realized from execution of the Transaction have not been taken into account in the Business Plan as it is difficult to precisely estimate them at this time.

The reasonability of the content, material conditions precedent, and preparation background of the Business Plan was confirmed in advance by the Special Committee as stated in "C. Establishment of Independent Special Committee at Company and Acquisition of Report" in "(6) Measures to Ensure Fairness of Tender Offer, Including Measures to Ensure Fairness of Tender Offer Price and Measures to Avoid Conflicts of Interest" below.

(Note) Deloitte Tohmatsu Financial Advisory calculated the share value of the Company Shares using information provided by the Company, information disclosed to the public, and other related information as is, in principle, on the assumption that all such information was accurate and complete and that there were no facts undisclosed to Deloitte Tohmatsu Financial Advisory that could materially affect the calculation of the share value of the Company Shares; accordingly, Deloitte Tohmatsu Financial Advisory has not independently verified its accuracy or completeness. In addition, it is assumed that information regarding the Business Plan has been rationally prepared based on the best estimates and judgments of the Company's management available at present. Moreover, neither the assets nor liabilities (including financial derivatives, off-balance-sheet assets and liabilities, and other contingent liabilities) of the Company and its affiliates have been independently evaluated or assessed, and Deloitte Tohmatsu Financial Advisory has not requested that any third-party institution make any appraisal or assessment. The valuation by Deloitte Tohmatsu Financial Advisory reflects the information above that it obtained by February 3, 2025. The aim of the valuation by Deloitte Tohmatsu Financial Advisory is only to contribute to the deliberations on the share value of the Company Shares by the Company's board of directors.

	Fiscal Year Ending March 2025 (3 months)	Fiscal Year Ending March 2026	Fiscal Year Ending March 2027	Fiscal Year Ending March 2028
Sales	23,966	118,135	121,029	123,509
Operating Profit	1,141	8,215	8,998	9,565
EBITDA	1,600	9,993	10,928	11,549
Free Cash Flow	1,732	4,806	5,155	5,435

#### (4) Prospects of, and Reasons for, Delisting

As of today, the Company Shares are listed on the Prime Market of the TSE and the Premier Market of the NSE, but since the Tender Offeror has not set an upper limit on the number of shares to be purchased in the Tender Offer, the Company Shares might be delisted through designated procedures depending on the results of the Tender Offer in accordance with the delisting criteria established by the TSE and the NSE. Even in the event that the criteria does not apply to the Company Shares at the time of the successful completion of the Tender Offer, the Tender Offeror intends, after the successful completion of the Tender Offer, to implement the Squeeze-out Procedures stated in “(5) Policy for Reorganization after Tender Offer (Matters concerning “Two-Step Acquisition”)” below. Therefore, if those procedures are implemented, the Company Shares will be delisted through designated procedures in accordance with the delisting criteria established by the TSE and the NSE. The Company Shares will no longer be traded on the Prime Market of the TSE or the Premier Market of the NSE after their delisting.

#### (5) Policy for Reorganization after Tender Offer (Matters concerning “Two-Step Acquisition”)

As stated in “A. Overview of Tender Offer” in “(2) Grounds and Reasons for Opinion” above, if the Tender Offeror fails to acquire all of the Company Shares (excluding the treasury shares owned by the Company and the Agreed Non-Tendering Shares) in the Tender Offer, the Tender Offeror intends to implement the Squeeze-out Procedures that aim to acquire all of the Company Shares (excluding the treasury shares owned by the Company and the Agreed Non-Tendering Shares) by the following method, after the successful completion of the Tender Offer.

Specifically, after the successful completion of the Tender Offer, the Tender Offeror intends to request that the Company hold an extraordinary shareholders meeting (the “**Extraordinary Shareholders Meeting**”) at which proposals for the Share Consolidation and an amendment to the Company’s articles of incorporation to abolish provisions on share unit numbers on the condition that the Share Consolidation becomes effective will be submitted, together with any other proposals. The Tender Offeror and the Agreed Non-Tendering Shareholders intend to approve the proposals stated above at the Extraordinary Shareholders Meeting. The Tender Offeror believes that it is desirable to hold the Extraordinary Shareholders Meeting at an early date from the viewpoint of enhancing the Company’s corporate value, and the Tender Offeror intends to request that the Company give public notice of the record date during the Tender Offer period so that after the commencement date of settlement of the Tender Offer, a date adjacent to such date will be the record date for the Extraordinary Shareholders Meeting. The date of the Extraordinary Shareholders Meeting is scheduled to be around mid- to late May 2025. The Company intends to comply with such request by the Tender Offeror if received.

If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders Meeting, the Company’s shareholders will, on the effective date of the Share Consolidation, hold the number of Company Shares proportionate to the ratio of the Share Consolidation approved at the Extraordinary Shareholders Meeting. If there are fractional shares less than one share as a result of the Share Consolidation, each shareholder of the Company who holds such fractional shares will receive an amount of cash obtained by selling the Company Shares equivalent to the total number of such fractional shares (with such aggregate sum rounded down to the nearest whole number; hereinafter the same) to the Company or the Tender Offeror pursuant to the procedures provided in Article 235 and

Article 234, paragraphs (2) to (5) of the Companies Act and other applicable laws and regulations. A demand will be made to the Company to file a petition with a court for permission to purchase such Company Shares by setting the purchase price of such Company Shares (i.e., Company Shares in the number equivalent to the total number of such fractional shares) at a price such that the amount of cash to be delivered, as a result of the sale, to each shareholder of the Company who did not tender their shares in the Tender Offer (excluding the Tender Offeror, the Agreed Non-Tendering Shareholders, and the Company) will be equal to the price obtained by multiplying the Tender Offer Price by the number of Company Shares held by each such shareholder. Although the consolidation ratio of the Company Shares has not been determined as of today, the ratio will be set at a level such that the number of Company Shares held by the shareholders of the Company who did not tender their shares in the Tender Offer (excluding the Tender Offeror, the Agreed Non-Tendering Shareholders, and the Company) will be fractions that are less than one share in order for the Tender Offeror and all or some of the Agreed Non-Tendering Shareholders to become the only holders of the Company Shares (excluding treasury shares owned by the Company).

If the Share Consolidation is implemented and if there are fractional shares less than one share as a result of the Share Consolidation, the Companies Act prescribes as follows: each shareholder of the Company who did not tender their shares in the Tender Offer (i) may request that the Company purchase all such fractional shares less than one share held by them at a fair price and (ii) may file a petition with a court to determine the sale price of the Company Shares in accordance with the provisions of Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations. If the above petition is filed, the sale price of the Company Shares will be finally determined by the court. The Tender Offer is not intended to solicit shareholders of the Company to approve the proposals at the Extraordinary Shareholders Meeting.

