This document is an English translation of a statement written originally in Japanese. The Japanese original should be considered as the primary version.

August 10, 2023

ITOCHU Corporation

(Code No.: 8001, Prime Market)

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BP Investment Godo Kaisha

Representative Member: ITOCHU Corporation

Person Acting in its Capacity: Takashi Ozawa

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Announcement in Relation to Commencement of Tender Offer for Shares in DAIKEN CORPORATION (Code No. 7905)

ITOCHU Corporation ("ITOCHU") hereby announces that BP Investment Godo Kaisha (head office location: Minato-ku, Tokyo, Representative Member: ITOCHU, Person acting in its capacity: Takashi Ozawa, the "Tender Offeror"; collectively with ITOCHU, "ITOCHU et al."), a *godo kaisha* wholly-owned by ITOCHU, decided to acquire the common shares of DAIKEN CORPORATION (Prime Market (the "Prime Market") of Tokyo Stock Exchange, Inc. (the exchange underwent entity conversion from a securities membership corporation to a joint stock company in November 2001; collectively with the same exchange before the entity conversion, the "TSE"), Code No. 7905; the "Target Company") (such commons shares, the "Target Company Shares") by way of a tender offer (the "Tender Offer") as stipulated in the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the "Act").

This document is disclosed by ITOCHU in accordance with the Securities Listing Regulations, and also serves as an official announcement pursuant to Article 30, paragraph 1, item (iv) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; the "Order") based on the request of the Tender Offeror to ITOCHU (the parent company of the Tender Offeror).

1. Outline of the Tender Offeror (BP Investment Godo Kaisha)

(1) Name	BP Investment Godo Kaisha
(2) Location	2-5-1 Kita-Aoyama, Minato-ku, Tokyo
(3) Title and Name of Representative	Representative Member: ITOCHU Corporation Person acting in its capacity: Takashi Ozawa
(4) Description of Business Activities	1. Controlling and managing of business activities of companies by holding shares or interests in such companies; and 2. Any and all businesses incidental or relating to the foregoing
(5) Capital	One (1) yen (as of today)

2. Purpose of the Tender Offer, etc.

(1) Outline of the Tender Offer

The Tender Offeror was established as BP Investment Kabushiki Kaisha on February 17, 2023 primarily for the purpose of acquiring and holding the share certificates, etc. of the Target Company through the Tender Offer, and underwent an entity conversion into BP Investment Godo Kaisha on July 4, 2023, and is a Godo Kaisha (limited liability company) that ITOCHU holds a 100% stake in. From the viewpoint of ensuring flexibility in the Target Company's future capital policy after the Transaction (to be defined below), ITOCHU decided to make the special purpose acquisition company to be incorporated for the Transaction in late January 2023 to be the party carrying out the Tender Offer, and has made the Tender Offeror the party carrying out the Tender Offer. As of today, the Tender Offeror does not hold any Target Company Shares, which are listed on the Prime Market, while, as of today, ITOCHU, which is the parent company and a specially related party (a person set forth in Article 27-2, paragraph 7 of the Act) of the Tender Offeror, holds 9,475,300 Target Company Shares (Ownership Ratio (Note 1): 36.34% (rounded to two decimal places; hereinafter the same applies to the calculation of Ownership Ratio), and the Target Company is an affiliate of ITOCHU.

(Note 1) "Ownership Ratio" means the ratio of the relevant Target Company Shares held by the applicable person to the number of shares (26,071,888 shares) remaining after subtracting the number of treasury shares (1,008,155 shares) held by the Target Company as of June 30, 2023 from the total number of issued shares of the Target Company (27,080,043 shares) as of the same date, both of which are disclosed in the "Consults for the Three Months Ended June 30, 2023〔Under Japanese GAAP〕(Consolidated Accounting)" filed by the Target Company today (the "Target Company's Quarterly Financial Results").

The Tender Offeror decided to commence the Tender Offer as part of a series of transactions (the "Transaction") in order to acquire all Target Company Shares (excluding the Target Company Shares held by ITOCHU and the treasury shares held by the Target Company) and take the Target Company private, with the Target Company's shareholders comprising only of ITOCHU et al., at 3,000 yen per share (as per the Target Company Shares of the Tender Offer referred to as the "Tender Offer Price").

In the Tender Offer, the Tender Offeror has set a lower limit of 8,298,295 shares (Ownership Ratio: 31.83%) (Note 2) on the number of shares to be purchased through the Tender Offer. If the total number of shares that are offered for sale in response to the Tender Offer (the "Tendered Shares") falls short of the lower limit on the number of shares to be purchased through the Tender Offer, none of the Tendered Shares will be purchased. On the other hand, as the Tender Offer purports to take the Target Company private, the Tender Offeror has not set an upper limit on the number of shares to be purchased, and if the total number of the Tendered Shares is equal to or is more than the lower limit of the number of shares to be purchased, all the Tendered Shares will be purchased.

Should the Tender Offeror fail to acquire all Target Company Shares (excluding the Target Company Shares held by ITOCHU, and the treasury shares held by the Target Company) through the Tender Offer, after the completion of the

Tender Offer, the Tender Offeror plans to implement a series of procedures (the "Squeeze-Out Procedures") resulting in the Target Company's shareholders comprising of only ITOCHU et al., as stated in "(5) Policies for Reorganization after the Completion of the Tender Offer (Matters Concerning the So-Called "Two-Step Acquisition")" below. For purposes of ensuring funds to carry out the Transaction, the Tender Offeror plans to receive an investment from ITOCHU and a loan from ITOCHU Treasury Corporation (head office location: Minato-ku, Tokyo) by two (2) business days prior to the commencement date of settlement of the Tender Offer.

(Note 2) The lower limit on the number of shares to be purchased (8,298,295 shares) is the majority (8,298,295 shares) of the number of shares (16,596,588 shares) as calculated by the following formula: ((a) -(b)) - (c); where (a) is the total number of issued shares of the Target Company (27,080,043 shares) as of June 30, 2023 as stated in the Target Company's Quarterly Financial Results, (b) is the number of treasury shares (1,008,155 shares) held by the Target Company as of the same date as stated in the Target Company's Quarterly Financial Results, with the number of shares after subtracting (b) from (a) being (26,071,888 shares), and (c) is the number of the Target Company Shares (9,475,300 shares) held by ITOCHU, the Tender Offeror's parent company, as of today. Such lower limit on the number of shares to be purchased is the number equivalent to the majority of the number of the Target Company Shares held by the Target Company's shareholders who do not have conflicts of interest with ITOCHU et al., or a "Majority of Minority". As stated in "(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer" of "(2) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer, and Management Policy Following Completion of the Tender Offer" below, taking into account the consultations and negotiations with the Target Company, ITOCHU et al. will value the decisions of the Target Company's minority shareholders (general shareholders) through ensuring that the Tender Offer will not be completed if approval of the majority of the Target Company's shareholders who do not have conflicts of interest with ITOCHU et al., cannot be obtained. The Transaction purports to take the Target Company private. Upon implementation of the procedures for share consolidation described in "(5) Policies for Reorganization after the Completion of the Tender Offer (Matters Concerning the So-Called "Two-Step Acquisition")" below, a special resolution at the shareholders meeting set forth in Article 309, paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended, the "Companies Act") will be required. If the lower limit on the number of shares to be purchased above has been met and the Tender Offer has been completed, then ITOCHU et al. would hold two-thirds (173,812) or more of the number of voting rights of all shareholders of the Target Company, thus ensuring the passage of the special resolution.

As of today, the Target Company Shares are listed on the Prime Market. However, as stated in "(6) The Possibility of Delisting and Reasons Thereof" below, the Target Company Shares may be delisted depending on the results of the Tender Offer after following the designated procedures pursuant to the delisting standards of the TSE. Even if the delisting standards do not apply to the Target Company Shares at the time of the completion of the Tender Offer, the Tender Offeror plans to implement procedures in order to acquire all Target Company Shares (excluding the Target Company Shares held by ITOCHU, and the treasury shares held by the Target Company), as described in "(5) Policies for Reorganization after the Completion of the Tender Offer (Matters Concerning the So-Called "Two-Step Acquisition")" below after the completion of the Tender Offer. In such cases, the Target Company Shares will be delisted following the designated procedures pursuant to the delisting standards of the TSE.

According to the "Announcement of Opinion in Support of the Tender Offer for the Company Shares by BP Investment Godo Kaisha and Recommendation for our Shareholders to Tender their Shares in the Tender Offer " published by the Target Company (the "Target Company Press Release") today, the Target Company decided at the board of directors' meeting held on that same day that the Transaction contributes to enhancement of the corporate value of the Target Company, and made a resolution declaring the Target Company's opinion supporting the Tender Offer, and to recommend to its shareholders that they tender their shares in the Tender Offer.

For details regarding the process of the Target Company's decision-making, please see "(vii) Approval of all Target Company Directors (including directors who are audit and supervisory committee members) Without Conflicts of Interest" in "(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)" in "(II) Background of Valuation" in "(4). Basis for Valuation of Tender Offer Prices" in "3. Overview of the Tender Offer" below.

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

(I) Background, Purpose and Decision-making Process of the Decision to Conduct the Tender Offer

(i) Background, Purpose and Decision-making Process of the Tender Offeror's Decision to Conduct the Tender Offer

ITOCHU, which is the parent company of the Tender Offeror, has been listed on Securities Membership Corporation Osaka Securities Exchange (which subsequently underwent entity conversion in April 2001 and became Osaka Securities Exchange, Inc.; collectively with the same exchange before the entity conversion, the Osaka Securities Exchange, Inc.; collectively with the same exchange before the entity conversion, the "Osaka Securities Exchange") and the TSE since July 1950. ITOCHU and its 190 subsidiaries and 81 affiliates including the Target Company (as of June 30, 2023) comprise a corporate group (excluding the Target Company Group (to be defined below), the "ITOCHU Group"). As the ITOCHU Group, through its domestic and overseas business networks, "Textile Company," "Machinery Company," "Metals & Minerals Company," "Energy & Chemicals Company," "Food Company," "General Products & Realty Company," "ICT & Financial Business Company," and "The 8th Company" (Note 3) (Note 4), whose business areas have been extended from "upstream" business areas, such as those relating to raw materials, to "downstream" consumer business areas, ITOCHU has been running diversified businesses, in order to offer a variety of products and services that support people's daily lives.

(Note 3) A "Company" in the applicable sentence refers to a business division within ITOCHU that is deemed to be one highly independent unit. Delegation of management resources and discretion to each Company allows it to manage responsibly, rapidly and flexibly, and develop businesses meeting the needs in each field.

(Note 4) The 8th Company collaborates with the other seven business companies to fully leverage various business platforms, particularly in the consumer sector which is an area of strength of ITOCHU. Through this, ITOCHU accelerates initiatives that combine different industries and extend across the boundaries of business companies and create new businesses and develop new customers from a market-oriented perspective to meet market and consumer needs.

On the other hand, according to the Target Company Press Release, in September 1945, the Target Company succeeded the entire businesses of the forestry department of Daiken Sangyo Co., Ltd., and was established as DAIKEN Wood Industry Co., Ltd. and commenced manufacture of special plywood. Thereafter, in October 1967, the Target Company merged with DAIKEN Wallboard Industry Co., Ltd. and changed its name into DAIKEN Trade and Industry Co., Ltd. The Target Company was listed on the Osaka Securities Exchange in May 1949, and was listed on the First Section of TSE in September 1971; through integration of the spot market of the Osaka Securities Exchange into the TSE in July 2013, the Target Company came to be listed only on the First Section of the TSE. Thereafter, in connection with the revision of the market categorization at the TSE, since April 4, 2022, the Target Company came to be listed on the Prime Market. As of today, the Target Company has 23 subsidiaries and 2 affiliates (collectively with the Target Company and its subsidiaries and affiliates, the “Target Company Group”), and the Target Company Group’s businesses are comprised of three businesses: the Industrial materials business, the Building material business, and the Engineering business.

The Target Company Group defines its group corporate philosophy, consisting of “Company mission – Our Mission,” “Company vision – Our Vision,” and “Company Values – Our values,” and shares it among all employees of the Target Company Group to align the company direction, and aims to conduct management valued by all stakeholders, including shareholders and sustainable improvement of corporate values. Under the group corporate philosophy above, in fiscal year ended 2016, the 70th anniversary of the Target Company’s establishment, the ideal situation to be aimed for in fiscal year ended 2026, the long-term vision “GP25 (Grow/Glow Plan 25)” was formulated. From the current image as a “housing materials manufacturer,” the Target Company Group aims to (i) strengthen the business model of supplying not only building materials but also industrial materials as well as construction, (ii) expand business areas from housing to non-housing public and commercial buildings, and industrial materials, and (iii) become an “all-embracing company for building materials” that will actively expand into not only the domestic market but also the global markets.

According to the Target Company, in the business environment surrounding the Target Company, the Target Company attributes the trend of reduction in the domestic new housing market and significant limitation of economic activities since 2020 due to the impact of the spread of COVID-19 to the continuation of the harsh conditions. However, due to subsequent acts to mitigate the limitation of economic and social activities, the Target Company considers the business environment to be improving. Even so, in addition to the prolonged situation in Ukraine, confusion in supply-chains and inflation of resources prices, the Target Company considers that the outlook remains uncertain due to global inflation and rapid exchange fluctuations, etc. In the fiscal year ended March 2023, in the domestic housing market, while owner-occupied houses remained weak, housing built for sale and rental houses remained steady, and renovation demand is also seeing an upward trend, thus, overall, the status remains solid. In public and commercial buildings, while the demand for construction works recovered due to resumption of various redevelopment projects mainly in the Tokyo metropolitan area, the Target Company considers that the business environment has been harsh with continued increases in raw materials prices and energy costs. Also, in overseas markets, in MDF (Note 5) with strong interests from clients, since the fourth quarter of the fiscal year ended 2023, the Target Company considers the supply and demand to have weakened due to the impact of the decrease in demand for furniture and building materials uses. Especially in the U.S., construction of new housing decreased due to the impact of a policy interest rate hike, and since October 2022, the Target Company considers the market price for wood material products to have entered an adjustment phase.

(Note 5) MDF means wooden fiberboard using residual wood offcuts for the main raw material that is molded into a board.

Under the business environment above, in the medium-term management plan “GP25 3rd Stage” (fiscal year ending 2023-2026, the “Medium-Term Management Plan”) which started from fiscal year ended 2023, the Target Company Group places a focus on profitability under the two basic policies of “Execution of the Growth Strategy” and “Enhancement of the Management Foundation” using sustainability as the key axis of management, as well as pursuing a growth path towards the next stage. Also, in the fiscal year ending 2026, which is the last fiscal year of the Medium-Term Management Plan, the Target Company aims to realize consolidated net sales of 250 billion yen, consolidated operating profit of 15 billion yen, profit attributable to parent company of 10 billion yen, return on equity (ROE) of 10% or more, return on invested capital (ROIC) of 8% or more, shareholder equity ratio of 40% or more, and debt equity ratio of 0.5 times or less. Also, on the policy for shareholder return, the Target Company puts emphasis on the improvement of profit return linked with the Target Company’s performance and a stable dividend that is less affected by the short-term profit fluctuation, and in the Medium-Term Management Plan, aims to implement dividend payments with goals of a Dividend payout ratio at 35% and Dividend on equity ratio (DOE) at 3.5%.

ITOCHU and the Target Company have maintained a business and capital relationship over many years as companies with a shared origin, including ITOCHU and the Target Company's joint establishment of DAIKEN Wallboard Industry Co., Ltd. in May 1957, and joint establishment of DAIKEN Homes, Ltd. by ITOCHU, Itochu Real Estate Co., Ltd. and the Target Company in 1964.

The capital relationship between ITOCHU and the Target Company began in May 1953 when ITOCHU acquired 20,000 shares (percentage of the total number of issued shares at the time (Note 6): 8.3%) of the Target Company Shares from the Target Company's shareholders. Thereafter, ITOCHU acquired Target Company Shares in stages through subscription for newly issued shares and acquisitions from shareholders, and by September 1967, ITOCHU came to own 5,148,057 Target Company Shares. In October 1967, the Target Company conducted an absorption-type merger in which DAIKEN Wallboard Industry Co., Ltd. was the disappearing company, and ITOCHU, which was also a shareholder of DAIKEN Wallboard Industry Co., Ltd., received the Target Company Shares as consideration for the merger. Thus, the number of the Target Company Shares owned by ITOCHU came to be 10,948,577 shares (percentage of the total number of issued shares at the time: 36.50%). ITOCHU continued to acquire the Target Company Shares in stages through subscription for newly issued shares and acquisitions and allotment of shares without contribution from shareholders, and by April 1975, ITOCHU came to own 27,186,249 Target Company Shares (percentage of the total number of issued shares at the time: 26.19%). Thereafter, ITOCHU sold the Target Company Shares in stages, and by September 1999, the number of the Target Company Shares owned by ITOCHU became 13,366,000 shares. Since November 2002, ITOCHU has acquired Target Company Shares in stages by acquisitions from shareholders once again, and by February 2010, ITOCHU came to own 31,948,000 Target Company Shares (percentage of the total number of issued shares at the time: 24.41%). In October 2016, the Target Company conducted a consolidation of shares, and the Target Company Shares owned by ITOCHU became 6,389,600 shares (percentage of the total number of issued shares at the time: 25.38%). ITOCHU continued to acquire the Target Company Shares in stages through acquisitions from shareholders, and by December 2017, ITOCHU came to own 7,198,100 Target Company Shares (percentage of the total number of issued shares at the time: 28.59%).

Thereafter, ITOCHU and the Target Company executed an agreement regarding capital and business alliance in September 2018, and ITOCHU subscribed to new shares by way of third-party allotment by the Target Company, and acquired 1,905,000 Target Company Shares, causing ITOCHU to come to own 9,103,000 Target Company Shares (percentage of the total number of issued shares at the time: 33.62%).

(Note 6) "Percentage of the total number of issued shares at the time" is the percentage of the total number of issued shares of the Target Company recognized by ITOCHU at certain points in time.

Since ITOCHU made the Target Company an affiliate in 2002, both companies confirmed that they are long-term partners for the purpose of mutually enhancing their respective corporate values. Specifically, in order to achieve future growth strategy targets such as “conversion into a business structure less dependent on new housing starts” and “establishment of stable revenue base in the domestic housing market” set by the Target Company, both companies proceeded to discuss their cooperative system. In June 2019, ITOCHU transferred to the Target Company, 51.0% of the equity of two North American subsidiaries (CIPA Lumber Co. Ltd., located in Canada, and Pacific Woodtech Corporation, located in the US) that were wholly-owned subsidiaries of ITOCHU, respectively, and with the joint development of the businesses of both North American subsidiaries by ITOCHU, that managed both North American subsidiaries, and the Target Company, business expansion in the North American wooden housing market has progressed. With the additional purchase of the Target Company Shares by ITOCHU on the market from April 2020 to November 2020, ITOCHU came to own 9,475,300 Target Company Shares (Ownership Ratio: 36.34%), which is the number of shares owned as of today. In August 2022, with additional investment from ITOCHU to Pacific Woodtech Corporation as the source of funds, the aforementioned company purchased the Engineered Wood Products business from Louisiana Pacific Corporation, which engages in the business of manufacturing building materials in the U.S., and other inorganic growth has been promoted utilizing ITOCHU’s financial strength, network and knowhow regarding corporate acquisition.

As stated in “(1) Outline of the Tender Offer” above, as of today, the Target Company is an affiliate of ITOCHU. In addition, ITOCHU has dispatched one director to the Target Company.

However, ITOCHU acknowledges that, in the future, together with the expectation of a mid to long-term reduction in the housing construction market in Japan, and a cooling down of construction of housing that has begun in North America due to an increase in interest rates that began in March 2022, a harsh business environment is expected, and therefore it has become the time where changes such as new market developments are required for the Target Company.

