November 7, 2023

To whom it may concern

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(Code：6073)
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Notice Concerning Offering of 3rd Series Share Acquisition Rights and 1st Series Unsecured Convertible Bond Type Bonds with Share Acquisition Rights to be Issued Through Third-party Allotment

Asante, Inc. ("the Company") hereby announces that at a meeting held on November 7, 2023, its Board of Directors resolved to issue share acquisition rights (the "Share Acquisition Rights") and unsecured convertible bonds with share acquisition rights (the "Bonds with Share Acquisition Rights", with the bonds portion referred to as the "Bonds" and the share acquisition rights portion referred to as the "Convertible-Bond Share Acquisition Rights") by way of third-party allotment.

Please also refer to the "Notice Concerning Business Alliance" released as of today's date.

1. Outline of the Offering

3rd Series Share Acquisition Rights

(1)	Allotment Date	November 28, 2023 The Company plans to agree in the Subscription Agreement (as defined below) that the Scheduled Allottee (as defined below) will pay the total issue price on the payment date, provided that the conditions specified in the Subscription Agreement are satisfied.
(2)	Total number of share acquisition rights issued	14,892
(3)	Issue price	Total amount: 14,102,724 yen (947 yen per Share Acquisition Right)
(4)	Number of dilutive shares resulting from this issuance	1,489,200 shares (100 shares per Share Acquisition Right) The exercise price of the Share Acquisition Rights will not be revised, and therefore there is no maximum or minimum exercise price.
(5)	Amount of funds to be raised	2,504,045,124 yen (estimated net proceeds: 2,493,045,124 yen) (Note) (Breakdown) Issuance of Share Acquisition Rights: 14,102,724 yen Exercise of Share Acquisition Rights: 2,489,942,400 yen

(6) Exercise price	1,672 yen per share
(7) Method of offering or allotment	By way of third-party allotment.
(8) Scheduled allottee	AAGS S7, L.P. (the “Scheduled Allottee”)
(9) Other matters	The Company plans to execute a subscription agreement regarding the Share Acquisition Rights and the Bonds with Share Acquisition Rights (the “Subscription Agreement”) with the Scheduled Allottee as of today’s date. The Company plans for the Subscription Agreement to provide for the following. (1) The Scheduled Allottee will not exercise the Share Acquisition Rights during the period from November 29, 2023 to May 28, 2024. (2) Notwithstanding (1) above, in the event that (i) an early redemption event as defined in the terms and conditions of the issuance of the Bonds with Share Acquisition Rights applies (however, the case where a financial covenant is violated as a result of the acquisition of treasury stock by the Company after prior consultation between the Company and the Scheduled Allottee and the prior consent of the Scheduled Allottee, notwithstanding the provisions of Article 13 (2)(b)(ii) of the terms and conditions of the issuance of the Bonds with Share Acquisition Rights, is excluded), (ii) it is found that the prerequisite conditions set forth in the Subscription Agreement had not been satisfied as of the payment date, (iii) the Company agrees to the Scheduled Allottee exercising the Share Acquisition Rights, (iv) the Company defaults on its obligations under any contract with a financial institution regarding material borrowing agreements or other financing agreements to which the Company’s group is the borrower and material business agreements to which the Company is a party (the “Material Contracts”) provided, however, that this shall not apply if the total value of the obligation for which a default has occurred does not exceed 50 million yen (after translation into Japanese currency), (v) the Company violates any financial covenant or other similar provision of any agreement between the Company and a financial institution or any other agreement relating to financing, (vi) the Company violates any representation and warranty under the Subscription Agreement in any material respect, (vii) the Company violates in a material respect any obligation provided for in the Subscription Agreement, the business alliance agreement dated as of today between the Company and Advantage Advisors Co., Ltd. (the “Business Alliance Agreement”), or the overall subscription agreement regarding the Share Acquisition Rights and Bonds with Share Acquisition Rights that is planned to be executed on the allotment date

	between the Company and the Scheduled Allottee (the "Overall Subscription Agreement"), or (viii) the Company fails to submit the Annual Securities Report or the Quarterly Securities Report in a lawful manner, the Scheduled Allottee may exercise the Share Acquisition Rights at any time thereafter. If any of the requirements in (i) through (viii) above are satisfied and the Share Acquisition Rights become exercisable, this will be disclosed in a press release. (3) In addition, the Company plans for the Subscription Agreement to provide for the following. The details are described in "(5) Preferential Negotiation Right" and "(6) Right to Demand Acquisition of Share Acquisition Rights" of "6. Reasons for Selection of Scheduled Allottee" below. * Preferential negotiation right * Right to demand acquisition of Share Acquisition Rights

(Note) The amount of funds to be raised is the sum of the total issue price of the Share Acquisition Rights and the exercise price calculated on the assumption that all of the Share Acquisition Rights are exercised at the initial exercise price. The amount of funds raised will decrease if the exercise price of the Share Acquisition Rights is adjusted, the Share Acquisition Rights are not exercised within the exercise period or if the Company cancels Share Acquisition Rights that it has acquired.

