



March 23, 2021

For Immediate Release

Company Name: FUNAI ELECTRIC CO., LTD.
 Name of Representative: Hideaki Funakoshi,
 Representative Director and President and CEO(Code:
 6839 TSE First Section)
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**Announcement of Opinion on the Tender Offer for Shares, Etc.
 in FUNAI ELECTRIC CO., LTD. by SHUWA SYSTEM HOLDINGS CO., LTD.**

FUNAI ELECTRIC CO., LTD. (the “Company”) hereby announces that it has resolved as stated below at the meeting of its board of directors held today to express its opinion in support of the tender offer for the Company’s common shares (the “Company Shares”) and the Stock Acquisition Rights (as defined in “2. Price for Purchase, Etc.” below) to be conducted by SHUWA SYSTEM HOLDINGS CO., LTD. (the “Tender Offeror”, and this tender offer, the “Tender Offer”), and to recommend that the shareholders of the Company tender their Company Shares in the Tender Offer and that the decision regarding whether or not to tender Stock Acquisition Rights in the Tender Offer will be left to the judgment of the holders of the Stock Acquisition Rights (the “Stock Acquisition Right Holders”).

The resolution of the board of directors stated above was made on the assumption that the Tender Offeror intends to make the Company its wholly-owned subsidiary through the Tender Offer and a series of subsequent procedures and that the Company Shares will be delisted.

1. Outline of Tender Offeror

(1)	Name	SHUWA SYSTEM HOLDINGS CO., LTD.
(2)	Location	4-2 Toyo 2-chome, Koto-ku, Tokyo
(3)	Name and title of representative	Tomokazu Ueda, President and Representative Director
(4)	Description of business	To acquire and hold the shares, etc. of the Company and to control and manage the business activities of the Company
(5)	Capital	JPY 1,360 million (as of March 23, 2021)
(6)	Date of incorporation	September 28, 2020
(7)	Major shareholders and share holding ratios (as of March 23, 2021)	SHUWA SYSTEM CO., LTD 100%
(8)	Relationship between the Tender Offeror and the Company	
	Capital relationship	N/A
	Personnel relationship	N/A
	Business relationship	N/A
	Status as related party	N/A

2. Price for Purchase, Etc.

- (1) JPY 918 per Company Share (the “Tender Offer Price”)
- (2) Stock Acquisition Rights
 - A. The first stock acquisition rights for the year ended March 2015 issued pursuant to the resolution approved at the ordinary general meeting of shareholders of the Company held on June 20, 2014 and at the meeting of the board of directors of the Company held on September 18, 2014 (the “FY

2014 Stock Acquisition Rights”) (the exercise period for which is from September 1, 2016 to August 31, 2023):

JPY 1 per unit

- B. The first stock acquisition rights for the year ended March 2017 issued pursuant to the resolution approved at the ordinary general meeting of shareholders of the Company held on June 28, 2016 and at the meeting of the board of directors of the Company held on January 11, 2017 (the “FY 2016 Stock Acquisition Rights”) (the exercise period for which is from September 1, 2018 to August 31, 2023):

JPY 1 per unit

- C. The first stock acquisition rights for the year ended March 2018 issued pursuant to the resolution approved at the ordinary general meeting of shareholders of the Company held on June 28, 2017 and at the meeting of the board of directors of the Company held on November 13, 2017 (the “FY 2017 Stock Acquisition Rights”) (the exercise period for which is from September 1, 2019 to August 31, 2024):

JPY 1 per unit

- D. The stock acquisition rights for the year ended March 2020 issued pursuant to the resolution approved at the ordinary general meeting of shareholders of the Company held on June 26, 2019 and at the meeting of the board of directors of the Company held on August 5, 2019 (the “FY 2019 Stock Acquisition Rights”, and collectively with the FY 2014 Stock Acquisition Rights, the FY 2016 Stock Acquisition Rights, and the FY 2017 Stock Acquisition Rights, the “Stock Acquisition Rights”) (the exercise period for which is from September 1, 2021 to August 31, 2026):

JPY 1 per unit

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

(1) Details of the Opinion on the Tender Offer

The Company resolved at its board of directors meeting held today to express an opinion in support of the Tender Offer, and to recommend that the shareholders of the Company tender their shares to the Tender Offer, and to leave to the Stock Acquisition Right Holders the decision of whether to tender their Stock Acquisition Rights to the Tender Offer based on the grounds and reasons stated in “(2) Grounds and Reasons for the Opinion on the Tender Offer” below.

The board of directors resolution was conducted as described in “E. Approval of Majority of Disinterested Directors (Including Those Who are Audit and Supervisory Committee Members) of the Company” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

(2) Grounds and Reasons for the Opinion on the Tender Offer

The grounds and reasons for the opinion on the Tender Offer that relate to the Tender Offeror are based on explanations received from the Tender Offeror.

A. Outline of the Tender Offer

The Tender Offeror is a stock company established on September 28, 2020 with the principal purpose of acquiring and holding the Company Shares and the Stock Acquisition Rights. All of the issued shares of the Tender Offeror are held by SHUWA SYSTEM CO., LTD (“Shuwa System”). Shuwa System’s business consists of publishing (mainly IT and business), systems construction, and software development. All of the issued shares of Shuwa System are held by its representative director, Mr. Tomokazu Ueda. Shuwa Group Co., Ltd. (“Shuwa Group”) was established in March 2018 as a wholly owned subsidiary of Shuwa System, and its representative director is Mr. Tomokazu Ueda; its principal business is to hold the shares of group companies engaged in various kinds of business and to manage the business activities of those companies. The Tender Offeror, Shuwa System, Shuwa Group, and Mr. Tomokazu Ueda do not hold any Company Shares or Stock Acquisition Rights as of today.

The Tender Offeror determined today to conduct the Tender Offer to acquire all of the Company Shares (including Company Shares to be delivered upon the exercise of the Stock Acquisition Rights, and excluding the Reserved Shares (defined below) held by Mr. Tetsuo Funai, the eldest son of the Company’s late founder Mr. Tetsuro Funai (“Tetsuro Funai”), and the Company’s largest major shareholder (shares held: 11,738,780 shares; ownership percentage (see Note 1): 34.18%; “Mr. Tetsuo Funai”) and the treasury shares held by the Company; the “Target Shares”) listed on the First Section of the Tokyo Stock Exchange (“TSE”) and the Stock Acquisition Rights as part of a series of transactions (the “Transaction”) intended to make the Company a wholly owned subsidiary of the Tender Offeror, which are predicated on the delisting of the Company Shares.

Note 1: “Ownership percentage” means the percentage (rounded to two decimal places) of the number of shares (34,348,166 shares) equal to the sum (36,359,996 shares) of the number of issued shares as of December 31, 2020 (36,130,796 shares) as stated by the Company in the “Financial Report for the Third Quarter of the Fiscal Year Ending March 31, 2021” submitted on February 10, 2021 (the “Company’s Financial Report for the Third Quarter”) plus the number of Company Shares (229,200 shares) underlying the total number of FY 2014 Stock Acquisition Rights, FY 2016 Stock Acquisition Rights, and FY 2017 Stock Acquisition Rights remaining as of December 31, 2020 and exercisable as of today (2,292 stock acquisition rights; see Note 2) less the number of treasury shares held by the company as of December 31, 2020 (2,011,830 shares) as stated in the “Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2021 (Japan Basis)” submitted on February 8, 2021 (the “Company’s Financial Results for the Third Quarter”); the same applies hereinafter. Because the exercise period of the FY 2019 Stock Acquisition Rights begins on September 1, 2021, the FY 2019 Stock Acquisition Rights cannot be exercised during the tender offer period of the Tender Offer (the “Tender Offer Period”); therefore, the number of Company Shares underlying the FY 2019 Stock Acquisition Rights (173,000 shares) is not added to the number of issued shares.

Note 2: The itemization of the Stock Acquisition Rights as of December 31, 2020 is as follows (the number of Company Shares underlying the Stock Acquisition Rights, the “Number of Potential Shares”):

Name	Number of Stock Acquisition Rights as of December 31, 2020	Number of Underlying Company Shares
FY 2014 Stock Acquisition Rights	93	9,300
FY 2016 Stock Acquisition Rights	894	89,400
FY 2017 Stock Acquisition Rights	1,305	130,500
FY 2019 Stock Acquisition Rights	1,730	173,000

Through the Transaction, the Tender Offeror intends (i) to make Mr. Tetsuo Funai and the Tender Offeror the sole shareholders of the Company through the Tender Offer and the share consolidation that the Company will conduct in the case where the Tender Offer is successful but the Tender Offeror is unable to acquire all of the Target Shares and the Stock Acquisition Rights through the Tender Offer (the “Share Consolidation”), (ii) to conduct a reduction of the capital stock and capital reserves of the Company (see Note 3; the “Capital Reduction”) pursuant to Article 447, paragraph 1 and Article 448, paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended; the “Companies Act”) in order to secure the distributable amount necessary to conduct the Purchase of Treasury Shares (defined below), and (iii) subject to the success of the Tender Offer and the effectiveness of the Share Consolidation, to cause the Company to conduct a purchase of treasury shares (the “Purchase of Treasury Shares”) to acquire all of the Reserved Shares, and ultimately make the Company a wholly owned subsidiary of the Tender Offeror. See “(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-Called “Two-Step Acquisition”)” below for details of the Share Consolidation, and “(ii) Capital Reduction (August 2021 (scheduled))” and “(iii) Purchase of Treasury Shares (August 2021 (scheduled))” in “III. After the Tender Offer” below for details of the Capital Reduction and the Purchase of Treasury Shares.

Note 3: In the Capital Reduction, the capital stock and capital reserves of the Company will be reduced and transferred to other capital surplus and other retained earnings.

As stated in “B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer,” prior to the Tender Offer, Shuwa Group (after the establishment of the Tender Offeror, the Tender Offeror and Shuwa Group) conducted ongoing consultations and negotiations with the Company and Mr. Tetsuo Funai after executing an agreement with Mr. Tetsuo Funai on March 10, 2020 for exclusive negotiating rights with respect to the purchase of the Company Shares held by Mr. Tetsuo Funai. As a result, in early October 2020, the Tender Offeror, Shuwa System and Mr. Tetsuo Funai confirmed their intentions to the effect that: (a) in executing the Transaction, the purchase price per share of the Company Shares held by Mr. Tetsuo Funai should be set at a level lower than the price offered per share of the Company Shares of other shareholders in order to offer the shareholders other than Mr. Tetsuo Funai an opportunity to sell at a higher price by setting the Tender Offer Price higher than it would be if the same purchase price per share were offered for both the Company Shares held by Mr. Tetsuo Funai and those held by other shareholders of the Company; and (b) for that purpose, Mr. Tetsuo Funai would not tender his Company Shares to the Tender Offer, and would instead sell all of the Company Shares that he holds, at a price of JPY 400 per share, through either (i) the Purchase of Treasury Shares or (ii) a private sale to the Tender Offeror after the Company Shares have been delisted through the Tender Offer and the Share Consolidation. On December 5, 2020, the Tender Offeror, Shuwa Group and Mr. Tetsuo Funai reached an agreement to the effect that Scheme (i) would be adopted because Scheme (i) would be more beneficial than Scheme (ii) in terms of reducing the Tender Offeror’s financing costs. In addition, on the same day, the Tender Offeror and Shuwa Group reached an agreement with Mr. Tetsuo Funai to increase the purchase price per share of the Reserved Shares from JPY 400 to JPY 403 in order to reduce the economic burden on Mr. Tetsuo Funai caused by the Transaction. On December 28, 2020, the Tender Offeror, Shuwa Group and Mr. Tetsuo Funai reached an agreement to the effect that while the Purchase of Treasury Shares itself would be conducted promptly after the delisting of the Company Shares, in order to avoid any negative effect on the Company’s financial situation and operating funds due to the Purchase of Treasury Shares, payment of the consideration for the Purchase of Treasury Shares would not be conducted at the time of the Purchase of Treasury Shares, and would instead be conducted on a date agreed upon through separate consultation in good faith between the Tender Offeror, the Company, and Mr. Tetsuo Funai based on the Company’s financial condition, operating capital, and other factors, which date would fall after the principal repayment date specified in the financing agreement between the Tender Offeror and Resona Bank, Limited (“Resona Bank”) with respect to the financing for the settlement of the Transaction. As a result, the Tender Offeror, Shuwa Group, the Company, and Mr. Tetsuo Funai today reached an agreement regarding, and the Tender Offeror, Shuwa System, the Company, and Mr. Tetsuo Funai today executed the Agreement on Capital Policy (the “Agreement”) stipulating, the terms and conditions of the Transaction, including (i) that Mr. Tetsuo Funai shall not tender any of the 11,738,780 Company Shares that he holds (ownership percentage: 34.18%; the “Reserved Shares”) to the Tender Offer, (ii) that the Company shall conduct the Share Consolidation subject to the success of the Tender Offer, and once the Tender Offeror and Mr. Tetsuo Funai have become the sole shareholders of the Company through the Share Consolidation, shall conduct the Capital Reduction and conduct the Purchase of Treasury Shares at the purchase price of JPY 403 per share of the Company Shares held by Mr. Tetsuo Funai, which is lower than the purchase price per share of JPY 918 offered to the shareholders other than Mr. Tetsuo Funai, and (iii) Mr. Tetsuo Funai shall sell the Reserved Shares to the Company through the Purchase of Treasury Shares and set the payment date of the purchase price in the Purchase of Treasury Shares to a date agreed upon through separate consultation in good faith between the Tender Offeror, Shuwa System, the Company, and Mr. Tetsuo Funai based on the Company’s financial condition, operating capital, and other factors, which date shall fall after the principal repayment date specified in the financing agreement between the Tender Offeror and Resona Bank with respect to the financing for the settlement of the Transaction.

The Tender Offeror has also entered into agreements with Funai Kosan Co., Ltd., the 9th-largest shareholder of the Company as of today, which was established as the asset management company of the founder’s family (shares held: 470,000 shares; ownership percentage: 1.37%; “Funai Kosan”), F2 YK (shares held: 470,000 shares; ownership percentage: 1.37%; “F2”) and T&N YK (shares held: 470,000 shares; ownership percentage: 1.37%; “T&N,” and collectively with Funai Kosan and F2, the “Shareholders Agreeing to Tender”) to the effect that each of the Shareholders Agreeing to Tender shall tender all of its Company Shares (total shares held: 1,410,000 shares; total ownership percentage: 4.11%) to the Tender Offer (collectively, the “Tendering Agreements”).

See “A. The Agreement” and “B. The Tendering Agreements” in “4. Details of Material Agreements Between the Tender Offeror and the Shareholders of the Company Concerning Tendering Shares in the Tender Offer” below for details of the Agreement and the Tendering Agreements.

In addition, on March 14, 2021, the Tender Offeror has received a communication from the Funai Foundation, the Company's third-largest shareholder, of which Mr. Tetsuo Funai is chairman (shares held: 1,740,000 shares; ownership percentage: 5.07%; "FFIT"), to the effect that the Funai Foundation confirmed at the extraordinary meeting of its board of directors on March 13, 2021 that it would tender all of the Company Shares that it holds to the Tender Offer, provided that the board of directors of the Company resolve to express an opinion in favor of the Tender Offer and recommend that the shareholders of the Company tender their shares to the Tender Offer, and subject to the separate adoption of official resolutions by the board of directors and board of councilors of the Funai Foundation. On March 17, 2021, the Tender Offeror has also received a communication from Funai Shougakukai, the Company's 12th-largest shareholder, of which Mr. Tetsuo Funai is chairman (shares held: 462,000; ownership percentage: 1.35%; "Funai Shougakukai"), to the effect that Funai Shougakukai intends to obtain resolutions from its board of directors and board of councilors, promptly after the commencement of the Tender Offer on March 24, 2021, toward tendering all of the Company Shares it holds to the Tender Offer. The Funai Foundation and Funai Shougakukai have not expressed any intention to set conditions on their tendering to the Tender Offer. The Tender Offeror has not executed a tendering agreement with FFIT or Funai Shougakukai (combined shares held: 2,202,000 shares; combined ownership percentage: 6.41%).

The Tender Offeror has set the minimum number of shares to be purchased through the Tender Offer (see Note 4) at 11,160,020 shares (ownership percentage: 32.49%), and the Tender Offeror will not purchase any of the share certificates, etc. tendered through the Tender Offer (the "Tendered Share Certificates, Etc.") if the aggregate number of the Tendered Share Certificates, Etc. is less than the minimum number of shares to be purchased. As the Tender Offeror aims to make the Company a wholly owned subsidiary of the Tender Offeror through the Tender Offer, a special resolution of the shareholder meeting of the Company will be required pursuant to Article 309, paragraph 2 of the Companies Act when conducting the share consolidation procedures described in "(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-Called "Two-Step Acquisition")" below. For this reason, the Tender Offeror and Mr. Tetsuo Funai have set the minimum number of shares to be purchased such that they will hold two thirds of the voting rights of all shareholders of the Company after the Tender Offer, in order to ensure that the Transaction can be completed. Conversely, given that the Tender Offeror intends to make the Company a wholly owned subsidiary through the Tender Offer, the Tender Offeror has not set a maximum number of shares to be purchased, and the Tender Offeror will purchase all of the tendered share certificates, etc. if the total number of the tendered share certificates, etc. exceeds the minimum number of shares to be purchased (11,160,020 shares).