On the other hand, according to the Target Company, although the Target Company believes it is desirable to carry out the alliance with the ITOCHU Group and ensure efficient utilization of the ITOCHU Group’s management resources promptly and smoothly, from the viewpoint of mid to long-term growth of the Target Company Group, the Target Company also acknowledges that the current situation where the Target Company maintains being listed poses structural issues such as being subject to certain restrictions in sharing information, managerial resources, personnel, and knowhow, and poses risks of incidence of conflict of interests between ITOCHU and the Target Company's general shareholders. Thus, the Target Company feels certain limitations in further acceleration of collaboration on the basis of the current capital relationship.

Under such circumstances, after entering into the capital and business alliance in September 2018, ITOCHU and the Target Company continued to engage in repeated discussions and considerations for a desirable future capital relationship and various measures aimed at enhancing the corporate values of both companies. As a result, ITOCHU determined in late November 2022 that it is necessary for both companies to build a stronger cooperation system, and, acknowledged that there is an urgent necessity to construct a management system where flexible management decisions may be made through making ITOCHU and a special purpose acquisition company contemplated to be incorporated for the Transaction the sole shareholders of the Target Company, and taking the Target Company private, and thereby further strengthening ITOCHU's involvement in the Target Company's management. While no disadvantages or adverse effects on the ITOCHU Group or the Target Company Group are anticipated to occurs as a result of the Transaction, ITOCHU anticipates the realization of effects including the following, on the Target Company Group through the Transaction, and that ITOCHU, which will be the Target Company's parent company, and its group companies will enjoy benefits in connection with the Target Company's improvement in profitability and growth with the effects below.

i Strengthening of Profitability Centered on Domestic Housing Business

- ITOCHU considers that the market scale of the domestic housing business is likely to shrink, because the number of new housing starts will continue to decline as the population decreases. In order to maintain and expand the business in such harsh market, it is necessary to enhance profitability as an enterprise.
- ITOCHU improved the profitability of the group companies through formulation of sales strategies by utilizing sales forecasts, optimization of inventory and logistics by strengthening supply chains, and reduction of costs and SG&A expenses by utilizing procurement capacity in and sharing resources of the group network. Through provision of this knowhow, ITOCHU believes that the Target Company Group will be able to further strengthen its profitability.
- While the Target Company Group conducts wide-range of businesses, ranging from the Industrial material business, dealing in materials that are used primarily as building materials making use of

wood materials such as MDF and insulation boards, and mineral materials, to the Building material business, dealing in building materials such as flooring, doors, and cabinets, and the Engineering business, mainly handling interior construction work, ITOCHU believes that the Target Company's mid to long-term growth will require portfolio management such as aggressive resource investment into areas with growth potential after assessing the market environment. ITOCHU believes that it can support the Target Company Group in the above portfolio management by providing strategy planning support, financial support, and human resources, and consequently, the Target Company's profitability may be strengthened.

- Furthermore, ITOCHU believes that, by utilizing ITOCHU's business management infrastructure such as its internal control system, the Target Company Group can further strengthen its governance, administrative structure, and risk management, thereby establishing a system that can handle unprecedented circumstances..

ii. Strengthening and Enhancement of Domestic Non-housing Business

- ITOCHU considers that, in order to enhance and expand the business in the non-housing market that is one of the Target Company Group's priority market, it is important to provide construction companies who manage construction with integrated functions that includes not only the sale of building materials, but also installation works.
- ITOCHU believes that, in order for the Target Company Group to enhance and expand its business in the non-housing market, it is necessary for the Target Company Group to enhance its construction functions, and that the Target Company Group's construction function can be strengthened by providing ITOCHU's M&A support through sourcing of information about potential investment targets and the provision of financial and human resources for execution of those investments.
- Also, in management of construction companies after the investment by the Target Company Group, ITOCHU believes that ITOCHU can provide support by utilizing a management system cultivated through risk management support, knowledge concentration, information sharing, etc. to construction companies within the ITOCHU Group, which will contribute to reducing violations of laws and regulations, issues concerning construction work, and other issues caused by construction companies.

- In addition, ITOCHU Group, which engages in the real estate development business, believes that ITOCHU can support the Target Company Group's sales channel expansion and new product development by utilizing its network with construction companies and developers, the ordering parties for the foregoing, cultivated by construction order placement and joint businesses, etc., and therefore believes that it is possible to enhance and expand the domestic non-housing business by utilizing the Target Company Group's integrated functions of building materials sales and installation works.

iii. Strengthening and Expansion of Overseas Business Centered Mainly in North America

- ITOCHU has been expanding its building materials business in North America while executing business investments and revenue improvements after business investments, etc., and has numerous client companies and a large distribution network in addition to manufacturing bases. By combining the Target Company Group's product development capabilities and plant operation knowhow with the ITOCHU Group's business investment and operation knowhow, as well as the client and distribution network in North America, ITOCHU believes it is possible to develop products and expand the value chain in the North American market.
- In developing overseas business, it is necessary to respond flexibly and professionally to changes in situations, legislatures and rules in each country. ITOCHU believes that ITOCHU Group can contribute to further expansion of the Target Company Group's overseas business by utilizing its corporate functions such as accounting, personnel, and legal functions in each county.

Based on the considerations as stated above, in late November 2022, ITOCHU informed the Target Company of its intention to commence the full-scale review towards taking the Target Company private, and it obtained the Target Company's acknowledgement of ITOCHU's intention to make a proposal. Thereafter, in early December 2022, ITOCHU appointed J.P. Morgan Securities Japan Co., Ltd. ("J.P. Morgan") as its financial advisor and third-party valuation agency independent of ITOCHU et al. (the independence of the Tender Offeror was separately confirmed after the incorporation of the Tender Offeror; the same applies hereinafter to statements regarding the independence of the Tender Offeror) and the Target Company, and it appointed Nishimura & Asahi as its legal advisor independent of ITOCHU et al. and the Target Company to build a review structure regarding the Transaction. After conducting an internal review, on December 20, 2022, ITOCHU submitted to the Target Company a non-legally binding initial proposal to the effect that it intended to commence reviews and discussions towards implementing the Transaction in connection with taking the Target Company private through a tender offer.

After the above, ITOCHU conducted due diligence from late December 2022 to late May 2023 to examine the feasibility of the Transaction. In parallel, ITOCHU repeatedly discussed the Tender Offer Price with the Target Company based on multifaceted and comprehensive analyses on the Target Company's business, financial, and future plans.

Specifically, on June 14, 2023, ITOCHU made the first proposal for the Tender Offer Price (2,450 yen per share) in writing to the Target Company (2,450 yen is the amount calculated by adding a premium of 5.42% (rounded to two decimal places; the same applies hereinafter to the calculation of the premium rate) on 2,324 yen, which was the closing price of the Target Company Shares on the Prime Market on June 13, 2023, the business day immediately preceding the day on which the first proposal was made, a premium of 8.94% on the simple average closing price of 2,249 yen (rounded to the nearest whole number; the same applies hereinafter to the calculation of the simple average closing price) for the latest one-month period ending on June 13, 2023, a premium of 7.46% on the simple average closing price of 2,280 yen for the latest three-month period ending on June 13, 2023, and a premium of 10.46% on the simple average closing price of 2,218 yen for the latest six-month period ending on June 13, 2023). In response, on June 15, 2023, ITOCHU received from the Target Company a verbal request for re-submission of the Tender Offer Price stating that the economic conditions in the first proposal were unacceptable.

Following that request, on June 20, 2023, ITOCHU made the second proposal for the Tender Offer Price (2,700 yen per share) in writing to the Target Company (2,700 yen is the amount calculated by adding a premium of 15.98% on 2,328 yen, which was the closing price of the Target Company Shares on the Prime Market on June 19, 2023, the business day immediately preceding the day on which the second proposal was made, a premium of 19.26% on the simple average closing price of 2,264 yen for the latest one-month period ending on June 19, 2023, a premium of 18.21% on the simple average closing price of 2,284 yen for the latest three-month period ending on June 19, 2023, and a premium of 21.40% on the simple average closing price of 2,224 yen for the latest six-month period ending on June 19, 2023). In response, on June 22, 2023, ITOCHU again received from the Target Company a written request for re-submission of the Tender Offer Price stating that the economic conditions in the second proposal did not reach a level that would allow the Target Company to support the Transaction in light of the latest market stock price of the Target Company Shares and the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary).

Following that request, on June 30, 2023, ITOCHU made the third proposal for the Tender Offer Price (2,800 yen per share) in writing to the Target Company (2,800 yen is the amount calculated by adding a premium of 21.16% on 2,311 yen, which was the closing price of the Target Company Shares on the Prime Market on June 29, 2023, the business day immediately preceding the day on which the third proposal was made, a premium of 22.27% on the simple average closing price of 2,290 yen for the latest one-month period ending on June 29, 2023, a premium of 22.32% on the simple average closing price of 2,289 yen for the latest three-month period ending on June 29, 2023, and a premium of 25.00% on the simple average closing price of 2,240 yen for the latest six-month period ending on June 29, 2023). In response, on July 6, 2023, ITOCHU again received from the Target Company a written request for re-submission of the Tender Offer Price stating that the economic conditions in the third proposal did not reach a level that would allow the Target Company to support the Transaction because the appropriate corporate value of the Target Company was not reflected and there was a divergence compared to the premium rates in cases similar to the Transaction, considering that there was a difference in understanding regarding the probability of achieving the underlying business plan, and that it was believed that the synergies from the Transaction were not incorporated in the proposed price at all and even the possibility of the Target Company’s growth on a standalone basis was not adequately reflected therein.

Following that request, on July 10, 2023, ITOCHU made a written proposal to the Target Company to hold discussions between ITOCHU, the Target Company, and a special committee (the “Special Committee”) consisting of the Target Company’s independent outside directors who were also its audit and supervisory committee members because there was a gap in opinions regarding the Tender Offer Price. In response, on July 11, 2023, ITOCHU received from the Target Company a written request that the proposal be submitted in writing, stating that the Target Company believed that, even if they held discussions, it was highly likely that their arguments may clash and the discussion will follow a parallel line, which may rather lead to a prolonged price negotiation period.

Following that request, on July 12, 2023, ITOCHU made the fourth proposal for the Tender Offer Price (2,900 yen per share) in writing to the Target Company (2,900 yen is the amount calculated by adding a premium of 26.91% on 2,285 yen, which was the closing price of the Target Company Shares on the Prime Market on July 11, 2023, the business day immediately preceding the day on which the fourth proposal was made, a premium of 25.22% on the simple average closing price of 2,316 yen for the latest one-month period ending on July 11, 2023, a premium of 26.47% on the simple average closing price of 2,293 yen for the latest three-month period ending on July 11, 2023, and a premium of 28.83% on the simple average closing price of 2,251 yen for the latest six-month period ending on July 11, 2023). In response, on July 13, 2023, ITOCHU received from the Target Company a written request that ITOCHU should consider setting the Tender Offer Price at 3,200 yen, stating that the economic conditions in the fourth proposal were not at a level that could be said to be adequate in light of the interests of the minority shareholders when comprehensively considering the changes in the market stock price of the Target Company Shares, the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary), the valuation results of the value of the Target Company Shares using a discounted cash flow analysis (the "DCF Analysis"), the one-time standard for PBR in connection with which the TSE recently issued a request for improvement, etc.

Following that request, on July 18, 2023, ITOCHU made the fifth proposal for the Tender Offer Price (2,950 yen per share) in writing to the Target Company (2,950 yen is the amount calculated by adding a premium of 29.27% on 2,282 yen, which was the closing price of the Target Company Shares on the Prime Market on July 14, 2023, the business day immediately preceding the day on which the fifth proposal was made, a premium of 27.71% on the simple average closing price of 2,310 yen for the latest one-month period ending on July 14, 2023, a premium of 28.60% on the simple average closing price of 2,294 yen for the latest three-month period ending on July 14, 2023, and a premium of 30.82% on the simple average closing price of 2,255 yen for the latest six-month period ending on July 14, 2023). In response, on July 21, 2023, ITOCHU received from the Target Company a written request that ITOCHU set the lower limit on the number of shares to be purchased in the Tender Offer at a number equivalent to the so-called "majority of minority" (the "Majority of Minority Condition") and set the Tender Offer Price at 3,000 yen per share at the least, because the economic conditions in the fifth proposal did not include an adequate price from a viewpoint of whether to recommend the Target Company's minority shareholders tender their shares in the Tender Offer, comprehensively considering: (i) the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary, which are believed to be similar to the Transaction considering the tender offeror's voting ratio at the time of the commencement of the tender offer); (ii) the changes in the market stock price of the Target Company Shares; (iii) the valuation results of the value of the Target Company Shares using the DCF Analysis; and (iv) the one-time standard for PBR in connection with which the TSE recently issued a request for improvement, etc., and the perspective of fair distribution of the synergies to be generated by the Transaction to minority shareholders.

Following that request, on July 24, 2023, ITOCHU made the final proposal on the terms for the Transaction, including the Tender Offer Price, to the Target Company in writing (which indicated that the lower limit on the number of shares to be purchased in the Tender Offer would be set at a number equivalent to the Majority of Minority Condition and that the Tender Offer Price would be 3,000 yen per share) (3,000 yen is the amount calculated by adding a premium of 30.55% on 2,298 yen, which was the closing price of the Target Company Shares on the Prime Market on July 21, 2023, the business day immediately preceding the day on which the final proposal was made, a premium of 30.32% on the simple average closing price of 2,302 yen for the latest one-month period ending on July 21, 2023, a premium of 30.72% on the simple average closing price of 2,295 yen for the latest three-month period ending on July 21, 2023, and a premium of 32.63% on the simple average closing price of 2,262 yen for the latest six-month period ending on July 21, 2023). In response, on July 24, 2023, ITOCHU received a written reply from the Target Company to the effect that the Target Company and the Special Committee would coordinate towards expressing an opinion to support the Transaction and to recommend tendering shares based on the conditions in the final proposal subject to the possibility that the terms of the Transaction, including the Tender Offer Price, may be discussed again if a significant change occurred in the market stock price of the Target Company Shares during the period from such date to today.

After these discussions and negotiations, today, based on the decision made by Mr. Masatoshi Maki, Executive Officer of ITOCHU, to whom the decision authority on the Transaction was delegated by resolution at the board of directors' meeting held on August 4, 2023, ITOCHU decided to implement the Tender Offer with the Tender Offer Price of 3,000 yen per share through the Tender Offeror, aiming to take the Target Company private. No significant change to the market stock price of the Target Company Shares occurred during the period from July 24, 2023 to today.

(ii) Decision-Making Process of the Target Company

On the other hand, after ITOCHU informed the Target Company of its intention to commence the full-scale review towards taking the Target Company private in late November 2022, the Target Company acknowledged ITOCHU's intention to make a proposal, and on December 20, 2022, the Target Company received from ITOCHU a non-legally binding initial written proposal regarding taking the Target Company private through a tender offer. Following receipt of that proposal, in late December 2022, the Target Company appointed Daiwa Securities Co. Ltd. ("Daiwa Securities") as its financial advisor and third-party valuation agency independent of ITOCHU et al. and the Target Company, and appointed Nakamura, Tsunoda & Matsumoto as its legal advisor independent of ITOCHU et al. and the Target Company.

Thereafter, the Target Company received advice from these advisors, and before reviewing the Transaction and conducting discussions and negotiations on the Transaction with ITOCHU et al., the Target Company considered the following facts: although the Tender Offer would not be a tender offer conducted by a controlling shareholder, the ownership ratio of ITOCHU, the wholly-owning parent company of the Tender Offeror, in the Target Company Shares is 36.34%, and ITOCHU has been a major shareholder and the largest shareholder having the Target Company as an affiliate; therefore, the issue of structural conflicts of interest and the issue of information asymmetry in relation to general shareholders could not be completely eliminated in the process of the Target Company's review of the Transaction. In order to address these issues and ensure the fairness of the Transaction, the Target Company immediately proceeded to establish a structure to conduct negotiations and make decisions independently of ITOCHU et al.

Specifically, as stated in "(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report" in "(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)" in "(II) Background of Valuation" in "(4) Basis for Valuation of Tender Offer Prices" in "3. Overview of the Tender Offer" below, the Target Company proceeded with preparations to establish the Special Committee from late December 2022. Subsequently, pursuant to the resolution of its board of directors' meeting held on December 26, 2022, the Target Company established the Special Committee consisting of three members: Mr. Shingo Ishizaki (Independent Outside Director, Audit and Supervisory Committee Member of the Target Company), Ms. Yuko Asami (Independent Outside Director, Audit and Supervisory Committee Member of the Target Company), and Mr. Kiyoshi Mukohara (Independent Outside Director, Audit and Supervisory Committee Member of the Target Company) (for the background of the establishment of the Special Committee, the background to reviews, and the details of decisions, please see "(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report" in "(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)" in "(II) Background of Valuation" in "(4) Basis for Valuation of Tender Offer Prices" in "3. Overview of the Tender Offer" below). Thereafter, the Target Company made the following inquiries to the Special Committee: (i) whether the purpose of the Transaction is found to be justifiable and reasonable (including whether the Transaction will contribute to enhancement of the Target Company's corporate value); (ii) whether the fairness and appropriateness of the terms of the Transaction (including the purchase price in the Tender Offer) are ensured; (iii) whether the interests of the Target Company's shareholders are adequately considered through fair procedures in the Transaction; (iv) in addition to (i) through (iii) above, whether it is believed that the Transaction is not disadvantageous to the Target Company's minority shareholders; (v) whether it is appropriate for the Target Company's board of directors to express an opinion in support of the Tender Offer and to recommend that the Target Company's shareholders tender their shares; and (vi) other matters that the board of directors or the representative director finds necessary to inquire about in connection with the Transaction in light of the purpose of establishment of the Special Committee (collectively, the "Matters of Inquiry").

Furthermore, when adopting resolutions for establishment of the Special Committee and the inquiries to it, the Target Company's board of directors positioned the Special Committee as a body independent of the Target Company's board of directors, and it also resolved that the Special Committee's opinion would be respected to the maximum extent when expressing an opinion on the Tender Offer and that if the Special Committee decided that the Transaction was inappropriate, it would not support the Transaction. The Target Company's board of directors also resolved to grant the Special Committee the authority (i) to conduct investigations related to its duties at the Target Company's expense (including making inquiries, requiring explanation and/or seeking advice regarding necessary matters for its duties to the Target Company's officers or employees related to the Transaction or the Target Company's advisors for the Transaction), (ii) when it finds necessary, to appoint its own attorney(s), valuation agency(s), certified public accountant(s), and/or other advisor(s) at the Target Company's expense, (iii) to nominate, or request a change in, the Target Company's advisors for the Transaction, and to provide necessary instructions to the Target Company's advisors, (iv) when it finds necessary, to request that the Target Company appoint its employees to assist the Special Committee in performing its duties (for the method of resolution at the board of directors' meeting, please see "(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report" in "(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)" in "(II) Background of Valuation" in "(4) Basis for Valuation of Tender Offer Prices" in "3. Overview of the Tender Offer" below). As stated in "(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report" in "(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)" in "(II) Background of Valuation" in "(4) Basis for Valuation of Tender Offer Prices" in "3. Overview of the Tender Offer" below, the Special Committee appointed Mori Hamada & Matsumoto as its own legal advisor based on the above-mentioned authority.