1st Series Unsecured Convertible Bonds with Share Acquisition Rights

(1)	Payment date	November 28, 2023 The date of allotment of the Bonds with Share Acquisition Rights will be November 28, 2023. The Company plans to agree in the Subscription Agreement that the Scheduled Allottee will pay the total issue price on the payment date, provided that the conditions specified in the Subscription Agreement are satisfied.
(2)	Total number of share acquisition rights	49 acquisition rights
(3)	Issue price of bonds and share acquisition rights	100 yen per 100 yen of the face value of the Bonds However, no payment of money shall be required in exchange for the Convertible-Bond Share Acquisition Rights.
(4)	Number of dilutive shares resulting from this issuance	1,195,900 Shares The conversion price of the Bonds with Share Acquisition Rights will not be revised, and therefore there is no maximum or minimum conversion price.
(5)	Amount of funds to be raised	1,999,690,000 yen (estimated net proceeds: 1,990,690,000 yen)
(6)	Conversion price	1,672 yen per share
(7)	Method of offering	By way of third-party allotment.

	or allotment	
(8)	Scheduled allottee	AAGS S7, L.P.
(9)	Other matters	The Company plans to execute a subscription agreement regarding the Share Acquisition Rights and the Bonds with Share Acquisition Rights (the “Subscription Agreement”) with the Scheduled Allottee as of today’s date. The Company plans for the Subscription Agreement to provide for the following. (1) The Scheduled Allottee will not exercise the Convertible-Bond Share Acquisition Rights during the period from November 29, 2023 to November 28, 2024. (2) Notwithstanding (1) above, in the event that (i) an early redemption event as defined in the terms and conditions of the issuance of the Bonds with Share Acquisition Rights applies (however, the case where a financial covenant is violated as a result of the acquisition of treasury stock by the Company after prior consultation between the Company and the Scheduled Allottee and the prior consent of the Scheduled Allottee, notwithstanding the provisions of Article 13 (2)(b)(ii) of the terms and conditions of the issuance of the Bonds with Share Acquisition Rights, is excluded), (ii) it is found that the prerequisite conditions set forth in the Subscription Agreement had not been satisfied as of the payment date, (iii) the Company agrees to the Scheduled Allottee exercising the Convertible-Bond Share Acquisition Rights, (iv) the Company defaults on its obligations under any of its Material Contracts with a financial institution (provided, however, that this shall not apply if the total value of the obligation for which a default has occurred does not exceed 50 million yen (after translation into Japanese currency), (v) the Company violates any financial covenant or other similar provision of any agreement between the Company and a financial institution or any other agreement relating to funding, (vi) the Company violates any representation and warranty under the Subscription Agreement in any material respect, (vii) the Company violates in a material respect any obligation provided for in the Subscription Agreement, the Business Alliance Agreement, or the Overall Subscription Agreement, or (viii) the Company fails to submit the Annual Securities Report or the Quarterly Securities Report in a lawful manner, the Scheduled Allottee may exercise the Convertible-Bond Share Acquisition Rights at any time thereafter. If any of the requirements in (i) through (viii) above are satisfied and the Convertible-Bond Share Acquisition Rights become exercisable, this will be disclosed in a press release. (3) In addition, the Company plans for the Subscription Agreement to provide for the following. The details are described in “(5) Preferential Negotiation Rights” of “6. Reasons for Selection of Scheduled Allottee” below.

	* Preferential negotiation right

2. Purpose and Reason for Offering

Our group, consisting of Asante, Inc. and one consolidated subsidiary, provides house maintenance services for existing wooden detached houses, such as termite control, anti-humidity measures, and anti-earthquake measures, and leads Japan in sales related to termite control with 82 locations in 28 prefectures. We also provide services to control pests and vermin including bed bugs, cockroaches, and rats in corporate properties such as hotels, office buildings, and restaurants.