With regard to the procedures stated above, it is possible that, depending on circumstances such as amendments to or enforcement of relevant laws and regulations or their interpretation by relevant authorities, it will take time to implement the procedures, or there will be changes in the implementation methods. However, even in such a case, if the Tender Offer is successfully completed, a method will be taken whereby each shareholder of the Company who did not tender their shares in the Tender Offer (excluding the Tender Offeror, the Agreed Non-Tendering Shareholders, and the Company) will ultimately receive cash consideration, the amount of which will be calculated in a manner such that it will be equal to the price obtained by multiplying the Tender Offer Price by the number of Company Shares held by each such shareholder of the Company.

The specific procedures stated above and related matters, such as the time of their implementation, will be promptly announced by the Company as soon as they are determined upon consultation with the Tender Offeror. All shareholders of the Company are solely responsible for seeking advice from a tax specialist with regard to the tax consequences of tendering their shares in the Tender Offer or the procedures outlined above

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

Given, among others, the fact that the Tender Offer is being conducted as a part of the Transaction, which constitutes a management buyout (MBO) that involves issues of structural conflicts of interest, from the perspective of ensuring the fairness of the Tender Offer Price, eliminating arbitrariness in the decision-making process leading to the decision to conduct the Tender Offer, and avoiding conflicts of interest, the Tender Offeror and the Company implemented the following measures in order to ensure the fairness of the Transaction, including the Tender Offer:

Considering that setting a lower limit on the number of shares to be purchased in the Tender Offer by the “majority of minority” would make the lower limit for tendering shares by shareholders in the Tender Offer excessively high and may not be in the best interests of the Company’s minority shareholders, the Tender Offeror did not set any lower limit on the number of shares to be purchased in

the Tender Offer by the “majority of minority”. However, as the Tender Offeror and the Company implemented the following measures as “measures to ensure the fairness of the Tender Offer Price and measures to avoid conflicts of interest,” the Tender Offeror considers that the interests of the Company’s minority shareholders have been sufficiently considered.

Of the measures set out below, descriptions of the measures that have been implemented by the Tender Offeror are based on explanations given by the Tender Offeror.

A. Acquisition by Company of Share Valuation Report from Independent Third-Party Valuation Agent

In order to ensure the fairness of the decision-making process regarding the Tender Offer Price presented by the Tender Offeror, the Company requested that Deloitte Tohmatsu Financial Advisory, its financial advisor and third-party valuation agent independent of the Company and the Tender Offer Related Parties, calculate the share value of the Company Shares and obtained the Share Valuation Report as of February 3, 2025.

Deloitte Tohmatsu Financial Advisory is not a related party of the Company or of any Tender Offer Related Party, and it does not have any material interests in connection with the Transaction, including the Tender Offer. Remuneration for Deloitte Tohmatsu Financial Advisory for the Transaction includes, in addition to fixed fees that are payable regardless of whether the Transaction is successfully completed, contingency fees to be paid subject to successful completion or the like of the Transaction. The Company appointed Deloitte Tohmatsu Financial Advisory as its financial advisor and third-party valuation agent based on this remuneration system by determining that the independence of Deloitte Tohmatsu Financial Advisory would not be precluded due only to the sole fact that its remuneration includes contingency fees to be paid subject to successful completion or the like of the Transaction, taking into consideration factors such as making a certain part of the remuneration be contingency fees (i) is reasonable in the sense that it will enable limiting the transaction costs to be borne upon non-successful completion of the Transaction and (ii) is also a general customary practice adopted for remuneration systems in similar kinds of transactions. Further, the Special Committee confirmed that there are no concerns with respect to the independence of Deloitte Tohmatsu Financial Advisory.

For an overview of the Share Valuation Report, please refer to “(3) Matters Related to Valuation” above.

B. Advice Obtained by Company from Independent Law Firm

In order to ensure the fairness and appropriateness of the decision-making regarding the Transaction, including the Tender Offer, at the Company’s board of directors meetings, the Company appointed Nishimura & Asahi as its legal advisor independent of the Company and the Tender Offer Related Parties and obtained from Nishimura & Asahi necessary legal advice concerning the method and process of decision-making by the Company’s board of directors, including decision-making regarding various procedures relating to the Transaction, including the Tender Offer, and other matters to be noted. Nishimura & Asahi is not a related party of the Company or the Tender Offer Related Parties, and it does not have a significant interest in relation to the Transaction, including the Tender Offer. The remuneration of Nishimura & Asahi will consist only of remuneration that is payable on an hourly basis regardless of whether the Transaction is successfully completed and will not include any contingency remuneration to be paid subject to the announcement of or successful completion of the Transaction. Further, the Special Committee confirmed that there are no concerns with respect to the independence of Nishimura & Asahi.

C. Establishment of Independent Special Committee at Company and Acquisition of Report

In light of, among others, the fact that the Tender Offer is being conducted as a part of a management buyout (MBO) that may give rise to structural conflicts of interest at the time of deliberations on the

Transaction at the Company, the Company, in order to be careful in making its decision in relation to the Transaction and to ensure fairness in the decision-making by its board of directors by eliminating arbitrariness and avoiding possible conflicts of interest, adopted a resolution at its board of directors meeting held on December 13, 2024 to (i) establish the Special Committee consisting of four members (namely, Ms. Eriko Kitayama, Mr. Masami Kajiura, Ms. Mika Kimata (a certified public accountant and Representative of Kimata Mika Certified Public Accountant Office), and Ms. Mari Suzuki (an attorney-at-law at Suzuki & Kubota Law Office)), all of whom are independent outside directors of the Company and do not have any interests in connection with any Tender Offer Related Party, and (ii) respect to the maximum extent possible the reports submitted by the Special Committee in its decision-making (Ms. Eriko Kitayama was appointed the chairperson of the Special Committee by mutual election of the committee members). The Company has not changed any member of the Special Committee since its initial establishment. It has been decided that no separate remuneration/allowance will be paid to any member of the Special Committee, and no contingency remuneration subject to the announcement of or successful completion of the Transaction has been adopted.

Thereafter, based on its board of directors resolution above, the Company inquired with the Special Committee about the following matters and commissioned the Special Committee to submit a report to the Company regarding these matters: (i) reasonableness of the purpose of the Transaction (including whether the Transaction contributes to enhancing the Company's corporate value), (ii) appropriateness of the terms and conditions of the Transaction, (iii) fairness of the procedures related to the Transaction, (iv) whether implementing the Transaction would be disadvantageous to the Company's minority shareholders, and (v) the propriety of the Company's board of directors expressing its opinion in support of the Tender Offer and recommending that the Company's shareholders tender their Company Shares in the Tender Offer (collectively, the **"Inquired Matters"**).