Moreover, as stated in “(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report” in “(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)” in “(II) Background of Valuation” in “(4) Basis for Valuation of Tender Offer Prices” in “3. Overview of the Tender Offer” below, the Special Committee confirmed that there were no issues with the independence and expertise of Daiwa Securities as the Target Company’s third-party valuation agency and financial advisor or of Nakamura, Tsunoda & Matsumoto as the Target Company’s legal advisor, and approved their appointments. In addition, as stated in “(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report” in “(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)” in “(II) Background of Valuation” in “(4) Basis for Valuation of Tender Offer Prices” in “3. Overview of the Tender Offer” below, the Target Company internally established a structure for reviews, negotiations, and decisions on the Transaction independent of ITOCHU et al. (including the scope of the Target Company’s officers and employees to be involved in such reviews, negotiations, and decisions on the Transaction and their duties) and received confirmation from the Special Committee that there were no issues with the independence or fairness of such review structure.

A. Background of Review and Negotiations

According to the Target Company, the Target Company received a report of the valuation results of the Target Company Shares, and advice on the negotiation policy with ITOCHU and other advice from a financial perspective from Daiwa Securities, and received guidance and other legal advice on responses to ensure the procedural fairness of the Transaction from Nakamura, Tsunoda & Matsumoto. Taking these into account, the Target Company has carefully considered whether to implement the Transaction and whether the transaction terms are appropriate.

Since December 20, 2022, on which the Target Company received the initial written proposal from ITOCHU, the Target Company has had discussions and deliberations in detail regarding the significance and purpose of the Transaction, and repeatedly has had discussions and negotiations on the post-Transaction management system and business policy, and various terms of the Transaction, with ITOCHU, while hearing opinions from the Special Committee and receiving approval as well as instructions and requests therefrom. Specifically, on February 7 and March 23, 2023, the Target Company sent written inquiries regarding the Transaction to ITOCHU, and received a reply to each of these written inquiries from ITOCHU on February 27 and June 20, 2023, respectively; the Target Company also received detailed oral explanations, confirmed the meaning and made additional inquiries.

Moreover, since June 14, 2023, on which the Target Company received the first written proposal from ITOCHU in which the Tender Offer Price was set at 2,450 yen per share, the Target Company had discussions and negotiations for transaction terms for the Transaction, including the Tender Offer Price, with ITOCHU on a continuing basis based on the opinions heard from the Special Committee (in forming its opinions, the Special Committee received advice from Mori Hamada & Matsumoto as its own advisor, and Daiwa Securities and Nakamura, Tsunoda & Matsumoto as the Target Company's advisors) and the advice from Daiwa Securities and Nakamura, Tsunoda & Matsumoto. Specifically, in response to the above-mentioned proposal received from ITOCHU on June 14, 2023, on June 15, 2023, the Target Company requested that ITOCHU re-consider the Tender Offer Price, stating that the economic conditions in the above-mentioned proposal were not acceptable.

In response, on June 20, 2023, the Target Company received a proposal from ITOCHU in which the Tender Offer Price was set at 2,700 yen per share; however, on June 22, 2023, the Target Company requested that ITOCHU re-submit the Tender Offer Price stating that the proposed price did not reach a level that would allow the Target Company to support the Transaction in light of the latest market stock price of the Target Company Shares and the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary).

In response, on June 30, 2023, the Target Company received a proposal from ITOCHU in which the Tender Offer Price was set at 2,800 yen per share; however, on July 6, 2023, the Target Company requested that ITOCHU re-submit the Tender Offer Price stating that the proposed price did not reach a level that would allow the Target Company to support the Transaction, considering that there was a difference in understanding regarding the probability of achieving the underlying business plan, and that it was believed that the synergies from the Transaction were not incorporated in the proposed price at all and even the possibility of the Target Company's growth on a standalone basis was not adequately reflected therein.

Following that request, on July 10, 2023, the Target Company received a written proposal from ITOCHU to hold discussions between ITOCHU, the Target Company, and the Special Committee because there was a gap in opinions regarding the Tender Offer Price. In response, on July 11, 2023, the Target Company made a written request to ITOCHU that the proposal be submitted in writing, stating that the Target Company believed that, even if they held discussions, it was highly likely that their arguments may clash and the discussion will follow a parallel line, which may rather lead to a prolonged price negotiation period.

In response, on July 12, 2023, the Target Company received a proposal from ITOCHU in which the Tender Offer Price was set at 2,900 yen per share; however, on July 13, 2023, the Target Company requested that ITOCHU consider setting the Tender Offer Price at 3,200 yen per share, stating that the proposed price was not at a level that could be said to be adequate in light of the interests of the minority shareholders when comprehensively considering the changes in the market stock price of the Target Company Shares, the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary), the valuation results of the value of the Target Company Shares using the DCF Analysis, the one-time standard for PBR in connection with which the TSE recently issued a request for improvement, etc.

In response, on July 18, 2023, the Target Company received the fifth proposal from ITOCHU in which the Tender Offer Price was set at 2,950 yen per share; however, on July 21, 2023, the Target Company requested that ITOCHU set the lower limit on the number of shares to be purchased in the Tender Offer at a number equivalent to the Majority of Minority Condition and set the Tender Offer Price at 3,000 yen per share at the least, because the economic conditions in the fifth proposal did not include an adequate price from a viewpoint of whether to recommend the Target Company's minority shareholders tender their shares in the Tender Offer, comprehensively considering: (i) the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary, which are believed to be similar to the Transaction considering the tender offeror's voting ratio at the time of the commencement of the tender offer); (ii) the changes in the market stock price of the Target Company Shares; (iii) the valuation results of the value of the Target Company Shares using the DCF Analysis; and (iv) the one-time standard for PBR in connection with which the TSE recently issued a request for improvement, etc., and the perspective of fair distribution of the synergies to be generated by the Transaction to minority shareholders.

On July 24, 2023, the Target Company received the final proposal on the terms for the Transaction, including the Tender Offer Price, from ITOCHU (which indicated the lower limit on the number of shares to be purchased in the Tender Offer would be set at a number equivalent to the Majority of Minority Condition and that the Tender Offer Price would be 3,000 yen per share). On the same day, the Target Company replied to ITOCHU that the Target Company and the Special Committee would coordinate towards expressing an opinion to support the Transaction and to recommend tendering shares based on the conditions in the final proposal subject to the possibility that the terms for the Transaction, including the Tender Offer Price, may be discussed again if a significant change occurred in the market stock price of the Target Company Shares during the period from such date to today. No significant change to the market stock price of the Target Company Shares occurred during the period from July 24, 2023 to today.

In the course of the review and negotiations stated above, the Special Committee, from time to time, received reports from the Target Company and the Target Company's advisors, confirmed and approved them, and stated opinions, etc. as necessary. Specifically, the rationality of the details, important conditions precedent, and course of preparation of the business plan (the "Business Plan"), which was used by Daiwa Securities as a basis for valuation of the Target Company Shares as an independent third-party valuation agency, was confirmed and approved by the Special Committee, and the Business Plan was presented to ITOCHU. Furthermore, Daiwa Securities, as the Target Company's financial advisor, responded to negotiations with ITOCHU based on the negotiation policy deliberated and decided in advance by the Special Committee. In addition, each time Daiwa Securities received a proposal of transaction terms for the Transaction, including the Tender Offer Price, from ITOCHU, it immediately reported the proposal to the Special Committee, received opinions, instructions, requests, etc. for the negotiation policy, etc. with ITOCHU from the Special Committee, and responded thereto in accordance with them.

Thereafter, on August 9, 2023, the Target Company received a report from the Special Committee (the "Report") to the effect that: (i) it believes that the Transaction will contribute to enhancement of the Target Company's corporate value and that the purpose of the Transaction is found to be justifiable and reasonable; (ii) it believes that the fairness and appropriateness of the terms for the Transaction, including the Tender Offer Price, are ensured; (iii) it believes that the interests of the Target Company's shareholders are being adequately considered through fair procedures in the Transaction; (iv) it believes that in connection with the Transaction, the Target Company's board of directors making (a) a decision to express an opinion in support of the Tender Offer and recommend that the Target Company's shareholders tender their shares in the Tender Offer and (b) a decision concerning the procedures for taking the Target Company private through the Squeeze-Out Procedures to be implemented after the Tender Offer as part of the Transaction is not disadvantageous to the Target Company's minority shareholders; and (v) it believes that it is appropriate for the Target Company's board of directors to express an opinion in support of the Tender Offer and to recommend that the Target Company's shareholders tender their shares in the Tender Offer (for an outline of the

Report, please see "(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report" in "(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)" in "(II) Background of Valuation" in "(4) Basis for Valuation of Tender Offer Prices" in "3. Overview of the Tender Offer" below).

B. Details of the Decision

Under the circumstances described above, at the board of directors' meeting of the Target Company held today, the Target Company carefully discussed and considered whether the Transaction, including the Tender Offer, would contribute to enhancement of the Target Company's corporate value and whether the transaction terms for the Transaction, including the Tender Offer Price, were reasonable, based on the legal advice received from Nakamura, Tsunoda & Matsumoto, the advice from a financial perspective received from Daiwa Securities, and the share valuation report concerning the valuation results for the Target Company Shares submitted on August 9, 2023 (the "Target Company Valuation Report"), while respecting the Special Committee's decision stated in the Report obtained from the Special Committee to the maximum extent. As a result, as stated below, the Target Company reached the conclusion that creation of synergies with the ITOCHU Group could be expected through the Transaction and the subsequent measures and that the Transaction would contribute to enhancement of the Target Company's corporate value.

(A) Acceleration of Business Development in Non-housing Markets

Since, in the domestic market, the number of new housing construction starts is anticipated to decrease over the mid to long-term due to a decrease in population growth, and the business prospects of the Target Company, whose main products are building materials, are severe, the Target Company, in its long-term vision "GP 25 (Grow/Glow Plan 2025)," has positioned "public and commercial buildings" as one of its priority markets and has actively injected its business resources not only into the housing markets but also into the non-housing markets, aiming at their business development. On the other hand, the ITOCHU Group believes that it has robust business relationships with customers, such as developers and construction companies, in the non-housing markets. The Target Company believes that by becoming a private company through the Transaction, as a result of which only ITOCHU et al. will be its shareholders, it will become possible to actively utilize these relationships with customers and the knowledge concerning the non-housing markets that the ITOCHU Group has, to expand the sales of its existing products and its existing business in the non-housing markets, as well as to expand its product lineup, and to expand its business scope to consulting business for business owners, such as developers, and adjoining business, such as spatial design and interior work. In addition, the Target Company believes that it can be expected that its products will be adopted more at the time of construction of real property for development or sale by the ITOCHU Group. The Target Company believes that the efforts after the Transaction as stated above will make it possible to accelerate the business expansion in the non-housing markets on which the Target Company has focused.

(B) Strengthening of Profitability of Domestic Housing Business

As stated in (A) above, the Target Company understands that in the domestic market, the number of new housing construction starts is anticipated to decrease over the mid to long-term due to a decrease in population growth, and the business prospects of the Target Company, whose main products are building materials, are severe. However, the Target Company believes that through the Transaction, it will be possible to optimize inventory and logistics by strengthening supply chains utilizing the knowledge, knowhow, and resources of the ITOCHU Group, and to enhance its competitiveness and profitability by reducing, among others, costs and SG&A expenses by utilizing the procurement capacity in and sharing resources of the group network.

Furthermore, the Target Company believes that, considering the positive relationships the ITOCHU Group has with developers, it will be possible to differentiate itself from other companies and strengthen its competitiveness in the building material business by pre-emptively obtaining information on market trends and user needs and reflecting that in its products.

(C) Acceleration of Strengthening and Expansion of Business in Overseas Markets Centered in North America

As stated in (A) above, while the Target Company anticipates a decrease in the number of new housing construction starts over the mid to long-term in the domestic market, a stable number of new housing construction starts is anticipated in the U.S. market, which is the largest wooden house market in the world, because the U.S. population is anticipated to increase due to its immigration policy. Therefore, the Target Company, in its long-term vision “GP 25 (Grow/Glow Plan 2025),” has positioned “overseas markets” centered in North America as one of its priority markets and has aimed for growth of business there. In this regard, currently, the Target Company's business in North America has already been under development through a collaboration with ITOCHU, and various measures growth measures are planned to be promoted through the collaboration between the Target Company, which has its strengths in product development and plant operation as a manufacturer, and ITOCHU, which has developed business in the North American market and has established sales networks. However, in the current collaboration, there are certain restrictions in sharing information, managerial resources, personnel, and knowhow, and it is difficult to accelerate business growth in the North American market through receiving necessary and sufficient provision of resources by the ITOCHU Group. On the other hand, while the ITOCHU Group, which is a general trading company representing Japan, has a developed housing-related business in the U.S. and has global networks and financial resources all around the world, the Target Company believes that by becoming a private company through the Transaction, as a result of which only ITOCHU et al. will be its shareholders, it will become possible to utilize the knowledge, global networks, and financial resources possessed by the ITOCHU Group. The Target Company believes that the efforts after the Transaction as stated above will accelerate strengthening and expansion of business in the overseas markets centered in North America on which the Target Company has focused.

(D) Further Strengthening of Human Resource Foundation

The Target Company has set "Enhancement of the Management Foundation with Sustainability as the Key Axis" as one of its basic policies in its long-term vision "GP 25 (Grow/Glow Plan 2025)," and in order to strengthen its human resource foundation, it has made efforts in "creating the workplace environment and culture where diverse human resources can be active," "human resource development that supports growth and can respond to changes," "establishment of the system and mechanism that admire and support challenges," and "building of the balanced human resource foundation". On the other hand, the ITOCHU Group's management team is committed to creating a company that is challenging but rewarding to work for. By maximizing the "individual capabilities" of its workforce as an important management strategy, it has steadily improved labor productivity by enhancing the health and motivation of each employee and strengthening their sense of participation in business management. The Target Company believes that by becoming a private company through the Transaction, as a result of which only ITOCHU et al. will be its shareholders, it will become possible to increase personnel exchanges between the ITOCHU Group and the Target Company Group and to share knowledge and knowhow with each other more actively. In addition, the Target Company believes that by having the capital relationship between the Target Company Group and the ITOCHU Group reinforced through the Transaction, the education system will be enhanced using the ITOCHU Group's human resource development program and that the welfare program will be enhanced in line with the ITOCHU Group's standards, which will lead to improvement in skills, and further stabilization and improvement of livelihood of the Target Company Group's employees. Moreover, while the Target Company's overseas bases are thinly staffed, the ITOCHU Group has bases all around the world; the Target Company believes that personnel exchanges with the ITOCHU Group and temporary staffing from the ITOCHU Group will lead to enhancement of personnel that the Target Company lacks, achievement of diverse human resources, and reinforcement of organizational strength. The Target Company believes that the efforts after the Transaction as stated above will lead to further strengthening of the human resource foundation that is essential for the Target Company Group's continued future growth.

(E) Further Strengthening of Business Foundation, Financial Foundation, and Governance

The Target Company has set "Enhancement of the Management Foundation with Sustainability as the Key Axis" as one of its basic policies in its long-term vision "GP 25 (Grow/Glow Plan 2025)" and has made efforts to strengthen its business foundation, financial foundation, and governance. The Target Company believes that by becoming a private company through the Transaction, as a result of which only ITOCHU et al. will be the Target Company's shareholders, it will become possible to reduce costs and achieve efficient management systems by sharing the ITOCHU Group's personnel, legal, and other corporate functions and systems infrastructure, and to achieve strengthening of its governance structure by the ITOCHU Group. Furthermore, the Target Company believes that by enjoying group finances from the ITOCHU Group, it will become possible to achieve flexible and stable financing. Furthermore, the Target Company made efforts for "offensive/defensive digital strategy" to strengthen the business foundation. The Target Company believes that by becoming a private company through the Transaction, as a result of which only ITOCHU et al. will be the Target Company's shareholders, it will become possible to utilize the knowledge and knowhow that the ITOCHU Group has fostered in its system development business, to share information and assessment on the latest technologies and new systems held by the ITOCHU Group, to reduce costs by introducing the latest technologies as a member of the ITOCHU Group, and to create a platform for data analyses utilizing ITOCHU's management knowhow. The Target Company believes that the efforts after the Transaction as stated above will lead to further strengthening of the business foundation, financial foundation, and governance that are essential for the Target Company Group's sustainable future growth.

On the other hand, while the Target Company's delisting may lead to difficulties of the Target Company Group employing excellent human resources on a continued basis and resignation of some employees due to reduced motivation can be considered as a disadvantage or an adverse effect which may affect the Target Company as a result of the Transaction, the Target Company believes that the dissynergies from the Transaction will be limited considering that there is a plan to strengthen the profitability through the synergies resulting from the Transaction with ITOCHU et al. promptly after completion of the Transaction so that treatment of the Target Company Group's employees will be improved, and that as stated in (D) above, by the Target Company Group becoming a member of the ITOCHU Group, the education system will be enhanced using the ITOCHU Group's human resource development program and that the welfare program will be enhanced in line with the ITOCHU Group's standards, which will lead to improvement in skills, and further stabilization and improvement of livelihood foundation of the Target Company Group's employees. The Target Company believes that although the Tender Offer Price is slightly below one-time PBR (PBR of the Target Company based on the consolidated book value of net assets as of March 31, 2023 is 0.94 times), this fact does not make the Tender Offer Price unreasonable because: one-time PBR is a theoretical liquidation value and the evaluation of the Target Company as a going concern is an issue in the Transaction; in the case of liquidation, additional costs for soil contamination investigation and removal at manufacturing plants, and considerable damages to machinery, equipment and vehicles that are of the Target Company's own standard and have little general versatility will accrue and the net asset value will not be realized directly (the Target Company has not obtained estimates or conducted specific calculations on the basis of liquidation, as liquidation is not planned); and while a market stock price is formed, through which a disclosed net asset value is also incorporated, the state of falling below one-time PBR has become normalized in the building material industry, including with respect to the Target Company, due to the expected decrease in domestic new housing starts and the market not evaluating future profitability and growth potential.

Furthermore, the Target Company assumes, that as advantages of its delisting, it will be able to enhance a degree of flexibility and freedom of decision-making and listing costs will become unnecessary. As stated in "(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer" above, under the circumstances where a difficult business environment is anticipated, the Target Company believes that it is important especially to ensure a certain degree of flexibility and freedom of decision-making, among others, for early commencement of the fundamental reform contemplated by the Target Company Group in the future.

As stated in "(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer" above, the Target Company understands that the current situation where the Target Company is an affiliate of ITOCHU while remaining listed imposes certain restrictions on sharing of information, management resources, human resources, know-how, etc. and causes structural issues, such as risks of conflicts of interests between ITOCHU and the Target Company's general shareholders. The Target Company has felt that there is a certain limit to further accelerate the collaboration based on the current capital relationship. After the Transaction, by having only ITOCHU et al. as the Target Company's shareholders, the Target Company believes that it would be able to avoid conflicts of interests between the ITOCHU Group and the Target Company's general shareholders and restrictions to ensure the independence, and to expeditiously and smoothly achieve collaboration with the ITOCHU Group and efficiently utilize its management resources that are necessary for a mid to long-term growth, which will contribute to mid to long-term enhancement of the corporate value of the ITOCHU Group, including the Target Company Group.