Note 4: The minimum number of shares to be purchased (11,160,020 shares; ownership percentage: 32.49%) represents the product (22,898,800 shares) of (a) the number of voting rights (229,988 voting rights) equal to two thirds of the voting rights (343,481 voting rights) pertaining to the number of shares (34,348,166 shares) equal to the sum (36,359,996 shares) of the number of issued shares as of December 31, 2020 (36,130,796 shares) as stated by the Company in the Company's Financial Report for the Third Quarter plus the number of Company Shares (229,200 shares) underlying the total number of the FY 2014 Stock Acquisition Rights, the FY 2016 Stock Acquisition Rights, and the FY 2017 Stock Acquisition Rights remaining as of December 31, 2020 and exercisable as of today (2,292 stock acquisition rights) less the number of treasury shares held by the company as of December 31, 2020 (2,011,830 shares) as stated in the Company's Financial Results for the Third Quarter multiplied by (b) the Company's number of shares per unit (100 shares), less (c) the number of Reserved Shares as of today (11,738,780 shares).

The Tender Offeror plans to partially finance the settlement of the Tender Offer using financing from Resona Bank (the "Settlement Financing"), and will receive the Settlement Financing by the last business day before the start of the settlement period of the Tender Offer, subject to the success of the Tender Offer.

As stated in "(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-Called "Two-Step Acquisition")" below, if the Tender Offeror is unable to acquire all of the Company Shares and the Stock Acquisition Rights through the Tender Offer, it will request that the Company conduct the Share Consolidation as part of the Transaction, and finance the acquisition of the Company Shares equivalent to the total of the remainders arising through the Share Consolidation using financing from Resona Bank (the "Remainder Purchase Financing").

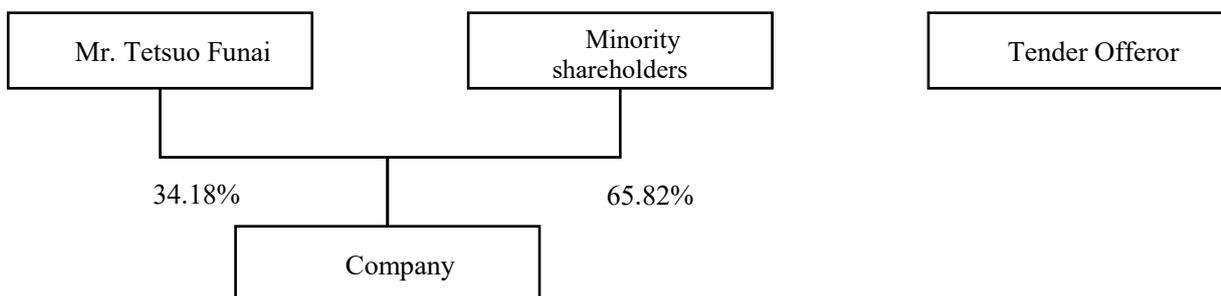
The details of the Settlement Financing and the Remainder Purchase Financing described above will be

provided for in the relevant financing agreements following separate consultation with Resona Bank. That financing agreement is intended to contain the standard provisions for similar financing agreements with respect to the loan drawdown conditions specified in the loan certificate attached to the registration statement for the Tender Offer and certain financial limitation provisions. It is planned that Mr. Tomokazu Ueda will be the joint and several guarantor of the Tender Offeror, and the ordinary shares of the Tender Offeror held by Shuwa System, the Company Shares acquired by the Tender Offeror through the Tender Offer, and certain assets of the Company will be provided as collateral under the financing agreements for the Settlement Financing and the Remainder Purchase Financing.

The general structure of the Transaction can be represented by the following diagrams.

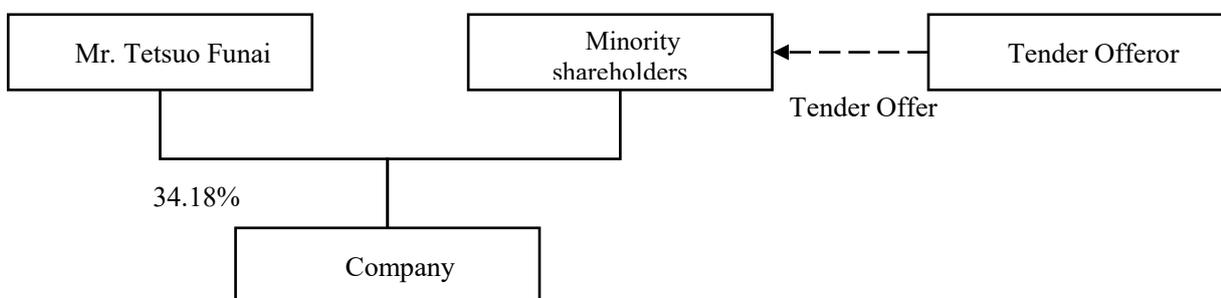
I. Before the Tender Offer

As of today, Mr. Tetsuo Funai holds 11,738,780 shares (ownership percentage: 34.18%), and the minority shareholders hold the remaining 22,609,386 shares (ownership percentage: 65.82%).



II. Tender Offer (March 24 through May 10, 2021)

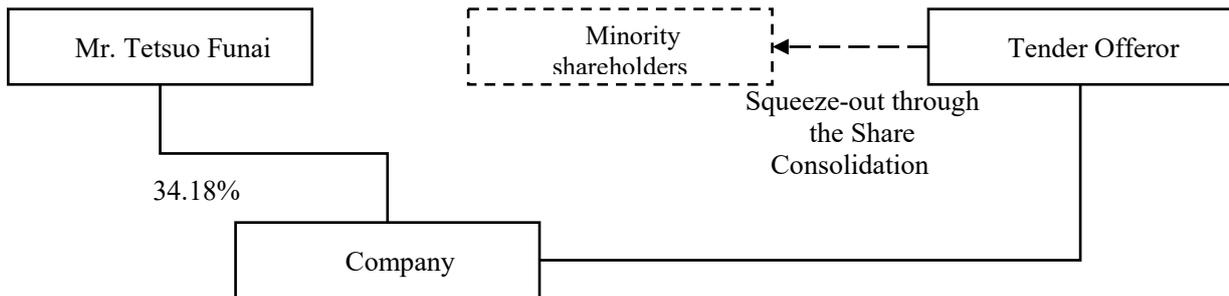
The Tender Offeror will conduct the Tender Offer for all of the Company Shares and the Stock Acquisition Rights (the Tender Offer Price will be JPY 918, and the purchase price per each of the Stock Acquisition Rights (the “Stock Acquisition Rights Purchase Price”) will be JPY 1).



III. After the Tender Offer

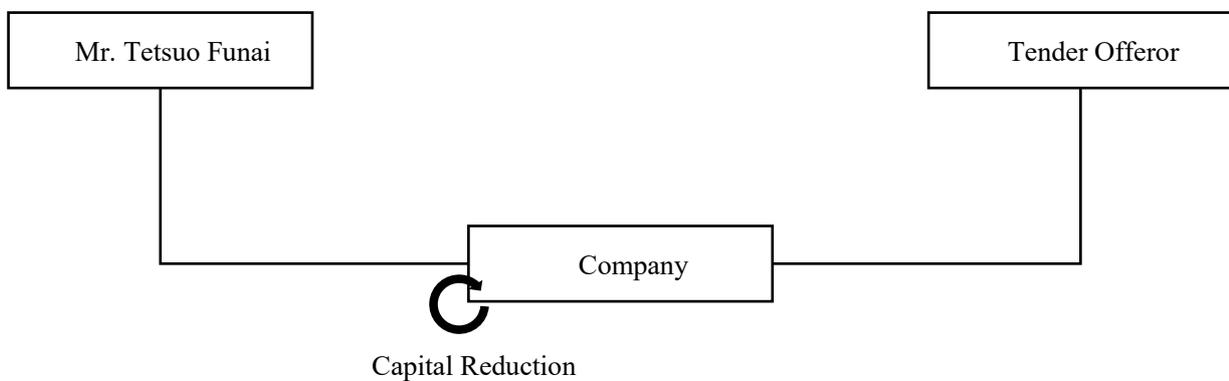
(i) Share Consolidation (August 2021 (scheduled))

If the Tender Offeror fails to acquire all of the Target Shares and the Stock Acquisition Rights through the Tender Offer, the Tender Offeror intends to request that the Company conduct the Share Consolidation procedures after the Tender Offer is completed, and conduct procedures such that the Tender Offeror and Mr. Tetsuo Funai become the sole shareholders of the Company.



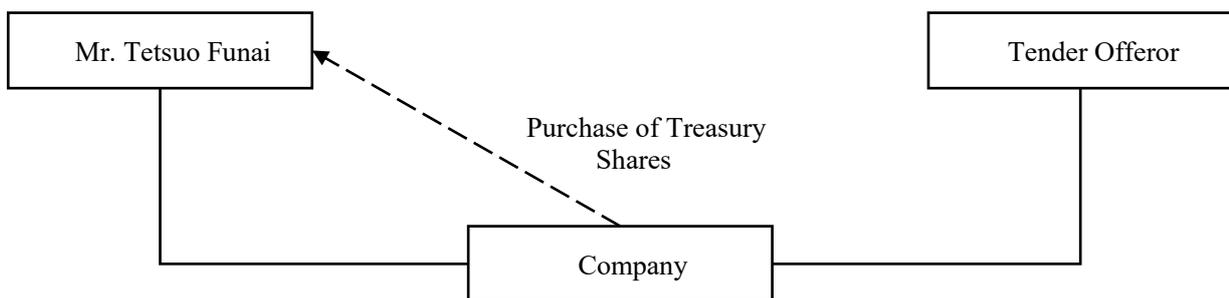
(ii) Capital Reduction (August 2021 (scheduled))

The Company Shares will be delisted, and after the Share Consolidation takes effect, the company will conduct the Capital Reduction in order to secure the distributable amount necessary for the Purchase of Treasury Shares in (iii) below.



(iii) Purchase of Treasury Shares (August 2021 (scheduled))

The Company will use the distributable amount secured through the Capital Reduction in (ii) above to conduct the Purchase of Treasury Shares (the Treasury Shares Purchase Price (defined in “(2) Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer” below) will be JPY 403). As a result, the Tender Offeror will make the Company its wholly-owned subsidiary.



B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer

Mr. Tomokazu Ueda, the representative director of the Tender Offeror and Shuwa System, joined Andersen Consulting (now Accenture) in May 1998, where he worked for ten years mainly on company-wide SCM reform (see Note 1), BPR (see Note 2) projects, and system innovation projects in the manufacturing industry (high technology industry and device industry). In March 2015, he founded and became the representative director of Ueno Group Co., Ltd. (“Ueno Group”), whose main business is investment. In December 2015, Ueno Group acquired all of the issued shares of the former Shuwa System from its wholly owning parent company, MCJ Co.,

Ltd., which is listed on the Second Section of the TSE, and in February 2016 conducted an absorption-type merger with Shuwa System as the surviving company and Ueno Group as the non-surviving company, which resulted in the formation of the current Shuwa System. Shuwa System was founded in December 1974 as Shuwa System Trading Co., Ltd. Since November 2016, when Mr. Tomokazu Ueda became its representative director and president and acquired all of its issued shares as described above, its businesses consist of publishing (mainly IT and business), system construction, and software development.

Note 1: “SCM” stands for supply chain management, the management and administration of a company to improve overall efficiency of production and logistics processes from materials procurement to delivery to consumers.

Note 2: “BPR” stands for business process re-engineering, radically reforming the organization and systems of a business in line with its original business purposes, and re-engineering its work content, work-flows, management and administration, IT systems and other structures from a process standpoint.

In addition, as of today, Shuwa System has eight consolidated subsidiaries including the Tender Offeror (Shuwa System and its eight consolidated subsidiaries (prior to the establishment of the Tender Offeror on September 28, 2020, its seven consolidated subsidiaries excluding the Tender Offeror) collectively, the “Tender Offeror Group”).

Mr. Tomokazu Ueda has invested in six companies through Shuwa Group, and has implemented measures to improve the performance and expand the business of each of those companies. Those six companies are: Shuwa System; Wing Corporation, which conducts business buying and selling existing apartments, real estate investment and management business, and is currently a member of the Tender Offeror Group; Cradle Co., Ltd. (Yokohama-shi, Kanagawa), which conducts internal fittings business including renovation of existing apartments and houses; Soken Group Co., Ltd. and Shibata Soken YK (Kuwana-shi, Mie), which conduct renovation and real estate business, etc.; Keiyashachu Co., Ltd. (“Keiyashachu”) (Kyoto-shi, Kyoto), which conducts advertising agency and management consulting business; and Kamata Co., Ltd. (Yugawara, Ashigarakami-gun, Kanagawa), which operates Japanese-style inns.

The Tender Offeror Group, in addition to improving and reforming the management of its various operating companies, also seeks to sustainably enhance corporate value by expanding its scale through M&A transactions such as this transaction. Under its basic policies of “improving efficiency by leveraging and motivating existing human resources,” “growth strategy leveraging core business strengths” and “accelerating organizational reforms,” the Tender Offeror Group aims to improve the efficiency of the whole group by encouraging group companies to develop management systems and strengthen governance while leveraging potential and existing business assets.

The Company was established in August 1961 as a spin-off of Funai Light Machinery Manufacturing Co., Ltd., due to the expansion of its transistor radio business. The Company went on to diversify its business by manufacturing and selling video equipment, information and communications equipment, home appliances, and other devices, with video equipment as its main focus. The Company performed well thanks to its proactive expansion into overseas markets, and in February 1999 it listed on the Second Section of the former Osaka Stock Exchange (“OSE”), followed by the First Section of the TSE and the First Section of the OSE in March 2000. In July 2013, with the merger of the OSE and the TSE, the Company became solely listed on the First Section of the TSE.

The corporate group consisting of the Company, its 28 subsidiaries, and its one affiliated company (as of today; the “Company Group”) pursues its business activities with the basic policy of building strong bonds of trust and furthering the mutual prosperity of all people connected to the Company by building the most efficient systems of development, production and distribution to consistently provide high-quality products to the global market at an appropriate price, in accordance with its corporate commitments to “adopt continual product improvements,” to “continually promote ever deeper trust,” and to “seek further harmony and mutual prosperity.” In addition, the Company Group aims to further enhance corporate value by establishing new businesses, reorganizing its production bases, training personnel, and taking other measures to respond appropriately to global environmental changes.

Around late September 2017, in light of the Company’s performance, Mr. Tetsuo Funai came to believe

that, as the eldest son of the Company's founder, he needed to improve the Company's performance and return it to growth; however, as the largest major shareholder of the Company, he considered it better to entrust the revitalization of the Company's performance and the promotion of its medium- to long-term development and growth to a manager with experience in returning stagnating companies to growth, rather than engaging in that work himself. Beginning in late August 2018, Mr. Tetsuo Funai had opportunities to meet with multiple investment funds through Mr. Akihiro Kuromiya, the senior managing director of the Company's 9th-largest shareholder, Funai Kosan. However, he was unable to develop a relationship of trust with any of those investment funds. Then, on August 30, 2019, Mr. Tetsuo Funai consulted, through Mr. Kuromiya, with Mr. Koji Bando—then an adviser of the Company (he stepped down from that position as of May 31, 2020) who had experience with returning NTT Plala Inc. (formerly GrR HomeNet Corporation; "NTT Plala") to revenue growth and profitability after it had been running a loss at the time of his appointment as representative director and president on June 24, 1998—regarding his desire to entrust the promotion of the Company's medium- to long-term development and growth to a manager trusted by Mr. Kuromiya and Mr. Bando, and his willingness to assign his own Company Shares to that manager to that end. Mr. Bando determined in early September 2019 that it would be appropriate to entrust the preparations for the Company's recovery and medium- to long-term development and growth to, and collaborate on measures to return the Company to growth with, Mr. Tomokazu Ueda, the representative director and president of Keiyashachu (where Mr. Bando serves as an adviser) and the representative director of Shuwa Group, given that Mr. Tomokazu Ueda has extensive experience in M&A and experience with improving the performance and expanding the business of the companies in which he invests. In early September 2019, Mr. Bando made a proposal to and obtained approval from Mr. Tetsuo Funai to work with Mr. Tomokazu Ueda on returning the Company to growth. He explained the above background to Mr. Tomokazu Ueda, and requested that he work with Mr. Bando to return the Company to growth. Upon receiving that request, Mr. Tomokazu Ueda determined that the Tender Offeror Group could expect to expand and grow its business by acquiring the Company Shares held by Mr. Tetsuo Funai and a certain amount of the Company Shares held by other shareholders and that Mr. Tomokazu Ueda's personal expertise in the manufacturing industry built up through Andersen Consulting would be of use in supporting the growth of the Company, and in early September 2019 he began strategic deliberations toward enhancing the Company's corporate value.

In late November 2019, Mr. Bando and Mr. Tomokazu Ueda explained to Mr. Tetsuo Funai through Mr. Kuromiya that the ideal policy for the Company's recovery, development and return to profitability over the medium- to long term was to bring in a leader like the late Tetsuro Funai who could clearly establish management policies and lead their implementation, and to motivate and effectively utilize existing personnel and bring in appropriate personnel from outside in order for that leader to demonstrate their leadership skills in actual management, and to monitor the business and cost structures to allow swift and appropriate business decisions and implement a system enabling BPR, and obtained Mr. Tetsuo Funai's agreement. From early February through early March 2020, Shuwa Group met with Mr. Tetsuo Funai two times to discuss options for decisively and swiftly enhancing the Company's corporate value, including the possibility of delisting the Company, and the Company's future. Shuwa Group explained to Mr. Tetsuo Funai its policy for the operation of the Company, namely to streamline operations while constructing a system that enables swift business decision-making and the development of new businesses through referrals of personnel and alliance partners by leveraging Mr. Bando's experience in returning a loss-running business to profitability through new business development and Mr. Tomokazu Ueda's extensive M&A experience, experience improving the performance and expanding the business of investment targets, and experience in streamlining manufacturing businesses, and the networks built up by Mr. Bando and Mr. Tomokazu Ueda, and on March 10, 2020, Mr. Tetsuo Funai and Shuwa Group entered into an agreement regarding exclusive negotiating rights with respect to the acquisition of the Company Shares held by Mr. Tetsuo Funai, having come to a shared understanding based on that policy.