While providing safety, security and comfort to our customers who live in wooden detached houses through our services that include termite control, anti-humidity measures, and anti-earthquake measures, at the same time we also contribute to solving social issues through our businesses, such as (1) reducing waste generated by house reconstruction, (2) reducing CO_2 emissions by curbing wasteful deforestation, (3) contributing to disaster mitigation by maintaining and improving the durability of wooden houses, and (4) preserving the value of houses, and are striving to realize our management philosophy of “Protecting People, Houses and Forests by Fostering our own People and Technology”.

Housing policy in Japan emphasizes the longevity and maintenance of existing housing, and the scale of potential demand scale is enormous with approximately 26 million dwellings in Japan. In addition, the awareness of individual consumers towards housing is changing as people spend more time at home due to new forms of lifestyle taking root and in response to more frequent and severe natural disasters, and we expect that awareness of housing longevity and maintenance will continue to grow in the future.

On the other hand, the business environment surrounding our group is expected to become increasingly severe in the future due to factors such as individual consumers’ growing consciousness towards thrift caused by concerns about rising prices and declining real wages in recent years, labor shortages and tight labor markets due to the declining population and aging society, and intensifying competition in the industry as demand for housing maintenance expands. In order to achieve solid growth and continue to lead the industry, we believe it is necessary to further improve our competitiveness.

Under these circumstances, from this fiscal year, which marks our 50th anniversary, our group has set forth a vision of “Through Extending the Life of Wooden Houses and Improving the Wellbeing of Employees, Protecting the Environment and Becoming the Most Trusted Company by our Customers and Society”, has defined five key strategies in our medium-term management plan of (1) reinforcement of sales promotion basis and structure, (2) enhancing productivity, (3) expansion of services from the customer’s perspective, (4) Development and Utilization of Human Capital, and (5) contributing to solving social issues through our business activities, and has been promoting various measures.

Our group had been extensively considering the use of external resources in order to further accelerate the implementation of the above key strategies, and through our group’s main bank we received a proposal in around June 2023 from Advantage Advisors Co., Ltd. (Address: Toranomon Towers Office, 4-1-28 Toranomon, Minato-ku, Tokyo; Representative Director: Taisuke Sasanuma) (“Advantage Advisors”) regarding a business alliance that includes the provision of information and growth support to our group as well as fundraising. Since then, we have continued to exchange information and conduct interviews with Advantage Advisors, as well as discuss and carefully consider the details of the business alliance and fundraising.

As a result, we have determined that it is an optimal proposal to improve our group's corporate value because we can sufficiently expect that the business alliance with Advantage Advisors, which has advanced know-how and driving force in areas such as strengthening sales promotion infrastructure and systems, including through M&A, improving productivity, and developing and utilizing human capital, which are matters the Company is working on as key strategies, and has an extensive track record of providing support to and improving the corporate value of many listed companies in Japan, and receiving growth support from them will add further depth to our strategies and will lead to us achieving growth with speed and precision, and that issuing the Share Acquisition Rights and the Bonds with Share Acquisition Rights through the third-party allotment as described in "(2) Specific Uses of Funds to be Raised" of "3. Amount, Use and Planned Timing of Expenditure of Funds to be Raised" is the most suitable method to raise funds, and the Board of Directors decided at its meeting held today to conduct funding through the third-party allotment and to enter into the Business Alliance Agreement with Advantage Advisors.

The group believes that by receiving diverse support from Advantage Advisors, utilizing the advanced management know-how, networks, etc. possessed by the Advantage Partners Group, including Advantage Advisors, and aligning our interests to promote initiatives to advance the sophistication of our management strategies and accelerate their realization, and make effective use of the funds raised, will lead to business growth that is not just an extension of our existing business and will lead to enhancing our corporate value.

For details regarding the business alliance, please also refer to the timely disclosure "Notice Concerning Business Alliance" dated today.

3. Amount, Use and Planned Timing of Expenditure of Funds to be Raised

(1) Amount of funds to be raised (estimated net proceeds)

Total amount to be paid in (yen)	Estimated amount of issuance expenses (yen)	Estimated net proceeds (yen)
4,503,735,124	20,000,000	4,483,735,124

(Notes) 1. The estimated amount of issuance expenses does not include consumption tax, etc.

2. Issuance expenses consist mainly of financial agent fees, legal fees, third-party appraiser fees, anti-social forces investigation fees, and other administrative fees (printing and registration fees).