Further, at the time of its board of directors resolution above, the Company also adopted a resolution (i) to respect to the maximum extent possible the decisions of the Special Committee in making the Company's decisions in relation to the Transaction and (ii) not to support the Transaction if the Special Committee determines that the terms and conditions of the Transaction are not appropriate and that accordingly the Company should not support the Transaction. In addition, the Company's board of directors adopted a resolution pursuant to which the Company granted the Special Committee the following authorities: (i) the authority to appoint, at the Company's cost, the Special Committee's financial advisors, third-party valuation agent, and legal advisors, or nominate or approve (including ex post facto approval) the Company's financial advisors, third-party valuation agent, and legal advisors, (ii) the authority to demand that the Company's directors and employees and other persons whom the Special Committee considers necessary attend Special Committee meetings, and seek explanations regarding necessary information from them, (iii) the authority to negotiate the terms and conditions of the Transaction as necessary (even if the Special Committee does not directly negotiate the terms and conditions of the Transaction, it shall endeavor to ensure a situation where it will be substantially involved in the negotiation process of the terms and conditions of the Transaction as necessary, such as by confirming the negotiation policy in advance, receiving timely updates on the status of negotiations, and stating opinions and making instructions and demands in crucial phases, whereas the Company shall provide cooperation to ensure that situation), and (iv) the authority regarding such other matters as will be necessary in order to deliberate on the Inquired Matters.

The Special Committee held a total of ten meetings during the period from December 16, 2024 to February 3, 2025 and carefully deliberated on and discussed the Inquired Matters. Specifically, at the first meeting of the Special Committee, it approved the legal advisors, financial advisors, and third-party valuation agent appointed by the Company as the Company's legal advisors, financial advisors, and third-party valuation agent, respectively, since there were no concerns with respect to their independence or expertise. Thereafter, the Special Committee confirmed that it would also be able to receive expert advice from them as necessary.

In addition, the Special Committee also confirmed that there are no concerns, from the perspective of independence and fairness, with respect to the internal system established by the Company for deliberations on the Transaction (including the scope of officers and employees of the Company who will be involved in deliberations, negotiations, and decisions on the Transaction, and their duties); accordingly, the Special Committee approved that system.

Thereafter, the Special Committee received from the Company an explanation in the form of an interview and in writing on, among others, the Company's business environment and management issues, its views on the Letter of Intent, the necessity or otherwise of privatization of the Company Shares through the Transaction, the significance and benefits of the Transaction, the expected impact of the Transaction on the Company's business, and the details of the Company's business plan and the background to its creation, and the Special Committee and the Company held Q&A sessions regarding these matters. In addition, the Special Committee received from Messrs. Yokoyama et al. an explanation in the form of an interview and in writing on, among others, the purpose and background of the Transaction, the necessity or otherwise of privatization of the Company Shares through the Transaction, the scheme and terms of the Transaction, the significance and benefits of the Transaction, the expected impact of the Transaction on the Company's business, the management policy after the Transaction, and measures to ensure the fairness of the Transaction, and the Special Committee and Mugen held Q&A sessions regarding these matters. In addition, the Special Committee received an explanation from Deloitte Tohmatsu Financial Advisory on the negotiation process regarding the terms and related matters of the Transaction and the calculation of the share value of the Company's shares, while also receiving an explanation from Nishimura & Asahi on measures to ensure the fairness of the procedures for the Transaction, the decision-making method and process of the Company's board of directors regarding the Transaction, and details of other measures to avoid conflicts of interest, and the Special Committee and Deloitte Tohmatsu Financial Advisory/Nishimura & Asahi held Q&A sessions regarding these matters as well.

In addition, the Special Committee was substantially involved in the process of the Company's negotiations with the Tender Offeror by, among others, giving its opinions to the Company on multiple occasions (which it did by receiving reports from the Company on a timely basis regarding the progress, details, etc. of the discussions and negotiations on the Transaction between the Company and the Tender Offeror and discussing these matters in its meetings) up until (i) negotiations regarding the Tender Offer Price were conducted as stated in "C. Decision-Making Process and Reasons Leading to Company's Opinion in Support of Tender Offer" in "(2) Grounds and Reasons for Opinion" above and (ii) the Company received from the Tender Offeror a proposal which set the Tender Offer Price at 2,100 yen per Company Share.

Under the above circumstances, on February 3, 2025, the Special Committee submitted to the Company's board of directors the Report regarding the Inquired Matters mainly stating the matters set out below, as a result of careful and repeated discussions and deliberations on the Inquired Matters.

(i) Details of the Report

- i. The purpose of the Transaction is deemed reasonable.
- ii. The terms and conditions of the Transaction are deemed appropriate.
- iii. It is deemed that the fairness of the procedures related to the Transaction has been ensured.
- iv. It is deemed that implementing the Transaction would not be disadvantageous to the Company's general shareholders.
- v. It is deemed that the Company's board of directors expressing its opinion in support of the Tender Offer and recommending that the Company's shareholders tender their Company Shares in the Tender Offer are appropriate.

(ii) Reasons for the Report

i. Reasonableness of the Purpose of the Transaction (including Whether the Transaction Contributes to Improving the Company's Corporate Value)

Whereas the Company Group is developing both its platform business and commerce business mainly in the mobility sector, taking into account the changes in the external environment surrounding the Company Group, such as diversification of car user needs and lifestyles; MaaS; car sharing; development of automated driving technology and electric vehicles, it is deemed that a business structure reorganization at the Company Group will be necessary in order to improve the Company's corporate value over the medium to long term. In this regard, the measures assumed by Messrs. Yokoyama et al. and the Company in order to improve the Company's corporate value (specifically, (i) expansion of the volume base charging model in the mobility sector and (ii) pursuit of economic and social value through further expansion of the platform business) are not deemed to be particularly unreasonable as measures to improve the Company's corporate value over the medium to long term because it is deemed that while leveraging the competitive advantages and strengths of the Company's platform business in the mobility field, these measures address changes in the external environment.

In addition, the Tender Offer Related Parties have explained that they will maintain the same level of governance system as that of a listed company after the privatization and will consider establishing a system to prevent misconduct, given the occurrence of the False Deals conducted by a former employee of the Company, and such an explanation can be evaluated as their intention of responding to the Company's management issues.