On April 1, 2020, Shuwa Group made a request to meet with the Company via e-mail, which the Company accepted. Shuwa Group met with the Company on April 3, 2020 regarding starting talks to discuss acquiring the Company Shares, gave an outline of the Tender Offeror Group and an explanation of the background and purpose of the acquisition of the Company Shares, and requested the Company's cooperation in due diligence. In early April 2020, Shuwa Group has judged that the probability of improving the Company's performance would be increased by operating the Company in accordance with the above policy, and that the Tender Offeror Group would be able to further expand its business and enhance its overall group branding using the Company's existing brand power in the electrical appliances industry. In order to achieve those goals, Shuwa Group believed that it must acquire the Company Shares held by Mr. Tetsuo Funai and a certain amount of the Company Shares held by other shareholders, and also that it must carefully deliberate whether it is necessary to delist the Company Shares. For this reason, Shuwa Group aimed to acquire at least two thirds of the voting rights of the shareholders of the Company, including the Company Shares held by Mr. Tetsuo Funai and a certain amount of

the Company Shares held by other shareholders, while not ruling out either possibility with respect to keeping the Company public or delisting it. On this premise, Shuwa Group submitted a preliminary letter of intent to the Company regarding the acquisition of the Company Shares on May 8, 2020, gave an outline of the Tender Offeror Group, and explained to the Company in further detail the background and purposes of the acquisition of the Company Shares, its intention to make a tender offer to acquire the Company Shares, an outline of the schedule, the subjects and methods of the due diligence, and that Shuwa Group will propose the details of the scheme, including the concrete number of shares to be acquired and the maximum and minimum number to be acquired, after the due diligence.

Shuwa Group subsequently came to believe that maintaining the Company's listed status while working to achieve development and growth in the medium- to long-term may not necessarily be the best strategy, given the necessity to construct a system that would enable swift management decisions and new business development for restructuring while also conducting significant future-focused investments toward streamlining the business, which would trigger an unavoidable short-term decline in profitability that would affect minority shareholders, and potentially a large drop in the Company's share price due to insufficient evaluation by capital markets, and that the costs of maintaining listed status (such as ongoing disclosure costs and the like) were a burden on the Company's business. In contrast, Shuwa Group believed that by delisting the Company, it could work on improving the Company's business over the medium- to long-term, and more quickly and effectively enhance the Company's corporate value and achieve future business development. During the consultations with Mr. Tetsuo Funai in early June 2020 toward enhancing the Company's corporate value, there was discussion about the possibility of delisting the Company in order to rapidly restructure the Company based on the above considerations. Mr. Tetsuo Funai agreed that delisting the Company would contribute more to quickly and effectively enhancing the Company's corporate value and achieving future business development and rapid restructuring of the Company than would maintaining the Company's listed status while working to achieve development and growth in the medium- to long-term, and as such, on June 17, 2020, Shuwa Group indicated to the Company that it was also considering delisting the Company, although the due diligence had not yet been conducted.

With the Company's agreement, Shuwa Group conducted the due diligence on the Company from early July to late September 2020. In early October 2020, Shuwa Group concluded, based on the results of that due diligence and the challenging market environment surrounding the Company, that in order for the Company to achieve development and growth in the medium- to long-term, it would be necessary to clearly define management policies and bring in leadership committed to those policies, revitalize and streamline the Company's organization by implementing incentive payments and bringing in outside personnel, ensure sustainable price competitiveness in existing business through cost reviews, improve profitability by enhancing selling power, develop and rapidly bring to profitability new businesses leveraging existing technologies, and conduct M&A to supplement those initiatives. Specifically, Shuwa Group considered the following strategies to be effective in enhancing the Company's corporate value:

- (i) Bringing in leadership to clearly define management policies and revitalizing and streamlining the Company's organization

In the market environment surrounding the Company, which is challenging in terms of both price competition and competition for market share, it is essential to clearly define management policies and bring in leadership committed to those policies to enable swift and precise decision-making. Specifically, Shuwa Group believes it would be possible to create an organization that enables swift and precise decision-making by engaging Mr. Koji Bando as a director with the right to represent the Company, with the aim of returning the Company to growth by leveraging Mr. Bando's 21 years of experience as the representative of NTT Plala, where he made decisions as a leader by personally negotiating with business partners while clearly demonstrating the management policies and led the establishment of an organizational structure that enabled swift decision-making. NTT Plala was running a loss at the time of his appointment as representative, but he returned it to revenue growth and profitability by steadfastly enacting business reforms from a long-term perspective and swiftly developing new businesses, such as the provider business and video broadcasting business, with the objective of opening up new business areas.

In addition, through up-front investment in system integration (SI), the Company can retire the data compilation processes currently being done by hand, enable real-time monitoring of management data, and support faster managerial judgments and decision-making, from the perspective of enhancing corporate value and returning to growth in the medium- to long-term. While the Company had been aware of the need to

implement SI and monitor management data in real time, it had been delaying that implementation because the cost-return relationship of SI is difficult to explain to shareholders and investors as it requires initial investment that will not necessarily produce short-term results, and there were insufficient personnel capable of defining the SI criteria for the whole company. The Tender Offeror believes that by delisting the Company, implementation of SI will become a possibility.

From the perspective of leveraging existing human resources, Shuwa Group is considering implementing a performance-linked compensation system for the Company's officers and employees. Such a system may motivate officers and employees and bring them together as one to return the Company to profitability. In addition, by involving new staff in the formulation of the Company's business plans, the next generation of management can gain an awareness of management participation from an early stage.

Furthermore, Shuwa Group believes that under the Company's current system, each director and executive officer has a large burden of duties, and that by hiring talented personnel from outside the Company through the Tender Offeror Group's network, it will be able to increase the Company's decision-making speed and quickly streamline its business. The specific targets for hiring are mainly anticipated to be executive staff to handle reforms and non-Japanese officers and employees, with the aim of having more staff to handle areas such as work-flow improvements, increasing efficiency of overseas bases, and overseas expansion, because the Company is currently understaffed in these areas. The role of executives handling reforms is anticipated to include identifying current challenges, explaining issues as necessary to achieve resolutions, building a system for implementing reforms, following up on practical implementation with the relevant parties toward resolving issues, and actually engaging in practical implementation when a systemic response is required, based on the company-wide reform policy and BPR policy. The role of non-Japanese officers and employees is expected to include hiring at overseas bases and tailoring operations to the customs and realities of different countries, based on the Company's future business developments and globally focused growth strategy.

(ii) Ensuring ongoing price competitiveness of existing businesses through cost reviews

The Company holds assets that are not essential to the enhancement of corporate value and growth over the medium- to long-term, including some real estate assets that are not used for the Company's business, which gives rise to certain management costs. Shuwa Group anticipates assessing the importance of the Company's assets, and selling off any assets considered non-essential for the development of its business. In addition, the promotion of SI will also enable the Company to retire the data compilation processes currently being done by hand, fully implement administration and management based on numerical financial analysis, establish and management administrative indices to shift to high value-added operations, optimize operating costs, and secure ongoing cost competitiveness. Furthermore, given that the Company's ratio of research and development expenses to sales is currently around 20% greater than that of its competitors, the Company could review costs versus returns for each research and development topic to optimize costs, reduce low-importance advertising expenses from a cost-return perspective, and otherwise review its costs.

(iii) Enhancing selling power to improve profitability

The main sales channel for video equipment, one of the Company's major product categories, is sales at brick-and-mortar stores operated by companies such as Walmart Inc. and Yamada Holdings Co. Ltd. However, Shuwa Group believes that in light of the market trend toward a larger proportion of electronics being purchased online, the Company also needs to pursue e-commerce business and diversify its sales channels. Going forward, it is anticipated that the Company will consider incorporating content provided by platform operators and implementing a subscription model.

In addition, the majority of the Company's consolidated revenue is represented by sales under the Sanyo and Philips brands in the United States, not the Funai brand. Shuwa Group believes that the Company's profitability is reduced by using non-Funai brands, which gives rise to royalties. Therefore, Shuwa Group believes that the Company should also consider establishing a different brand through coordination with existing retailers in the long term. Shuwa Group also believes that it is necessary to expand the AV business, which is the Company's major business area, to other markets outside of the existing markets such as United States, Japan and Mexico. Through these efforts, the Company can enhance its selling power and increase profitability.

(iv) Finding and developing new businesses for rapid profitability supplemented by M&A

With the Company's existing business portfolio, the Company's overall performance is affected by changes in panel prices. Therefore, in order to stabilize the Company's performance, new businesses must be found, developed, and rapidly brought to profitability, in addition to deepening existing businesses. For that reason, Shuwa Group considers it important that the Company proactively pursue business alliances and joint research and development of technologies to achieve functions that contribute to the enhancement of its product portfolio, for which purpose it should maximally leverage the network of the Tender Offeror Group to accelerate the deliberation and selection of partners, and enhance the Company's existing "alliance strategy."

In conducting M&A to grow its business and supplement these efforts, the Company should coordinate with financial institutions to find and develop potential transactions, and select business types where it can maximally leverage its strengths in manufacturing, with a special emphasis on "lifestyle-related business," which is where Tetsuro Funai focused his efforts continuously.

Furthermore, by maintaining its relationship with Funai Kosan, which has taken the lead in finding and developing the Company's new businesses up to this point, and continuing to uncover new businesses valuable to the Company while bringing in and leveraging personnel from a broad network, it is anticipated that the Company will be able to further enhance the above "alliance strategy," expand existing businesses to new potential clients, bring new businesses to rapid profitability, and more efficiently identify and pursue potential M&A targets.

While Shuwa Group deliberated the specific terms and conditions of the Transaction, including the Tender Offer, Shuwa System established the Tender Offeror on September 28, 2020 as a vehicle for conducting the Transaction.

After conducting due diligence, the Tender Offeror and Shuwa Group held discussions with Mr. Tetsuo Funai and the Company regarding the implementation of the Transaction, in the course of which they reviewed their forecasts of how shareholders would respond to the Tender Offer based on motivations for selling, including the Company's corporate value and the market share price and trading volume of the Company Shares. As a result, in early October 2020, they proposed that the purchase price per share of the Company Shares held by Mr. Tetsuo Funai should be set at a level lower than the price offered per share of the Company Shares of other shareholders in order to offer the shareholders other than Mr. Tetsuo Funai an opportunity to sell at a higher price by setting the Tender Offer Price higher than it would be if the same purchase price per share were offered for both the Company Shares held by Mr. Tetsuo Funai and those held by other shareholders of the Company, and that Mr. Tetsuo Funai should not tender his Company Shares to the Tender Offer, and instead sell all of the Company shares that he holds, at a price of JPY 400 per share, through either (i) the Purchase of Treasury Shares or (ii) a private sale to the Tender Offeror after the Company Shares have been delisted through the Tender Offer and the Share Consolidation. In response, while specific estimates had not been prepared, Mr. Tetsuo Funai confirmed that irrespective of whether Scheme (i) or Scheme (ii) were to be adopted, there would be no tax-related benefit to himself, and that the economic benefits realized by Mr. Tetsuo Funai in the case that Scheme (i) or Scheme (ii) were adopted would be less than the economic benefit he could realize by tendering his Company Shares to the Tender Offer. However, in light of the Company's performance, Mr. Tetsuo Funai believed that, as the eldest son of the Company's founder, he needed to improve the Company's performance and return it to growth. Thus, Mr. Tetsuo Funai determined that the success of the Transaction was important for the Company's corporate value enhancement and future business development, and expressed that he wanted to increase the viability of the Transaction and prioritize the economic returns offered to shareholders other than himself. In early October 2020, he responded to the effect that he consented to not tendering his Company Shares to the Tender Offer, and instead selling all of his Company Shares at a price of JPY 400 per share through method (i) or (ii) above, from the perspective of cooperating in the Transaction as a member of the founding family and the largest shareholder.

In response, the Tender Offeror and Shuwa Group submitted to the Company and the special committee established by the Company (for details of the special committee, see "A. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee" in "(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below) a written opinion on the Transaction dated November 26, 2020 (the "Opinion of November 26, 2020") to the effect that: the Tender Offeror would acquire all of the Company Shares and the Stock Acquisition Rights through the Tender Offer and the subsequent Share Consolidation; the Tender Offeror would adopt a scheme in which the Reserved Shares are acquired through method (i) or (ii) above after delisting the Company Shares following the Tender Offer and the Share Consolidation; the Tender Offer

would commence on February 9, 2021; and the total value of the Company Shares should be approximately JPY 21.5 billion, the Tender Offer Price should be JPY 750, the Stock Acquisition Rights Purchase Price should be JPY 1, and the price per share of the Reserved Shares (the “Treasury Shares Purchase Price”) should be JPY 400 as the result of consultations with Mr. Tetsuo Funai based on thoroughgoing consideration for the results of multifaceted and comprehensive analysis of the Company’s business and finances based on the results of due diligence, the level of premiums granted when setting the tender offer price in similar past tender offers for the purpose of acquisition as a wholly owned subsidiary by an entity other than the issuer, the movements of the Company’s market share price and trading volume, and the forecasts of how shareholders would respond to the Tender Offer. The Stock Acquisition Rights have been granted to the officers and employees of the Company and its related companies as stock options, and one of the conditions of exercise is that the holder maintains the status of director, auditor, executive officer, or employee of the Company or a related company at the time of exercise; as such, in the Opinion of November 26, 2020, the Tender Offeror and Shuwa Group proposed a Stock Acquisition Rights Purchase Price of JPY 1, given that even if the Tender Offeror acquires the Stock Acquisition Rights it will be unable to exercise them. The Company and the special committee did not make any specific response at that time, but responded on March 12, 2021 that because the proposed Stock Acquisition Rights Purchase Price is merely a nominal price, it would not be recommending that the Stock Acquisition Right Holders tender the Stock Acquisition Rights to the Tender Offer.

Subsequently, the Tender Offeror and Shuwa Group continued consultations and negotiations with the Company, the special committee, and Mr. Tetsuo Funai regarding the Transaction, including the Tender Offer Price. Specifically, between November 30, 2020 and January 10, 2021, the Tender Offeror and Shuwa Group received a total of four question sheets from the Company and the special committee, which it answered. In the meantime, the Tender Offeror and Shuwa Group continued to deliberate whether to adopt Scheme (i) or Scheme (ii) above, and on December 5, 2020, concluded that Scheme (i) would be more beneficial than Scheme (ii) in terms of reducing the Tender Offeror’s financing costs. On the same day, the Tender Offeror made a proposal to Mr. Tetsuo Funai to adopt Scheme (i), explaining the reasoning therefor and the fact that no matter which of the above schemes was adopted, the timing of the completion of the acquisition of the Company as a wholly owned subsidiary and the economic benefit realized by Mr. Tetsuo Funai would be the same. Mr. Tetsuo Funai agreed to adopting Scheme (i) on the same day after confirming that the economic benefit that he would personally receive through the Purchase of Treasury Shares would be less than that which he would receive through tendering his shares to the Tender Offer. In addition, in order to reduce the economic burden on Mr. Tetsuo Funai as a result of the Transaction, the Tender Offeror and Shuwa Group reached an agreement with Mr. Tetsuo Funai on the same day to increase the Treasury Shares Purchase Price from JPY 400 to JPY 403. The Tender Offeror and Shuwa Group have also confirmed that the economic benefits realized by Mr. Tetsuo Funai through Scheme (i) would be less than through the tendering to the Tender Offer, and the Tender Offeror Group and the Company do not intend to pay any consideration or compensation to Mr. Tetsuo Funai in connection with the Purchase of Treasury Shares in the Transaction other than the consideration for the Purchase of Treasury Shares. In addition, in order to avoid any negative effect on the Company’s financial situation and operating capital due to the Purchase of Treasury Shares, the Tender Offeror, Shuwa Group, and Mr. Tetsuo Funai agreed on December 28, 2020 that while the Purchase of Treasury Shares itself would be conducted promptly after the delisting of the Company Shares, in order to avoid any negative effect on the Company’s financial situation and operating funds due to the Purchase of Treasury Shares, payment of the consideration for the Purchase of Treasury Shares would not be conducted at the time of the Purchase of Treasury Shares, and would instead be conducted on a date agreed upon through separate consultation in good faith between the Company, the Tender Offeror, and Mr. Tetsuo Funai based on the Company’s financial condition, operating capital, and other factors, which date shall fall after the principal repayment date specified in the financing agreement between the Tender Offeror and Resona Bank with respect to the financing for the settlement of the Transaction. In addition, the Tender Offeror and Shuwa Group made a proposal to the Company and the special committee on January 10, 2021 to adopt Scheme (i) above, including the reasoning therefor. On January 25 and February 5, 2021, in response to the special committee’s inquiries as to whether Mr. Tetsuo Funai had agreed to adopt Scheme (i), the Tender Offeror and Shuwa Group replied to the special committee to the effect that Mr. Tetsuo Funai had agreed to adopt that scheme.