In addition, the Target Company concluded that the Tender Offer Price, 3,000 yen per share, is an appropriate price that ensures interests that should be received by general shareholders of the Target Company, and that the Tender Offer provides those shareholders reasonable opportunities to sell the Target Company Shares at a price which includes an appropriate premium, for the following reasons:

(A) the price was agreed upon between the Target Company and ITOCHU as a result of adequate negotiations with the substantial involvement of the Special Committee after the measures to ensure the fairness of the transaction terms for the Transaction, including the Tender Offer Price, as stated in "(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)" in "(II) Background of Valuation" in "(4) Basis for Valuation of Tender Offer Prices" in "3. Overview of the Tender Offer" below, were fully taken;

(B) the price is higher than the range of the calculation results under the share price analysis, and within the range of the calculation results under the DCF Analysis, among the calculation results of the value of the Target Company Shares by Daiwa Securities in the Target Company Valuation Report as stated in "(ii) Receipt by the Target Company of a Stock Valuation Report from an Independent Third-party Valuation Agency" in "(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)" in "(II) Background of Valuation" in "(4) Basis for Valuation of Tender Offer Prices" in "3. Overview of the Tender Offer" below;

(C) the price includes the following premiums: 28.37% on 2,337 yen, which was the closing price of the Target Company Shares on the Prime Market on August 9, 2023, the business day immediately preceding the announcement date of the implementation of the Tender Offer; 29.59% on the simple average closing price of 2,315 yen for the latest one-month period ending on August 9, 2023; 30.72% on the simple average closing price of 2,295 yen for the latest three-month period ending on August 9, 2023; and 31.64% on the simple average closing price of 2,279 yen for the latest six-month period ending on August 9, 2023; in light of the level of premiums in, among the tender offers for domestic listed companies announced in and after January 2020, the eight (8) cases in which the ownership ratio of voting rights of the purchaser and its specially related persons before the implementation of the tender offer was 20% or more and 50% or less (excluding the cases where the target company's share price rose, such as MBO cases or leaks, the cases where the market capitalization of the target company as of the announcement date was below outstanding cash and deposits as of the end of the latest quarter, etc.) (the median (29.4%) of the premiums on the closing prices on the business day immediately preceding the announcement date, the median (35.9%) of the premiums on the simple average closing prices for the latest one-month period ending on such date, the median (36.9%) of the premiums on the simple average closing prices for the latest three-month period ending on such date, and the median (42.5%) of the premiums on the simple average closing prices for the latest six-month period ending on such date), the level of premiums is slightly below the level of each of the above-mentioned tender offers when compared to the level of premiums on the simple average closing prices for the latest one-month, three-months and six-months period; however, when compared to the level of premiums of the closing prices on the business day immediately before the announcement date which show the present evaluation of the target company shares by general shareholders, the level of premiums is considered to be reasonable because it is equivalent to the level of premiums in the above-mentioned tender offer cases;

(D) it is stated in the Report obtained from the Special Committee that, regarding the price, the fairness and appropriateness are ensured, as stated in "(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report" in "(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)" in "(II) Background of Valuation" in "(4) Basis for Valuation of Tender Offer Prices" in "3. Overview of the Tender Offer" below.

In addition, as stated in “(viii) Securement of an Objective Situation that Ensures the Fairness of the Tender Offer” in “(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)” in “(II) Background of Valuation” in “(4) Basis for Valuation of Tender Offer Prices” in “3. Overview of the Tender Offer” below, considering that the Tender Offeror has not entered into any agreements with the Target Company limiting the opportunities for the Target Company to have contact with a competing offeror, such as an agreement that includes deal protection provisions which prohibit the Target Company from having contact with a competing offeror, that it has not hindered opportunities for competitive purchases, that a tender offer period in the Tender Offer (the “Tender Offer Period”) is set as forty (40) business days, which is longer than the minimum period of twenty (20) business days provided by relevant laws and regulations, and that as stated in “(ix) Setting of a Lower Limit which Satisfies the Majority of Minority Condition” in “(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)” in “(II) Background of Valuation” in “(4) Basis for Valuation of Tender Offer Prices” in “3. Overview of the Tender Offer” below, a lower limit which satisfies the Majority of Minority Condition is set, the Target Company believes that the transaction terms for the Transaction other than the Tender Offer Price give consideration to ensure the fairness of the Tender Offer and are appropriate.

Based on the above, the Target Company concluded that the Transaction would contribute to enhancement of the corporate value of the Target Company and that the transaction terms for the Transaction, including the Tender Offer Price, were reasonable. At the board of directors’ meeting of the Target Company held today, the Target Company resolved to express an opinion in support of the Tender Offer and to recommend that the Target Company’s shareholders tender their shares in the Tender Offer. For the method of the resolution at the board of directors’ meeting, please see “(vii) Approval of all Target Company Directors (including directors who are audit and supervisory committee members) Without Conflicts of Interest” in “(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)” in “(II) Background of Valuation” in “(4) Basis for Valuation of Tender Offer Prices” in “3. Overview of the Tender Offer” below.

(II) Management Policy after Completion of the Tender Offer

After completion of the Tender Offer, as stated in "(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer" above, ITOCHU et al. will implement the measures described herein and will make efforts to enhance the corporate value of ITOCHU and the Target Company. As of today, Mr. Masatoshi Maki, a director of the Target Company, concurrently serves as President of General Products & Realty Company and Executive Officer of ITOCHU, but the Target Company's future officer structure is undetermined as of today. Going forward, after discussions with the Target Company, building the optimal structure will be reviewed towards implementing the above-mentioned measures and further strengthening the management foundation.

Furthermore, it is planned that the Target Company Group's employees will continue to be employed in principle after completion of the Tender Offer and that the current employment terms will not be changed in a disadvantageous manner in principle. As for the management policy of the Target Company after completion of the Tender Offer, while ITOCHU et al. will essentially maintain and respect the autonomy of the management of the Target Company, they will decide details of the management policy of the Target Company after completion of the Tender Offer based on discussions with the Target Company after completion of the Tender Offer.

To consider the details of the above-mentioned management structure and management policy, ITOCHU et al. and the Target Company plan to establish subcommittees (development, production, sales, personnel affairs, general affairs, system, etc.) promptly after completion of the Tender Offer to hold discussions towards the maximization of synergies between both companies.

(3) Material Agreements Related to the Tender Offer

Not applicable.

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

While the Target Company is not a subsidiary of ITOCHU, the parent company of the Tender Offeror, and the Tender Offer does not constitute a tender offer by a controlling shareholder, ITOCHU owns 9,475,300 Target Company Shares (Ownership Ratio: 36.34%) and the Target Company is an affiliate of ITOCHU. Considering this situation, the Target Company has implemented the following measures to ensure the fairness of the Tender Offer Price, and to eliminate any arbitrariness from the decision-making process leading to the decision to implement the Tender Offer and ensure the fairness and transparency thereof. The measures taken by the Target Company described below are set forth based on the explanation by the Target Company.

(I) Receipt by ITOCHU of a stock valuation report from an independent third-party valuation agency

(II) Receipt by the Target Company of a stock valuation report from an independent third-party valuation agency

(III) Establishment by the Target Company of an independent special committee and acquisition of a report

(IV) Receipt by the special committee of advice from an independent law firm

(V) Receipt by the Target Company of advice from an independent law firm

(VI) Establishment by the Target Company of an independent review structure

(VII) Approval of all Target Company directors (including directors who are audit and supervisory committee members) without conflicts of interest

(VIII) Securement of an objective situation that ensures the fairness of the Tender Offer

(IX) Setting of a lower limit which satisfies the Majority of Minority Condition

For details regarding the above, please refer to “(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)” in “(II) Background of Valuation” in “(4) Basis for Valuation of Tender Offer Prices” in “3. Overview of the Tender Offer” below.

(5) Policies for Reorganization after the Completion of the Tender Offer (Matters Concerning the So-Called "Two-Step Acquisition")

As stated in "(1) Outline of the Tender Offer" above, if the Tender Offeror fails to acquire all of the Target Company Shares (excluding the Target Company Shares owned by ITOCHU and the treasury shares owned by the Target Company) through the Tender Offer, the Tender Offeror plans to implement the Squeeze-Out Procedures via the methods described below in order to make only ITOCHU et al. the Target Company's shareholders.

(I) Demand for Share Cash-Out

If, after completion of the Tender Offer, the total number of the voting rights of the Target Company owned by ITOCHU et al. becomes 90% or more of the number of the voting rights owned by all shareholders of the Target Company, and ITOCHU becomes a special controlling shareholder defined in Article 179, paragraph 1 of the Companies Act, ITOCHU plans to demand that all of the shareholders of the Target Company (excluding ITOCHU et al. and the Target Company; hereinafter the same shall apply to (I)) (the "Selling Shareholders") sell all of the Target Company Shares owned by them to ITOCHU pursuant to the provisions of Section 4-2 of Chapter 2 of Part II of the Companies Act immediately after the settlement of the Tender Offer is completed (the "Demand for Share Cash-Out"). In the Demand for Share Cash-Out, it is planned to provide that the same amount of money as the Tender Offer Price will be delivered to the Selling Shareholders in exchange for one Target Company Share. In this case, ITOCHU will give the Target Company a notice to that effect, and will seek an approval for the Demand for Share Cash-Out from the Target Company. If the Target Company approves the Demand for Share Cash-Out through a resolution at a board of directors' meeting, ITOCHU will acquire all of the Target Company Shares owned by the Selling Shareholders from them on the acquisition date provided in the Demand for Share Cash-Out, without obtaining individual approval from each Selling Shareholder, in accordance with the procedures provided by relevant laws and regulations. In this case, ITOCHU plans to deliver the same amount of money as the Tender Offer Price per Target Company Share to each Selling Shareholder in exchange for the Target Company Shares owned by the Selling Shareholders. According to the Target Company's Press Release, if the Target Company receives a notice from ITOCHU on its intention to make the

Demand for Share Cash-Out and the matters set forth in the items of Article 179-2, paragraph 1 of the Companies Act, the Target Company will approve the Demand for Share Cash-Out at its board of directors' meeting.

As the provisions of the Companies Act aim to protect general shareholders' rights related to the Demand for Share Cash-Out, it is provided that the Selling Shareholders may file a petition with the court to determine the purchase price of the Target Company Shares owned by them pursuant to the provisions of Article 179-8 of the Companies Act and other related laws and regulations. If the above-mentioned petition is filed, the purchase price of the Target Company Shares will ultimately be determined by the court.

(II) Share Consolidation

If the Tender Offer is completed but the total number of the voting rights of the Target Company owned by ITOCHU et al. does not reach 90% or more of the voting rights owned by all shareholders of the Target Company, ITOCHU et al. plan to request, promptly after the settlement of the Tender Offer is completed, that the Target Company hold a special shareholders' meeting from around late November to the middle of December 2023, whose agenda items will include implementation of a share consolidation of the Target Company Shares pursuant to Article 180 of the Companies Act (the "Share Consolidation") and a partial amendment of the articles of incorporation to abolish the provisions on share unit numbers subject to effectuation of the Share Consolidation (the "Special Shareholders' Meeting"). ITOCHU et al. plan to support each of the agenda items described above at the Special Shareholders' Meeting. If the Share Consolidation agenda is approved at the Special Shareholders' Meeting, the Target Company's shareholders will each, as of the date the Share Consolidation is to take effect, own the number of the Target Company Shares equivalent to the Share Consolidation ratio approved at the Special Shareholders' Meeting.

If the Share Consolidation results in fractional shares that are less than one share, the money to be obtained by selling the Target Company Shares equivalent to the sum total of such fractional shares (if the sum total contains fractional shares less than one share, the fractional shares shall be rounded down; the same shall apply hereinafter) (the "Total Fractional Shares") to the Target Company or ITOCHU et al. will be delivered to the Target Company's shareholders in accordance with the procedures provided in Article 235 of the Companies Act and other relevant laws and regulations. With respect to the sale price of the Total Fractional Shares, ITOCHU et al. plan to request that the Target Company file a petition for voluntary sale permission with the court, so that the amount of money to be delivered as a result of the sale, to the Target Company's shareholders who did not tender their shares in the Tender Offer (excluding ITOCHU et al. and the Target Company), will be equal to the amount calculated by multiplying the Tender Offer Price by the number of the Target Company Shares owned by such shareholders. Furthermore, although the Share Consolidation ratio is undetermined as of today, ITOCHU et al. plan to request that the Target Company determine the ratio such that the number of the Target Company Shares owned by the Target Company's shareholders who did not tender their shares in the Tender Offer (excluding ITOCHU et al. and the Target Company) will be fractions that are less than one share, in order to make only ITOCHU et al. the Target Company's shareholders. According to the Target Company's Press Release, if the Tender Offer is completed, the Target Company will accept these requests by ITOCHU et al.

As the provisions of the Companies Act aim to protect general shareholders' rights related to the Share Consolidation, it is provided that if the Share Consolidation results in fractional shares that are less than one share, the Target Company's shareholders who are opposed to the Share Consolidation may demand that the Target Company purchase all of the fractional shares less than one share owned by them at a fair price and may file a petition with the court to determine the price of the Target Company Shares, in accordance with the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations. As stated above, in the Share Consolidation, the number of the Target Company Shares owned by the Target Company's shareholders who did not tender their shares in the Tender Offer (excluding ITOCHU et al. and the Target Company) will be fractions that are less than one share; therefore, it is planned that the Target Company's shareholders who are opposed to the Share Consolidation may file the above-mentioned petition. If the above-mentioned petition is filed, the purchase price will ultimately be determined by the court.

The procedures for (I) the Demand for Share Cash-Out and (II) the Share Consolidation described above may require a certain amount of time to be implemented or may be subject to change in the implementation methods, depending on the amendments to relevant laws and regulations, their implementation, and their interpretation by relevant authorities, or other possible issues. However, in such cases, the methods by which money will eventually be delivered to the Target Company's shareholders who did not tender their shares in the Tender Offer (excluding ITOCHU et al. and the Target Company) will be adopted, and the amount of money to be delivered to the relevant Target Company's shareholders in those cases will be calculated so that it will be equal to the price obtained by multiplying the Tender Offer Price by the number of the Target Company Shares owned by the relevant Target Company's shareholders.

The specific procedures and timeline of the implementation in the above cases will be announced by the Target Company promptly after they are determined after discussions with the Target Company.

The Tender Offer is not intended to solicit the Target Company's shareholders for support at the Special Shareholders' Meeting. The Target Company's shareholders are asked to consult with tax experts at their own responsibility concerning the handling of tax affairs in tendering their shares in the Tender Offer or the above procedures.

(6) The Possibility of Delisting and Reasons Thereof

As of today, the Target Company Shares are listed on the Prime Market. Since the Tender Offeror has set no maximum number of shares to be purchased in the Tender Offer, the Target Company Shares may be delisted depending on the results of the Tender Offer after following the designated procedures pursuant to the delisting standards established by the TSE. Even if the delisting standards do not apply to the Target Company Shares at the time of the completion of the Tender Offer, the Tender Offeror plans to implement the Squeeze-Out Procedures described in "(5) Policies for Reorganization after the Completion of the Tender Offer (Matters Concerning the So-Called "Two-Step Acquisition")" above after the completion of the Tender Offer; therefore, if such procedures are implemented, the Target Company Shares will be delisted following the designated procedures pursuant to the delisting standards of the TSE. The Target Company Shares cannot be traded on the TSE after their delisting.

3. Overview of the Tender Offer

(1) Target Company Overview

(1)	Name	DAIKEN CORPORATION
(2)	Location	1-1 Inami, Nanto-shi, Toyama

(3)	Title and Name of Representative	Masanori Okuda, Representative Director, President
(4)	Description of Business Activities	Business of manufacturing, selling, etc. wooden interior building materials, housing equipment, insulation board, Dai-Lotone, Dai-Lite, *Tatami* facing, MDF, veneer, structural LVL or the like.
(5)	Capital	15,300 million yen (as of June 30, 2023)
(6)	Date of Incorporation	September 26, 1945

(7)	Major Shareholders and Ownership Ratio (as of March 31, 2023	ITOCHU Corporation	36.3%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	7.9%
		SUMITOMO LIFE INSURANCE COMPANY	3.6%
		DAIKEN CORPORATION Trading-Partner Shareholding Association	3.3%
		DAIKEN CORPORATION Employee Shareholding Association	3.2%
		Custody Bank of Japan, Ltd. (Trust Account)	2.7%
		Nippon Life Insurance Company	2.1%
		Sumitomo Mitsui Banking Corporation	1.9%
		The Norinchukin Bank	1.8%
		JUTEC Corporation	1.4%

(8)	Relationship between the Tender Offeror and the Target Company	
	Capital Relationship	There is no capital relationship to be stated between the Tender Offeror and the Target Company. In addition, ITOCHU, the wholly-owning parent company of the Tender Offeror, holds 9,475,300 shares of the Target

		Company as of today (Ownership Ratio: 36.34%), and the Target Company is an affiliate of ITOCHU.
	Personnel Relationship	There is no personnel relationship to be stated between the Tender Offeror and the Target Company. One (1) out of the Target Company's nine (9) directors (including directors who are audit and supervisory committee members) concurrently serves as an Executive Officer of ITOCHU, the wholly-owning parent company of the Tender Offeror, and similarly, one (1) out of the nine (9) directors is from ITOCHU. In addition, as of today, three (3) employees of ITOCHU are seconded to the Target Company, and one (1) employee of the Target Company is seconded to ITOCHU.
	Transactional Relationship	There is no transactional relationship to be stated between the Tender Offeror and the Target Company. However, as of today, there are transactions concerning building materials between ITOCHU KENZAI CORPORATION, a wholly-owned subsidiary of ITOCHU, and the Target Company or its subsidiaries.
	Status as Related Parties	The Target Company is not a related party of the Tender Offeror. In addition, the Target Company is an affiliate of ITOCHU, the wholly-owning parent company of the Tender Offeror; therefore, the Target Company is a related party of ITOCHU.

(2) Schedule, Etc.

(I) Schedule

Date of Determination	August 10, 2023 (Thursday)
Date of Public Notice of Commencement of the Tender Offer	August 14, 2023 (Monday) Electronic public notice is issued, and the notice to that effect is posted in the *Nihon Keizai Shimbun*. (URL for electronic public notice: https://disclosure2.edinet-fsa.go.jp/) However, as the date of the public notice is a newspaper holiday, the notice is posted in the *Nihon Keizai Shimbun* on August 15, 2023 (Tuesday).
Date for Filing of the Tender Offer Registration Statement	August 14, 2023 (Monday)

(II) Tender Offer Period Originally Specified in the Registration Statement

From August 14, 2023 (Monday) to October 10, 2023 (Tuesday) (forty (40) business days)

(III) Possibility of Extension upon Request of the Target Company

Not applicable

(3) Tender Offer Price

3,000 yen per common share

(4) Basis for Valuation of Tender Offer Prices

(I) Basis for Valuation

In connection with the determination of the Tender Offer Price, ITOCHU requested J.P. Morgan, which is a financial advisor of ITOCHU, to provide the valuation of the share price of the Target Company Shares as a third-party valuation agency independent from the ITOCHU et al. and the Target Company, in order to ensure the fairness of the Tender Offer Price.

Having considered several methods for the valuation of the share price of the Target Company Shares, J.P. Morgan performed such valuation using an average share price analysis which takes into account historical trend of market share price of the Target Company Shares, a comparable company analysis because there are multiple listed companies comparable to the Target Company and it is possible to analogize the share price of the Target Company Shares, and DCF Analysis to reflect the status of future business activities of the Target Company in the evaluation. ITOCHU received the valuation report of the share price of the Target Company Shares ("Tender Offeror Valuation Report") from J.P. Morgan as of today. J.P. Morgan is not a related party of either of the ITOCHU et al. and the Target Company, nor does it have any material interest in the Transaction, including the Tender Offer. Also, ITOCHU has not obtained from J.P. Morgan any opinion concerning the fairness of the Tender Offer Price (known as a fairness opinion), because ITOCHU plans to determine the Tender Offer Price after considering, in a comprehensive manner, the various factors set out in the "(II) Background of valuation" below, as well as through discussions and negotiations with the Target Company.