In order to implement the measures to improve corporate value above, especially measures related to "(ii) further expansion of the platform business," it is deemed that a considerable volume of prior investments will be required for, among others, the proactive implementation of M&A and other similar transactions, the construction of platforms, and the creation of databases containing data in each business sector. Accordingly, it is deemed that in the short term, the risk of deterioration in the Company's financial and business conditions, such as a decline in its profit level and a deterioration of cash flow, cannot be ruled out. Based on these circumstances, the explanation of Messrs. Yokoyama et al. and the Company that it is necessary to privatize the Company Shares in order to enable drastic, agile, and flexible decision-making without being bound by short-term evaluations by stock markets is deemed reasonable.

In general, the following disadvantages are expected to result from delisting: (i) restrictions on the means of raising funds through equity financing, (ii) damage to the brand of the Company as a listed company, and (iii) adverse effects on the recruitment of human resources. Nevertheless, the explanation of Messrs. Yokoyama et al. and the Company is as follows, and nothing unreasonable has been found in this explanation: in regard to (i), in light of, among other factors, the recent low interest rate environment in indirect financing, it is assumed that funds will be raised as necessary through indirect financing for the time being, so there is not a high need for large-scale financing through the use of equity financing; and in regard to (ii) and (iii), through its long-term business activities, the Company has already established its name recognition and social credibility; accordingly, they believe that it is possible to continue to secure excellent human resources and maintain business relationships with the Company's business partners even if the Company does not remain listed.

Based on the deliberations above, it is deemed that the purpose of the Transaction will contribute to improving the Company's corporate value and is thus reasonable.



- ii. Appropriateness of the Terms and Conditions of the Transaction
  - A. The Tender Offer price, 2,100 yen, is deemed appropriate if the following factors are comprehensively considered.
    - (A) Compared to the 75 example cases of premiums added in tender offers performed for the purpose of MBOs that were announced on or after June 28, 2019 and successfully completed on or before January 14, 2025 (in which the reference date was set as the business day immediately before the announcement date, and the median rates of premiums added to the closing price on the business day immediately before the announcement date and to the simple average closing price for the one-month period up to the same date, the three-month period up to the same date, and the six-month period up to the same date were 42.53%, 45.16%, 45.89% and 49.16%), the Tender Offer Price includes a comparable and reasonable premium.
    - (B) The Tender Offer Price was set by adding a premium of 45.23% to 1,446 yen, which is the closing price of the Company Shares on the Prime Market of the TSE on the announcement date of the False Deals (October 18, 2024); a premium of 40.28% to 1,497 yen, which is the simple average closing price for the past one-month period; a premium of 46.65% to 1,432 yen, which is the simple average closing price for the past three-month period; and a premium of 48.83% to 1,411 yen, which is the simple average closing price for the past six-month period. It is true that the premium level above is lower than the level of premium over the market prices recorded for the Company Shares before the date of announcement of implementation of the Tender Offer stated in “C. Decision-Making Process and Reasons Leading to Company’s Opinion in Support of Tender Offer” in “(2) Grounds and Reasons for Opinion” above. However, regarding the premium level of the Tender Offer Price relative to the market prices recorded for the Company Shares before the announcement of the False Deals, it can be evaluated that the Tender Offer Price includes a comparable and reasonable premium over these market prices, when compared to the premium levels in similar cases mentioned in (A) above. In addition, in light of the following circumstances, it is deemed that the Tender Offer Price cannot be said to be inappropriate based only on this fact.
      - (a) According to Messrs. Yokoyama et al. and the Company, it is not the case that the announcement of the False Deals was arbitrarily made before the announcement of the Transaction in order to cause the share price of the Company Shares to decline. In light of the following circumstances, the explanation is deemed not to be particularly unreasonable.
        - The False Deals were conducted by a former employee of the Company on his own and did not involve organized misconduct. Further, the background to the discovery of the deals is that in May 2024, a case took place in which accounts receivable for trade were not collected for certain transactions conducted by the former employee, whereupon the Company proceeded with confirmation of the relevant facts. Thereafter, due to the long period in which the misconduct took place, it took time to confirm relevant facts with the offending employee, business partners, and other relevant parties; therefore, it was not until October 18, 2024 that the case was announced. No particular circumstances have been found that suggest any arbitrariness in the background itself.
        - According to the Company, the announcement of the False Deals in October 2024 was made based on a resolution by its board of directors, pursuant to the rules of financial instruments exchanges and other related rules, and was not made pursuant to arbitrary instructions of Messrs. Yokoyama et al.

- In light of the fact that it was on December 6, 2024 that the Company received the Letter of Intent from Mugen, and it was in early December 2024 that the Messrs. Yokoyama et al. appointed an outside advisor and began to specifically consider the Transaction, it cannot be said that as of October 18, 2024, when the False Deals were announced, the Transaction was certain to be implemented.
  - According to Messrs. Yokoyama et al., in light of the Company Group's business environment and other related factors, it was necessary, and it was high time, to implement the measures stated above as a medium- to long-term strategy, and that was why the Transaction was proposed on December 6, 2024. There seem to be no sufficient circumstances to deem that such an explanation is in itself unreasonable.
- (b) Although the market prices of the Company Shares have been on a downward trend since the announcement of the False Deals, in general, there could be various factors that would affect market share prices, and accordingly, it cannot necessarily be said that the announcement of the False Deals is the only cause of that trend.
- (c) A period of slightly less than four months has passed since the announcement of the False Deals, and during this period, an announcement has been made regarding matters such as the results of the investigation into the False Deals and measures to prevent their recurrence. Accordingly, it cannot necessarily be said that the market share prices before the announcement of the False Deals reflect the Company's recent condition. It is also reasonable to assume that the closing price of the Company Shares on the Prime Market of the TSE on February 3, 2025, the business day immediately before the date of announcement of the Transaction, reflects the intrinsic corporate value of the Company Shares at present.
- (d) As stated in (D) below, the Tender Offer Price was agreed upon after negotiations that can be evaluated as negotiations between independent parties without the influence of the Tender Offer Related Parties were conducted, with the substantial involvement of the Special Committee, by taking into account, among other factors, the market prices of the Company Shares before the announcement of the False Deals.
- (C) The Company obtained a share valuation report from Deloitte Tohmatsu Financial Advisory, its third-party valuation agent and financial advisor independent of the Company and the Tender Offer Related Parties, and the Company referred to the Share Valuation Report in expressing its opinion on the Tender Offer. In this regard, nothing unreasonable has been found in the selection of the valuation methods in itself from the viewpoint of share valuation practices in similar kinds of transactions. Further, nothing particularly unreasonable has been found in the business plan, the discount rate, or the rational calculating the terminal value, either, that were assumed as premises in the valuation of the Company Shares using the DCF Analysis. In addition, the Tender Offer Price is above the upper limit of the price range calculated using the market price analysis and is above the median value of the price range calculated using the DCF Analysis.
- (D) In reference to the results of calculations by Deloitte Tohmatsu Financial Advisory, the Company's third-party valuation agent and financial advisor negotiations that can be evaluated as negotiations between independent parties without the influence of the Tender Offer Related Parties were conducted, with the substantial involvement of the Special Committee, in order to raise the Tender Offer Price to a fair and appropriate level. As a result, the Tender Offer Price was set at a price that was increased by 16.67% from the initially presented price.