On January 18, 2021, the Tender Offeror and Shuwa Group received a request from the Company and the special committee to increase the Tender Offer Price due to the above Tender Offer Price of JPY 750 not being fair and not sufficiently taking into account the interests of the Company’s minority shareholders. On January 20, the Tender Offeror determined that it should give more consideration to the interests of the minority shareholders, and made a proposal to the Company and the special committee with a Tender Offer Price of JPY 780 and a Treasury Shares Purchase Price of JPY 403.

However, on February 3, 2021, the Tender Offeror and Shuwa Group received a request from the Company and the special committee to delay the commencement of the Tender Offer because, due to the prolonged duration of consideration of the Transaction caused by the negotiations with the Tender Offeror, it now needed to secure enough time to discuss the Company's corporate value and the Tender Offer Price with the Tender Offeror and Shuwa Group based on its new draft business plan, which had been reviewed and amended based on the most recent business environment after being prepared and reported to the board of directors in August 2020 (the "Business Plan"). Accordingly, on February 5, 2021, the Tender Offeror and Shuwa Group proposed to the Company and the special committee that the commencement of the Tender Offer be delayed from February 9, 2021 to March 4, 2021, and on February 19, 2021 the Company and the special committee agreed to continue consultations and negotiations on the premise that the Tender Offer, if conducted, would commence on March 4, 2021. After the request to delay the commencement of the Tender Offer on February 3, 2021, the Tender Offeror and Shuwa Group again received a question sheet from the Company and the special committee, which they answered.

On February 17, 2021, the Tender Offeror and Shuwa Group received a request from the Company and the special committee to increase the Tender Offer Price due to the above Tender Offer Price of JPY 780 not being fair and not sufficiently taking into account the interests of the Company's minority shareholders. On February 19, 2021, the Tender Offeror and Shuwa Group made a proposal to the Company and the special committee with a Tender Offer Price of JPY 800, but the Company and the special committee responded on that day to the effect that the Tender Offer Price of JPY 800 was not a fair price and the interests of the minority shareholders were not sufficiently taken into account, and requested that the Tender Offeror and Shuwa Group consider further increasing the Tender Offer Price, without indicating any specific price. However, the Tender Offeror and Shuwa Group considered the Tender Offer Price of JPY 800 to sufficiently address the interests of the shareholders of the Company, and on February 26 offered to the Company and the special committee the Tender Offer Price of JPY 800, and proposed that if they did not agree to the Tender Offer Price of JPY 800, the Tender Offeror and Shuwa Group would consider raising the Tender Offer Price to JPY 808, subject to consultations with Resona Bank and Mr. Tetsuo Funai.

However, on February 26, 2021, the Company and the special committee told the Tender Offeror and Shuwa Group that they could not recommend that the shareholders tender at the proposed Tender Offer Price of JPY 800, nor JPY 808 or any slightly higher Tender Offer Price, and inquiring whether the Tender Offer Price could be raised significantly. Although the Tender Offeror and Shuwa Group considered the Tender Offer Price of JPY 800 to sufficiently address the interests of the shareholders of the Company as stated above, on March 1, 2021, the Tender Offeror and Shuwa Group having received that message from the Company and the special committee, made a proposal to the Company and the special committee to raise the Tender Offer Price to JPY 900, subject to consultations with Resona Bank and Mr. Tetsuo Funai, and to delay the commencement of the Tender Offer beyond March 4, 2021 to secure time to conduct those consultations. On March 2, 2021, the Company and the special committee responded that although a Tender Offer Price of JPY 900 would exceed the estimated range reported to the Company by Daiwa Securities Co., Ltd. ("Daiwa Securities") at that time based on discounted cash flow analysis ("DCF Analysis"), it was lower than the estimated range reported to the special committee by Plutus Consulting ("Plutus") at that time based on DCF Analysis, and so could not be recommended to the shareholders. The Company and the special committee thus requested that the Tender Offer Price be increased, and that part of the increase be financed by equity financing from Shuwa Group or Shuwa System, in order to avoid increasing the Company's interest-bearing liabilities through the absorption-type merger in which the Tender Offeror is the absorbed company and the Company is the surviving company that is planned for after the Transaction is completed. At the same time, the Company and the special committee agreed to continue discussions and negotiations on the premise of delaying the commencement of the Tender Offer beyond March 4, 2021. For details of this absorption-type merger, see "C. Management Policy After the Completion of the Tender Offer and the Transaction" below.

On March 8, 2021, the Tender Offeror and Shuwa Group explained to the Company and the special committee that the Tender Offeror would finance the increase in the Tender Offer Price through an equity contribution from Shuwa System. Because the Tender Offer Price of JPY 900 proposed to the Company and the special committee on March 2 had been lower than the estimated range reported to the special committee by Plutus at that time based on DCF Analysis, the Tender Offeror and Shuwa Group also made a proposal to increase the Tender Offer Price to JPY 918, which was greater than the minimum value of that range and within the scope of possible proposals based on that equity financing. The Company and the special committee informed the Tender Offeror and Shuwa Group that the Tender Offer Price of JPY 918 exceeded the minimum value of that range

and agreed to that proposal on March 9.

While negotiating with the Company and the special committee on and after February 3, 2021, no negotiations were held with Mr. Tetsuo Funai regarding increasing the Treasury Shares Purchase Price.

Following the above proposals and negotiations, the Tender Offeror, Shuwa System, the Company, and Mr. Tetsuo Funai entered into the Agreement today, specifying a Tender Offer Price of JPY 918, a Stock Acquisition Rights Purchase Price of JPY 1, a Treasury Shares Purchase Price of JPY 403, and various other terms of the Transaction. After three rounds of arm's-length negotiations between the Tender Offeror, Shuwa Group, and the Shareholders Agreeing to Tender between early April and early October 2020, the Tender Offeror today entered into the Tendering Agreements with each of the Shareholders Agreeing to Tender specifying a Tender Offer Price of JPY 918 and damages in the event of a breach, confidentiality obligations, obligations prohibiting the transfer of rights and obligations under the Tendering Agreements, obligations to consult in good faith regarding matters not provided for in the Tendering Agreements, and various other terms of the Transaction. For details of the Agreement and the Tendering Agreements, see "4. Details of Material Agreements Between the Tender Offeror and the Shareholders of the Company Concerning Tendering Shares in the Tender Offer" below.

After those consultations and negotiations, the Tender Offeror determined today to conduct the Transaction, including the Tender Offer, at the Tender Offer Price of JPY 918 and the Stock Acquisition Rights Purchase Price of JPY 1, and the Purchase of Treasury Shares at the Treasury Shares Purchase Price of JPY 403, with the objective of making the Company a wholly owned subsidiary of the Tender Offeror.

C. Management Policy After the Completion of the Tender Offer and the Transaction

If the Tender Offer is completed, the Tender Offeror intends to (i) make Mr. Tetsuo Funai and the Tender Offeror the only shareholders of the Company through the Share Consolidation, (ii) conduct the Capital Reduction for the purpose of procuring a distributable amount necessary for the Company's Purchase of Treasury Shares, and (iii) eventually become a wholly-owned subsidiary of the Tender Offeror in August 2021 through the conducting of the Purchase of Treasury Shares by the Company.

In the Agreement, the Tender Offeror, Shuwa System, the Company, and Mr. Tetsuo Funai agreed that at the Meeting of Shareholders (defined in "(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-Called "Two-Step Acquisition")" below; hereinafter the same), the Company will make a proposal that Mr. Koji Bando and Mr. Tomokazu Ueda will be elected as directors of the Company at the close of the Meeting of Shareholders, and the Tender Offeror and Mr. Tetsuo Funai agreed to each take all actions necessary for the approval of such proposal (including exercising affirmative votes at the Meeting of Shareholders). Based on the above, Mr. Tomokazu Ueda and Mr. Koji Bando will assume the office of director of the Company; however, the Tender Offeror will maintain the current management structure of the Company and continue to strengthen compliance and the governance structure. The details of the above will be determined through consultation with the Company after the completion of the Tender Offer.

Further, in the Agreement, the Company, Shuwa System, the Tender Offeror, and Mr. Tetsuo Funai agreed that the Tender Offeror and Shuwa System (on and after the effective date of the Absorption-type Merger (as defined below), Shuwa System) will maintain and continue the employment of employees who belong to the Company Group for three years following the date on which settlement for the Tender Offer commences and make best efforts to maintain and continue the working conditions at substantially the same standard as of the execution date of the Agreement.

The Tender Offeror intends to conduct an absorption-type merger (the "Absorption-type Merger") in which the Tender Offeror is the absorbed company and the Company is the surviving company on April 1, 2022, which is the day immediately following the day on which the Tender Offeror and the Company will close their accounts for the first time after the completion of the Transaction. The details of the absorption-type merger such as its specific schedule have not been determined yet. However, even after the Absorption-type Merger, the present conditions of the Company will not be changed for the time being, and specifically, (i) the name of the Company will remain the same, and (ii) the place of the Company's head office is not planned to be changed.

D. Process of and Reasons for Decision-Making for Supporting the Tender Offer by the Company

In mid-March 2020, the Company received from Mr. Akihiro Kuromiya an explanation that, as stated in

“B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer” above, although Mr. Tetsuo Funai had opportunities to contact multiple investment funds through Mr. Akihiro Kuromiya, such opportunities did not lead to fostering a relationship of trust with these investment funds, and that Mr. Tetsuo Funai intends to entrust a manager whom Mr. Koji Bando and Mr. Tetsuo Funai trust with the development and regrowth of the Company in the medium- to long term. Subsequently, on April 1, 2020, the Company received from Shuwa Group an inquiry regarding a meeting with Shuwa Group and had the meeting with Shuwa Group on April 3, 2020, and the Company received from Shuwa Group a request that Shuwa Group wishes to commence discussions with the Company regarding an acquisition of the Company Shares, an outline of the Tender Offeror Group, an explanation of the background and purpose of the acquisition of the Company Shares, and a request to conduct due diligence. After the Company received from Shuwa Group on May 8, 2020 a preliminary letter of intent regarding the acquisition of the Company Shares, and an explanation of the outline of the Tender Offeror Group, further details of the background and purposes of the acquisition of the Company Shares, its intention to make a tender offer to acquire the Company Shares, an outline of the schedule, an overview of the subjects and methods of the due diligence, and its intention to propose the details of the scheme, including the concrete number of shares to be acquired and the maximum and minimum number to be acquired, after the due diligence, in considering the contents of the above, in order to ensure fairness of the terms and conditions of the Transaction including the Tender Offer Price, as stated in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below, the Company appointed Daiwa Securities in late April 2020 as a financial advisor and third-party valuation institution independent from the Company and Shuwa Group (and independent from the Company, the Tender Offeror, and Shuwa Group after the establishment of the Tender Offeror on September 28, 2020) in relation to the acquisition of the Company Shares and requested Daiwa Securities, a third-party valuation institution, to submit a share price valuation report on the Company Shares (the “Share Price Valuation Report (Daiwa Securities)”, in addition to which the Company appointed Mori Hamada & Matsumoto in early June 2020 as a legal adviser independent from the Company and Shuwa Group (and independent from the Company, the Tender Offeror, and Shuwa Group after the establishment of the Tender Offeror on September 28, 2020) in relation to the acquisition of the Company Shares.

In addition, although the Transaction does not constitute a transaction with the controlling shareholder, it is planned that the shares of the Company will be sold by Mr. Tetsuo Funai, who is one of the major shareholders of the Company; therefore, in light of ensuring the fairness of the Transaction, the Company received legal advice from its legal advisor, Mori Hamada & Matsumoto, and resolved at a meeting of the board of directors of the Company held on August 3, 2020 to promptly establish a special committee (for the composition and specific activities of the special committee, please see “(A. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below) in order to engage in the consideration of and negotiations concerning the Transaction from a standpoint independent of Shuwa Group (and independent of the Tender Offeror and Shuwa Group after the establishment of the Tender Offeror on September 28, 2020).

Further, the Company has received legal advice from its legal advisor, Mori Hamada & Matsumoto, regarding notable points concerning the decision-making process, decision-making method, and other considerations relating to decision-making regarding the Tender Offer since early June 2020 and has also received advice and assistance from its financial advisor, Daiwa Securities, regarding financial perspectives and the like since late April 2020.

On November 26, 2020, the Company and the special committee received the Opinion of November 26, 2020 regarding the Transaction from the Tender Offeror and Shuwa Group, the contents of which included (a) adopting a scheme consisting of acquiring all of the Target Shares and the Stock Acquisition Rights through the Tender Offer and the subsequent Share Consolidation and acquiring the Reserved Shares through either (i) the Purchase of Treasury Shares or (ii) bilateral trading by the Tender Offeror after the Company Shares are delisted following the Tender Offer and the Share Consolidation, (b) commencing the Tender Offer on February 9, 2021, and (c) setting the total share value of the Company Shares, the Tender Offer Price, the Stock Acquisition Rights Purchase Price, and the purchase price of the Reserved Shares at JPY 21.5 billion (approximately), JPY 750, JPY 1, and JPY 400 respectively based on the results of discussions with Mr. Tetsuo Funai after comprehensively considering multifaceted and comprehensive analyses of the Company’s business and financial conditions based on the result of due diligence, the level of prior premiums paid in determining the price for purchase, etc. in other similar instances of tender offers by persons other than the issuer for the purpose of making a listed company a wholly-owned subsidiary, the trends in the market value of the Company Shares and trading volume of the

Company Shares, and the prospects that shareholders would tender their shares in the Tender Offer. Following that, the Company and the special committee engaged in continual discussions and negotiations with the Tender Offeror and Shuwa Group regarding the terms and conditions of the Transaction, including the Tender Offer Price. The Stock Acquisition Rights have been granted to the officers and employees of the Company and its related companies as stock options, and one of the conditions of exercise is that the holder maintains the status of director, auditor, executive officer, or employee of the Company or a related company at the time of exercise. As such, the Tender Offeror and Shuwa Group proposed to the Company, in the Opinion of November 26, 2020, a Stock Acquisition Rights Purchase Price of JPY 1 for the reasons that even if the Tender Offeror acquires the Stock Acquisition Rights it will be unable to exercise them and that the exercise price of the Stock Acquisition Rights per Company Share (The FY 2014 Stock Acquisition Rights: JPY 1,296; The FY 2016 Stock Acquisition Rights: JPY 1,019; The FY 2017 Stock Acquisition Rights: JPY 947; The FY 2019 Stock Acquisition Rights: JPY 841) is higher than the current market price of the Company Shares and the Tender Offer Price.

Specifically, the Company and the special committee have sent five written inquiries in total to, and received answers from, the Tender Offeror and Shuwa Group during the period between November 30, 2020 to February 9, 2021.

During this period, based on the advice received from Plutus and Mori Hamada & Matsumoto and opinions obtained from Daiwa Securities, the special committee evaluated the proposal above, and on January 18, 2021, the Company and the special committee considered that the Tender Offer Price in the proposal received did not reach the appropriate price and that the interests of the minority shareholders of the Company had not been fully considered, and thus requested the Tender Offeror and Shuwa Group to increase the Tender Offer Price.

Subsequently, the Company and the special committee received from the Tender Offeror and Shuwa Group a proposal on January 20, 2021 to set the Tender Offer Price, the Stock Acquisition Rights Purchase Price, and the Treasury Shares Purchase Price at JPY 780, JPY 1, and JPY 403 respectively and a proposal on February 19, 2021 to set the Tender Offer Price, the Stock Acquisition Rights Purchase Price, and the Treasury Shares Purchase Price at JPY 800, JPY 1, and JPY 403 respectively. However, based on the advice received from Plutus and Mori Hamada & Matsumoto and opinions obtained from Daiwa Securities, the special committee evaluated the proposals above, and on February 17, 2021 and again on February 19, 2021, the Company and the special committee considered that the Tender Offer Prices in the proposals did not reach the appropriate price and that the interests of the minority shareholders of the Company had not been fully considered, and thus requested the Tender Offeror and Shuwa Group to further increase the Tender Offer Price.

Due to the prolonged duration of consideration of the Transaction caused by the negotiations with the Tender Offeror, and based on the recent business environment, the Company reviewed the draft business plan prepared and reported at the meeting of the board of directors in August 2020 and formulated the Business Plan, and on February 15, 2021, the Business Plan was approved at the meeting of the board of directors.

Subsequently, there were continued discussions and negotiations with the Tender Offeror and Shuwa Group through the financial advisor of the Company. As a result, on February 26, 2021, the Company and the special committee received from the Tender Offeror and Shuwa Group a new proposal in which the Tender Offer Price, the Stock Acquisition Rights Purchase Price, and the Treasury Shares Purchase Price will be set at JPY 800, JPY 1, and JPY 403 respectively, and if the Company does not agree to set the Tender Offer Price at JPY 800, the Tender Offeror and Shuwa Group will consider increasing the Tender Offer Price up to JPY 808, although discussions with Resona Bank and Mr. Tetsuo Funai will be necessary in that case. Based on the advice received from Plutus and Mori Hamada & Matsumoto and opinions obtained from Daiwa Securities, the special committee evaluated the proposal above, and on February 26, 2021, the Company and the special committee communicated to the Tender Offeror that neither the Tender Offer Price of JPY 800 in the proposal above nor JPY 808 or any slightly higher Tender Offer Price would be a level at which the Company and the special committee could recommend tendering in the Tender Offer and confirmed with the Tender Offeror if there is any possibility that the Tender Offer Price will be significantly increased.