According to the Tender Offeror Valuation Report, the ranges of value per share of the Target Company Shares based on the evaluation methods used are as follows:

Average share price analysis:	2,279 yen to 2,337 yen
Comparable company analysis:	1,199 yen to 2,510 yen
DCF Analysis:	2,384 yen to 4,309 yen

In performing the average share price analysis, J.P. Morgan used August 9, 2023 as the base date, and based on publicly available information, reviewed a closing price per share of the Target Company Shares on such date was 2,337 yen, a simple average of the closing prices of Target Company Shares in the past one month up to the same date was 2,315 yen; a simple average of the closing prices of Target Company Shares in the past three months up to the same date was 2,295 yen; a simple average of the closing prices in the past six months up to the same date was 2,279 yen, all of which prices are those on the Prime Market, based on publicly available information. The range of value per share of the Target Company Shares under the average share price analysis is 2,279 yen to 2,337 yen.

In performing the comparable company analysis, J.P. Morgan used August 9, 2023 as the base date, selected certain listed companies which are considered to be comparable (but not identical) to the Target Company in terms of the business activities, etc. for the purpose of analysis, and calculated the value of the Target Company Shares through comparison with the financial indicators of such comparable companies which show their market share price, growth potential and profitability, among other things. The range of value per share of the Target Company Shares under the comparable company analysis is 1,199 yen to 2,510yen.

In performing the DCF Analysis, J.P. Morgan reviewed business plans and financial forecasts from the fiscal year ending March 2024 to the fiscal year ending March 2028, financial forecasts, projected earnings and investment plans of the Target Company, results of interviews and due diligence with ITOCHU and the Target Company, all of which have been approved by ITOCHU to be used by J.P. Morgan for the purpose of this analysis, and other publicly available information and various other factors, and calculated the range of value per share of the Target Company Shares by discounting the free cash flows which the Target Company is expected to generate in the fiscal period ending March

2024 and thereafter to the present by a certain range of discount rates. The range of value per share of the Target Company Shares under the DCF Analysis is 2,384 yen to 4,309 yen.

It is to be noted that no significant increase or decrease in profit or loss is expected in the business plans and the financial forecasts of the Target Company, which J.P. Morgan used as the basis of the DCF Analysis. The business plans and the financial forecasts of the Target Company, which J.P. Morgan used as the basis of the DCF Analysis, are not premised on the execution of the Transactions, and the synergistic effects expected to be achieved by the execution of the Transaction are not taken into account, including the effects of various measures after the execution of the Transaction, as it is difficult to concretely estimate such synergies at this point. Supplementally explanation of the Tender Offeror Valuation Report, the assumptions of calculation of the Target Company Shares which was the basis therefor, items taken into account and the limitation of such analyses are as stated in the (Note) below.

ITOCHU determined today to set the Tender Offer Price at 3,000 yen, based on the analysis and results contained in the Tender Offeror Valuation Report obtained from J.P. Morgan, and by considering the results of due diligence conducted from late December 2022 to late May 2023 with respect to the Target Company, whether the board of directors of the Target Company supports the Tender Offer, the trend of market share price of the Target Company Shares in past five (5) years (maximum closing price: 2,541 yen; minimum closing price: 1,355 yen), the future outlook of the business of Target Company both domestically and globally including earning forecast of the Target Company and the expected applications to the Tender Offer, among other factors, in a comprehensive manner, as well as in light of the discussions and negotiations with the Target Company, which is above the valuation range based on the average share price analysis and the comparable company analysis, as well as within the valuation range based on the DCF Analysis.

The Tender Offer Price per share of 3,000 yen represents the amount adding a premium of 28.37% to 2,337 yen, which is the closing price of the Target Company Shares on the Prime Market as of August 9, 2023, which is the business day immediately preceding the date of the announcement regarding the conduct of the Tender Offer, 29.59% to 2,315 yen, which is the simple average closing price for the past one month up to the same date, 30.72% to 2,295 yen, which is the simple average closing price for the past three months up to the same date, and 31.64% to 2,279 yen, which is the simple average closing price for the past six months up to the same date, respectively.

ITOCHU acquired some Target Company Shares at the then market price by way of open market purchase during the period from April 2020 to November 2020 (the average purchase price of such open market purchase was 1,770 yen). There is a difference of 1,230 yen between such purchase price and the Tender Offer Price, which is explained by the32.03% increase in the closing price of the Target Company Shares on August 9, 2023, the business day immediately preceding today on which commencement of the Tender Offer was decided, from such average purchase price of 1,770 yen, and also because 28.37% of premium to such closing price is added in the Tender Offer Price.

(Note) According to J.P. Morgan, in conducting the valuation of the share price of the Target Company Shares which was the basis for the Tender Offeror Valuation Report, J.P. Morgan has relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by ITOCHU et al. or the Target Company or otherwise reviewed by or for J.P. Morgan, and J.P. Morgan has not independently verified (nor has it assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. J.P. Morgan has not conducted or been provided with any valuation or appraisal of any assets or liabilities of ITOCHU et al. or the Target Company, nor has it evaluated the solvency of the Tender Offeror or the Target Company under any applicable laws relating to bankruptcy, insolvency or similar matters. In relaying on financial analyses and forecasts provided to J.P. Morgan by, or derived from, the ITOCHU et al. or the Target Company, J.P. Morgan has assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgements by the managements of ITOCHU et al. and the Target Company as of the date of the Tender Offeror Valuation Report as to the expected future results of operations and financial condition of ITOCHU et al. and the Target Company to which such analyses or forecasts relate. J.P. Morgan expresses no view as to such analyses or forecasts, or the assumptions on which they were based. J.P. Morgan has also assumed that the other transactions contemplated by ITOCHU et al. including the Tender Offer, will be consummated as contemplated and will have all of the effects described in the materials furnished to J.P. Morgan by ITOCHU et al. J.P. Morgan is not a legal, regulatory, tax, accounting and other expert, and has relied on the assessments made by advisors to the ITOCHU et al. with respect to such matters. J.P. Morgan further assumes that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Tender Offer would be obtained without any adverse effect on ITOCHU et al. or the Target Company or on the contemplated benefits of the Tender Offer. The Tender Offeror Valuation Report and the result of the valuation of the share price of the Target Company Shares, which was the basis of such report, are necessarily based on the information available to J.P. Morgan as of the date of such report and economic, market and other conditions as in effect on such date. It should be understood that subsequent developments may affect the Tender Offeror Valuation Report and the result of the valuation of the share price of the Target Company Shares, which was the basis of such report, and that J.P. Morgan does not have any obligation to update, revise or reaffirm its analyses and valuation therein. Furthermore, the Tender Offeror Valuation Report and the result of the valuation of the share price of the Target Company Shares, which was the basis of such report, are not intended to recommend a specific acquisition price to ITOCHU et al. or its board of directors, nor are they intended to recommend a certain acquisition price as the only appropriate price. J.P. Morgan has acted as the financial advisor to ITOCHU with respect to the Tender Offer and will receive a fee from ITOCHU for its services as such financial advisor, a certain portion of which will become payable only if the Tender Offer is consummated. In addition, ITOCHU has agreed to indemnify J.P. Morgan for certain liabilities that may arise out of such services. During the two years preceding the date of the Tender Offeror Valuation Report, neither J.P. Morgan nor its affiliates has provided any other material financial advisory services, commercial banking services or investment banking services to ITOCHU et al. or the Target Company. In addition, J.P. Morgan and its affiliates hold, on a proprietary basis, less than one (1) percent of the outstanding shares or interests of each of ITOCHU et al. and the Target Company. In the ordinary course of business, J.P. Morgan and its affiliates may actively trade the debt and equity securities of ITOCHU et al. or the Target Company for its own account or for the accounts of their customers and, accordingly, J.P. Morgan and its affiliates may at any time hold long or short positions in such securities. The financial forecast of the Target Company, which J.P. Morgan used as the basis of the analysis of the share price of the Target Company Shares, in its analysis (the "Financial Forecasts") was approved by ITOCHU to be used by J.P. Morgan for the purpose of its analysis. ITOCHU et al. have not publicly disclosed the Financial Forecasts, which were not prepared with the view to be publicly disclosed. The Financial Forecasts are inherently uncertain, and are dependent on a number of variables and conditions (including, without limitation, factors related to general economy, competitive conditions and prevailing interest rates) that may be beyond the control or the management of ITOCHU et al. or the Target Company. Therefore, the actual performance may largely differ from those set forth in the Financial Forecasts. The foregoing summary of the results of the valuation of the share price of the Target Company Shares, which was the basis for the Tender Offeror Valuation Report, and the valuation method thereof do not purport to be a complete description of the analyses conducted by or the data referred to by J.P. Morgan. The preparation of the Tender Offeror Valuation Report is a complex process and, therefore, a partial description or a summary of the analyses does not necessarily reflect the complete and accurate contents thereof. J.P. Morgan believes that the results of its analyses must be considered as a whole and that reviewing only summaries or portions of such analyses, without considering all of such analyses as a whole, could lead to an incomplete view of the processes underlying the analyses and its valuation. In providing its valuation, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form a view as to whether or how any individual analysis or factor, considered in isolation, supported or failed to support its analysis or to what extent. Rather, J.P. Morgan considered the totality of the factors and analyses performed in providing its analysis. None of the selected companies reviewed as described in the above analysis as a comparable company is identical (in some cases) to the Target Company's operating units or subsidiaries. However, the companies selected were chosen because they are listed companies with business that, for purposes of J.P. Morgan's analyses, may be considered similar to those of the Target Company. Thus, the analyses by J.P. Morgan necessarily involve complex considerations and judgements concerning differences in financial and business characteristics of the companies considered for comparison with the Target Company, and other factors that could affect such companies.

(II) Background of Valuation

(Background leading to the determination of the Tender Offer Price)

As stated in "(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer" in "(2) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer, and Management Policy Following Completion of the Tender Offer" in "2. Purpose of the Tender Offer, etc." above, on December 20, 2022, ITOCHU submitted to the Target Company a non-legally binding initial proposal to the effect that it intended to commence reviews and discussions towards implementing the Transaction in connection with taking the Target Company private through a tender offer. After the above, ITOCHU conducted due diligence from late December 2022 to late May 2023 to examine the feasibility of the Transaction. In parallel, ITOCHU repeatedly discussed the Tender Offer Price with the Target Company based on multifaceted and comprehensive analyses on the Target Company's business, financial, and future plans.

Specifically, on June 14, 2023, ITOCHU made the first proposal for the Tender Offer Price (2,450 yen per share) in writing to the Target Company (2,450 yen is the amount calculated by adding a premium of 5.42% (rounded to two decimal places; the same applies hereinafter to the calculation of the premium rate) on 2,324 yen, which was the closing price of the Target Company Shares on the Prime Market on June 13, 2023, the business day immediately preceding the day on which the first proposal was made, a premium of 8.94% on the simple average closing price of 2,249 yen (rounded to the nearest whole number; the same applies hereinafter to the calculation of the simple average closing price) for the latest one-month period ending on June 13, 2023, a premium of 7.46% on the simple average closing price of 2,280 yen for the latest three-month period ending on June 13, 2023, and a premium of 10.46% on the simple average closing price of 2,218 yen for the latest six-month period ending on June 13, 2023). In response, on June 15, 2023, ITOCHU received from the Target Company a verbal request for re-submission of the Tender Offer Price stating that the economic conditions in the first proposal were unacceptable.

Following that request, on June 20, 2023, ITOCHU made the second proposal for the Tender Offer Price (2,700 yen per share) in writing to the Target Company (2,700 yen is the amount calculated by adding a premium of 15.98% on 2,328 yen, which was the closing price of the Target Company Shares on the Prime Market on June 19, 2023, the business day immediately preceding the day on which the second proposal was made, a premium of 19.26% on the simple average closing price of 2,264 yen for the latest one-month period ending on June 19, 2023, a premium of 18.21% on the simple average closing price of 2,284 yen for the latest three-month period ending on June 19, 2023, and a premium of 21.40% on the simple average closing price of 2,224 yen for the latest six-month period ending on June 19, 2023). In response, on June 22, 2023, ITOCHU again received from the Target Company a written request for re-submission of the Tender Offer Price stating that the economic conditions in the second proposal did not reach a level that would allow the Target Company to support the Transaction in light of the latest market stock price of the Target Company Shares and the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary).

Following that request, on June 30, 2023, ITOCHU made the third proposal for the Tender Offer Price (2,800 yen per share) in writing to the Target Company (2,800 yen is the amount calculated by adding a premium of 21.16% on 2,311 yen, which was the closing price of the Target Company Shares on the Prime Market on June 29, 2023, the business day immediately preceding the day on which the third proposal was made, a premium of 22.27% on the simple average closing price of 2,290 yen for the latest one-month period ending on June 29, 2023, a premium of 22.32% on the simple average closing price of 2,289 yen for the latest three-month period ending on June 29, 2023, and a premium of 25.00% on the simple average closing price of 2,240 yen for the latest six-month period ending on June 29, 2023). In response, on July 6, 2023, ITOCHU again received from the Target Company a written request for re-submission of the Tender

Offer Price stating that the economic conditions in the third proposal did not reach a level that would allow the Target Company to support the Transaction because the appropriate corporate value of the Target Company was not reflected and there was a divergence compared to the premium rates in cases similar to the Transaction, considering that there was a difference in understanding regarding the probability of achieving the underlying business plan, and that it was believed that the synergies from the Transaction were not incorporated in the proposed price at all and even the possibility of the Target Company's growth on a standalone basis was not adequately reflected therein.

Following that request, on July 10, 2023, ITOCHU made a written proposal to the Target Company to hold discussions between ITOCHU, the Target Company, and a special committee (the "Special Committee") consisting of the Target Company's independent outside directors who were also its audit and supervisory committee members because there was a gap in opinions regarding the Tender Offer Price. In response, on July 11, 2023, ITOCHU received from the Target Company a written request that the proposal be submitted in writing, stating that the Target Company believed that, even if they held discussions, it was highly likely that their arguments may clash and the discussion will follow a parallel line, which may rather lead to a prolonged price negotiation period.

Following that request, on July 12, 2023, ITOCHU made the fourth proposal for the Tender Offer Price (2,900 yen per share) in writing to the Target Company (2,900 yen is the amount calculated by adding a premium of 26.91% on 2,285 yen, which was the closing price of the Target Company Shares on the Prime Market on July 11, 2023, the business day immediately preceding the day on which the fourth proposal was made, a premium of 25.22% on the simple average closing price of 2,316 yen for the latest one-month period ending on July 11, 2023, a premium of 26.47% on the simple average closing price of 2,293 yen for the latest three-month period ending on July 11, 2023, and a premium of 28.83% on the simple average closing price of 2,251 yen for the latest six-month period ending on July 11, 2023). In response, on July 13, 2023, ITOCHU received from the Target Company a written request that ITOCHU should consider setting the Tender Offer Price at 3,200 yen, stating that the economic conditions in the fourth proposal were not at a level that could be said to be adequate in light of the interests of the minority shareholders when comprehensively considering the changes in the market stock price of the Target Company Shares, the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary), the valuation results of the value of the Target Company Shares using DCF Analysis, the one-time standard for PBR in connection with which the TSE recently issued a request for improvement, etc.

Following that request, on July 18, 2023, ITOCHU made the fifth proposal for the Tender Offer Price (2,950 yen per share) in writing to the Target Company (2,950 yen is the amount calculated by adding a premium of 29.27% on 2,282 yen, which was the closing price of the Target Company Shares on the Prime Market on July 14, 2023, the business day immediately preceding the day on which the fifth proposal was made, a premium of 27.71% on the simple average closing price of 2,310 yen for the latest one-month period ending on July 14, 2023, a premium of 28.60% on the simple average closing price of 2,294 yen for the latest three-month period ending on July 14, 2023, and a premium of 30.82% on the simple average closing price of 2,255 yen for the latest six-month period ending on July 14, 2023). In response, on July 21, 2023, ITOCHU received from the Target Company a written request that ITOCHU set the lower limit on the number of shares to be purchased in the Tender Offer at a number equivalent to the Majority of Minority Condition and set the Tender Offer Price at 3,000 yen per share at the least, because the economic conditions in the fifth proposal did not include an adequate price from a viewpoint of whether to recommend the Target Company's minority shareholders tender their shares in the Tender Offer, comprehensively considering: (i) the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary, which are believed to be similar to the Transaction considering the tender offeror's voting ratio at the time of the commencement of the tender offer); (ii) the changes in the market stock price of the Target Company Shares; (iii) the valuation results of the value of the Target Company Shares using the DCF Analysis; and (iv) the one-time standard for PBR in connection with which the TSE recently issued a request for improvement, etc., and the perspective of fair distribution of the synergies to be generated by the Transaction to minority shareholders.

Following that request, on July 24, 2023, ITOCHU made the final proposal on the terms for the Transaction, including the Tender Offer Price, to the Target Company in writing (to the effect that the lower limit on the number of shares to be purchased in the Tender Offer be set at a number equivalent to the Majority of Minority Condition and that the Tender Offer Price be 3,000 yen per share) (3,000 yen is the amount calculated by adding a premium of 30.55% on 2,298 yen, which was the closing price of the Target Company Shares on the Prime Market on July 21, 2023, the business day immediately preceding the day on which the final proposal was made, a premium of 30.32% on the simple average closing price of 2,302 yen for the latest one-month period ending on July 21, 2023, a premium of 30.72% on the simple average closing price of 2,295 yen for the latest three-month period ending on July 21, 2023, and a premium of 32.63% on the simple average closing price of 2,262 yen for the latest six-month period ending on July 21, 2023). In response, on July 24, 2023, ITOCHU received a written reply from the Target Company to the effect that the Target Company and the Special Committee would coordinate towards expressing an opinion to support the Transaction and recommending tendering shares based on the conditions in the final proposal, subject to the possibility that the terms of the Transaction, including the Tender Offer Price, may be discussed again if a significant change occurred in the market price of the Target Company Shares during the period from such date to August 10, 2023.

After these discussions and negotiations, today, based on the decision made by Mr. Masatoshi Maki, Executive Officer of ITOCHU, to whom the decision authority on the Transaction was delegated by resolution at the board of directors' meeting held on August 4, 2023, ITOCHU decided to implement the Tender Offer with the Tender Offer Price of 3,000 yen per share through the Tender Offeror, aiming to take the Target Company private. No significant change to the market stock price of the Target Company Shares occurred during the period from July 24, 2023 to today.

(i) Receipt of a Stock Valuation Report from a Third-party Valuation Agency

In order to ensure the fairness of the Tender Offer Price, ITOCHU requested that J.P. Morgan, a financial advisor of ITOCHU, as a third-party valuation agency independent from ITOCHU et al. and the Target Company, evaluate the Target Company Shares.

(ii) Outline of the Valuation

According to the Tender Offeror Valuation Report acquired from J.P. Morgan, the ranges of value per share of the Target Company Shares based on the evaluation methods used are as follows:

Average share price analysis:	2,279 yen to 2,337 yen
Comparable company analysis:	1,199 yen to 2,510 yen
DCF Analysis:	2,384 yen to 4,309 yen

(iii) Background Leading to the Determination of the Tender Offer Price based on the Valuation

ITOCHU determined today to set the Tender Offer Price at 3,000 yen, based on the analysis and results contained in the Tender Offeror Valuation Report obtained from J.P. Morgan, and by considering the results of due diligence conducted from late December 2022 to late May 2023 with respect to the Target Company, whether the board of directors of the Target Company supports the Tender Offer, the trend of market share price of the Target Company Shares in past five (5) years (maximum closing price: 2,541 yen; minimum closing price: 1,355 yen), the future outlook of the business of Target Company both domestically and globally including earning forecast of the Target Company and the expected applications to the Tender Offer, among other factors, in a comprehensive manner, as well as in light of the discussions and negotiations with the Target Company, which is above the valuation range based on the average share price analysis and the comparable company analysis, as well as within the valuation range based on the DCF Analysis.