- B. Further, whereas the terms of the Squeeze-Out Procedures, scheduled to be taken if the Tender Offeror fails to acquire all of the Company Shares (excluding the treasury shares owned by the Company and the Agreed Non-Tendering Shares) in the Tender Offer, will be calculated and determined based on the same price as the Tender Offer Price, it is deemed reasonable to ensure that the consideration to be delivered in the Tender Offer and that to be delivered in the Squeeze-Out Procedures are the same because the Squeeze-Out Procedures are in close proximity in time to the Tender Offer.
- C. Based on A and B above, the terms and conditions of the Transaction are deemed appropriate.

iii. Procedural Fairness of the Transaction

As stated below, in the Transaction, from the perspective of ensuring the interests of the Company's general shareholders, appropriate measures have been taken in accordance with each of the fairness ensuring measures provided in the "Fair M&A Guidelines" published by the Ministry of Economy, Trade and Industry on June 28, 2019, and there are no unreasonable points in the particulars thereof. Accordingly, it is deemed that in the Transaction, sufficient consideration has been given to the interests of the Company's general shareholders through fair procedures and thus the fairness of the procedures related to the Transaction has been ensured.

- (A) As stated below, when considering the Transaction, an independent special committee was established, and the committee is considered to be functioning effectively.
- A situation was ensured in which the Special Committee was involved in the Transaction throughout the process of formulating the terms and conditions of the Transaction.
  - The members of the Special Committee are independent and were selected giving due consideration to their expertise and attributes.
  - A system was established for the Company's independent outside directors and independent outside auditors to independently and substantially get involved in each of the processes for the Transaction, including the establishment of the Special Committee.
  - The Special Committee was substantially involved in the negotiation of the terms and conditions of the Transaction, and during the process of considering the Transaction, it obtained expert advice, opinions, and the like from Nishimura & Asahi, its legal advisor, and Deloitte Tohmatsu Financial Advisory, its financial advisor and third-party valuation agent, in a timely manner.
  - A situation was ensured in which the Special Committee could obtain material information, including non-public information, and consider and make judgments based on that information.
  - In its board of directors resolution to establish the Special Committee, the Company also adopted a resolution (i) to respect to the maximum extent possible the decisions of the Special Committee in making the Company's decisions in relation to the Transaction and (ii) not to support the Transaction if the Special Committee determines that the terms and conditions of the Transaction are not appropriate and that accordingly the Company should not support the Transaction. Therefore, a system was established for the board of directors to make decisions on the Transaction by respecting the opinions of the Special Committee.
  - The Company did not allow any interested directors to participate in the deliberations or resolutions by the Company's board of directors regarding the Transaction, nor did the Company allow them to participate in any considerations, discussions, or negotiations

regarding the Transaction from the Company's standpoint, and an internal consideration system independent from the Tender Offeror Related Parties was established for the consideration and negotiation of the Transaction.

- (B) The Company requested that the Company Shares be appraised by and obtained the Share Valuation Report from Deloitte Tohmatsu Financial Advisory as its financial advisor and third-party valuation agent independent from the Company and the Tender Offer Related Parties.
  - (C) In the Transaction, the Tender Offer period has been set at 30 business days, which exceeds the minimum period of 20 business days stipulated by law, and the Tender Offeror and the Company have not entered into any agreement that restricts any party other than the Tender Offeror that intends to make a counteroffer from contacting the Company, and an indirect market check has been conducted through these measures. Although no active market check has been conducted in the Transaction, the Agreed Non-Tendering Shareholders' ownership ratio of the Company Shares is 38.04% in total. In light of the fact that the Agreed Non-Tendering Shareholders are unlikely to sell their shares to a third party, and from the viewpoint of information management, it is necessary to carefully consider whether to implement active market checks; in addition, in the Transaction, as stated above, it can be determined that fairness ensuring measures have been taken and that sufficient consideration has been given to the interests of the Company's shareholders through fair procedures.
  - (D) There are no plans to set a majority of minority condition in the Tender Offer; however, in the Transaction, (i) because the Agreed Non-Tendering Shareholders own 15,367,440 Company Shares (ownership ratio: 38.04%), if a majority of minority condition is set in the Tender Offer, successful completion of the Tender Offer will be uncertain, and it may not contribute to the interests of general shareholders who wish to tender their shares in the Tender Offer; (ii) the fairness ensuring measures stated in (A) through (C) above and (E) and (F) below have been taken; and (iii) as stated in ii.(D) above, through the negotiations with Mugen, the Tender Offer Price is considered to have reached a level that can be considered fair and appropriate as a tender offer price. Accordingly, it can be determined that not setting a majority of minority condition in the Tender Offer does not impair the procedural fairness of the Tender Offer.
  - (E) It can be determined that, in the Transaction, information will be disclosed in the Company's disclosure materials as required by the "Fair M&A Guidelines" published by the Ministry of Economy, Trade and Industry on June 28, 2019.
  - (F) As stated in ii. B. above, in the Transaction, the Squeeze-out Procedures are scheduled to take place after the Tender Offer, and it can be said that consideration has been given so as not to place strong pressure on general shareholders.
- iv. Whether the Implementation of the Transaction is Disadvantageous to General Shareholders of the Company
- As considered in items i. through iii. above, the purpose of the Transaction is reasonable, the terms and conditions of the Transaction are appropriate, and the fairness of the procedures for the Transaction is considered to have been ensured; therefore, implementation of the Transaction is considered not to be disadvantageous to general shareholders.
- v. Whether It Is Appropriate for the Company's Board of Directors to Express Its Opinion in Support of the Tender Offer and to Recommend that the Company's Shareholders Tender Their Shares in the Tender Offer

Taking into account items i. through iv. above, it can be considered that it is appropriate for the Company's board of directors to express its opinion in support of the Tender Offer and to recommend that the Company's shareholders tender their shares in the Tender Offer.