Subsequently, on March 1, 2021, the Company and the special committee received from the Tender Offeror and Shuwa Group a proposal to set the Tender Offer Price, the Stock Acquisition Rights Purchase Price, and the Treasury Shares Purchase Price at JPY 900, JPY 1, JPY 403 respectively on the condition that there will be discussions with Resona Bank and Mr. Tetsuo Funai. Based on the advice received from Plutus and Mori Hamada & Matsumoto and opinions obtained from Daiwa Securities, the special committee evaluated the proposal above, and on March 2, 2021, the Company and the special committee communicated to the Tender

Offeror that the Tender Offer Price of JPY 900 in the proposal above exceeds the upper limit of the estimated range using the DCF method that had been reported by Daiwa Securities at that time but is below the lower limit of the estimated range using the DCF method that had been reported by Plutus at that time, and that therefore, the Tender Offer Price of JPY 900 is not a level at which the Company and the special committee could recommend tendering in the Tender Offer, and the Company and the special committee requested the Tender Offeror to further increase the Tender Offer Price and that part of the increase be financed by equity financing from Shuwa Group or Shuwa System to the Tender Offeror, in order to avoid increasing the Company's interest-bearing liabilities through the Absorption-type Merger in which the Tender Offeror is the absorbed company and the Company is the surviving company that is planned for after the Transaction is completed.

Subsequently, on March 8, 2021, the Company and the special committee received from the Tender Offeror and Shuwa Group a proposal in which the Tender Offer Price, the Stock Acquisition Rights Purchase Price, and the Treasury Shares Purchase Price will be set at JPY 918, JPY 1, and JPY 403 respectively and the Tender Offeror will fund the increased amount of the Tender Offer Price from an investment that Shuwa System will make to the Tender Offeror. On March 9, 2021, the Tender Offer Price of JPY 918 in the proposal above exceeded the upper limit of the estimated range using the DCF method that had been reported by Daiwa Securities at that time and also was above the lower limit of the estimated range using the DCF method that had been reported by Plutus at that time; therefore, the Company and the special committee agreed to the proposal. Although the market price of the Company Share has been increasing since March 9, 2021, based on the fact that the Tender Offer Price of JPY 918 in the proposal above exceeds the upper limit of the estimated range using the DCF method reported by Daiwa Securities and also exceeds the lower limit of the estimated range using the DCF method reported by Plutus, and taking into consideration that the Tender Offer Price of JPY 918 is the result of sincere discussions and negotiations between the Tender Offeror and the Company, the Company continues to agree to the proposal to set the Tender Offer Price at JPY 918.

In the process of the evaluation and negotiation stated above, the special committee received reports from the Company and advisors of the Company from time to time and made confirmation, gave approval, made direct proposals, and held negotiations when necessary, and the special committee received reports from the Company regarding the details, material assumptions, and preparation process of the Business Plan of the Company (including the reasons for the review of the draft business plan prepared in August 2020 due to the prolonged duration of consideration of the Transaction caused by the negotiations with the Tender Offeror and based on the recent business environment, as stated above) that was presented to the Tender Offeror and Shuwa Group and constitutes the basis for the valuation of the Company Shares by Daiwa Securities and Plutus, following which the special committee gave approval that there was no problem in regard to the rationality thereof. In addition, in the Company's and the special committee's negotiations with the Tender Offeror and Shuwa Group, the financial advisor of the Company took measures in accordance with the strategy for the negotiations deliberated on and determined by the special committee in advance, and upon the receipt of the proposals on the Tender Offer Price and the Treasury Shares Purchase Price from the Tender Offeror and Shuwa Group, the Company immediately made reports to the special committee each time and took measures such as sending written inquiries from the special committee to the Tender Offeror and Shuwa Group regarding the proposals and setting up meetings between the special committee, the Tender Offeror, and Shuwa Group in accordance with instructions from the special committee.

Further, in addition to the discussions and negotiations with the Tender Offeror and Shuwa Group, in considering the appropriateness of the transaction terms and conditions, the Company confirmed the intentions of three possible offerors, as a result of which the Company received written opinions from these three possible offerors in early February 2021 regarding the acquisition of or investment in the Company as part of ensuring opportunities for proposals for competing acquisitions (market check). The written opinions from two of the three possible offerors included proposals based on maintaining the Company's status as a listed company. However, the written opinion from the other company included a proposal based on the delisting of the Company; therefore, the Company requested the possible offeror that provided that proposal based on the delisting of the Company to make another proposal after presenting the Business Plan to it, and in mid-February, the Company received the proposal from the possible offeror. The Company compared and considered the proposals from the possible offeror and the Tender Offeror, and based on the advice received from Plutus and Mori Hamada & Matsumoto and opinions obtained from Daiwa Securities, the special committee evaluated the proposals, taking into account the fact that the tender offer price in the proposal of the possible offeror was a non-legally-binding price before the performance of detailed due diligence, the fact that the median of that tender offer price range, which was offered by such possible offeror, was below the Tender Offer Price (JPY918), although the maximum of that tender offer price range was over the Tender Offer Price (JPY918), and the fact that although the proposal

of the possible offeror stated a proposed price before the performance of detailed due diligence on the Company, it was not unreasonable to compare that proposed price to the Tender Offer Price because performing that due diligence would take a considerable period of time, during which the business activities of the Company might possibly slow down. Accordingly, in early March 2021, the Company and the special committee determined that even taking into consideration the proposal of the possible offeror, the proposal of the Tender Offeror was found to be reasonable, and thus came to the determination that the Company and the special committee should consider whether or not to accept the proposal of the Tender Offeror but not the proposal of the possible offeror.

Subsequently, the Company obtained the Share Price Valuation Report (Daiwa Securities) from Daiwa Securities and received a written report submitted by the special committee (the “Report”) on March 22, 2021. For details of the Share Price Valuation Report (Daiwa Securities), see “A. Obtainment by the Company of the Share Price Valuation Report from an Independent Third-Party Valuation Institution” in “(3) Matters Related to Valuation” below. For details of the Report, see “A. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

In addition to the Report, the Company received from the special committee a valuation report on the result of the valuation of the Company Shares (the “Share Price Valuation Report (Plutus)”) and a fairness opinion stating that JPY 918 per share as the Tender Offer Price is fair to the general shareholders (which has the same meaning as “minority shareholders” as defined in Article 441-2 and Article 436-3 of the Securities Listing Regulations of the Tokyo Stock Exchange; hereinafter the same) of the Company from a financial point of view (the “Fairness Opinion”), which were received by the special committee from Plutus on March 22, 2021. For details of the Valuation Report (Plutus) and the Fairness Opinion, see “B. Obtainment by the Special Committee of the Share Price Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution” in “(3) Matters Related to Valuation” below).

The board of directors of the Company then carefully discussed and considered the Transaction from viewpoints such as whether the Transaction would improve the corporate value of the Company and whether the terms and conditions of the Transaction, including the Tender Offer Price, are reasonable, in consideration of the legal advice received from Mori Hamada & Matsumoto regarding notable points concerning the decision-making process, decision-making method, and other considerations relating to decision-making regarding the Transaction, including the Tender Offer, as well as the advice from a financial point of view and Share Price Valuation Report (Daiwa Securities) obtained from Daiwa Securities, while respecting the content of the Report obtained from the special committee to the maximum extent.

As a result, the Company believes that the Transaction will contribute to the improvement of the corporate value of the Company through the Company becoming a wholly owned subsidiary of the Tender Offeror and utilizing the management resources of the Tender Offeror.

The Company places the television business as its core business especially in the North America market, which is the largest market in the world, and achieved results as a global corporation. In addition, in 2018, the Company presented the future vision that the Company Group aims to achieve to all of the Company’s stakeholders by announcing its management policy, “Challenge the company to grow by becoming helpful in the community,” and its group vision, “FUNAI creates products that will be chosen by people all over the world,” in addition to which it announced its “Mid-term Management Policy (FY 2018 to FY 2020)” in May 2018, in which the basic policies were establishing revenue sources and aiming to achieve profitability by reconstructing current businesses and aggressively introducing new products. Based on the management policy, the group vision, and the “Mid-term Management Policy (FY 2018 to FY 2020),” the Company actively promotes the development of new businesses through alliances with other companies in addition to the further expansion of its market share in its current businesses and other similar activities. However, in FY 2018, which was the first fiscal year of the policy, the Company recorded a surplus; however, because the Company’s sales of plasma televisions decreased due to increased price competition caused by Chinese companies rushing to export a large number of plasma televisions to the North America market before an increase in tariffs following trade friction between the United States and China in FY 2019, and because the price of panels for plasma televisions sharply increased due to the impact of COVID-19 in FY 2020, the Company anticipates that it will record final deficits for two fiscal years in a row, and therefore, taking actions to respond to the external environment is more necessary than ever. Specifically, as the current businesses of the Company, primarily the Television Division, have been exposed to an intensely competitive environment, it is urgently necessary to attempt reconstruction of the current businesses

and embark into new businesses that will become the next revenue sources in order to improve the corporate value of the Company. In order to implement such measures, the Company considers it necessary to enable swift decision-making by newly introducing human resources from outside the Company and to make large-scale investments in the short term. It is also urgently necessary to renovate the IT system in order to succeed in competition with global competitors, and the Company also considers it necessary to make large-scale investments for that renovation.

The Company believes that, based on the business environment surrounding the Company as described above, the delisting of the shares of the Company through the Transaction including the Tender Offer would lead to the early achievement of the medium- to long-term manufacturing policy that the Company aims to achieve by organically combining the manufacturing strength of the Company, the leadership of Mr. Koji Bando and Mr. Tomokazu Ueda, and the Company's human resources and alliances and would thereby contribute to increasing the corporate value of the Company Group. The details are as follows.

(i) Swift decision-making

As mentioned above, the business environment surrounding the Company is extremely volatile, and in our mainstay Television Division, we have had to face fierce competition from rapidly strengthening Chinese companies. In order to increase our corporate value, it is urgent that we not only rebuild our existing businesses, but also launch new businesses that will become our next revenue base. In implementing these measures, we believe it is necessary to carry out swift decision-making based on strong leadership.

According to the Tender Offeror and Shuwa Group, it is expected that Mr. Koji Bando will be appointed as the Representative Director of the Company. Mr. Bando served as the representative of NTT Plala for 21 years and has a proven track record in reforming the business of that company, which used to struggle with profitability. We believe that swift decision-making under his strong leadership will lead to an improvement in the revenue base through restructuring of existing businesses and the launch of new businesses at the Company, which in turn will lead to an increase in the Company's corporate value.

In addition, utilizing the Tender Offeror Group's network to recruit and hire excellent human resources from outside the Company will reduce the burden of management duties for the Company's directors and executive officers and increase the speed of the Company's decision-making.

(ii) Strengthening sales capabilities and building a new revenue base

As mentioned above, the business environment surrounding the Company is extremely volatile, and the Company has had to face fierce competition from rapidly strengthening Chinese companies in our mainstay Television Division. Therefore, it is urgent for the Company to build and strengthen its revenue base by strengthening the revenue of the existing Audiovisual Division as well as by growing the Printing Solutions Division (Note 1) and other new businesses. Accordingly, we believe that it is necessary to implement various measures as soon as possible. Specifically, we will strengthen sales and marketing capabilities, optimize inventory management, logistics and costs; restructure business management workflows; conduct financial management by establishing a strategic bank formation; develop R&D themes based on medium- to long-term plans and establish a progress management system; and improve business efficiency through the use of systems. By implementing such measures, the Company believes that it will be able to restructure its existing businesses and build its revenue base.

(Note 1) The Printing Solutions Division manufactures and sells printer-related equipment such as printers and ink cartridges.

However, in order to promptly implement the above measures, we believe that in addition to utilizing the Company's current human resources it is necessary to actively recruit excellent human resources from outside the Company, and to make decisions more swiftly. The Company believes that it will be able to recruit such human resources through the Tender Offeror Group's prominent researchers and extensive contacts and networks.

In addition, the Company has been considering as part of its mid-term policy to make a shift away from our focus on manufacturing and hardware, that is, to implement a business model in which the Company can make profits from services by focusing on manufacturing that provides added value from software and services, while maximizing the Company's strengths in manufacturing. Through the Transaction, Mr. Tomokazu Ueda

and Mr. Koji Bando will be appointed as directors of the Company, which will enable the Company to actively utilize their experience as well as the human resources and alliance partners through the network that they have cultivated to date, and enable the implementation of a new business model which includes promoting e-commerce, diversifying sales channels, and introducing a subscription model.

In addition, for a long time the Company's strategy has been to accelerate the business model of increasing revenue and profit by growing the Printing Solutions Division and other new businesses as the next pillars of the Audiovisual Division, and as a part of this strategy, the Company has been considering implementing measures such as M&A and proactively forming business alliances. However, in implementing such measures, it is necessary to secure human resources to maximize the effects of such measures. To that end, the Transaction will enable the Company to recruit and hire excellent human resources from outside through the Tender Offeror Group's prominent researchers and extensive contacts and networks, which will lead to an increase in the decision-making speed not only for M&A, but also to promote proactive business alliances, etc., and will increase the feasibility of implementing thoroughgoing measures.

In addition, in reviewing the existing business portfolio and implementing thoroughgoing measures and reforms to efficiently develop existing businesses and quickly make profits from new businesses, it is necessary to make short-term and large-scale investments and recruit the right people for the right jobs. However, if the Company were to remain listed and carry out short-term, large-scale investments of resources, there is a possibility that it may lead to a deterioration of cash flow and a deterioration in our financial position in the short term, which could adversely affect the Company's minority shareholders due to a decline in the share price, and therefore the Company believes that there are limits on our investment in such resources while the Company remains listed. Therefore, the Company believes that it is necessary to delist its shares in order to flexibly implement these measures.

Furthermore, we believe that the implementation of system integration will lead to the improvement and further growth of corporate value in the medium- to long term by realizing optimization of operational costs and improving the efficiency of business management operations based on analysis of existing human resources by using financial data. However, the introduction of system integration will require large-scale upfront investment, and since it will not directly lead to profits in the short term, there is a possibility that the Company's minority shareholders will be adversely affected by a decline in the share price. Therefore, under the current circumstances where the Company maintains its listing and has minority shareholders, we believe that there are certain restrictions on the immediate implementation of measures to improve the efficiency of business management operations as described above, since the interests of the Company's minority shareholders must also be considered. Accordingly, from the perspective of implementing measures to improve the efficiency of business management operations, the Company believes that it is necessary to delist its shares.

(iii) Disadvantages of delisting

The Company's delisting may have disadvantages such as a loss of the trust that business partners place in the Company, and adverse effects on recruiting new employees and retaining existing employees. However, we believe that the impact of delisting will have a limited impact on the trust our business partners place in us, as we will be able to maintain that trust by continuing to have our financial statements audited in the future, while continuing to build on the relationships of trust that we have fostered with our business partners since going public. Furthermore, according to the Tender Offeror and Shuwa Group, a management structure after the Transaction is being considered in which a performance-linked remuneration system will be introduced for the Company's officers and employees. In addition, measures will be adopted to encourage younger employees to participate in the formulation of the Company's business plans, and foster a sense of participation in management early on among junior employees who are candidates for the next generation of management. Therefore, we believe that there will not be a significant risk of adverse effects on the recruitment of new employees and retention of existing employees. Furthermore, while the Company will not be able to raise funds through the stock market for the foreseeable future due to the prolonged sluggishness of business performance, and while there is little meaning in listing as a means of raising funds, the tangible and intangible costs of maintaining our listing have become quite a burden for the Company, and therefore we believe that the reduced costs associated with delisting is expected to make a reasonable contribution to the financial soundness of the Company.

Accordingly, although there are disadvantages in delisting, the impact of such disadvantages can be evaluated as being limited, and the Company has determined that the above advantages of delisting outweigh the disadvantages of delisting.

Based on the above, the board of directors of the Company has determined today that delisting the Company Shares through the Transaction, including the Tender Offer, will contribute to the improvement of the corporate value of the Company Group.

In addition, the board of directors of the Company has determined today that the Transaction, including the Tender Offer, is expected to increase the corporate value of the Company, and that the Tender Offer Price, as well as the other terms and conditions of the Tender Offer, are appropriate for the shareholders of the Company, and that the Tender Offer provides the shareholders of the Company with a reasonable opportunity to sell their shares, based on the following factors concerning the Tender Offer Price:

- (i) the price was agreed upon after the Company took measures to ensure the fairness of the Tender Offer and raised the price by 22.4% from the initial proposal as a result of sincere and repeated negotiations with the Tender Offeror, with the substantial involvement of the special committee, which is independent of the Company, the Tender Offeror and Shuwa Group;
- (ii) in the Report obtained from the Company's independent special committee it has been determined that the appropriateness of the terms and conditions of the Transaction, including the Tender Offer Price, have been secured, as stated below in "A. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee" in "(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest";
- (iii) based on the results of the valuation of the share value of the Company Shares by Daiwa Securities, as stated below in "(3) Matters Related to Valuation," the price exceeds the upper limit of the results of the valuation based on the market price method, and exceeds the upper limit of the results of the valuation based on the DCF method;
- (iv) the price is inclusive of a premium of 46.65% (to be rounded to the second decimal place; the same applies for each calculation of the premium rates on the share prices below) on JPY 626, the closing price of the Company Shares on the First Section of the TSE as of March 9, 2021, the date on which the Tender Offeror and the Company agreed on the price, and although the market price of the Company's shares subsequently increased, following that the price continued to reflect a premium of (a) 31.90% on JPY 696, the closing price of the Company Shares on the First Section of the TSE on March 22, 2021, which is the business day immediately preceding the announcement date of the implementation of the Tender Offer, (b) 54.03% on JPY 596, the simple average closing price (to be rounded to the nearest yen; the same applies for each calculation of the simple average closing prices below) for the past one-month period (from February 24, 2021 to March 22, 2021), (c) 87.73% on JPY 489, the simple average closing price for the past three-month period (from December 23, 2020 to March 22, 2021), and (d) 97.00% on JPY 466, the simple average closing price for the past six-month period (from September 23, 2020 to March 22, 2021); and
- (v) it is deemed that measures have been taken to ensure the fairness of the Tender Offer as stated below in "(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" and that the interests of minority shareholders have been taken into consideration; and
- (vi) the Tender Offer Price is deemed to be reasonable even taking into consideration the proposal in the expression of intent received from another possible offeror, taking into account the fact that the tender offer price proposed therein is a non-legally-binding price before the performance of detailed due diligence, the fact that the median of that tender offer price range which was offered by such possible offeror, is below the Tender Offer Price (JPY918), although the maximum of that tender offer price range was over the Tender Offer Price (JPY918), and the fact that although the proposal of the possible offeror states a proposed price before the performance of detailed due diligence on the Company, it is not unreasonable to compare that proposed price to the Tender Offer Price because performing that due diligence would take a considerable period of time, during which the business activities of the Company might possibly slow down.