3. The total amount to be paid in is the sum of 14,102,724 yen as the total amount to be paid in for the Share Acquisition Rights, 2,489,942,400 yen as the total amount to be paid in upon exercise of the Share Acquisition Rights, and 1,999,690,000 yen as the total amount to be paid in for the Bonds with Share Acquisition Rights.

4. The total amount to be paid in is the amount calculated on the assumption that all of the Share Acquisition Rights are exercised at the initial exercise price. The total amount to be paid in and the estimated net proceeds will decrease if the exercise price of the Share Acquisition Rights is adjusted, if the Share Acquisition Rights are not exercised within the exercise period or if the Company cancels Share Acquisition Rights that it has acquired.

(2) Specific Uses of Funds to be Raised

The above estimated net proceeds of 4,483,735,124 yen are planned to be appropriated by

November 2028 for ① business expansion through M&A, etc., ② expansion of sales infrastructure through strengthened marketing functions, ③ expansion of sales offices, ④ strengthening of recruitment and human resources infrastructure, and ⑤ productivity improvement through DX promotion. The breakdown of these funds is as follows.

It is planned that the funds that are raised will be invested and kept in the group's bank deposits and other stable financial assets until actual expenditure.

Specific Use	Amount (Millions of yen)	Planned Timing of Expenditure
① Business expansion through M&A, etc.	2,000 (Share Acquisition Rights 2,000)	May 2024 - November 2028
② Expansion of sales infrastructure through strengthened marketing functions	1,250 (Bonds with Share Acquisition Rights 1,250)	November 2023 - November 2028
③ Expansion of sales offices	250 (Bonds with Share Acquisition Rights 250)	November 2023 - November 2028
④ Strengthening of recruitment and human resources infrastructure	490 (Bonds with Share Acquisition Rights 490)	November 2023 - November 2028
⑤ Productivity improvement through DX promotion	493 (Share Acquisition Rights 493)	October 2024 - November 2028

<About the Use of the Proceeds>

As stated in "2. Purpose and Reason for Offering" above, the Group has established five key strategies in its medium-term management plan and is working to promote various measures. We believe that in order to add further depth to these growth strategies and achieve growth with speed and precision, it is necessary to procure funds for ① business expansion through M&A, etc., ② expansion of sales infrastructure through strengthened marketing functions, ③ expansion of sales offices, ④ strengthening of recruitment and human resources infrastructure, and ⑤ productivity improvement through DX promotion, and we plan to appropriate the funds procured through the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights for the following uses.

If all or part of the Share Acquisition Rights are not exercised during the period of the planned timing of expenditure, and the amount of funds raised through the exercise of the Share Acquisition Rights is less than the planned amount of expenditure, funding may be conducted through methods such as bank loans and used for the above purposes.

① Business expansion through M&A, etc.

Currently, there are approximately 3,000 companies in the termite control industry that the group belongs to. Meanwhile, national housing policy emphasizes the longevity and maintenance of existing housing, and as we predict the importance of housing maintenance including termite control to further increase in the future, we understand that many companies face challenges such as growth potential, securing human resources, and business succession. We will strive to achieve growth and enhance our corporate value by developing a proactive M&A strategy with these termite control companies as M&A candidates, and share with the M&A targets our track record and know-how accumulated as a leading company in the industry, as well as the advantages gained through the promotion of ②, ④, and ⑤ below. Although there are no specific M&A projects planned at this time, in order to realize M&As as soon as possible, we plan to begin listing up M&A targets and taking a flexible approach from December 2023 onward with the support of Advantage Advisors under the Business Alliance Agreement, and plan to appropriate 2,000 million yen as funds for M&A activities with consideration given to specific projects we have considered in the past.

Through M&A, the group aims to increase the number of customers and sales targets, secure human resources, expand sales areas, and realize synergies through these efforts. Therefore, in order to realize the benefits expected to be gained from M&As, even if M&As in the above amount are not executed within the planned period of appropriation, we intend to compensate with an increase in customers and sales targets through the additional appropriation of approximately 500 million yen for the uses described in ② below to further strengthen online advertising, fliers inserted in newspapers, and sales promotion to customers of partner companies. In addition, approximately 500 million yen will be additionally appropriated for the uses described in item ③ below as expenses for the opening of new locations for the purpose of accelerating the opening of new locations to realize the expansion of sales areas and improve the work efficiency of technical staff, and approximately 1,000 million yen will be additionally appropriated for the uses in item ④ below as funds to further strengthen recruitment activities to secure human resources.