D. Approval of All Company Directors without Conflicts of Interest and No Objection Opinion of All Company Corporate Auditors without Conflicts of Interest

Taking into consideration the legal advice received from Nishimura & Asahi and the Share Valuation Report obtained from Deloitte Tohmatsu Financial Advisory, the Company carefully deliberated on the terms of the Transaction, including the Tender Offer, by respecting to the maximum extent possible the Report submitted by the Special Committee. As a result, as stated in “C. Decision-Making Process and Reasons Leading to Company’s Opinion in Support of Tender Offer” in “(2) Grounds and Reasons for Opinion” above, the Company’s board of directors determined that the Tender Offer is expected to contribute to improving the Company’s corporate value, that the Tender Offer Price and other terms of the Tender Offer are reasonable for the Company’s shareholders, and that the Tender Offer will afford the Company’s shareholders a reasonable opportunity to sell their shares. Accordingly, the Company’s directors who participated in the deliberations and resolutions at the Company’s board of directors meeting held on February 4, 2025 (i.e., among 12 members who comprise the Company’s board of directors, ten directors excluding the following two directors: Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama) resolved to express an opinion in support of the Tender Offer and recommend that the shareholders of the Company tender their Company Shares in the Tender Offer with unanimous consent. Four corporate auditors of the Company (Mr. Shinji Yamada, Mr. Hiroshi Tokano, Mr. Arata Tominaga, and Mr. Hitoshi Saiga) attended the board of directors meeting, and all of the corporate auditors present stated that they had no objection to adopting the above resolution.

Among the Company’s directors, the following directors did not participate in any deliberations or resolutions at the board of directors meeting, nor did they participate in any discussions or negotiations with the Tender Offeror in their capacity as persons representing the Company, as there are structural conflicts of interest between them and the Company in relation to the Transaction: (i) Mr. Hiroichi Yokoyama, the Company’s Chairman and Representative Director (relevant conflicts of interest: (a) he is the Tender Offeror’s Representative Director, (b) he plans to continue to manage the Company after the Transaction, and (c) he is a Mugen shareholder and is allegedly considering making a direct or indirect investment in the Tender Offeror) and (ii) Mr. Motohisa Yokoyama (relevant conflicts of interest: (a) he plans to continue to manage the Company after the Transaction and (b) he is a Mugen shareholder and is allegedly considering making a direct or indirect investment in the Tender Offeror).

E. Establishment of Independent Deliberation System at Company

As stated in “C. Establishment of Independent Special Committee at Company and Acquisition of Report” above, the Company established an internal system for deliberating, negotiating, and deciding on the Transaction independently of the Tender Offeror, from the perspective of eliminating issues of structural conflicts of interest. Specifically, Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama did not participate in any deliberations or resolutions relating to the Transaction at the board of directors meetings, nor did they participate in any discussions or negotiations with any Tender Offer Related Party in their capacity as persons representing the Company, as there are structural conflicts of interest between them and the Company in relation to the Transaction. In addition, since the beginning of its consideration of implementing the Transaction, the Company has had a project team in place in order to deliberate on the Transaction and to discuss and negotiate with the Tender Offeror. The project team’s members have only consisted of one Company director (i.e., Mr. Shigeyoshi Shimizu) and five Company employees who are recognized to be independent of the Tender Offer Related Parties, and this practice continues to date.

The Company’s internal system for deliberating on the Transaction (including the above practice), specifically, the scope and duties of the Company’s officers and employees who are involved in deliberating, negotiating, and deciding on the Transaction (including duties that require a high degree of independence, such as preparation of the business plan that will serve as the basis for evaluating the Company Shares), has been established by taking into account Nishimura & Asahi’s advice, and the

Company has obtained confirmation from the Special Committee to the effect that there are no concerns with respect to the system, including the above practice, from the perspective of independence.

F. Ensuring Objective Circumstances to Ensure Fairness of Tender Offer

The Tender Offeror has set the Tender Offer period as 30 business days, while the shortest tender offer period specified in laws and regulations is 20 business days. By setting the Tender Offer period comparatively longer than the shortest period specified in laws and regulations, the Tender Offeror intends to ensure an opportunity for the Company's shareholders to make an appropriate decision on whether to tender their Company Shares in the Tender Offer, as well as to ensure an opportunity for a counter-offeror to purchase the Company Shares so that the fairness of the Tender Offer Price will be ensured.

Furthermore, the Tender Offeror and the Company have not reached an agreement the purpose of which is to restrict a counter-offeror from having contact with the Company, such as an agreement containing a clause for protecting transactions that prohibits the Company from having contact with a counter-offeror. In this way, the Tender Offeror and the Company have given consideration to ensuring the fairness of the Tender Offer by, in addition to setting the Tender Offer period stated above, ensuring opportunities for a counter-offeror to purchase the Company Shares.

4. Matters concerning Material Agreements between Tender Offeror and Company's Shareholders concerning Tendering Shares

The Tender Offeror executed the Non-Tender Agreement with each of the Agreed Non-Tendering Shareholders on February 4, 2025. The terms of the Non-Tender Agreement are as follows:

(1) Agreement on Not Tendering Company Shares in Tender Offer

The Agreed Non-Tendering Shareholders agreed not to tender the Agreed Non-Tendering Shares (total: 15,367,440 shares; ownership ratio: 38.04%) in the Tender Offer.

(2) Agreement on Exercising Voting Rights Pertaining to Company Shares

If the Tender Offeror fails to acquire all of the Company Shares (excluding the treasury shares owned by the Company and the Agreed Non-Tendering Shares) in the Tender Offer, then, after the successful completion of the Tender Offer, in order to make itself and all or some of the Agreed Non-Tendering Shareholders the only shareholders of the Company, the Tender Offeror intends to request that the Company hold the Extraordinary Shareholders Meeting at which proposals for the Share Consolidation and an amendment to the Company's articles of incorporation to abolish provisions on share unit numbers on the condition that the Share Consolidation becomes effective will be submitted, together with any other proposals, and the Agreed Non-Tendering Shareholders intends to approve the proposals stated above when it exercises its voting rights pertaining to the Agreed Non-Tendering Shares.

(3) Agreement on Share Lending

Mugen agreed that upon request by the Tender Offeror, it will implement the Share Lending Transaction with all or some of the other Agreed Non-Tendering Shareholders, effective as of the time before the Share Consolidation becomes effective. The terms of the Share Lending Transaction, such as share lending fees, have not yet been decided.

5. Details of Benefits Received from Tender Offeror or Any of Its Specially-Related Parties

None.

6. Response Policy with respect to Basic Policies Relating to Control of Company

None.

7. Questions to Tender Offeror

None.

8. Requests for Extension of Tender Offer Period

None.