Based on the above, the Company, with the approval of all of its directors except one, resolved at the meeting of its board of directors held today to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Company tender their shares in the Tender Offer (such resolution is hereinafter referred to as the "Resolution in Support of the Tender Offer and to Recommend Tendering"). In addition, since the Stock Acquisition Rights Purchase Price is to be set at JPY 1, the Company resolved that it would leave the decision to Stock Acquisition Right Holders as to whether or not to tender their Stock Acquisition Rights in the

Tender Offer.

For details of the decision-making process for such resolution by the board of directors, please refer to “E. Approval of Majority of Disinterested Directors (Including Those Who are Audit and Supervisory Committee Members) of the Company” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

Based on the results of the considerations above, the Company today entered into the Agreement with the Tender Offeror, Shuwa System, and Mr. Tetsuo Funai, which includes provisions for a Tender Offer Price of JPY 918, a Stock Acquisition Rights Purchase Price of JPY 1, and a Treasury Stock Acquisition Price of JPY 403, as well as other terms and conditions concerning the Transaction. For details of the Agreement, please refer to “4. Details of Material Agreements Between the Tender Offeror and the Shareholders of the Company Concerning Tendering Shares in the Tender Offer” below.

(3) Matters Related to Valuation

A. Obtainment by the Company of the Share Price Valuation Report from an Independent Third-Party Valuation Institution

- (i) Name of valuation institution and its relationship with the Company and the Tender Offeror

When announcing its opinion on the Tender Offer, the Company requested Daiwa Securities, which is a financial advisor and a third-party valuation institution independent from the Company, the Tender Offeror, and Shuwa Group, to calculate the value of the Company Shares and obtained the Share Price Valuation Report (Daiwa Securities) dated March 22, 2021.

Daiwa Securities is not a related party of the Company or the Tender Offeror and does not have any material interest to be disclosed in relation to the Tender Offer. The Company has not obtained from Daiwa Securities an opinion on the fairness of the Tender Offer Price (a fairness opinion).

The remuneration payable to Daiwa Securities includes a contingency fee to be paid only upon the successful completion of the Transaction and satisfaction of other conditions.

- (ii) Outline of valuation

After considering which of the various calculation methods available should be applied to calculate the value of the Company Shares, based on the assumption that the Company is a going concern and the belief that it is appropriate to evaluate the value of the Company Shares from various perspectives, Daiwa Securities analyzed the value per share of the Company Shares using (i) the market price method because the Company Shares are listed on the First Section of the TSE and therefore have a market share price and (ii) the DCF method in order to reflect the current and expected business results of the Company in the valuation. The Company obtained the Share Price Valuation Report (Daiwa Securities) on March 22, 2021. Taking into consideration the restrictions in regard to the comparability of the business details and profitability of the Company, Daiwa Securities did not use the comparable company comparison method to calculate the value of the Company Shares.

The following are the ranges of per-share value of the Company Shares evaluated by the methods described above.

Market price method: JPY 466 – JPY 696
DCF method: JPY 798 – JPY 867

Under the market price method, using March 22, 2021 as the calculation record date, the per-share value of the Company Shares was evaluated to range from JPY 466 to JPY 696, based on the closing price of the record date (JPY 696), the simple average closing share price for the preceding one-month period (JPY 596), the simple average closing share price for the preceding three-month period (JPY 489), and the simple average closing share price for the preceding six-month period (JPY 466) of the Company Shares on the First Section of the TSE.

The range of values per-share of the Company Shares obtained from the DCF method is from JPY 798 to JPY 867, which is based on the corporate value and share value of the Company 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 2021 based on the Company's estimated future earnings and investment plan in the Business Plan for the period of four fiscal years from the fiscal year ending March 2021 to the fiscal year ending March 2024 prepared by the Company, publicly disclosed information, and other information.

The Business Plan prepared by the Company and used by Daiwa Securities for analysis through the DCF method includes business years in which it is expected there will be a significant increase or decrease in revenue and profits. Specifically, the Company expects that its operating income in the fiscal year ending March 2022 will decrease by 63.3% compared to the previous fiscal year due to shortages and rising prices of liquid crystal panels, which are the key component part of televisions, during the period from the latter half of the fiscal year ending March 2021 to the first half of the following fiscal year. On the other hand, the Company expects that its operating income in the fiscal year ending March 2023 will increase by 95.1% compared to the previous fiscal year from the recovery of television sales based on the assumption that stability will be restored to liquid crystal panel prices in the latter half of the fiscal year ending March 2022, and expects another increase in its operating income in the fiscal year ending March 2024 by 1,449.8% compared to the previous fiscal year from expanded sales of in-vehicle backlight and medical and healthcare modular products, a new business that has a high margin potential, in addition to the expanded sales of high-value-added flat-screen televisions. In addition, synergies anticipated as a result of the Transaction are not considered in the valuation above since it is difficult to make specific numerical estimations at this time.

B. Obtainment by the Special Committee of the Share Price Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution

(i) Name of valuation institution and its relationship with the Company and the Tender Offeror

In considering the Consulted Matters (as defined in "A. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee" in "(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below.), in order to exercise greater prudence in ensuring the fairness of the terms and conditions of the Transaction, including the Tender Offer Price, the special committee requested Plutus, its own advisor and third-party valuation institution independent from the Company, the Tender Offeror, and Shuwa Group, to conduct a valuation of the Company Shares and financial analysis incidental thereto and also to express an opinion concerning the fairness of the Tender Offer Price (a fairness opinion). The special committee obtained the Share Price Valuation Report (Plutus) and the Fairness Opinion dated March 22, 2021.

Plutus is not a related party of the Company or the Tender Offeror and does not have any material interest to be disclosed in connection with the Tender Offer.

The remuneration payable to Plutus does not include a contingency fee to be paid only upon the successful completion of the Transaction and satisfaction of other conditions.

(ii) Outline of valuation

After considering which of the various calculation methods available should be applied to calculate the value of the Company Shares, based on the assumption that the Company is a going concern and the belief that it is appropriate to evaluate the value of the Company Shares from various perspectives, Plutus analyzed the value of the Company Shares using (i) the market price method because the Company Shares are listed on the First Section of the TSE and therefore have a market share price and (ii) the DCF method in order to reflect the current and expected business results of the Company in the valuation. Taking into consideration the restrictions in regard to the comparability of the business details and profitability of the Company, Plutus did not use the comparable company comparison method to calculate the value of the Company Shares.

The following are the ranges of per-share value of the Company Shares evaluated by the methods described above.

Market price method: JPY 466 – JPY 696
DCF method: JPY 894 – JPY 950

Under the market price method, using March 22, 2021 as the calculation record date, the per-share value of the Company Shares was evaluated to range from JPY 466 to JPY 696, based on the closing price of the record date (JPY 696), the simple average closing share price for the preceding one-month period (JPY 596), the simple average closing share price for the preceding three-month period (JPY 489), and the simple average closing share price for the preceding six-month period (JPY 466) of the Company Shares on the First Section of the TSE.

The range of values per-share of the Company Shares obtained from the DCF method is from JPY 894 to JPY 950, which is based on the corporate value and share value of the Company 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 2021 based on the Company's estimated future earnings and investment plan in the Business Plan for the period of four fiscal years from the fiscal year ending March 2021 to the fiscal year ending March 2024 prepared by the Company, publicly disclosed information, and other information.

The Business Plan prepared by the Company and used by Plutus for analysis through the DCF method includes business years in which it is expected there will be a significant increase or decrease in revenue and profits. Specifically, the Company expects that its operating income in the fiscal year ending March 2022 will decrease by 63.3% compared to the previous fiscal year due to shortages and rising prices of liquid crystal panels, which are the key component part of televisions, during the period from the latter half of the fiscal year ending March 2021 to the first half of the following fiscal year. On the other hand, the Company expects that its operating income in the fiscal year ending March 2023 will increase by 95.1% compared to the previous fiscal year from the recovery of television sales based on the assumption that stability will be restored to liquid crystal panel prices in the latter half of the fiscal year ending March 2022, and expects another increase in its operating income in the fiscal year ending March 2024 by 1,449.8% compared to the previous fiscal year from expanded sales of in-vehicle backlight and medical and healthcare modular products, a new business that has a high margin potential, in addition to the expanded sales of high-value-added flat-screen televisions. In addition, synergies anticipated as a result of the Transaction are not considered in the valuation above since it is difficult to make specific numerical estimations at this time. Plutus analyzed and reviewed the substance of the Business Plan through multiple question and answer sessions with the Company, among other means, and the special committee has also confirmed the rationality of the details, material assumptions, and preparation process of the Business Plan, as stated in "D. Process of and Reasons for Decision-Making for Supporting the Tender Offer by the Company" in "(2) Grounds and Reasons for the Opinion on the Tender Offer" above."

(iii) Outline of the Fairness Opinion

The special committee received the Fairness Opinion on March 22, 2021 from Plutus, which stated that the Tender Offer Price of JPY 918 per share is fair to the general shareholders of the Company from a financial point of view (Note). The Fairness Opinion expresses the opinion that the Tender Offer Price of JPY 918 per share is fair to the general shareholders of the Company from a financial point of view, in light of factors such as the result of the valuation of the Company Shares based on the outlook for the business. The Fairness Opinion was issued by Plutus based on the result of the valuation of the Company Shares after receiving disclosure of information such as the current state of the Company Group's business and the outlook for the business from the Company and receiving explanations thereof, as well as question-and-answer sessions with the Company concerning the outline, background, and purpose of the Tender Offer, examination of factors, to the extent deemed necessary by Plutus, such as the Company Group's business environment, the economy, markets and financial conditions, and the review procedures carried out by an examination committee independent of Plutus' engagement team.

(Note) In preparing and submitting the Fairness Opinion and evaluating the share value underlying it, Plutus relied on the information and base materials provided by or discussed with the Company, as well as publicly available materials, on the assumption that they were accurate and complete and that there were no facts that had not been disclosed to Plutus that could materially affect the analysis and evaluation of the value of the Company Shares, and Plutus has not independently investigated or verified such facts, nor is it obligated to investigate or verify them.

Plutus has not conducted any independent evaluation or appraisal, and has not received any evaluation or appraisal report, in connection with any assets or liabilities (including off-balance sheet assets and liabilities and other contingent liabilities), including any analysis or evaluation of individual assets and liabilities, of the Company and its affiliated companies. Additionally, Plutus

has not undertaken any analysis of the creditworthiness of the Company pursuant to any applicable bankruptcy, stop-payment, or similar laws.

Plutus has assumed that the Company's business outlook and other materials used as the basis for the Fairness Opinion have been reasonably prepared by the Company's management based on the best currently available forecasts and judgments, and Plutus does not guarantee their feasibility and expresses no view as to the analysis or forecasts on which their preparation is based or the premises on which they are based.

The Fairness Opinion expresses Plutus' opinion as of the date of preparation as to whether the Tender Offer Price is fair from a financial point of view to the general shareholders of the Company based on financial and capital markets, economic conditions, and other circumstances as of the date of preparation and based on information available to Plutus up to the date of preparation, and while the content of the Fairness Opinion may be affected by subsequent changes in conditions, Plutus has no obligation to amend, change, or supplement the content of the Fairness Opinion even in such cases. The Fairness Opinion does not imply or suggest any opinion other than that expressly stated in the Fairness Opinion or any opinion with respect to any matter after the date of submission of the Fairness Opinion. The Fairness Opinion only expresses the opinion that the Tender Offer Price is fair to the general shareholders of the Company from a financial point of view and is not disadvantageous to them; it does not express opinions or make recommendations concerning the propriety of implementing the Tender Offer or tendering or other actions with respect to the Tender Offer, and it does not express any opinion to the holders of securities issued by the Company, creditors, or other related parties.

The Fairness Opinion was provided by Plutus for the purpose of being used as a basis for decisions made by the Company's board of directors and the special committee regarding the Tender Offer Price and is not to be relied upon by any other party.

(4) Prospects of, and Reasons for, Delisting

The Company Shares are currently listed on the First Section of the TSE as of today. However, since the Tender Offeror has not set a maximum number of shares to be purchased in the Tender Offer, the Company Shares may be delisted through prescribed procedures in accordance with the delisting criteria set out by the TSE, depending on the results of the Tender Offer.

Also, even in the case that the delisting criteria are not met upon completion of the Tender Offer, the Company plans to make the Tender Offeror and Mr. Tetsuo Funai the only shareholders of the Company and privatize the Company in accordance with the procedures stated in "(5) Policy for Organizational Restructuring, Etc. after the Tender Offer (Matters Relating to So-Called "Two-Step Acquisition")" below after the successful completion of the Tender Offer, in which case the Company Shares will be delisted through the prescribed procedures in accordance with the delisting criteria of the TSE. If the Company Shares are delisted, the Company Shares will no longer be traded on the First Section of the TSE.

(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-Called "Two-Step Acquisition")

As stated in "(A) Outline of the Tender Offer" in "(2) Grounds and Reasons for the Opinion on the Tender Offer," the Tender Offeror intends to make the Company a wholly-owned subsidiary of the Tender Offeror, and if the Tender Offeror is unable to acquire all of the Target Shares and the Stock Acquisition Rights in the Tender Offer, the Tender Offeror intends, after the successful completion of the Tender Offer, to carry out a set of procedures necessary for making the Tender Offeror and Mr. Tetsuo Funai the only shareholders of the Company.

Specifically, the Tender Offeror plans to request the Company to hold an extraordinary meeting of shareholders (the "Meeting of Shareholders") in August 2021 that will include (a) a proposal regarding the Share Consolidation pertaining to the Company Shares pursuant to Article 180 of the Companies Act and (b) a proposal regarding a partial amendment to the Articles of Incorporation subject to the Share Consolidation becoming effective for the purpose of abolishing the provision regarding the number of shares constituting one unit. However, the procedures above may be replaced with a method of using class shares subject to class-wide call or other methods as separately agreed by the Tender Offeror, Mr. Tetsuo Funai, and the Company, if it is reasonably

necessary for the smooth implementation of the Transaction or for any other purposes. The Tender Offeror and Mr. Tetsuo Funai intend to vote in favor of each of the above-mentioned proposals at the Meeting of Shareholders.

If the proposal for the Share Consolidation is approved at the Meeting of Shareholders, the shareholders of the Company will, on the effective date of the Share Consolidation, hold the number of Company Shares proportionate to the ratio of the Share Consolidation that is approved at the Meeting of Shareholders. If, due to the Share Consolidation, the number is a fraction less than one, each such shareholder of the Company 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) to the Company or the Tender Offeror as per the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. The purchase price for the aggregate sum of such fractional shares will be valued so that the amount of cash received by each shareholder who did not tender its shares in the Tender Offer (excluding the Company and Mr. Tetsuo Funai) as a result of the sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of Company Shares held by each such shareholder, and then a petition will be filed to the court for permission for such voluntary sale. Although the ratio of the Share Consolidation of the Company Shares has not been determined as of today, it is intended to be set such that shareholders (excluding the Company and Mr. Tetsuo Funai) who hold shares in the Company and do not tender in the Tender Offer will have less than one Company Share in order for the Tender Offeror and Mr. Tetsuo Funai to become the only owners of all of the issued shares of the Company (excluding treasury shares held by the Company).

In the interest of protecting the rights of minority shareholders in circumstances involving the Share Consolidation, the Companies Act provides that if the Share Consolidation occurs and there are shares less than one as a result thereof, each shareholder (excluding the Company and Mr. Tetsuo Funai) may request that the Company purchase all such shares less than one at a fair price, and such shareholders may file a petition to the court to determine the price of the Company Shares in accordance with Articles 182-4 and 182-5 of the Companies Act and other applicable laws and ordinances. As stated above, because the number of the Company Shares held by the shareholders who do not tender their shares in the Tender Offer (excluding the Company and Mr. Tetsuo Funai) will be less than one, the shareholders of the Company objecting to the Share Consolidation may file a petition described above. In the event that the petition described above is filed, the purchase price of the Company Shares will be finally determined by the court.