② Expansion of sales infrastructure through strengthened marketing functions

Although our group's main service, termite control work, is essential for the maintenance and management of wooden detached houses, we recognize that awareness of termite damage in Japan continues to be low. Therefore, the group has achieved high sales efficiency mainly through door-to-door sales, which enable us to appeal to customers face-to-face about the need for termite control and other services. We will continue to promote sales development through door-to-door sales, which is one of our group’s strengths. On the other hand, in order to respond to the diversification of consumer needs and consumption behavior patterns, the group is working to capture customers through advertising and the expansion of our business partners, and will continue to expand its sales infrastructure by strengthening its marketing functions, including increasing the scale of advertising and promoting the development of business partners and strengthening relationships with existing business partners. For this purpose, the Company plans to allocate approximately 750 million yen for online advertising and 250 million yen for fliers inserted in newspapers over the next five years to expand the scale of advertising. In addition, we plan to allocate a total of approximately 1,250 million yen to advertising and sales promotion over the next five years, including approximately 150 million yen for sales promotion to customers at business partners and approximately 100 million yen for sales promotion at M&A targets, with the aim of further expanding our sales infrastructure by strengthening our marketing functions.

③ Expansion of sales offices

The group has 82 operating locations, including branches and sales offices, in 28 prefectures, mainly in eastern Japan, however, because we have not established any locations in parts of the Chugoku region, the Shikoku region, and the Kyushu region, we do not yet cover all of the approximately 26 million wooden detached houses that represent the potential demand in our business. In addition, within our existing sales areas, there is only one sales office in each of Yamagata, Miyagi, and Saitama prefectures, and we believe there is room to further cultivate our sales area by establishing new sales offices in these prefectures. Also, the Company believes that it will be able to improve its sales efficiency by developing the network of sales offices through new establishment and relocation, and plans to appropriate approximately 120 million yen for the establishment of three new sales offices and the relocation of one sales office within the existing area. In addition, the Company will appropriate 130 million yen for expenses in order to further promote expansion into new areas such as western Japan, with the aim of opening four new sales offices in western Japan and a branch office to control the sales offices in the Chugoku and Shikoku regions, and plans to appropriate a total of approximately 250 million yen over the next five years as expenses for the expansion of sales offices.

④ Strengthening of recruitment and human resources infrastructure

The mainstay of the group is door-to-door sales and the provision of termite control and other services, which involves the movement of people and manual labour. Therefore, human resources are important capital that is essential for the sustainable growth of the group, and we have focused on human resource development by establishing an education system centered on two comprehensive training centers located in Fukushima and Shizuoka prefectures. In addition, the Company is working to develop and utilize its human capital by improving the workplace environment to enhance employee wellbeing. On the other hand, the recruitment market is chronically tight in a Japanese society where the working population is declining, and we believe it is necessary to further increase recruitment expenses and further strengthen our training system for hired employees to become productive quickly, in order to secure the human resources who will be the growth engine of our group. Therefore, we plan to appropriate approximately 110 million yen to increase recruiting expenses and approximately 60 million yen to increase internal training and external training expenses to develop employees with specialized skills in management, marketing, data analysis, IT, and other areas. In addition, in order to steadily implement the growth strategy including ① through ⑤ described in this section, we plan to appoint professional personnel who will play a core role in promoting this strategy, and we plan to appropriate approximately 320 million yen for such expenses. The Company plans to allocate a total of approximately 490 million yen over the next five years as expenses for realizing this recruiting and strengthening of the human resources infrastructure.

⑤ Productivity improvement through DX promotion

The group has identified productivity improvement as a key strategy in its medium-term management plan, and has begun initiatives for digital technology utilization that will contribute to improved sales and service efficiency. In order to further promote these initiatives and realize high productivity, we will work to improve productivity per employee through DX promotion, including the use of wearable devices in sales and on worksites, data acquisition and visualization of sales activities through the introduction of sales management tools, and enhancement of proposal capabilities through the introduction of VR tools. Therefore, the selection of devices and systems to be introduced and the detailed consideration regarding their use will begin in December 2023 with the support of Advantage Advisors, and they will be introduced sequentially starting in October 2024. The Company plans to appropriate a total of approximately 493 million yen, consisting of approximately 178 million yen for the lease of wearable devices, approximately 140 million yen for the system development and licensing of sales management tools, and approximately 175 million yen for the lease and system licensing of VR tools.

<Reasons for choosing to raise funds through share acquisition rights and bonds with stock acquisition rights>

The Company considered multiple financing methods to secure the funds that are necessary to enhance corporate value and ensure sustainable growth. As a result, we have come to the conclusion that the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights by way of third-party allotment is the most suitable fundraising method for the following reasons.