9. Future Prospects

Please refer to the following sections in “3. Details of, and Grounds and Reasons for, Opinion on Tender Offer” above: (i) “B. Background, Purpose, and Decision-Making Process Leading to Decision by Tender Offeror to Implement Tender Offer and Management Policy after Tender Offer” in “(2) Grounds and Reasons for Opinion,” (ii) “(4) Prospects of, and Reasons for, Delisting,” and (iii) “(5) Policy for Reorganization after Tender Offer (Matters concerning “Two-Step Acquisition”).”

10. Others

(1) Release of “Consolidated Financial Results for the Nine Months Ended December 31, 2024 Japanese GAAP”

The Company released the Company’s Q3 Financial Results today. For details, please refer to the relevant announcement.

(2) Release of “Announcement of Revision of Dividend Forecast for Fiscal Year Ending March 2025 (No Dividend)”

At its board of directors meeting held today, the Company adopted a resolution to revise its dividend forecast for the fiscal year ending March 2025 and not to pay a dividend for the fiscal year ending March 2025 subject to successful completion of the Tender Offer. For details, please refer to the relevant announcement.

End

Reference: “Notice Concerning Commencement of Tender Offer by Foresight Co., Ltd. for the Common Share of PROTO CORPORATION (Securities Code: 4298) by Foresight Co., Ltd.” as of February 4, 2025 (Attachment)

February 4, 2025

To whom it may concern

Company name:	PROTO CORPORATION
Representative:	Kenji Kamiya, Representative Director and President (Code 4298 Prime Market of the Tokyo Stock Exchange, Premier Market of Nagoya Stock Exchange)
Contact person:	Takehito Suzuki Executive Officer
Tell:	+81-52-934-2000
Company name:	Foresight Co., Ltd.
Representative:	Hiroichi Yokoyama Representative Director

**Notice Concerning Commencement of Tender Offer by Foresight Co., Ltd.  
for the Common Share of PROTO CORPORATION (Securities Code: 4298) by Foresight Co., Ltd.**

Foresight Co., Ltd. hereby announces that it has decided today to acquire the common shares of PROTO CORPORATION by tender offer, as attached hereto.

End.

This material is published pursuant to Article 30, Paragraph 1, Item4 of the Order for Enforcement of the Financial Instruments and Exchange Act the request of Song Foresight Co., Ltd. (the offeror) to PROTO CORPORATION (the target of the tender offer).
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(Attachment)

“Notice Concerning Commencement of Tender Offer for the Common Share of PROTO CORPORATION (Securities Code: 4298)” dated February 4, 2025



February 4, 2025

To whom it may concern

Company name: Foresight Co., Ltd.  
Representative: Hiroichi Yokoyama  
Representative Director

**Notice Concerning Commencement of Tender Offer for the Common Share of PROTO CORPORATION**  
**(Securities Code: 4298)**

Foresight Co., Ltd. (the “**Tender Offeror**”) hereby announces that it has decided to acquire the common shares (the “**Target Company Shares**”) of PROTO CORPORATION (Securities Code: 4298, Prime Market of the Tokyo Stock Exchange, Inc. (the “**TSE**”) and the Premier Market of the Nagoya Stock Exchange, Inc. (the “**NSE**”), hereinafter the “**Target Company**”) through a tender offer (the “**Tender Offer**”) pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “**Act**”).

The Tender Offeror is a wholly-owned subsidiary of Mugen Co., Ltd. (the “**Mugen**”) (number of shares owned: 13,614,480 shares; ownership ratio (Note 1): 33.70%), which is a major, and the largest, shareholder of the Target Company, is the asset management company for the Target Company’s founding family, and is a stock company incorporated on December 25, 2024 mainly for the purpose of acquiring and owning the Target Company Shares listed on the Prime Market of TSE and the Premier Market of NSE. As of today, Mr. Hiroichi Yokoyama (the “**Mr. Hiroichi Yokoyama**”), the Target Company’s Chairman and Representative Director (number of shares owned: 902,000 shares; ownership ratio: 2.23%), is serving as the Representative Director of the Tender Offeror. The Tender Offeror does not own any Target Company Shares.

(Note 1) “**Ownership ratio**” refers to the ratio (rounded up or down to the second decimal place; the same applies hereinafter to calculations of ratios) to 40,401,666 shares, which is the number of shares obtained as follows: 41,925,300 shares, which is the total number of the Target Company’s issued shares as of December 31, 2024 as stated in “Consolidated Financial Results for the Nine Months Ended December 31, 2024 Japanese GAAP” released by the Target Company on February 4, 2025 (the “**Target Company’s Q3 Financial Results**”), minus 1,523,634 shares, which is the number of treasury shares owned by the Target Company as of December 31, 2024 as stated in the Target Company’s Q3 Financial Results (92,160 shares, which is the number of Target Company Shares owned by the employee stock ownership plan (ESOP) trust, are not included in the treasury shares owned by the Target Company; the same applies hereinafter).

The Tender Offeror decided to implement the Tender Offer as part of a transaction to privatize the Target Company Shares (the “**Transaction**”) by acquiring all of the Target Company Shares (excluding treasury shares owned by the Target Company and the Agreed Non-Tendering Shares (as defined below)).

The Transaction will be an MBO (Note 2), and Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama (“**Mr. Motohisa Yokoyama**”; number of shares owned: 537,960 shares; ownership ratio: 1.33%), the Target Company’s Senior Managing Director, will continue to manage the Target Company after the Transaction. There is no particular agreement between the Tender Offeror and the Target Company’s other directors or auditors concerning the assumption of office of officer after the Tender Offer.

(Note 2) A “management buyout (MBO)” generally refers to a transaction in which management of the target company of an acquisition contributes all or part of the funds for the acquisition and acquires shares of the target company based on the assumption that the target company’s business will be continued.

Upon implementation of the Tender Offer, the Tender Offeror agreed in writing with Mugen (a shareholder of the Target

Company) (number of shares owned: 13,614,480 shares; ownership ratio: 33.70%), Mr. Hiroichi Yokoyama (number of shares owned: 902,000 shares; ownership ratio: 2.23%), Mr. Motohisa Yokoyama (number of shares owned: 537,960 shares; ownership ratio: 1.33%), and Mr. Yoshihiro Yokoyama (a shareholder of the Target Company and a relative of Mr. Hiroichi Yokoyama and Mr. Motohisa Yokoyama; “**Mr. Yoshihiro Yokoyama**”) (number of shares owned: 313,000 shares; ownership ratio: 0.77%) (Mugen, Mr. Hiroichi Yokoyama, Mr. Motohisa Yokoyama, and Mr. Yoshihiro Yokoyama are hereinafter collectively referred to as the “**Agreed Non-Tendering Shareholders**”), as of February 4, 2025, in which the Agreed Non-Tendering Shareholders each agreed not to tender any of the Target Company Shares it owns (total: 15,367,440 shares; ownership ratio: 38.04%) (the “**Agreed Non-Tendering Shares**”) in the Tender Offer, and which provides to the effect that upon successful completion of the Tender Offer, they will support each proposal related to the Squeeze-out Procedures (Note 3) at the Extraordinary Shareholders Meeting (Note 4). They also agreed in writing that upon request by the Tender Offeror before the share consolidation of the Target Company Shares (the “**Share Consolidation**”), which is to be conducted as part of the Squeeze-out Procedures, becomes effective, Mugen will execute a lending agreement with all or some of the other Agreed Non-Tendering Shareholders and engage in the Share Lending Transaction (Note 5) in relation to the Target Company Shares.