With regard to the above procedure, it is possible that, depending on amendments to or the implementation and interpretation of the relevant laws and ordinances by authorities, the shareholding percentage of the Tender Offeror and Mr. Tetsuo Funai after the Tender Offer, and the ownership of Company Shares by shareholders other than the Tender Offeror or Mr. Tetsuo Funai, the methods or the timing of implementation may be altered. Specifically, if the number of Company Shares held by a shareholder (other than Mr. Tetsuo Funai) exceeds the number of Company Shares held by the Tender Offeror, it is possible that the ratio of the consolidation of the Company Shares will be determined in order for Mr. Tetsuo Funai to become the only owner of all of the issued shares of the Company (excluding treasury shares held by the Company) and the Company Shares equivalent to the total number of shares less than one (with such aggregate sum rounded down to the nearest whole number) will be sold to the Tender Offeror. Even in such a case, the Tender Offeror intends to ultimately make the Company a wholly-owned subsidiary of the Tender Offeror through the Purchase of Treasury Shares to be implemented after the Share Consolidation, as mentioned in “A. Outline of the Tender Offer” in “(2) Grounds and Reasons for the Opinion on the Tender Offer.” However, even in such a case, it is intended that a method will be used whereby the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Company and Mr. Tetsuo Funai) will ultimately receive cash consideration equal to the number of Company Shares held by such shareholder multiplied by the Tender Offer Price in exchange for their shares. If a petition for determination of a price regarding a share purchase demand in relation to the Share Consolidation is filed, the court will finally determine the price regarding the share purchase demand. The specific details and expected timing for the procedures described above will be determined through consultation with the Company and then promptly announced by the Company.

If the Tender Offeror fails to acquire all Stock Acquisition Rights in the Tender Offer and there are unexercised Stock Acquisition Rights remaining, the Tender Offeror plans either to request the Company to implement, or to itself implement, procedures reasonably required for carrying out the Transaction, such as the acquisition of the Stock Acquisition Rights by the Company by way of repurchase or a recommendation by the Company to the Stock Acquisition Right Holders to waive the Stock Acquisition Rights.

It is further noted that shareholders of the Company will not be solicited to agree to the Tender Offer at

the Meeting of Shareholders. All shareholders and Stock Acquisition Right Holders of the Company are solely responsible for seeking their own specialist tax advice with regard to the tax consequences of tendering their shares in the Tender Offer or the procedures outlined above.

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

The Company is not a subsidiary of the Tender Offeror as of today, and therefore the Tender Offer does not fall into the category of a tender offer by the controlling shareholder. There is no plan for all or some of the management members of the Company to contribute to the Tender Offeror, directly or indirectly, and therefore the Transaction (including the Tender Offer) does not fall into the category of a so-called management buyout (Note 1).

However, considering the fact that Mr. Tetsuo Funai, the Company's major shareholder, intends to sell his shares, the Company implemented the following measures to exercise greater prudence in ensuring the fairness of the Transaction (including the Tender Offer).

The Tender Offeror did not set a so-called "majority of minority" minimum number of shares to be purchased in the Tender Offer. Given that the Tender Offeror has agreed with Shuwa System, the Company and Mr. Tetsuo Funai not to tender all of the Reserved Shares (number of shares owned: 11,738,780 shares; ownership percentage: 34.18%) in the Tender Offer as of today and that the Tender Offeror and the Shareholders Agreeing to Tender have executed the Tender Agreements wherein the Shareholders Agreeing to Tender agree to tender all of the Company Shares they own (number of shares owned: 1,410,000 shares; ownership percentage: 4.11%) in the Tender Offer, the Tender Offeror believes that deducting such number of Company Shares from the denominator and setting a so-called majority of minority condition may make the completion of the Tender Offer uncertain and, conversely, would potentially not contribute to the interests of the minority shareholders who wish to tender shares in the Tender Offer. The Tender Offeror also believes that not setting a majority of minority condition in the Transaction would not directly impair the fairness of procedures for the Transaction because (i) the Transaction does not fall into the category of a so-called management buyout (MBO) or an acquisition of a subsidiary by the controlling shareholder, (ii) measures to ensure the fairness of the Transaction have been taken as stated below, and (iii) the Tender Offeror and the Company agreed to the transaction terms and conditions (including the Tender Offer Price) based on sincere discussions and negotiations conducted by the Tender Offeror and the Company, in which the special committee was substantially involved.

The descriptions concerning the measures implemented by the Tender Offeror described below are based on explanations given by the Tender Offeror.

(Note 1) "Management buyout (MBO)" refers to a transaction where the Tender Offeror undertakes the Tender Offer pursuant to its agreement with officers of the Company and the Tender Offeror and officers of the Company have common interests.

A. Establishment of an Independent Special Committee by the Company and Obtainment of a Report from the Special Committee

Based on the fact that the sale of shares by Mr. Tetsuo Funai, a major shareholder of the Company, is planned, in order to ensure the fairness of the Transaction, the Company, at the board of directors meeting held on August 3, 2020, decided to establish a special committee comprising the following three members who have no interest in the Company or Shuwa Group, are outside directors of the Company with respect to whom the Company has filed notification with the TSE to the effect that they are independent officers, and are deemed to have expertise and qualifications for considering the Transaction: Hiroyuki Yamada (an audit and supervisory committee member and certified public accountant); Takahiro Tanaka (an audit and supervisory committee member and attorney-at-law); and Atsushi Shirakami (a director who is not an audit and supervisory committee member). In addition, the special committee elected Hiroyuki Yamada as the chairperson of the special committee by mutual vote from among the members. Compensation for the members of the special committee will be paid in the sum of a fixed amount plus an amount calculated in proportion to the number of meetings of the special committee held regardless of whether or not the Transaction is consummated.

Upon the decision to establish the special committee, the board of directors of the Company requested that the special committee: (i) consider whether the board of directors of the Company should support the Tender

Offer and whether to recommend that the shareholders of the Company tender their shares in the Tender Offer, and give a recommendation to the board of directors of the Company after (a) considering and determining the appropriateness of the Transaction from the perspective of whether the Transaction would contribute to the enhancement of the corporate value of the Company and (b) considering and determining the appropriateness of the transaction terms and conditions and the fairness of the procedures from the perspective of securing the interests of general shareholders of the Company, and (ii) consider whether the decision on the Transaction by the board of directors of the Company is disadvantageous to the general shareholders of the Company, and express an opinion to the board of directors of the Company (collectively, the “Consulted Matters”), and the board of directors of the Company commissioned the special committee to submit a report on the Consulted Matters to the Company. Furthermore, the Company decided at the board of directors meeting described above that any decisions by the Company’s board of directors on the Transaction will be made by respecting to the maximum extent the determinations of the special committee, including its opinion in support of or against the Tender Offer, and that the board of directors grants to the special committee the authorization to perform the following acts: (i) being substantially involved in the process of negotiations between the Company and the Tender Offeror (including giving instructions or making requests regarding the policies for negotiations with the Tender Offeror); (ii) designating or approving (including post-facto approval) advisors in regard to the financial, legal, or other affairs of the Company; (iii) receiving information from the Company’s officers and employees that is necessary for its consideration and determinations regarding the Transaction, including the details of the business plan and information that was used as the basis for preparing the business plan; and (iv) other actions that the special committee determines necessary for consideration and determinations regarding the Transaction. In response to this, the special committee confirmed that there are no issues concerning the independence of Mori Hamada & Matsumoto, who has been appointed by the Company as a legal advisor, and Daiwa Securities, who has been appointed by the Company as a financial advisor, from the Company, the Tender Offeror, and Shuwa Group and approved their appointment. In addition, the special committee appointed Plutus as its own advisor and third-party valuation institution independent from the Company, the Tender Offeror, and Shuwa Group on September 16, 2020 in order to exercise greater prudence in ensuring the fairness of the terms and conditions of the Transaction, including the Tender Offer Price.

During the period from August 21, 2020 to March 12, 2021, the special committee held a total of 24 meetings for a total of approximately 45 hours, where the members discussed and considered the Consulted Matters. Specifically, the special committee received explanations from the Company regarding the purposes of the Transaction, the course of events leading to the Transaction, the details of the business of the Company, its business results, financial condition, and business plan, received explanations from the Tender Offeror regarding matters such as the measures to enhance the corporate value of the Company proposed by the Tender Offeror and the scheme of the Transaction, and held question-and-answer sessions in relation to these matters. In addition, at each phase of the negotiations with the Tender Offeror and Shuwa Group, the special committee expressed its opinion and provided advice to the Company and, if necessary, directly negotiated with the Tender Offeror and Shuwa Group based on its authority to conduct any other actions that the special committee determines necessary for consideration and determination regarding the Transaction as described in (iv) above. Furthermore, the special committee received explanations from Daiwa Securities regarding the process of negotiations about the terms and conditions of the Transaction or the like and the calculation of the share value of the Company, received explanations from Mori Hamada & Matsumoto regarding measures to ensure the fairness of the procedures for the Transaction, the methods and processes of decision-making by the Company’s board of directors regarding the Transaction, and other measures to avoid any conflicts of interests, and held question-and-answer sessions in relation to these matters. The special committee also received explanations from Plutus regarding the calculation of the share value of the Company and received explanations regarding, and confirmed, the details of the Fairness Opinion and material assumptions.

As a result of careful discussion and consideration of the Consulted Matters through the above process, on March 23, 2021, the special committee submitted to the Company’s board of directors the Report on the Consulted Matters with the content summarized below.

(i) Opinion

- (a) The special committee believes that the board of directors of the Company should resolve to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Company tender their shares in the Tender Offer and to express its opinion that it is appropriate that the decision regarding whether or not to tender Stock Acquisition Rights in the Tender Offer be left to the judgment of the holders of the Stock Acquisition Rights.

- (b) The special committee believes that resolving to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Company tender their shares in the Tender Offer and to express its opinion that it is appropriate that the decision regarding whether or not to tender Stock Acquisition Rights in the Tender Offer be left to the judgment of the holders of the Stock Acquisition Rights at the meeting of the board of directors of the Company would not be disadvantageous to the general shareholders of the Company. The special committee also believes that the decision of the Tender Offeror to make the Company its wholly-owned subsidiary after the completion of the Tender Offer would not be disadvantageous to the general shareholders of the Company.
- (ii) Reasons
- (a) Based on the following points, the special committee determined that the proposal by the Tender Offeror in relation to the management measures of the Company can be deemed to contribute to a certain degree to the enhancement of the corporate value of the Company:
- As stated in “D. Process of and Reasons for Decision-Making for Supporting the Tender Offer by the Company” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, it is considered necessary to make short-term and large-scale investments of resources and implement thoroughgoing measures and reforms in order for the Company to efficiently develop existing businesses and quickly achieve profitability in new businesses. However, it is possible that short-term and large-scale investments of resources will have adverse effects on the general shareholders of the Company, and the Company’s ability to make decisions in a flexible, agile, or similar manner would be limited under the current circumstances where the Company Shares remain listed and there are general shareholders. The special committee therefore considers that the measures proposed by the Tender Offeror, which aim to implement thoroughgoing measures and reforms by privatizing the Company, thereby ensuring that the Company will be able to make decisions in a flexible, agile, or similar manner, are reasonable to a certain degree.
 - The Tender Offeror has proposed a variety of measures to enhance corporate value, and although those measures to enhance corporate value do not indicate any direct synergies for the Company, they identify the issues facing the Company and set out efforts for resolving those issues, and they therefore can be determined to be reasonable. In addition, although the executive directors of the Company are aware of the fact that the Company itself does not have sufficient personnel who are suitable for implementing those measures to enhance corporate value, they believe that the procurement of necessary human resources will be possible using the networks and the like of the Tender Offeror by becoming a wholly-owned subsidiary of the Tender Offeror.
 - The special committee recognizes the significance of the leadership of a new manager of the Company, which requires agile and thoroughgoing reforms, and as a corporate manager, Mr. Koji Bando can be evaluated favorably to a certain degree in light of his track record in reforming a loss-making corporation through measures such as improvements in corporate culture.
 - It is planned that, upon the Tender Offeror obtaining the financing required for the Transaction from Resona Bank, an amount equivalent thereto in the Company’s fixed deposit account will be subject to, and bound by, a security interest to be created thereon. This will raise concerns about procuring the working capital of the Company, but the Tender Offeror explained that it was considering specific financing to do away with those concerns and attempting to take various measures to procure sound cash-flow management. In addition, the executive officer in charge of financing at the Company recognizes that based on the current sales of the Company and assuming that there will be no material changes in the terms of collection and payment between the Company and its customers/suppliers, there are not necessarily any material concerns about the procurement of the working capital of the Company.
 - Although it is expected that the Transaction will have certain disadvantages to the Company and its stakeholders, namely lower creditability due to the Company becoming an unlisted company and a corresponding worsening of transaction terms and conditions, as well as adverse effects on the recruitment of new employees and the retention of existing employees, the special committee believes that the determination of the Tender Offeror that such effects are considered to be limited at the present stage is not necessarily unreasonable and also believes that the advantages of the delisting of the Company will be

greater than the disadvantages.

- (b) Based on the following points, the special committee determined that the appropriateness of the terms and conditions of the Transaction (including the Tender Offer Price) has been ensured from the perspective of securing the interests of the Company's general shareholders:
- With respect to the methods and results of the calculation of share value performed by Plutus, who is the special committee's own third-party valuation institution independent from the Company and the Tender Offeror, the special committee believes that the market price method and the DCF method used for calculation are commonly used and reasonable methods in light of current practices, that the explanations about the basis of the method of classification of assets for business purposes and assets for non-business purposes and the discount rate used in the DCF method are reasonable, and that the results of the calculation are appropriate in light of current practices, and the Tender Offer Price is above the maximum value of the results of calculation by the market price method and is within the range of the results of calculation by the DCF method.
 - With respect to the methods and results of the calculation of share value performed by Daiwa Securities, who is the Company's financial advisor and third-party valuation institution independent from the Company and the Tender Offeror, the special committee believes that the market price method and the DCF method used for calculation are commonly used and reasonable methods in light of current practice. In addition, although the discount rate and the like used by Daiwa Securities are different from those used by Plutus, and the maximum value in the range of the results of calculation by Daiwa Securities using the DCF method is below the minimum value in the range of the results of calculation by Plutus using the DCF method, the results of calculation by Daiwa Securities can be considered to be reasonable to a certain degree, and the Tender Offer Price is above the maximum value of the results of calculation using the market price method and the DCF method.
 - The special committee confirmed the reasonableness of the details of the business plan used as the basis for calculation by Plutus and Daiwa Securities, its material assumptions, and the process of its preparation. Due to the prolonged consideration of the Transaction caused by the negotiations with the Tender Offeror, the business plan was reviewed in February 2021 based on the business environment, and the special committee confirmed the reasonableness of the business plan after the review, including the reasons for the review.
 - The special committee obtained the Fairness Opinion from Plutus, and Plutus expressed its opinion that the Tender Offer Price is fair for the general shareholders of the Company from a financial perspective based on certain assumptions.
 - The Company received a proposal for the delisting of the Company from a possible offeror other than the Tender Offeror through the process of a market check, and as a result of the comparison and consideration of the proposals, the special committee considers that the proposal by the Tender Offeror and the Tender Offer Price are reasonable, taking into account the fact that the tender offer price in the proposal of the possible offeror was a non-legally-binding price before the performance of detailed due diligence, the fact that the median of that tender offer price range which was offered by such possible offeror, was below the Tender Offer Price, although the maximum of that tender offer price range was over the Tender Offer Price (JPY918), and the fact that although the proposal of the possible offeror stated a proposed price before the performance of detailed due diligence on the Company, it was not unreasonable to compare that proposed price to the Tender Offer Price because performing that due diligence would take a considerable period of time, during which the business activities of the Company might possibly slow down.
 - The special committee received reports on the status of negotiations with the Tender Offeror in a timely manner, and such negotiations proceeded with the involvement of the special committee, wherein the special committee expressed opinions, gave instructions, and made requests to the Company and Daiwa Securities in critical phases and directly negotiated with the Tender Offeror if necessary; as a result of such negotiations, the Company and the special committee successfully obtained an increase to the price of the Tender Offer from the price initially proposed by the Tender Offeror.
 - The special committee does not find anything unreasonable in the methods of the Transaction, in which a two-step acquisition will be conducted for the purpose of making the Company a wholly-owned subsidiary

of the Tender Offeror.

- Based on the information available to the special committee as of the date of the Report, the special committee has confirmed that the economic benefits to be gained by Mr. Tetsuo Funai as a result of accepting the Purchase of Treasury Shares will be smaller than the economic value that would be received by Mr. Tetsuo Funai if he tenders his shares in the Tender Offer, and the special committee has been informed that there is no consideration, compensation, or the like other than the consideration for the Purchase of Treasury Shares that is planned to be paid to Mr. Tetsuo Funai from the Tender Offeror Group or the Company upon the Transaction with respect to the Purchase of Treasury Shares. Therefore, those procedures contribute to the interests of the general shareholders of the Company and are reasonable.
- (c) Based on the following points, the special committee determined that sufficient measures for ensuring fairness have been taken as the procedures to ensure the fairness of the terms and conditions of the Transaction and the interests of the general shareholders of the Company have been fully considered through fair procedures:
 - The Company has established the special committee, which conducts consideration, engages in negotiations, and makes determinations with regard to the Transaction from the perspective of enhancing the corporate value of the Company and securing the interests of the general shareholders of the Company in a position independent from the Tender Offeror.
 - It can be determined that the special committee has been substantially or directly involved in the process of negotiations between the Company and the Tender Offeror in regard to the terms and conditions and other matters regarding the Transaction.
 - The Company has obtained legal advice from Mori Hamada & Matsumoto as a legal advisor independent from the Company and the Tender Offeror.
 - The Company has obtained advice on the Transaction from a financial perspective from Daiwa Securities, who has been appointed as a financial advisor and third-party valuation institution independent from the Tender Offeror and the Company, and obtained the Share Price Valuation Report (Daiwa Securities) dated March 22, 2021 from Daiwa Securities.
 - The special committee has obtained advice, opinions, and the like from a financial perspective from Plutus, who is a third-party valuation institution independent from the Company and the Tender Offeror, and obtained the Share Price Valuation Report (Plutus) and the Fairness Opinion dated March 22, 2021 from Plutus.
 - The Company has taken procedures to ensure opportunities for counter tender offers (an active market check). In addition to gaining important reference information relating to the fairness of the Company's value and transaction terms and conditions, an active market check serves the functions of strengthening the negotiating power of the Company in the process of establishing the transaction terms and conditions and of contributing to the Transaction being conducted under terms and conditions favorable to general shareholders. In this instance as well, the tender offer price proposed by another possible offeror served as a reference in the negotiations with the Tender Offeror and in determining the share price of the Company, and the special committee believes that it fulfilled its functions.
 - The Tender Offer Period has been set to 30 business days, which is longer than the minimum period (20 business days) prescribed by laws and ordinances. In addition, the Tender Offeror and the Company have not entered into any agreement that restricts the Company from contacting or otherwise negotiating with persons making counter tender offers, including any agreement containing a transaction protection clause that forbids the Company from contacting such counter tender offerors, and this, together with the setting of a longer tender offer period as stated above, ensures opportunities for counter tender offers or the like, thereby giving consideration to ensuring the fairness of the Tender Offer.
 - The Tender Offeror does not intend to set a majority of minority condition in the Tender Offer. However, given that setting a majority of minority condition may make the completion of the Tender Offer uncertain and, conversely, would potentially not contribute to the interests of the general shareholders who wish to tender shares in the Tender Offer and that sufficient measures for ensuring the fairness of the Transaction

have been taken by the Company, the special committee believes that not setting a majority of minority condition in the Tender Offer will not directly impair the fairness of the procedures for the Tender Offer.