(i) If funds are raised by issuing new shares through a public offering or third-party allotment, while it is possible to complete the fundraising by issuing the new shares one time and there is no need for repayment, there is an immediate increase in the number of outstanding shares, which may have a significant impact on the share price. On the other hand, fundraising methods using share acquisition rights and convertible bonds with share acquisition rights are expected to have relatively less impact on the share price, as they do not cause immediate dilution. In addition, since issuing only bonds with share acquisition rights would increase the amount of debt that the Company may be obligated to repay, we decided to also issue share acquisition rights, which have an equity nature and can limit the impact of dilution.

(ii) While raising funds through share acquisition rights generally avoids immediate dilution in the same manner as convertible bonds with share acquisition rights, it is possible that funds cannot be raised at the time or in the amount originally envisioned. Therefore, by combining them with convertible bonds with share acquisition rights, we will be able to raise a large amount of funds (total of 1,999,690,000 yen) on the payment date.

(iii) While the payment of corresponding interest and repayment of the principal at maturity are required if funds are raised through bank borrowings, convertible bonds with share acquisition rights generally allow for large amounts to be raised without interest, and if the share price rises in the future and the bonds are converted into shares, they do not require repayment of their face value and are expected to increase capital adequacy and strengthen the company's financial base.

<Advantages and disadvantages of the Fundraising Scheme through the Share Acquisition Rights and Bonds with Share Acquisition Rights>

[Advantages]

(1) The issuance of the Bonds with Share Acquisition Rights will enable the Company to raise a certain amount of funds at the time of the issuance of the securities.

(2) The issuance of the Bonds with Share Acquisition Rights makes it possible to disperse the share price impact, as the Convertible Bonds can be expected to be converted in stages while allowing the Company to expand its equity capital in the future.
(3) The exercise price of the Share Acquisition Rights is fixed at 1,672 yen, and the absence of a revision clause means that the speed and probability of fundraising will be lower, but the Share Acquisition Rights are expected to be exercised at a level that is higher than the current share price level.
(4) The number of the Company’s common shares that are the subject of the Share Acquisition Rights is fixed at 1,489,200 shares, and the maximum number of shares to be delivered is limited regardless of the stock price trend, so the scale of dilution is limited (however, in the event that a reason for the adjustment of the exercise price arises, the number of the Company’s common shares that are the subject of the Share Acquisition Rights will also be adjusted). On the other hand, because it will not be possible to raise funds unless the rights are exercised in the case that the entire amount is raised through share acquisition rights, a portion of the proceeds will be procured through the Bonds with Share Acquisition Rights in consideration of the balance with the demand for funds.
(5) Since the converted portion of both the amount raised by the Share Acquisition Rights and the amount raised by the Bonds with Share Acquisition Rights will be capital funds, our financial soundness index will increase.

[Disadvantages]

(1) While immediate fundraising is possible for the Bonds with Share Acquisition Rights portion, regarding the Share Acquisition Rights, it is a feature of share acquisition rights that it is only possible to raise funds when the rights are exercised by the holder of the rights, and the amount raised is obtained by multiplying the exercise price by the number of shares that are subject to the exercise of the rights. Therefore, the full amount of funds will not be raised at the time of the initial issuance of the Share Acquisition Rights.
(2) Depending on market conditions, a certain period of time may be required to complete the exercise of the Share Acquisition Rights and the conversion of the Bonds with Share Acquisition Rights. In addition, if the liquidity of the Company's shares decreases, it may take time to complete the exercise and conversion.
(3) If the stock price trends below the exercise price of the Share Acquisition Rights, the Scheduled Allottee cannot be expected to exercise the Share Acquisition Rights, making the structure unable to raise funds in fact. In particular, compared to share acquisition rights with exercise price revision, the exercise price of the Share Acquisition Rights is set and fixed at a price higher than the current stock price level, and therefore, an increase in the stock price is necessary for the exercise to take place, and the probability of such exercise is relatively low.
(4) Even if the stock price exceeds the exercise price of the Share Acquisition Rights, there is no guarantee that the Scheduled Allottee will exercise the Share Acquisition Rights, and there is uncertainty as to the timing of the fundraising.
(5) The conversion price of the Bonds with Share Acquisition Rights is fixed at 1,672 yen, and if the stock price falls below this level, the conversion of the Bonds with Share Acquisition Rights may not proceed and funds may be required to redeem them as bonds.
(6) The Bonds with Share Acquisition Rights are liabilities for accounting purposes at the time of issuance and are not included in equity, and the debt ratio will temporarily

increase.