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

Although the Target Company is not a subsidiary of ITOCHU, which is the parent company of the Tender Offeror, and the Tender Offer is not a tender offer conducted by a controlling shareholder, ITOCHU holds 9,475,300 Target Company Shares (ownership ratio: 36.34%), and the Target Company is an affiliate of ITOCHU. Considering these facts, the Target Company has implemented the measures stated below in order to ensure the fairness of the Tender Offer Price and to eliminate arbitrariness in, and to ensure the fairness and transparency of, the decision-making process leading to the decision to implement the Tender Offer. Among the measures described below, those implemented by the Target Company are based on explanations received from the Target Company.

(i) Receipt by ITOCHU of a Stock Valuation Report from an Independent Third-party Valuation agency

Before deciding the Tender Offer Price, in order to ensure its fairness, ITOCHU requested that J.P. Morgan, a financial advisor for ITOCHU, being a third-party valuation agency independent of ITOCHU et al. and the Target Company, evaluate the Target Company Shares. For details of the Tender Offeror Valuation Report regarding the valuation results of the value of the Target Company Shares obtained by ITOCHU from J.P. Morgan, please see “(I) Basis for Valuation” above.

(ii) Receipt by the Target Company of a Stock Valuation Report from an Independent Third-party Valuation Agency

According to the Target Company, as expressing an opinion on the Tender Offer, the Target Company requested that Daiwa Securities, a financial advisor and a third-party valuation agency independent of the Target Company and the Tender Offeror, evaluate the Target Company Shares, in order to ensure the fairness of the decision-making process for the Tender Offer Price proposed by the Tender Offeror; and the Target Company acquired the Target Company Valuation Report as of August 9, 2023. In addition, Daiwa Securities is not a related party of ITOCHU et al. or the Target Company and does not have any material interest in the Transaction to be stated, including the Tender Offer. Furthermore, as stated in this “(Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest),” ITOCHU et al. and the Target Company implemented measures to ensure the fairness of the Tender Offer Price and avoid the conflicts of interest; therefore, the Target Company has not acquired an opinion concerning the fairness of the Tender Offer Price (known as a fairness opinion) from Daiwa Securities. In addition, the remuneration for Daiwa Securities includes a contingency fee, which is paid subject to successful completion of the Transaction; however, the Target Company selected, taking into consideration the general business practice or other matters in similar transactions, Daiwa Securities as its financial advisor and third-party valuation agency under the above remuneration system.

As a result of reviewing valuation methods among several methods to evaluate the Target Company Shares, Daiwa Securities evaluated the Target Company Shares using the following methods: the share price analysis, in view of the trends in the market price of the Target Company Shares; and the DCF Analysis, in order to reflect circumstances of future business activities of the Target Company in the valuation. Daiwa Securities did not ultimately adopt the comparable company analysis as a valuation method, considering the limited similarity to the Target Company of the business details or profitability.

According to the Target Company Valuation Report, the adopted valuation methods and the ranges of the per-share-value of the Target Company Shares evaluated based on those methods are as follows:

Share price analysis:	2,279 yen to 2,337 yen
DCF Analysis:	2,206 yen to 3,477 yen

Under the share price analysis, Daiwa Securities analyzed that, based on publicly available information, the range of the per-share-value of the Target Company Shares is between 2,279 yen and 2,337 yen, on the basis that the closing price of Target Company Shares on the base date was 2,337 yen; a simple average of the closing prices of Target Company Shares in the past one month up to the same date was 2,315 yen; a simple average of the closing prices of Target Company Shares in the past three months up to the same date was 2,295 yen; a simple average of the closing prices in the past six months up to the same date was 2,279 yen, all of which prices are those on the Prime Market having August 9, 2023 as the base date.

In performing the DCF Analysis, Daiwa Securities reviewed the business plans, financial forecasts, projected earnings, and investment plans of the Target Company for the fiscal years ending March 2024 through March 2028, as well as the results of the interviews with and due diligence on the Target Company, all of which were approved by the Target Company to be used by Daiwa Securities for the purpose of this analysis, and other publicly available information and various other factors, and calculated the value range per Target Company Share by discounting the free cash flows which the Target Company is expected to generate from the present to the fiscal period ending March 2024 and thereafter by using a certain range of discount rates. The value range per Target Company Shares under the DCF Analysis is 2,206 to 3,477 yen.

The Business Plan used as the basis for the analysis using the DCF Analysis mentioned above includes fiscal years that are expected to have a great increase/decrease in profit in comparison to the previous terms. Specifically, for the fiscal year ending March 2025, it is expected that operating income will increase by 4,000 million yen (53.33%) and EBITDA will increase by 4,510 million yen (31.07%), compared to the previous term respectively, for the following reasons: it is expected that sales price pass through to respond to the inflation of resource prices, which is anticipated to continue due to the prolonged military conflict in Ukraine and the significant depreciation of the yen, etc. will be infiltrated; it is expected that the effects of streamlining and capital expenditure for new products and new business will be realized, leading to generated profits; and in addition, it is expected that in the North American business, decreases in the number of new housing construction starts due to increased policy interest rates will stop and that business performance will be enhanced due to demand recovery. In addition, for the fiscal year ending March 2026, free cash flow is expected to increase by 2,109 million yen (80.36%) compared to the previous term for the following reasons: the continuation of the fundamental direction towards improvement of business performance, including enhanced business performance in the North American business from the previous fiscal year; and the completion of the large-scale capital expenditure in the North American business of the previous fiscal year and the decrease in the amount of capital expenditure.

The business plan and financial forecast of the Target Company, which were provided by the Target Company to Daiwa Securities and used by Daiwa Securities as the basis for the valuation using the DCF Analysis, do not take into consideration, by assuming the Transaction being implemented, effects of various measures after the implementation of the Transaction, as it is difficult to estimate the synergistic effects expected to be achieved by the execution of the Transaction at this point.

(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report

(A) Background of Establishment

According to the Target Company, as stated in “(ii) Decision-Making Process of the Target Company” in “(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer” in “(2) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer, and Management Policy Following Completion of the Tender Offer” in “2. Purpose of the Tender Offer, etc.” above, pursuant to the resolution of its board of directors’ meeting held on December 26, 2022, the Target Company established the Special Committee. Prior to the establishment of the Special Committee, since late December 2022, while receiving advice from Nakamura, Tsunoda & Matsumoto, the Target Company provided explanations independently from ITOCHU et al. regarding certain matters, including the following, separately to independent outside directors, who are audit and supervisory committee members of the Target Company and have no material interests with ITOCHU et al., in order to build a structure for reviews, negotiations, and decisions on the Transaction, from the viewpoint of enhancement of the Target Company’s corporate value and ensuring of interests of the Target Company’s general shareholders: the Target Company received an initial proposal from ITOCHU to the effect that it was considering taking the Target Company private though a tender offer and that it intended to commence reviews and discussions toward implementation of the Transaction; and in conducting reviews and negotiations on the Transaction, measures to ensure the fairness of the transaction terms for the Transaction, including the establishment of a special committee, are required to be taken adequately. Moreover, at the same time, while receiving advice from Nakamura, Tsunoda & Matsumoto, the Target Company confirmed the independence, eligibility of, and other matters related to independent outside directors who are audit and supervisory committee members of the Target Company, who would be candidates for members of a special committee, and also confirmed that they had no material interests with ITOCHU et al., and had no material interests in the success or failure of the Transaction, which were different from those of the Target Company's general shareholders. Furthermore, upon receiving advice from Nakamura, Tsunoda & Matsumoto, the Target Company selected the following three (3) persons as candidates for members of the Special Committee, in order to make the Special Committee be of an appropriate scale, while ensuring the balance of knowledge, experience and/or ability of the Special Committee as a whole: Mr. Shingo Ishizaki, who has abundant knowledge of finance which he cultivated through long-standing investment banking work at a securities company (Independent Outside Director, Audit and Supervisory Committee Member of the Target Company; President and Representative Director of SI.Management Co., Ltd.; Advisor of Asahi Broadcasting Group Holdings Corporation); Ms. Yuko Asami, who is a Professor of the Faculty of Economics, Gakushuin University, and has sufficient knowledge in the financial and accounting field which she cultivated through her successive service as a committee member of the Ministry of Finance, Financial Services Agency (Independent Outside Director, Audit and Supervisory Committee Member; Professor of the Faculty of Economics, Gakushuin University; Chairperson and Professor, Graduate School of Management, Gakushuin University; Member of the Certified Public Accountants and Auditing Oversight Board, Financial Services Agency; Temporary member of the Business Accounting Council, Financial Services Agency; Councilor of The Japan Industrial Management & Accounting Institute; Member of Accounting Standards Advisory Council, Financial Accounting Standards Foundation; Auditor of Ibaraki University; Outside Director, Audit and Supervisory Committee Member of Sprix, Ltd.; Member of the Land Appraisal Committee, Ministry of Land, Infrastructure, Transport and Tourism); and Mr. Kiyoshi Mukohara, who has abundant knowledge of finance and management which he cultivated through long-standing management of financial institutions (Independent Outside Director, Audit and Supervisory Committee Member of the Target Company; Advisor of Sumitomo Mitsui Trust Research Institute Co., Ltd.) (Mr. Shingo Ishizaki assumed office as the chairperson of the Special Committee, and the members of the Special Committee have not changed since it was initially established).

Moreover, as stated in "(ii) Decision-Making Process of the Target Company" in "(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer" in "(2) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer, and Management Policy Following Completion of the Tender Offer" in "2. Purpose of the Tender Offer, etc." above, while establishing the Special Committee pursuant to the resolution of its board of directors' meeting held on December 26, 2022, the Target Company inquired with the Special Committee about the Matters of Inquiry. Furthermore, when adopting resolutions for establishment of the Special Committee and the inquiries to it, the Target Company's board of directors positioned the Special Committee as a body independent of the Target Company's board of directors, and it also resolved that the Special Committee's opinion would be respected to the maximum extent when expressing an opinion on the Tender Offer and that if the Special Committee decided that the Transaction was inappropriate, it would not support the Transaction, and the Target Company would, when negotiating transaction terms for the Transaction and other similar matters with ITOCHU, timely report the status thereof to, and at critical moments, receive opinions, instructions and requests from, the Special Committee. The Target Company's board of directors also resolved to grant the Special Committee the authority (i) to conduct investigations related to its duties at the Target Company's expense (including making inquiries, requiring explanation and/or seeking advice regarding necessary matters for its duties to the Target Company's officers or employees related to the Transaction or the Target Company's advisors for the Transaction), (ii) when it finds necessary, to appoint its own attorney(s), valuation agency(s), certified public accountant(s), and/or other advisor(s) at the Target Company's expense, (iii) to nominate, or request a change in, the Target Company's advisors for the Transaction, and to provide necessary instructions to the Target Company's advisors, (iv) when it finds necessary, to request that the Target Company appoint its employees to assist the Special Committee in performing its duties.

At the above board of directors' meeting, in light of the fact that among the Target Company's nine (9) directors (including directors who are audit and supervisory committee members), Mr. Takeshi Nagata ("Mr. Nagata") held the position of employee of ITOCHU in the past and that Mr. Masatoshi Maki concurrently serves as President of General Products & Realty Company and Executive Officer of ITOCHU, in order to eliminate the possibility of any influence from structural conflicts of interest in the Transaction and to ensure the fairness of the Transaction, the above resolution was made unanimously after the deliberation by seven (7) directors excluding both directors above (including directors who are audit and supervisory committee members).

The fixed amount of remuneration shall be paid to each member of the Special Committee in exchange for his/her work regardless of report details, and the remuneration does not include a contingency fee, which is paid subject to successful completion of the Transaction.

(B) Background of Review

The Special Committee held a total of 19 meetings (for approximately 21 hours, in total) during the period from January 5, 2023 to August 8, 2023, with all three of its members present at each meeting (however, the fifteenth and sixteenth meetings were held with two of its members present, as it was difficult for all of its members to adjust their schedules; and the matters deliberated at the meetings were separately shared with the absent member; accordingly, the meetings were held in a manner that intentions of the absent member could be confirmed) and its members performed their duties for the Matters of Inquiry by making reports, sharing information, deliberating, and making decisions via e-mail, etc. as necessary during each meeting interval. Specifically, on January 5, 2023, the Special Committee first decided to appoint Mori Hamada & Matsumoto as its own legal advisor independent of ITOCHU et al. and the Target Company, after considering their independence, expertise, experience, etc. The Special Committee confirmed that Mori Hamada & Matsumoto was not a related party of ITOCHU et al. or the Target Company and had no material interests in the Transaction, including the Tender Offer, and that there were no other issues with their independence in regard to the Transaction.

Furthermore, the Special Committee confirmed that there were no issues with the independence, expertise, experience, etc. of Daiwa Securities, as the Target Company’s financial advisor and third-party valuation agency, or Nakamura, Tsunoda & Matsumoto, as the Target Company’s legal advisor, and it approved the appointment of both entities.

In addition, from the perspectives of independence and fairness, the Special Committee confirmed that there were no issues with the review structure of the Transaction that the Target Company built internally (including the scope of the Target Company’s officers and employees to be involved in reviews, negotiations, and decisions on the Transaction and their duties), and approved it.

Moreover, the Special Committee considered measures to be taken in order to ensure the procedural fairness of the Transaction based on the legal advice provided by Mori Hamada & Matsumoto and the opinion obtained from Nakamura, Tsunoda & Matsumoto.

The Special Committee received explanations from ITOCHU regarding the background of the proposal for the Transaction, the understanding of the current status of the Target Company, the significance of and synergies and dissynergies from the Transaction, the measures to be taken after the Transaction, and the various terms of the Transaction, and exchanged questions and answers.

The Special Committee also heard from the Target Company in regard to the Target Company's business condition, its business issues, the significance of and synergies and dissynergies from the Transaction, its view on the timing of implementation of the Transaction, and other relevant information, and exchanged questions and answers related thereto.

In addition, the Special Committee received explanations from the Target Company on the details, important conditions precedent, and course of preparation of the Business Plan, which was prepared by the Target Company, and exchanged questions and answers; thereafter, the Special Committee confirmed and approved the rationality of those matters. Moreover, as stated in "(ii) Receipt by the Target Company of a Stock Valuation Report from an Independent Third-party Valuation Agency" above, Daiwa Securities calculated the value of the Target Company Shares based on the details of the Business Plan. The Special Committee received explanations from Daiwa Securities regarding the calculation methods used in the valuation of the Target Company Shares conducted by Daiwa Securities, an independent third-party valuation agency, the reasons why these calculation methods were adopted, the details of the calculations using each calculation method, and the important conditions precedent. After exchanging questions and answers, and deliberating over and considering them, it confirmed the rationality of these matters.

Moreover, the Special Committee has received, from time to time, reports from the Target Company and the Target Company's advisors regarding negotiations on the transaction terms of the Transaction, including the Tender Offer Price, between the Target Company and ITOCHU, deliberated and considered them based on the advice from a legal perspective provided by Mori Hamada & Matsumoto, and stated opinions on the Target Company's negotiation policy, as necessary. Specifically, the Special Committee received a report from the Target Company stating that it received the first proposal from ITOCHU on June 14, 2023 in which the Tender Offer Price was set at 2,450 yen per share, as well as a report that on June 15, 2023, the Target Company requested that ITOCHU re-submit the Tender Offer Price, stating that the proposed price made it difficult to commence negotiations. Thereafter, the Special Committee received a report from the Target Company stating that it received a proposal from ITOCHU on June 20, 2023 in which the Tender Offer Price was set at 2,700 yen per share, and after deliberating it, stated an opinion that the Target Company should request that ITOCHU re-submit the Tender Offer Price because the proposed price did not reach an appropriate price in light of the latest market stock price of the Target Company Shares and the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary). Thereafter, the Special Committee received a report from the Target Company on June 30, 2023 stating that it received a proposal from ITOCHU in which the Tender Offer Price was set at 2,800 yen per share, and after deliberating it, stated an opinion that the Target Company should request that ITOCHU re-submit the Tender Offer Price because the proposed price did not reach a level that would allow the Target Company to support the Transaction, considering that there was a difference in understanding regarding the probability of achieving the underlying business plan, and that it was believed that the synergies from the Transaction were not incorporated in the proposed price at all and even the possibility of the Target Company's growth on a standalone basis was not adequately reflected therein. Thereafter, the Special Committee received a report from the Target Company on July 12, 2023 stating that it received a proposal from ITOCHU in which the Tender Offer Price was set at 2,900 yen per share, and after deliberating it, stated an opinion that the Target Company should request that ITOCHU consider setting the Tender Offer Price at 3,200 yen per share because the proposed price did not reach an appropriate price considering that the synergies from the Transaction were not adequately incorporated in it and it did not reach an adequate level when compared to the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary). Thereafter, the Special Committee received a report from the Target Company on July 18, 2023 stating that it received the fifth proposal from ITOCHU in which the Tender Offer Price was set at 2,950 yen per share, and after deliberating it, stated an opinion that the Target Company should request that ITOCHU consider setting the Tender Offer Price at 3,000 yen per share at the least, and set the Majority of Minority Condition in the Tender Offer because the proposed price did not reach an appropriate price considering that the synergies from the Transaction were not adequately incorporated in it and it did not reach an adequate level when compared to the premium rates in other similar cases (cases in which a target company was taken private to become a wholly-owned subsidiary, which are believed to be similar to the Transaction, considering the purchaser's voting ratio at the time of the commencement of the tender offer).

As a result, on July 24, 2023, the Target Company received the final proposal on the terms for the Transaction, including the Tender Offer Price, from ITOCHU (which indicated that the lower limit on the number of shares to be purchased in the Tender Offer was set at a number equivalent to the Majority of Minority Condition and that the Tender Offer Price was 3,000 yen per share); on the same day, the Target Company replied to ITOCHU that the Target Company and the Special Committee would coordinate towards expressing an opinion to support the Transaction and to recommend tendering shares based on the conditions in the final proposal subject to the possibility that the terms for the Transaction, including the Tender Offer Price, may be discussed again if a significant change occurred in the market stock price of the Target Company Shares during the period from such date to today. In the end, the Tender Offer Price was increased to 3,000 yen, which is 22.45% (rounded to two decimal places) higher than the initially proposed price, and the Target Company received the final proposal from ITOCHU to the effect that the Majority of Minority Condition would be set in the Tender Offer. No significant change to the market stock price of the Target Company Shares occurred during the period from July 24, 2023 to today.

In addition, the Special Committee received explanations from Nakamura, Tsunoda & Matsumoto on several different occasions regarding the details of the draft Target Company Press Release on the Tender Offer that is planned to be announced by the Target Company, and confirmed that sufficient information would be disclosed based on the advice provided by Mori Hamada & Matsumoto.

(C) Details of the Decision

The Special Committee submitted the Report mainly stating the matters set out below on August 9, 2023 to the board of directors of the Target Company with the unanimous agreement of its members as a result of careful and repeated discussions and deliberations about the Matters of Inquiry as stated above.

(a) Contents of the Decisions

- The Special Committee believes that the Transaction will contribute to enhancement of the Target Company's corporate value and that the purpose of the Transaction is justifiable and reasonable;

- The Special Committee believes that the fairness and appropriateness of the terms for the Transaction, including the Tender Offer Price, have been ensured
- The Special Committee believes that the interests of the Target Company's shareholders are being adequately considered through fair procedures in the Transaction;
- The Special Committee believes that the Transaction is not disadvantageous to the Target Company's minority shareholders; and
- The Special Committee believes that it is appropriate for the Target Company's board of directors to support the Tender Offer and recommend that the Target Company's shareholders tender their shares in the Tender Offer.

(b) Reasons for the Decision

i. For the following reasons, the Special Committee believes that the Transaction will contribute to enhancing the Target Company's corporate value and that the purpose of the Transaction is justifiable and reasonable.