- The special committee will make appropriate information disclosure after obtaining advice from Mori Hamada & Matsumoto.
 - It can be said that the legality of the squeeze out procedures has also been ensured by giving consideration to avoiding the issue of coerciveness with respect to the Transaction.
- (d) Based on the reasons above, the special committee believes that the board of directors of the Company should resolve to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Company tender their shares in the Tender Offer and to express its opinion that it is appropriate that the decision regarding whether or not to tender Stock Acquisition Rights in the Tender Offer be left to the judgment of the holders of the Stock Acquisition Rights.
- (e) In addition, the special committee believes that resolving to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Company tender their shares in the Tender Offer and to express its opinion that it is appropriate that the decision regarding whether or not to tender Stock Acquisition Rights in the Tender Offer be left to the judgment of the holders of the Stock Acquisition Rights at the meeting of the board of directors of the Company would not be disadvantageous to the general shareholders of the Company. The special committee also believes that the Tender Offeror making the Company its wholly-owned subsidiary after the completion of the Tender Offer would not be disadvantageous to the general shareholders of the Company.

B. Obtainment by the Special Committee of the Share Price Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution

In expressing its opinion on the Tender Offer, with a view to ensuring fairness in the decision-making process concerning the Tender Offer Price presented by the Tender Offeror, the special committee also requested that Plutus, as a financial advisor and third-party valuation institution independent from the Company, the Tender Offeror, and Shuwa Group, calculate the share value of the Company Shares and received the Share Price Valuation Report (Plutus) dated March 22, 2021 from Plutus. Furthermore, the special committee received from Plutus the Fairness Opinion stating that JPY 918 per share as the Tender Offer Price is fair to the general shareholders of the Company from a financial point of view. For an outline of the Share Price Valuation Report (Plutus) and the Fairness Opinion, please refer to “B. Obtainment by the Special Committee of the Share Price Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution” in “(3) Matters Related to Valuation” above.

C. Obtainment by the Company of the Share Price Valuation Report from the Independent Third-Party Valuation Institution

In expressing its opinion on the Tender Offer, with the view to ensuring fairness in the decision-making process concerning the Tender Offer Price presented by the Tender Offeror, the Company requested that Daiwa Securities, as a financial advisor and third-party valuation institution independent from the Company, the Tender Offeror, and Shuwa Group, calculate the share value of the Company Shares and received the Share Price Valuation Report (Daiwa Securities) dated March 22, 2021 from Daiwa Securities. For an outline of the Share Price Valuation Report (Daiwa Securities), please refer to “A. Obtainment by the Company of the Share Price Valuation Report from an Independent Third-Party Valuation Institution” in “(3) Matters Related to Valuation” above.

D. Advice from a Law Firm Independent from the Company

The Company appointed Mori Hamada & Matsumoto as its legal advisor in order to ensure the fairness and appropriateness of decision-making by the Company’s board of directors and received legal advice on the method of the selection of the members of the special committee and the methods and processes of, and other points to note in, decision-making by the Company’s board of directors on the Tender Offer and the subsequent series of procedures. Mori Hamada & Matsumoto is independent from the Company, the Tender Offeror, and Shuwa Group and does not have any material interest in the Company or the Tender Offeror.

E. Approval of Majority of Disinterested Directors (Including Those Who are Audit and Supervisory Committee Members) of the Company

The Company prudently discussed and considered the details of the terms and conditions of the Tender Offer by the Tender Offeror based on the legal advice received from Mori Hamada & Matsumoto, the advice given by Daiwa Securities from a financial perspective, the content of the Share Price Valuation Report (Daiwa Securities), the content of the Report obtained from the special committee, the content of the continual discussions on multiple occasions with the Tender Offeror, and other related materials. As a result, as stated in “D. Process of and Reasons for Decision-Making for Supporting the Tender Offer by the Company” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, the Company, with the approval of all of its directors except one, resolved at its board of directors meeting held today to express its opinion in support of the Tender Offer, recommend that the Company’s shareholders tender their shares in the Tender Offer, and leave the decision regarding whether or not to tender Stock Acquisition Rights in the Tender Offer to the judgment of the Stock Acquisition Right Holders.

At the above-mentioned the board of directors meeting held today, Director Mitsuo Yonemoto expressed his opinion to oppose the Tender Offer on the grounds that the disadvantages of delisting, mainly a loss of the trust that business partners place in the Company, would be significant.

F. Measures to Ensure Opportunities for Other Tender Offerors to Purchase Shares

As stated in “D. Process of and Reasons for Decision-Making for Supporting the Tender Offer by the Company” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, as part of the procedures to ensure opportunities for counter tender offers (a market check), the Company received proposals from possible offerors other than the Tender Offeror and, after comparing those proposals with the proposal by the Tender Offeror, decided to execute the Transaction with the Tender Offeror. By doing so, the Company has actively provided opportunities for persons other than the Tender Offeror to purchase or otherwise execute a transaction involving the Company Shares.

In addition, the Company has not entered into any agreement with the Tender Offeror that restricts the Company from contacting persons other than the Tender Offeror making counter tender offers (“Counter Offerors”), including any agreement containing a transaction protection clause that forbids the Company from contacting Counter Offerors, so that opportunities for Counter Offerors to make takeover proposals after the announcement of the Tender Offer will not be hindered, thereby giving consideration to ensuring the fairness of the Tender Offer.

Furthermore, according to the Tender Offeror, by setting the Tender Offer Period to 30 business days, which is longer than the minimum period (20 business days) prescribed by laws and ordinances, the Tender Offeror ensures that the general shareholders and Stock Acquisition Right Holders of the Company are given an appropriate consideration period before making a decision on whether or not to tender their shares or Stock Acquisition Rights in the Tender Offer and that parties other than the Tender Offeror are given an opportunity to carry out a counter tender offer, etc. for the Company Shares and the Stock Acquisition Rights, thereby intending to ensure the fairness of the Tender Offer.

4. Details of Material Agreements Between the Tender Offeror and the Shareholders of the Company Concerning Tendering Shares in the Tender Offer

A. The Agreement

As stated in “A. Outline of the Tender Offer” above, the Company, upon implementing the Tender Offer, entered into the Agreement dated today with the Tender Offeror, Shuwa System, and Mr. Tetsuo Funai.

Under the Agreement, the Company, the Tender Offeror, Shuwa System, and Mr. Tetsuo Funai have agreed that:

- (a) Mr. Tetsuo Funai shall not tender any of the Reserved Shares in the Tender Offer;
- (b) after the completion of the Tender Offer, the Company shall implement procedures necessary to make the Tender Offeror and Mr. Tetsuo Funai the sole shareholders of the Company (the “Squeeze-Out”);
- (c) as a general rule, the Squeeze-Out will be implemented through the Share Consolidation (however, the

Squeeze-Out will be implemented through a method using class shares subject to class-wide call or other method separately agreed on by the Tender Offeror, Shuwa System, the Company, and Mr. Tetsuo Funai if it is reasonably necessary for the smooth implementation of the Transaction or for other purposes);

- (d) as soon as practicable and reasonable after the effective date of the Squeeze-Out, the Company shall implement the Capital Reduction in order to duly implement the Purchase of Treasury Shares;
- (e) as soon as practicable and reasonable after the effective date of the Squeeze-Out, through the Purchase of Treasury Shares, the Company shall purchase from Mr. Tetsuo Funai, and Mr. Tetsuo Funai shall transfer to the Company, all of the Company Shares owned by Mr. Tetsuo Funai at that time in exchange for the Treasury Shares Purchase Price (Total) as consideration; the date on which the consideration is to be paid will be a date on which the Company, the Tender Offeror, Shuwa System, and Mr. Tetsuo Funai separately agree upon mutual consultation in good faith based on the Company's financial condition, operating capital, and other factors, which date shall fall after the principal repayment date specified in the financing agreement between the Tender Offeror and Resona Bank with respect to the financing for the settlement of the Transaction;
- (f) the Company shall submit a proposal at the Meeting of Shareholders to the effect that Mr. Tomokazu Ueda and Mr. Koji Bando will be elected as directors of the Company at the close of the Meeting of Shareholders; promptly after such election, the Company shall hold a meeting of the board of directors and appoint the persons designated by the Tender Offeror as the representative director, chairman and president and as a representative director in accordance with such designation by the Tender Offeror; and the Tender Offeror and Mr. Tetsuo Funai shall perform all actions necessary for them to approve the proposal (including exercising their voting rights in favor of that proposal at the Meeting of Shareholders);
- (g) after the completion of the Tender Offer, the Tender Offeror may dispatch a person designated by Mr. Tetsuo Funai or the Tender Offeror to attend the board of directors meetings and meetings of the investment and financing council of the Company as an observer to the extent permitted by laws and ordinances, etc. until Mr. Tomokazu Ueda and Mr. Koji Bando are elected as directors at the Meeting of Shareholders;
- (h) the Tender Offeror and Shuwa System (however, on and after the effective date of the Absorption-type Merger, Shuwa System) shall essentially respect the management structure of the Company as of the execution date of the Agreement, except for the dispatch of Mr. Tomokazu Ueda, Mr. Koji Bando, and other persons designated by the Tender Offeror;
- (i) for three years after the date on which settlement for the Tender Offer commences, the Tender Offeror and Shuwa System (however, on and after the effective date of the Absorption-type Merger, Shuwa System) shall endeavor to the fullest extent possible to maintain and continue the employment of the employees who belong to the Company Group and to maintain and continue the employment terms as of the execution date of the Agreement at substantially the same level;
- (j) on and after the date on which settlement for the Tender Offer commences, the Tender Offeror and Shuwa System (however, on and after the effective date of the Absorption-type Merger, Shuwa System) shall cause the Company to maintain and not to change the Company's trade name as of the execution date of the Agreement and shall maintain the trademark of the Company and the "FUNAI" brand; and
- (k) each party has agreed that unless the Company withdraws or amends the Resolution in Support of the Tender Offer and to Recommend Tendering, the Company will, at least three business days before the date on which settlement of the Tender Offer commences, concentrate in the account of the Company opened with Resona Bank money equal to or greater than the maximum loan amount in the financing agreement between the Tender Offeror and Resona Bank with respect to the financing for the settlement of the Transaction and maintain that money therein until the Squeeze-Out becomes effective, and that the parties will otherwise cooperate in good faith for the completion of the Transaction.

In addition, although the Company has agreed in the Agreement that the Company will maintain and not withdraw or amend the Resolution in Support of the Tender Offer and to Recommend Tendering until the last day of the Tender Offer Period, if the Company receives any proposals for a transaction with substantially the same terms and conditions as those of the Transaction or that are likely to substantially contradict or conflict with the Transaction (a "Counter Transaction") before the end of the Tender Offer Period, and the board of directors of the Company reasonably determines, after receiving advice from a lawyer or legal expert who has sufficient experience in corporate law practice, that there is a high possibility that not withdrawing or amending the Resolution in Support of the Tender Offer and to Recommend Tendering would constitute a breach of the duty of care of the Company's directors, the Company may, upon prior written notice to the Tender Offeror, withdraw or amend the Resolution in Support of the Tender Offer and to Recommend Tendering. However, even in such a case, if the Company receives a proposal for a Counter Transaction, the Company shall, in response to a reasonable request from the Tender Offeror, consult in good faith with the Tender Offeror to the extent reasonable and possible in light of the duty of care of the Company's directors.

In addition to the above, each party to the Agreement has made representations and warranties with respect to itself (Note 1) and bears obligations to provide indemnification upon a breach of agreement, to maintain confidentiality, not to assign rights and obligations under the Agreement, and to engage in mutual consultation in good faith with regard to any matters not provided for in the Agreement.

(Note 1) In the Agreement, the Tender Offeror has made representations and warranties with respect to (a) its incorporation and continued existence, (b) having the authority to execute and perform the Agreement and the performance of internal procedures required by laws, ordinances, and the articles of incorporation and other internal rules of the Tender Offeror, (c) the validity of the execution of the Agreement, (d) non-existence of any violation of law, ordinance, the articles of incorporation, other internal rules, or permissions and approvals given to the Tender Offeror, and (e) not being an anti-social force; Shuwa System has made representations and warranties with respect to (a) its incorporation and continued existence, (b) having the authority to execute and perform the Agreement and the performance of internal procedures required by laws, ordinances, and the articles of incorporation and other internal rules of Shuwa System, (c) the validity of the execution of the Agreement, (d) non-existence of any violation of law, ordinance, the articles of incorporation, other internal rules, or permissions and approvals given to Shuwa System, and (e) not being an anti-social force; Mr. Tetsuo Funai has made representations and warranties with respect to (a) his power and competence, (b) the validity of the execution of the Agreement, (c) holding of the Reserved Shares, (d) non-existence of any agreement regarding the rights of shareholders of the Reserved Shares, and (e) not being an anti-social force; and the Company has made representations and warranties with respect to (a) its incorporation and continued existence, (b) having the authority to execute and perform the Agreement and the performance of internal procedures required by laws, ordinances, and the articles of incorporation and other internal rules of the Company, (c) the validity of the execution of the Agreement, (d) non-existence of any violation of law, ordinance, the articles of incorporation, other internal rules, or permissions and approvals given to the Company, (e) non-existence of insider information, and (f) not being an anti-social force.

B. The Tendering Agreements

According to the Tender Offeror, upon implementing the Tender Offer, the Tender Offeror has entered into the Tendering Agreements dated today with each of the three shareholders who are concurrently the 9th -largest shareholders of the Company, namely Funai Kosan (shares held: 470,000 shares; ownership percentage: 1.37%), F2 (shares held: 470,000 shares; ownership percentage: 1.37%), and T&N (shares held: 470,000 shares; ownership percentage: 1.37%), under which the Shareholders Agreeing to Tender have agreed to tender in the Tender Offer all of the Company Shares owned by them (total shares held: 1,410,000 shares; total ownership percentage: 4.11%).

Other than that, under the Tendering Agreements, (i) the Shareholders Agreeing to Tender have agreed that they shall not make or solicit the making of an offer for, engage in discussions or negotiations about, or make any agreement regarding, and shall not provide information for the purpose of any of the foregoing, any transaction with substantially the same terms and conditions as those of the Transaction or any transaction that is likely to substantially contradict or conflict with the Transaction with any third party other than the Tender Offeror during the period from the execution date of the Tendering Agreements to the date on which settlement for the Tender Offer commences, and (ii) the Shareholders Agreeing to Tender confirmed that the Tender Offer, the events that will occur in connection with the execution of the Transaction, and the actions to be performed by the Company in connection with the execution of the Transaction will not constitute any breach of obligation, event of default, termination event, or the like on the part of the Company or any of its subsidiaries under any agreement executed between the Shareholders Agreeing to Tender or their subsidiaries or affiliates and the Company or its subsidiaries, and they have agreed that they shall not themselves, and shall not cause any of their subsidiaries or affiliates to, terminate the Agreement, demand an injunction, claim compensation, or exercise any other rights against the Company, its subsidiaries, or the Tender Offeror on the grounds of the execution of the Transaction.

In addition to the above, under the Tendering Agreements, each party bears the obligation to provide indemnification upon a breach of agreement, to maintain confidentiality, not to assign rights and obligations under the Tendering Agreements, and to engage in mutual consultation in good faith with regard to any matters not provided for in the Tendering Agreements. There are no conditions precedent to the tendering of shares under the Tendering Agreements.

5. Details of Benefits Received from the Tender Offeror or any of its Special Related Parties

Not applicable.

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

Not applicable.

7. Questions to the Tender Offeror

Not applicable.

8. Requests for Extension of the Tender Offer Period

Not applicable.

9. Future Prospects

Please refer to “B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer,” “C. Management Policy After the Completion of the Tender Offer and the Transaction,” and “D. Process of and Reasons for Decision-Making for Supporting the Tender Offer by the Company” in “(2) Grounds and Reasons for the Opinion on the Tender Offer,” “(4) Prospects of, and Reasons for, Delisting,” and “(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-Called “Two-Step Acquisition”)” in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” above.

End