(Note 3) “**Squeeze-Out Procedures**” refers to the series of procedures that the Tender Offeror intends to implement so as to make itself and all or some of the Agreed Non-Tendering Shareholders the only shareholders of the Target Company if the Tender Offeror fails to acquire all of the Target Company Shares (however, excluding treasury shares owned by the Target Company and the Agreed Non-Tendering Shares) through the Tender Offer.

(Note 4) “**Extraordinary Shareholders Meeting**” refers to the shareholder’s meeting that the Tender Offeror intends to request to the Target Company after the successful completion of the Tender Offer, at which proposals for the Share Consolidation and an amendment to the Target Company’s articles of incorporation to abolish provisions on share unit numbers on the condition that the Share Consolidation becomes effective will be submitted, together with any other proposals.

(Note 5) “**Share Lending Transaction**” the transaction in which, if requested by the Tender Offeror, Mugen execute a share lending agreement with the all or some of the other Agreed Non-Tendering Shareholders and borrow all or some of the Target Company Shares owned by Mr. Hiroichi Yokoyama, Mr. Motohisa Yokoyama, and Mr. Yoshihiro Yokoyama, who will be the lenders, effective as of the time before the Share Consolidation becomes effective. Specifically, it is intended that (i) all or some of Mr. Hiroichi Yokoyama, Mr. Motohisa Yokoyama, and Mr. Yoshihiro Yokoyama will be the lenders in the Share Lending Transaction and lend all or some of the Target Company Shares they own to Mugen; and (ii) after the Share Consolidation becomes effective, Mugen, which is the borrower in the Share Lending Transaction, will cancel the Share Lending Transaction and return to the lenders, Target Company Shares in an amount equivalent to all of the Target Company Shares Mugen borrowed, thereby making all or some of the Agreed Non-Tendering Shareholders continue to own the Target Company Shares after the Squeeze-out Procedures.

Overview of the Tender Offer is as follows:

(1) Name of Target Company

PROTO CORPORATION

(2) Class of Shares Etc. to be purchased

Common shares

(3) Tender Offer Period

From February 5, 2025 (Wednesday) to March 21, 2025 (Friday) (30 Business Days)

(4) Tender Offer Price

JPY 2,100 per common share

(5) Number of Shares etc. Subject to Tender Offer

Class of Shares	Number of Shares to be Acquired	Minimum number of Shares to be purchased	Maximum number of Shares to be purchased
Common Shares	25,034,226 (shares)	11,567,000 (shares)	-shares
Total	25,034,226 (shares)	11,567,000 (shares)	-shares

(6) Commencement Date of Settlement

March 28, 2025 (Friday)

(7) Tender Offer Agent

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd  
Mitsubishi UFJ e Smart Securities Co., Ltd.

1-9-2 Otemachi, Chiyoda-ku, Tokyo  
3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo

With respect to details of the Tender Offer, please refer to the Tender Offer Registration Statement scheduled to be submitted February 5, 2025.

End.

**Restriction on Solicitation**

This press release is intended for the announcement of the Tender Offer to the general public and is not intended to solicit sales of shares. If anyone desires to sell his or her shares, the shareholder should review the Tender Offer explanatory statement and accept the Tender Offer in his or her own discretion. This press release is not considered as an offer or solicitation of sales of securities or as a solicitation of a purchase offer, and does not constitute any such part. This press release (or any part thereof) or the fact of its distribution does not provide a basis of any kind of agreement pertaining to the Tender Offer, and it may not be relied upon when executing any such agreement.

**Future Predictions**

The information provided hereto may include forward looking predictions such as “expect”, “predict”, “intend”, “plan”, “confident” and “assume,” including in relation with future businesses of the Tender Offeror and other companies etc. Such expressions are based on the current business prospects of the Tender Offeror subject to future changes depending on the circumstance. The Tender Offeror is not obligated to update the expressions of such information regarding forward looking predictions to reflect the actual business performance, various circumstances or change in conditions.

**U.S. Regulations**

The Tender Offer is conducted in accordance with the Financial Instruments and Exchange Act of Japan and related regulations and is subject to disclosure requirements that are different from those of the United States. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934, as well as the regulations promulgated thereunder, do not apply to the Tender Offer, and the Tender Offer is not conducted pursuant to such provisions. Financial statements and information included in this press release have not been prepared in accordance with accounting standards of United State. Also, it may be difficult to enforce rights and claims arising under the U.S. federal securities laws, since the Tender Offeror and Target Company are established outside of the United States, and some or all of its officers and directors may not be U.S. residents. It may not be possible to sue a non-U.S. company or person in courts outside the United States for violations of the U.S. securities laws. Furthermore, there is no guarantee that the jurisdiction of a U.S. court will be compelled to a company or person outside the United States or its affiliates.

Unless otherwise specified, all procedures relating to the Tender Offer will be conducted entirely in Japanese. While some or all of the documentation relating to the Tender Offer may be prepared in English, if there is any inconsistency between the English documentation and the Japanese documentation, the Japanese documentation will prevail.

This press release contains “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934. Due to any known or unknown risks, uncertainties, or any other factors, it is possible that actual results may substantially differ from the projections, etc., as expressly or implicitly indicated in any “forward-looking statements.” Neither the Tender Offeror, the Target Company nor any of its affiliated companies guarantee that such projections, etc. expressly or implicitly indicated in any “forward-looking statements” will prove to be correct. The “forward-looking statements” in this press release have been prepared based on the information held by the Tender Offeror as of the date of this press release, and, unless otherwise required by applicable laws and regulations, neither the Tender Offeror, the Target Company nor any of its affiliated companies are obliged to update or modify such statements in order to reflect any events or circumstances in the future.

**Other Countries**

Depending on the country or region, there may be legal restrictions on the release, issuance, or distribution of this press release. In such cases, please take note of such restrictions and comply with them. This press release does not constitute a solicitation of application to purchase, or sales of shares related to the Tender Offer and is simply deemed as distribution of materials for information purposes only.