(7) As it is a third-party allotment, i.e. a contract between the Company and the Scheduled Allottee only, the Company will not be able to enjoy the benefits of raising funds from an unspecified number of new investors.

In addition, as a result of discussions with the Scheduled Allottee so that the timing of the dilution of share value can be delayed as much as possible, the Company plans to agree in the Subscription Agreement that the Share Acquisition Rights will not be exercised during the period from November 29, 2023 to May 28, 2024 as a reasonable period to confirm the improvement of corporate value and sustainable growth through the funds raised by the Bonds with Share Acquisition Rights (however, this does not apply in the case that clause (2) of “(9) Other matters” of “1. Outline of the Offering, 3rd Series Share Acquisition Rights” above applies). Further, the Company plans to agree in the Subscription Agreement that the Convertible-Bond Share Acquisition Rights will not be exercised during the period from November 29, 2023 to November 28, 2024 (however, this does not apply in the case that clause (2) of “(9) Other matters” of “1. Outline of the Offering, 1st Series Unsecured Convertible Bonds with Share Acquisition Rights” above applies). On the other hand, since the Scheduled Allottee's objective is to earn a capital gain (recovery of investment funds when exercising the Share Acquisition Rights and selling the Bonds with Share Acquisition Rights after converting them into common stock) by aiming to improve the Company's corporate value and maximize the stock price over the medium to long term, during the period in which the Share Acquisition Rights and the Convertible-Bond Share Acquisition Rights can be exercised, the conversion to shares will be conducted at a time deemed appropriate by the Scheduled Allottee, taking into consideration the share price of the Company's common stock and other factors. Based on the above, since it is also in the interests of the Scheduled Allottee to aim to improve the Company's corporate value and maximize its share value over the medium to long term while meeting the Company's capital needs and on the premise that the interests of existing shareholders are taken into consideration, we have concluded that the most appropriate fundraising method is to execute the Subscription Agreement and issue the Share Acquisition Rights and the Bonds with Share Acquisition Rights by way of third-party allotment.

4. Opinion Regarding the Reasonableness of the Uses of the Funds to be Raised

The Company believes that appropriating the funds to be raised through the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights for the uses described in “(2) Specific Uses of Funds to be Raised” of “3. Amount, Use and Planned Timing of Expenditure of Funds to be Raised” above is reasonable for the Company's management because it will lead to improvement of corporate value and maximization of shareholder profit.

5. Reasonableness of Terms of Issuance, etc.

(1) Basis of the Calculation of the Amount to be Paid In and the Specific Details

(i) Share Acquisition Rights

In order to ensure fairness in determining the terms for issuance of the Share Acquisition Rights, the Company requested Akasaka International Accounting Co., Ltd. (address: 1-1-8 Motoakasaka, Minato-ku, Tokyo; representative: Kenzo Yamamoto) (hereinafter “Akasaka International”), a third-party organization independent from the Company and the Scheduled Allottee, to calculate the value of the Share Acquisition Rights and the Bonds with Share Acquisition Rights, and we have received an evaluation report for the Share Acquisition Rights and the Bonds with Share Acquisition Rights dated November 7, 2023 (hereinafter the "Evaluation Report"). Akasaka International conducted the valuation of the Share Acquisition Rights using a Monte Carlo simulation after comparing and examining other pricing calculation models, such as the Black Scholes model and the Binomial Model, as pricing calculation models that can relatively and appropriately reflect the various conditions stipulated in the terms and conditions of the issuance of the Share Acquisition Rights in the calculation results. Akasaka International has also calculated the fair value of the Share Acquisition Rights by taking into account the various conditions stipulated in the terms and conditions of the issuance of the Share Acquisition Rights and the market environment on the valuation reference date, making certain assumptions regarding the Company's stock price, volatility, expected dividends, risk-free interest rate, and other factors, and assuming certain assumptions regarding the rights exercising behavior of the Scheduled Allottee, as well as reflecting trading volume (liquidity) in the stock market.

As a result of discussions with the Scheduled Allottee and in light of the Company's financial and business conditions, the exercise price of 1,672 yen for the Share Acquisition Rights was decided. This exercise price is a premium of 4.17% on the closing price of the common stock of the Company of 1,605 yen on November 6, 2023 (the business day immediately preceding the date of the Board of Directors' resolution), a premium of 5.22% on the average closing price of 1,589 yen of the Company's common stock for the 1-month period, a premium of 3.47% on the average closing price of 1,616 yen of the Company's common stock for the 3-month period, and a premium of 1.77% on the average closing price of 1,643 yen of the Company's common stock for the 6-month period.