- There is no divergence in understanding between the Target Company and the Special Committee with respect to the business environment surrounding the Target Company and its management issues stated in "(ii) Decision-making Process of the Target Company" in "(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer" in "(2) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer, and Management Policy Following Completion of the Tender Offer" in "2. Purpose of the Tender Offer, etc." above.
- Especially, in the domestic housing market, which is expected to shrink significantly over the mid to long-term, there is an urgent need to improve structure so that it is efficient, highly profitable, and without waste in order to further enhance corporate value. In addition, in order to strengthen the Target Company's competitiveness in (i) the use of wood in interior finishing in the domestic non-housing market and (ii) overseas markets, which are expected to continue to grow in the future, the Special Committee believes that it is necessary to expedite implementation of fundamental reforms, rather than to extend previous measures. Considering the business environment surrounding the Target Company and its management challenges, both business strengthening and management improvement in the domestic housing market, non-housing field, and overseas markets are urgent and important.

- Although the Target Company worked to carry out the growth strategy and produced certain results, considering the severe business environment surrounding the Target Company as mentioned above, as well as the urgent need for management improvement, the Target Company's own ability to implement management improvement is not necessarily sufficient.
- On the other hand, if ITOCHU et al. invest reasonable amounts of human/material resources through the Transaction, each of the important measures above is feasible, despite with a level of uncertainty in nature. In addition, as a result of the only shareholders of the Target Company being ITOCHU et al., it will be possible to expedite the implementation of fundamental measures by utilizing or optimizing management resources so that the improvement of management structure (i.e., prompt performance of effective measures) can be reasonably expected to occur.
- Furthermore, it is reasonable for the parties to understand that in order for ITOCHU et al. to take bold measures by investing a reasonable amount of human/material resources, it is necessary to take the Target Company private, and after the Transaction, engage in fundamental cooperation with a mid to long-term perspective.
- In addition, it can be considered that there are concrete possibilities for the development of the Target Company's officers and employees through personnel exchange with ITOCHU et al. as well as improvement of management efficiency and fundamental management reform by having ITOCHU et al. as the only shareholders of the Target Company.
- Moreover, the Target Company's explanation stated in "(ii) Decision-making Process of the Target Company" in "(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer" in "(2) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer, and Management Policy Following Completion of the Tender Offer" in "2. Purpose of the Tender Offer, etc." above, which states that the Target Company believes that any dissynergies arising from the Target Company Shares being delisted due to the Transaction will be limited in scope, is reasonable.

ii. The Special Committee believes that the fairness and appropriateness of the terms of the Transaction, including the Tender Offer Price, are ensured due to the following reasons.

- The Target Company Valuation Report prepared by Daiwa Securities (a financial advisor and third-party valuation agency independent from the Target Company and ITOCHU et al.), contains no unreasonable points with respect to both the explanations by Daiwa Securities on the use of share price analysis and DCF Analysis as valuation methods, and the basis for valuation of the discount rate and perpetuity growth rate used in the DCF Analysis.

- Furthermore, Daiwa Securities ultimately did not adopt the comparable company analysis as a valuation method due to the limited similarity of the Target Company with respect to the business details or profitability, and this explanation by Daiwa Securities is not unreasonable.

- The Target Company's business plan used as the basis for the analysis using the DCF Analysis is based on the Medium-Term Management Plan already set in place by the Target Company, adjusted for the following items, under an environment where the possibility of any influence from structural conflicts of interest is reasonably eliminated, and such adjustment is not unreasonable, and is not corrected to an overly conservative numerical plan: increased energy costs exceeding expectations due to the prolonged military conflict in Ukraine, increase in personnel costs, recent business environment including more-than-expected decline in the U.S. market and steep exchange rate fluctuations, progress of sales price pass through and streamline measures, slow growth of the lotone business, postponement of initially planned investment regarding new wooden boards and the delay in sales/contribution to profits, timing of achieving numerical sales targets taking into consideration the cancelled M&A transactions. Therefore, such business plan is considered reasonable in light of the assumptions made, the process by which it was prepared, and the current status of the Target Company.

- Considering the matters above, in the Target Company Valuation Report prepared by Daiwa Securities, the Special Committee believes that the valuation details are reasonable and that the Tender Offer Price is higher than both the maximum of the price range determined using share price analysis and the median of the price range determined using DCF Analysis.

- The Tender Offer Price has a 28.37% premium on the closing price of the Target Company Shares on the Prime Market as of August 9, 2023, the business day immediately preceding the announcement date, and when compared to the median of the level of premiums in similar cases, the Tender Offer Price is slightly below that of similar cases, in comparison to the level of premiums of the simple average closing prices for the past one (1) month, three (3) months, and six (6) months, respectively. However, considering that in comparison with the level of premiums for the closing price on the date immediately preceding the announcement date which represents the general shareholders' current valuation of the Target Company Shares, the Tender Offer Price is comparable to the cases of the tender offers above. The Tender Offer price is also reasonable considering the past market stock price trends of the Target Company and the turnover analysis of the Target Company Shares, and takes into account minority shareholders who have held the Target Company Shares for a long period of time.

- In addition, the Tender Offer is planned to have the Majority of Minority Condition, and through direct confirmation that the majority of general shareholders are satisfied with the transaction terms, the opportunity for general shareholders' to make decisions will be ensured, and therefore contributing to ensure that the terms and conditions of the Transaction are fair and appropriate.

- Negotiations with ITOCHU et al. were conducted by the Target Company through the Target Company's financial advisor in accordance with the opinions, instructions, and requests of the Special Committee, and as a result of such negotiations, a price increase of approximately 22.4% from the initial proposal was achieved.

- The Transaction will be conducted against a background in which the Target Company must promptly implement fundamental management improvements and reforms by taking into account the uncertainty of various social and economic situations, such as the prolonged military conflict in Ukraine, inflation of resource prices, etc. However, since these uncertain social and economic situations have been ongoing, they have not hindered the determination of the fairness of the terms for the Transaction. Furthermore, in the summary of financial results for the fiscal year ended March 2023 dated May 11, 2023, the Target Company published an actual performance value that was below previous financial forecasts. However, the summary of financial results was prepared using a method that is used for normal settlement of accounts, and the decision made by the Target Company's management was not arbitrary in nature; furthermore, ITOCHU et al. was not involved in relation to the details and the timing of disclosure of such forecast. Thus, the timing of implementation of the Transaction was not unreasonable.

- The method of the Transaction (in which two-step transactions will be conducted in pursuit of making ITOCHU et al. the Target Company's only shareholders) was not unreasonable.

- The Target Company believes that although the Tender Offer Price is slightly below one-time PBR, this fact does not make the Tender Offer Price unreasonable because: one-time PBR is a theoretical liquidation value and the evaluation of the Target Company as a going concern is an issue in the Transaction; in the case of liquidation, additional costs for soil contamination investigation and removal at manufacturing plants, and considerable damages to machinery, equipment and vehicles that are of the Target Company's own standard and have little general versatility will accrue and the net asset value will not be realized directly (the Target Company has not obtained estimates or conducted specific calculations on the basis of liquidation, as liquidation is not planned); and while a market stock price is formed, through which a disclosed net asset value is also incorporated, the state of falling below one-time PBR has become normalized in the building material industry, including with respect to the Target Company.

iii. For the following reasons, the Special Committee believes that the interests of the Target Company's shareholders have been adequately considered through fair procedures in the Transaction.

- The Target Company established the Special Committee to carry out reviews, negotiations, and decisions on the Transaction independently of ITOCHU et al., with a view toward enhancing the Target Company's corporate value and ensuring the interests of the Target Company's general shareholders.
- The Special Committee was substantially involved in the negotiation process for the transaction terms, such as purchase price, between the Target Company and ITOCHU et al.
- The Target Company has received legal advice from Nakamura, Tsunoda & Matsumoto, a legal advisor independent of the Target Company and ITOCHU et al.
- The Target Company has received financial advice, opinions, etc. from Daiwa Securities, a financial advisor and third-party valuation agency independent of the Target Company and ITOCHU et al., and has obtained the Target Company Valuation Report in order to ensure that the Tender Offer Price is appropriate. Although neither the Target Company nor the Special Committee obtained a "fairness opinion" from an independent third-party valuation agency for the Transaction, the fact that no fairness opinion was obtained does not undermine the procedural fairness, since other adequate measures to ensure fairness were taken and the Tender Offer Price is higher than both of the maximum of the price range determined using share price analysis and the median of the price range determined using DCF Analysis.
- The Special Committee has received legal advice from Mori Hamada & Matsumoto, a legal advisor independent of the Target Company and ITOCHU et al.
- After receiving an initial proposal for the Transaction from ITOCHU, the Target Company established a project team in charge of reviewing the Transaction and having discussions and negotiating with the Tender Offeror, and its members consisted of only the Target Company's officers and employees who did not concurrently serve as officers or employees of ITOCHU et al. and had not held the position of officer or employee of ITOCHU et al. in the past, excluding Mr. Nagata, who is the Director and Senior Managing Executive Officer (Responsible for Overseas Business) and a director from ITOCHU, and Mr. Masatoshi Maki, a director from ITOCHU, and such arrangement is ongoing. The Special Committee received a report

from the Target Company indicating that: one (1) executive officer of the Target Company, who held the position of officer and employee of ITOCHU until March 2020, was involved in both the initial deliberation on the Target Company's financing after the Transaction and the use of group finances of ITOCHU et al. as well as the initial consultation with ITOCHU et al. relevant thereto, and the relevant officer and employee was not, and is not scheduled to be, involved in any other deliberations related to the Transaction; and the Target Company decided to have the relevant officer and employee participate in the deliberation and consultation on relevant matters because the relevant officer and employee is essential and cannot be replaced in this regard, the relevant matters are unlikely to generate conflicts of interest that will impact the interests of general shareholders, and the scope of involvement of the relevant officer and employee in the deliberation and consultation of the relevant matters would be limited, etc. However, the Special Committee confirmed that, based on legal advice from Mori Hamada & Matsumoto, the Special Committee's own legal advisor, and the opinion from Nakamura, Tsunoda & Matsumoto (a legal advisor of the Target Company) there was no particular issue with the involvement of the executive officer from the perspective of fairness.

- Among the Target Company's directors (including directors who are audit and supervisory committee members), Mr. Nagata and Mr. Masatoshi Maki refrained from participating in the previous deliberations and resolutions on all proposals for the Transaction due to having belonged or belonging to ITOCHU. Also, Mr. Nagata and Mr. Masatoshi Maki are scheduled not to participate in the deliberations and resolutions on proposals for the Transaction at the board of directors' meeting of the Target Company to be held today, and they also refrained from participating on behalf of the Target Company in the discussions and negotiations with ITOCHU et al.

- ITOCHU et al. and the Target Company have not entered into any agreements which limit the opportunities for the Target Company to have contact with a competing offeror, such as an agreement that includes deal protection provisions which prohibit the Target Company from having contact with a competing offeror, and also have not hindered opportunities for competitive purchases.

- ITOCHU et al. plans to set the purchase period for the Tender Offer at forty (40) business days, which is longer than the minimum period of twenty (20) business days provided by relevant laws and regulations, and it can be said that an indirect market check will be conducted. On the other hand, while the Target Company has not conducted an active market check, in this case, adequate measures to ensure fairness have been implemented, and the interests of the Target Company's shareholders have been considered adequately through fair procedures. Therefore, the fact that no active market check was conducted does not undermine the procedural fairness of the Tender Offer.

- ITOCHU et al. has set a lower limit on the number of shares to be purchased (i.e., 8,298,295 shares) with the Majority of Minority Condition in the Tender Offer, and if the total number of Tendered Shares is below such lower limit, the Tender Offeror will not purchase any of the Tendered Shares.
- The Target Company and ITOCHU et al. plan to appropriately disclose information based on advice obtained from their respective legal advisors.
- The legality of the Squeeze-Out Procedures has been ensured, with consideration given to avoid coercion issues with respect to the Transaction.
- In the course of the discussions, reviews, and negotiations for the Transaction, no fact was found which indicated that the Target Company was unjustly influenced by ITOCHU et al.

iv. As stated in i above, the Transaction will contribute enhancing the Target Company's corporate value and the purpose of the Transaction is justifiable and reasonable; as stated in ii above, the fairness and appropriateness of the terms of the Transaction (including the Tender Offer Price) have been ensured; and as stated in iii above, the interests of the Target Company's shareholders have been adequately considered through fair procedures. Therefore, it can be considered that the Transaction is not disadvantageous to the Target Company's minority shareholders.

v. As stated in i above, the Transaction will contribute to enhancing the Target Company's corporate value and the purpose of the Transaction is justifiable and reasonable; as stated in ii above, the fairness and appropriateness of the terms of the Transaction (including the Tender Offer Price) have been ensured; as stated in iii above, the interests of the Target Company's shareholders have been adequately considered through fair procedures; and as stated in iv above, the Transaction is not disadvantageous to the Target Company's minority shareholders. Therefore, the Special Committee believes that it is appropriate for the Target Company's board of directors to support the Tender Offer and recommend that the Target Company's shareholders tender their shares.

(iv) Receipt by the Special Committee of Advice from an Independent Law Firm

As stated in “(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report” above, the Special Committee appointed Mori Hamada & Matsumoto as its own legal advisor independent of ITOCHU et al. and the Target Company to obtain professional advice on the procedural fairness of the Transaction and obtained legal advice, including advice on the measures to be taken to ensure the procedural fairness of, various procedures for, and the Special Committee’s deliberation method and process in relation to the Transaction. Mori Hamada & Matsumoto is not a related party of ITOCHU et al. or the Target Company and has no material interests in the Transaction, including the Tender Offer. For the independence of Mori Hamada & Matsumoto, please see “(iii) Establishment by the Target Company of an Independent Special Committee and Receipt of a Report” above.

(v) Receipt by the Target Company of Advice from an Independent Law Firm

In order to ensure the fairness and appropriateness of the decision-making by the Target Company’s board of directors, the Target Company appointed Nakamura, Tsunoda & Matsumoto as its legal advisor independent of ITOCHU et al. and the Target Company to obtain legal advice on the decision-making method and process by the Target Company’s board of directors for the Tender Offer and a set of subsequent procedures, as well as matters to be noted in the decision making. Nakamura, Tsunoda & Matsumoto is not a related party of ITOCHU et al. or the Target Company and has no material interests in the Transaction, including the Tender Offer. Furthermore, the remuneration for Nakamura, Tsunoda & Matsumoto consists of only hourly-based fees to be paid regardless of the success or failure of the Transaction, without any contingency fee subject to successful completion of the Transaction.

(vi) Establishment by the Target Company of an Independent Review Structure

As stated in “(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer” in “(2) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer, and Management Policy Following Completion of the Tender Offer” in “2. Purpose of the Tender Offer, etc.” above, the Target Company internally established a structure for reviews, negotiations, and decisions on the Transaction independent of ITOCHU et al. Specifically, after the inquiry by ITOCHU regarding commencing formal deliberation concerning taking the Target Company private in late November, 2022, the Target Company received from ITOCHU a non-legally binding initial written proposal concerning taking the Target Company private though a tender offer on December 20, 2022. After that, the Target Company established a project team in charge of reviewing the means and the method, etc. of the Transaction and discussing and negotiating with ITOCHU et al., and its members consisted of only the Target Company's officers and employees who did not concurrently serve as officers or employees of any company in the ITOCHU Group and had not held the position of officer or employee of any company in the ITOCHU Group in the past, which treatment continues (the project team's members are ten (10) (among which three (3) are executive officers) as of today). In the initial deliberation on the Target Company's financing after the Transaction and the use of ITOCHU Group's group finances, and in the initial consultation with ITOCHU relevant to the foregoing, there is an officer and employee (one (1) executive officer) of the Target Company involved who held the position of officer and employee of ITOCHU in the past. The relevant officer and employee was employed by ITOCHU from April 1986 to March 2020 (and was seconded by ITOCHU to the Target Company as a senior executive officer from April 2019 to March 2020), but not employed by the ITOCHU Group thereafter. Currently, the relevant person holds the position of Senior Executive Officer and Deputy General Manager of Management Strategy Business Group at the Target Company, and plays an important role concerning the Target Company's finance, and is essential and cannot be replaced in the initial deliberation and consultation of the relevant matters. In addition, considering that the relevant matters to be considered have a categorically small likelihood of there being issues of conflict of interest which have the likelihood of having an impact on the interests of general shareholders, and that the scope of involvement of the relevant officer and employee in the deliberation and consultation of the relevant matters is limited, etc., the Target Company decided to have the relevant officer and employee be involved in the initial deliberation and consultation of the relevant matters. In order to ensure fairness, after the relevant officer and employee's involvement in the initial deliberation and consultation of the relevant matters, the relevant officer and employee promptly submitted reports to the Special Committee on the facts and the status of their involvement in the initial deliberation and consultation of the relevant matters, and the Special Committee determined that there was no particular issue in the involvement of the relevant officer and employee from viewpoint of fairness, etc. Also, Mr. Nagata, who is the Director ,Senior Managing Executive Officer (Responsible for Overseas Business) of the Target Company and was an employee of ITOCHU until March 2017, was involved in the initial formulation of the Target Company's overseas business portion of its business plan, which constitutes the basis for valuation of the Target Company Shares by Daiwa Securities. With a view to ensuring the independence of ITOCHU et al. and the fairness of the Transaction, the particulars of the business plan, including the part concerning overseas business, were deliberated and finalized by the members, excluding Mr. Nagata, of the investment committee, which is a subordinate committee of the Target Company's board of directors. The Target Company obtained confirmation from the Special Committee that there were no issues with the independence or fairness of the Target Company's review structure (including the scope of the Target Company's officers and employees to be involved in reviews, negotiations, and decisions on the Transaction and their duties), including the above-mentioned treatment.

(vii) Approval of all Target Company Directors (including directors who are audit and supervisory committee members) Without Conflicts of Interest

As stated in "(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer" in "(2) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer, and Management Policy Following Completion of the Tender Offer" in "2. Purpose of the Tender Offer, etc." above, the Target Company carefully discussed and considered whether the Transaction, including the Tender Offer, would contribute to enhancement of the Target Company's corporate value, and whether the transaction terms for the Transaction, including the Tender Offer Price, were reasonable, based on the legal advice received from Nakamura, Tsunoda & Matsumoto, the advice from a financial perspective received from Daiwa Securities, and the Target Company Valuation Report, while respecting the Special Committee's decision stated in the Report to the maximum extent. As a result, as stated in "(I) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer" in "(2) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer, and Management Policy Following Completion of the Tender Offer" in "2. Purpose of the Tender Offer, etc." above, the Target Company concluded, considering that, while creation of synergy with ITOCHU et al. is expected, dissynergy is expected to be limited, and the Transaction would contribute to enhancement of the Target Company's corporate value, and the Tender Offer Price is an appropriate price ensuring the interests to be enjoyed by the Target Company's general shareholders, opportunities for competitive purchase, etc. are not prevented, and the Tender Offer Period is a comparatively long period, and the lower limit for the shares to be purchased has been set to meet the Majority of Minority Conditions, the transaction terms for the Transaction, including the Tender Offer Price, were reasonable. Therefore, at the board of directors' meeting of the Target Company held today, the Target Company resolved to express an opinion in support of the Tender Offer and to recommend that the Target Company's shareholders tender their shares in the Tender Offer, by a unanimous vote of seven (7) out of nine (9) directors of the Target Company (including directors who are audit and supervisory committee members) who participated in the deliberations and resolutions. In light of the fact that Mr. Nagata held the position of employee of ITOCHU in the past and that Mr. Masatoshi Maki concurrently serves as President of General Products & Realty Company and Executive Officer of ITOCHU, in order to eliminate the possibility of any influence from structural conflicts of interest in the

Transaction and to ensure the fairness of the Transaction, these two directors refrained from participating in the deliberations and the resolutions on all proposals at the board of directors' meetings of the Target Company, including the above-mentioned board of directors' meeting held today, and refrained from participating on behalf of the Target Company in the discussions or negotiations with ITOCHU et al.

(viii) Securement of an Objective Situation that Ensures the Fairness of the Tender Offer

The Tender Offeror has not entered into any agreements with the Target Company limiting the opportunities for the Target Company to have contact with a competing offeror, such as an agreement that includes deal protection provisions which prohibit the Target Company from having contact with a competing offeror, and has given consideration to ensure the fairness of the Tender Offer by not hindering opportunities for competitive purchases. Furthermore, the Tender Offeror has set a tender offer period of forty (40) business days, which is longer than the minimum period of twenty (20) business days provided by relevant laws and regulations.

(ix) Setting of a Lower Limit which Satisfies the Majority of Minority Condition

As stated in "(Note 2)" of "(1) Outline of the Tender Offer" of "2. Purpose of the Tender Offer, etc." above, the lower limit on the number of shares to be purchased in the Tender Offer (8,298,295 shares) is the same as the number of the Target Company Shares (8,298,295 shares) equivalent to the majority of the number of shares (16,596,588 shares) calculated using the following formula: ((a) -(b))- (c); where (a) is the total number of issued shares of the Target Company (27,080,043 shares) as of June 30, 2023 as stated in the Target Company's Quarterly Financial Results, (b) is the number of treasury shares (1,008,155 shares) held by the Target Company as of the same date as stated in the Target Company's Quarterly Financial Results, with the number of shares after subtracting (b) from (a) being (26,071,888 shares), and (c) is the number of Target Company Shares (9,475,300 shares) held by ITOCHU, the Tender Offeror's parent company, as of today. The lower limit on the number of shares to be purchased is a number equivalent to the majority of the Target Company Shares held by the Target Company's shareholders who do not have conflicts of interest with ITOCHU et al., or a "Majority of Minority". ITOCHU et al. considers this lower limit on the number of shares to be purchased values the decisions of the Target Company's minority shareholders (general shareholders) through ensuring that the Tender Offer will not be completed if approval of the majority of the Target Company' shareholders who do not have conflicts of interest with ITOCHU et al., cannot be obtained.

(III) Relationship with the Valuation Agency

J.P. Morgan, the financial advisor for ITOCHU, is not a related party of ITOCHU et al. or the Target Company and has no material interests in relation to the Tender Offer to be stated.

(5) Number of Shares to Be Purchased

Number of Shares to Be Purchased	Lower Limit of Shares to Be Purchased	Upper Limit of Shares to Be Purchased
16,596,588 (shares)	8,298,295 (shares)	— (shares)

(Note 1) If the total number of Tendered Shares is below the lower limit of shares to be purchased (8,298,295 shares), the Tender Offeror will not purchase any of the Tendered Shares. If the total number of Tendered Shares is or exceeds the lower limit of shares to be purchased (8,298,295 shares), the Tender Offeror will purchase all the Tendered Shares.

(Note 2) The Tender Offeror does not intend to acquire treasury shares owned by the Target Company through the Tender Offer.

(Note 3) Since no upper limit of shares to be purchased is set for the Tender Offer, the maximum number of Target Company Shares (16,596,588 shares) that can be acquired by the Tender Offeror through the Tender Offer is indicated as the number of shares to be purchased. Such maximum number is the number of shares (16,596,588 shares) obtained by deducting, from the total number of the Target Company's issued shares as of June 30, 2023 as stated in the Target Company's Quarterly Financial Results (27,080,043 shares), the number of treasury shares owned by the Target Company as of the same date (1,008,155 shares) and the number of the Target Company Shares owned by ITOCHU, which is not planned to be tendered to the Tender Offer as of today (9,475,300 shares).

(Note 4) Shares of less than one unit are also subject to the Tender Offer. If shareholders exercise their right to request that the Target Company repurchase its shares of less than one unit in accordance with the Companies Act, the Target Company may purchase such shares during the Tender Offer Period pursuant to the procedures under laws and regulations.

(6) Changes in the Ownership Ratio of Shares after the Purchase

Number of voting rights pertaining to shares owned by the Tender Offeror before the purchase	— voting rights	(Ownership ratio of shares before the purchase: —%)
Number of voting rights pertaining to shares owned by specially related parties before the purchase	94,753 voting rights	(Ownership ratio of shares before the purchase: 36.34%)
Number of voting rights pertaining to shares owned by the Tender Offeror after the purchase	165,965 voting rights	(Ownership ratio of shares after the purchase: 63.66%)
Number of voting rights pertaining to shares owned by specially related parties after the purchase	94,753 voting rights	(Ownership ratio of shares after the purchase: 36.34%)
Number of voting rights of all shareholders of the Target Company	260,390 voting rights	

(Note 1) “Number of voting rights pertaining to shares owned by the Tender Offeror after the purchase” is the number of voting rights (165,965 voting rights) pertaining to the number of shares to be purchased (16,596,588 shares) in the Tender Offer as indicated in “(5) Number of Shares to Be Purchased” above.

(Note 2) “Number of voting rights pertaining to shares owned by specially related parties before the purchase” is the total number of voting rights pertaining to shares owned by each specially related party (however, among specially related parties, those who will be excluded from the specially related parties pursuant to Article 3, paragraph 2, item (i) of the Cabinet Office Order on Disclosure Required for Tender Offer for Share Certificates by Persons Other than Issuers (Ministry of Finance Order No. 38 of 1990, as amended; the “Cabinet Office Order”) in the calculation of the ownership ratio of shares in each item of Article 27-2, paragraph 1 of the Act are excluded).

(Note 3) “Number of voting rights of all shareholders of the Target Company” is the number of voting rights of all Target Company shareholders as of March 31, 2023, as stated in the Target Company’s annual securities report for the 107th term submitted on June 26, 2023. However, since shares in quantities of less than one unit are also subject to the Tender Offer, for the purpose of calculating the “Ownership ratio of shares before the purchase” and the “Ownership ratio of shares after the purchase,” the number of voting rights (260,718 voting rights) pertaining to the number of shares (26,071,888 shares) obtained by deducting (a) from (b) was used as the denominator, wherein (a) is the number of treasury shares owned by the Target Company as of June 30, 2023 (1,008,155 shares), and (b) is the total number of issued shares of the Target Company as of the same date, as stated in the Target Company’s Quarterly Financial Results (27,080,043 shares).

(Note 4) With regard to the “Ownership ratio of shares before the purchase” and the “Ownership ratio of shares after the purchase,” any fraction is rounded to two decimal places.

(7) Purchase Price 49,789,764,000 yen

(Note) The purchase price is the amount obtained by multiplying the number of shares to be purchased (16,596,588 shares) by the Tender Offer Price (3,000 yen).

(8) Method of Settlement

(I) Name and Location of the Head Office of the Financial Instruments Business Operator, Bank, etc. that Settles the Purchase

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

(II) Commencement Date of Settlement

October 17, 2023 (Tuesday)

(III) Method of Settlement

Without delay after the Tender Offer Period, the notice of the purchase through the Tender Offer shall be sent by post to the address of the tendering shareholders (in the case of foreign shareholders, their standing proxy). Purchase shall be made in cash. Sales price concerning the purchased shares shall be remitted by the tender offeror to the location designated by the tendering shareholders (in the case of foreign shareholders, their standing proxy), or paid into the tendering shareholders' account held at the tender offer agent that accepted the tender application, without delay on and after the date of commencement of the settlement, with the instructions of the tendering shareholders (in the case of foreign shareholders, their standing proxy).

(IV) Method of Returning Shares

If the Tender Offeror will not purchase any of the Tendered Shares pursuant to the terms and conditions set forth in "(I) Conditions set forth in Each Item of Article 27-13, Paragraph (4) of the Act and Details Thereof" or "(II) Conditions of Withdrawal, etc. of Tender Offer, Details Thereof and Method of Disclosure of Withdrawal, etc." of "(9) Other Conditions and Procedures of the Tender Offer" below, the Tender Offeror shall promptly return the shares required to be returned to the state when such shares have been tendered, on and after the second business day after the last day of the Tender Offer Period (in case of withdrawal, etc. of the Tender Offer, the date on which the withdrawal, etc. have been made).

(9) Other Conditions and Procedures of the Tender Offer

(I) Conditions set forth in Each Item of Article 27-13, Paragraph (4) of the Act and Details Thereof

If the total number of Tendered Shares falls short of the lower limit on the number of shares to be purchased (8,298,295 shares), the Tender Offeror will not purchase any of the Tendered Shares. If the total number of Tendered Shares is the same as or more than the lower limit on the number of shares to be purchased (8,298,295 shares), the Tender Offeror will purchase all the Tendered Shares.

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

The Tender Offer may be withdrawn upon the occurrence of any event listed in Article 14, paragraph 1, items (i)(a) through (i)(j) and items (i)(m) through (i)(s), items (iii)(a) through (iii)(h) and (iii)(j), item (iv), as well as Article 14, paragraph 2, items (iii) through (vi) of the Order. In the Tender Offer, the "facts equivalent to those set forth in (a) to (i)" mentioned in Article 14, paragraph 1, item (iii)(j) of the Order means (i) any case where it is found that there is a false statement regarding a material matter, or an omission of a material matter required to be stated in the statutory disclosure documents submitted by the Target Company in the past, or (ii) any case where any of the events listed in items (iii)(a) through (iii)(g) occurs with respect to any of the important subsidiaries of the Target Company.

Furthermore, if an injunction order was issued by the Antitrust Division of the U.S. Department of Justice, or the U.S. Federal Trade Commission regarding the Transaction, or the waiting period does not end by the day preceding the expiry date of the Tender Offer Period (including the extended period), this will constitute a case where the circumstances set forth in Article 14, paragraph 1, item (iv) of the Order occurred, and the Tender Offer may be withdrawn, etc.

If the Tender Offeror intends to withdraw the Tender Offer, it will give public notice thereof through electronic disclosure and make an announcement with respect thereto in the Nihon Keizai Shimbun. However, if it is difficult to give such public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement pursuant to Article 20 of the Cabinet Office Order and give public notice immediately thereafter.

(III) Conditions to Reduce Purchase Price, Details Thereof and Method of Disclosure of Reduction

In accordance with Article 27-6, paragraph 1, item (i) of the Act, if the Target Company conducts any act listed in Article 13, paragraph 1 of the Order during the Tender Offer Period, the purchase price may be reduced pursuant to the standards set forth in Article 19, paragraph 1 of the Cabinet Office Order. If the Tender Offeror intends to reduce the purchase price, it will give public notice thereof through electronic disclosure and make an announcement with respect thereto in the Nihon Keizai Shimbun. However, if it is difficult to give such public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement pursuant to Article 20 of the Cabinet Office Order and give public notice immediately thereafter. If the purchase price is reduced, the Tendered Shares that were tendered on or before the date of the public notice will also be purchased at the reduced purchase price.

(IV) Matters Concerning Tendering Shareholders' Rights to Cancel Their Agreements

The tendering shareholders may cancel an agreement related to the Tender Offer at any time during the Tender Offer Period. In the case of agreements being canceled, please deliver or send a document to the effect that agreements regarding the Tender Offer will be cancelled (the "Cancellation Document"), to head office or each branch in Japan of the tender offer agent who accepted the tender, by 3 p.m. of the last day of the Tender Offer Period. Cancellation of agreements shall come into effect as of the time when the Cancellation Document was delivered to or reached the tender offer agent. Therefore, in the case of sending the Cancellation Document, please be aware that cancellation cannot be made unless the Cancellation Document reaches the tender offer agent by 3 p.m. of the last day of the Tender Offer Period.

Person authorized to receive the Cancellation Document

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

(Other branches of Mizuho Securities in Japan)

The Tender Offeror will not make any claim for damages or a penalty payment against the tendering shareholders due to cancellation of their agreements. In addition, the Tender Offeror will bear the cost of returning the Tendered Shares. If a tendering shareholder applies for cancellation, his/her Tendered Shares will be returned by the method stated in "(IV) Method of Returning Shares" in "(8) Method of Settlement" above promptly after completion of the procedures related to the application for cancellation.

(V) Method of Disclosure in Case of Change in the Purchase Terms

The Tender Offeror may change the purchase terms during the Tender Offer Period, excluding cases where it is prohibited by Article 27-6, paragraph 1 of the Act and Article 13 of the Order. If the Tender Offeror intends to change the purchase terms, it will give public notice of these changes through electronic disclosure and make an announcement with respect thereto in the Nihon Keizai Shimbun. However, if it is difficult to give such public notice by the last day of the Tender Offer Period, the Tender Offeror will make a public announcement pursuant to Article 20 of the Cabinet Office Order and give public notice immediately thereafter. If the purchase terms are changed, the Tendered Shares that were tendered on or before the date of the public notice will also be purchased based on the changed purchase terms.

(VI) Method of Disclosure in case of Filing of Amendment Statement

If the Tender Offeror files an amended statement with the Director-General of the Kanto Local Finance Bureau (excluding the cases set forth in the proviso to Article 27-8, paragraph 11 of the Act), the Tender Offeror will immediately make a public announcement of the details relating to those described in the public notice of tender offer commencement among other things stated in the amended statement, pursuant to Article 20 of the Cabinet Office Order. The Tender Offeror will also immediately amend the tender offer explanatory statement and deliver the amended tender offer explanatory statement to the tendering shareholders to whom the tender offer explanatory statement has already been delivered. However, if the scope of the amendment is limited, the amendment may be made by preparing a document stating the reason for the amendment and the subject matter before and after the amendment, and delivering the document to the tendering shareholders.

(VII) Method of Disclosure of Results of the Tender Offer

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

(VIII) Others

The Tender Offer is not conducted within the U.S. or directed to the U.S., whether directly or indirectly, is not conducted using the U.S. post or any other method or means for interstate commerce or international commerce (including, but not limited to, telephone, telex, facsimile, email, and Internet communication), and is not conducted through any U.S. securities exchange facility. No one can tender shares in the Tender Offer by the above-mentioned method or means, through the above-mentioned facility, or from the U.S.

Neither this document nor relevant purchase documents are sent or distributed within the U.S., to the U.S., or from the U.S. by post or any other method, and such sending or distribution is not allowed. Any tender in the Tender Offer directly or indirectly violating the above-mentioned restrictions will not be accepted.

When tendering shares in the Tender Offer, tendering shareholders (in the case of foreign shareholders, their standing proxy) may be required to represent and warrant the following to the tender offer agent:

- the tendering shareholder is not located in the U.S. at the time of both tendering its shares and sending a tender offer application form;

- the tendering shareholder has not received or sent any information related to the Tender Offer (including copies thereof) within the U.S., to the U.S., or from the U.S., whether directly or indirectly;

- the tendering shareholder has not used the U.S. post or any other method or means for interstate commerce or international commerce (including, but not limited to, telephone, telex, facsimile, email, and Internet communication), or any securities exchange facility within the U.S., whether directly or indirectly, at the time of purchase or execution and delivery of a tender offer application form; and

- the tendering shareholder is not acting as an unauthorized agent, trustee, or mandatory of any other person (excluding where such other person provides all instructions related to purchase outside the U.S.).

(10) Date of Public Notice of Commencement of the Tender Offer

August 14, 2023 (Monday)

(11) Tender Offer Agent

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

4. Policies Following the Tender Offer and Outlook Going Forward

For the policies after the Tender Offer, please refer to "(II) Management Policy after Completion of the Tender Offer" in "(2) Background, Purpose and Decision-Making Process of the Decision to Conduct the Tender Offer, and Management Policy Following Completion of the Tender Offer", "(5) Policies for Reorganization after the Completion of the Tender Offer (Matters Concerning the So-Called "Two-Step Acquisition")", and "(6) The Possibility of Delisting and Reasons Thereof", respectively, in "2. Purpose of the Tender Offer, etc." above.

5. Other

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

According to the Target Company Press Release, at its board of directors' meeting held today, the Target Company resolved to express an opinion in support of the Tender Offer and to recommend that its shareholders tender their shares in the Tender Offer. For details of the Target Company's decision-making, please refer to the Target Company Press Release and "(vii) Approval of all Target Company Directors (including directors who are audit and supervisory committee members) Without Conflicts of Interest" in "(Measures to Ensure Fairness of the Tender Offer, Including

Measures to Ensure Fairness of the Tender Offer Price and Avoid Conflicts of Interest)" in "(II) Background of Valuation" in "(4) Basis for Valuation of Tender Offer Prices" in "3. Overview of the Tender Offer" above.

(2) Other Information That Is Considered to Be Necessary When Investors Determine Whether to Tender Shares in an Offer to Purchase

(I) Revision of Dividend Forecast for the Fiscal Year ending March 31, 2024

The Target Company, at its board of directors' meeting held today, resolved to revise the dividend forecast, which was announced by the Target Company on May 11, 2023, and not to pay year-end dividends for the fiscal year ending March 31, 2024 subject to completion of the Tender Offer. For details, please see the "Notice concerning Revisions to Dividend Forecast (No Payments of Dividend) for Fiscal Year Ending March 2024" announced by the Target Company today.

End

[Solicitation Regulations]

This press release is news statement intended to public release the Tender Offer, and was not prepared for the purpose of soliciting a tender for a sale. If you intend to tender an offer to sell shares in the Tender Offer, please make sure that you refer to the Tender Offer Explanatory Document regarding the Tender Offer in advance, and tender shares at your own discretion. This press release is not a tender for, or a solicitation for a tender for, a sale or purchase of securities, and does not constitute a part of the foregoing. In addition, this press release (or any part of it) and any distribution hereof will not be the basis for any agreement concerning the Tender Offer, nor will it be relied upon when executing an agreement.

[Future Prospects]

This press release contains "forward-looking statements" including, among others, statements regarding the outlook for business developments, based on views of ITOCHU's management, in the case where the Target Company Shares are acquired. Actual results may significantly differ from the outlook depending on many factors. Known or unknown risks, uncertainties or other factors may cause actual results to differ significantly from the projections implied or expressed in the "forward-looking statements". ITOCHU et al. do not promise that the projections implied or expressly stated as "forward-looking statements" will actually be realized. "Forward-looking statements" contained herein were prepared based on the information held by ITOCHU et al. as of the date of this press release and, unless required by the applicable Japanese laws and regulations, ITOCHU et al. shall not have the obligation to update or correct the statements made herein in order to reflect the future events or circumstances.

[U.S. Regulations]

The Tender Offer will not be conducted, directly or indirectly, in or targeted at the U.S., through the U.S. postal mail services or other interstate or international commercial methods or means (including, but not limited to, telephone, telex, facsimile, e-mail, and internet communication), or through any stock exchange facilities in the U.S.. In addition, no disclosure regarding the Tender Offer or relevant document will, or may, be sent or distributed to, in, or from the U.S. by postal mail or other means. No application for the Tender Offer that violates, directly or indirectly, the aforementioned restrictions will be accepted.

No solicitation for the purchase of securities or other equivalents is made to U.S. residents or in the U.S., and ITOCHU et al. will not accept any solicitation that is sent from U.S. residents or from the U.S..

All procedures regarding the Tender Offer will be made in Japanese unless otherwise stated. All or a part of the documents regarding the Tender Offer shall be prepared in English, but in case of any inconsistencies between English documents and Japanese document, Japanese document shall prevail.

[Other Countries]

In some countries or regions, the release, issuance, or distribution of this press release may be restricted by relevant laws, in which case, please keep such restriction in mind and comply with it. This press release does not constitute a solicitation for a tender for, a sale, etc. of shares in relation to the Tender Offer, and is deemed solely as a distribution of information material.