On this basis, as the issue price of the Share Acquisition Rights (947 yen) has been decided to be the same amount as the value assessed by Akasaka International, and as there is nothing significantly unreasonable about those calculation procedures, etc., the Company has determined that the terms of issuance of the Share Acquisition Rights are not particularly favorable and the amount is appropriate and reasonable.

The three corporate auditors of the Company (including two external corporate auditors) have expressed the unanimous opinion that having examined the results of the Evaluation Report regarding the Share Acquisition Rights, in addition to the results of receiving the explanation of the contents of the issuance terms and conditions, the fact that Akasaka International, a third-party valuer independent of the Company and the Scheduled Allottee, has performed the calculation of the Share Acquisition Rights, the fact that Akasaka International's calculation method for the price of the Share Acquisition Rights is a reasonable method generally accepted in financial engineering, the fact that the major facts that may affect the valuation amount of the Share Acquisition Rights formed the basis for the calculation process, the fact that no unreasonable points were found in the calculation process and prerequisites, etc., and the fact that the amount to be paid in for the Share Acquisition Rights is set at the same amount as the fair value of the Share Acquisition Rights, the issuance of the Share Acquisition Rights does not constitute an issuance under particularly favorable conditions to the Scheduled Allottee and is lawful.

(ii) Bonds with Share Acquisition Rights

In order to ensure fairness in determining the terms for issuance of the Bonds with Share Acquisition Rights, the Company requested Akasaka International, a third-party organization independent from the Company and the Scheduled Allottee, to calculate the value of the Share Acquisition Rights and the Bonds with Share Acquisition Rights, and we have received the Evaluation Report dated November 7, 2023. Akasaka International conducted the valuation of the Bonds with Share Acquisition Rights using a Monte Carlo simulation after comparing and examining other pricing calculation models, such as the Black Scholes model and the Binomial Model, as pricing calculation models that can relatively and appropriately reflect the various conditions stipulated in the terms and conditions of the issuance of the Bonds with Share Acquisition Rights in the calculation results. Akasaka International has also calculated the fair value of the Bonds with Share Acquisition Rights by taking into account the various conditions stipulated in the terms and conditions of the issuance of the Bonds with Share Acquisition Rights and the market environment on the valuation reference date, making certain assumptions regarding the Company's stock price, volatility, expected dividends, risk-free interest rate, and other factors, and assuming certain assumptions regarding the rights exercising behavior of the Scheduled Allottee, as well as reflecting trading volume (liquidity) in the stock market.

As a result of discussions with the Scheduled Allottee and in light of the Company's financial and business conditions, the conversion price of 1,672 yen for the Bonds with Share Acquisition Rights was decided. This conversion price a premium of 4.17% on the closing price of the common stock of the Company of 1,605 yen on November 6, 2023 (the business day immediately preceding the date of the Board of Directors' resolution), a premium of 5.22% on the average closing price of 1,589 yen of the Company's common stock for the 1-month period, a premium of 3.47% on the average closing price of 1,616 yen of the Company's common stock for the 3-month period, and a premium of 1.77% on the average closing price of 1,643 yen of the Company's common stock for the 6-month period.

Furthermore, the Company has determined that the issue price of the Bonds with Share Acquisition Rights (100 yen cash per 100 yen of the face value of each bond) to be higher than the evaluation by Akasaka International (from 94.6 yen to 95.6 yen per 100 yen of the face value of each bond). In addition, the economic benefit that can be gained by the Company by attaching the Convertible-Bond Share Acquisition Rights to the Bonds (the present value of the future interest that would have been charged if the Bonds had been issued without the Convertible-Bond Share Acquisition Rights) was compared with the fair value of the Convertible-Bond Share Acquisition Rights themselves based on financial engineering, and the substantive consideration for the Convertible-Bond Share Acquisition Rights was not significantly less than the fair value of the Convertible-Bond Share Acquisition Rights, and as there were no significantly unreasonable matters found in the calculation procedure, the Company has determined that the terms and conditions of the issuance of the Bonds with Share Acquisition Rights are not particularly favorable and that the issue price is appropriate and reasonable.

The three corporate auditors of the Company (including two external corporate auditors) have expressed the unanimous opinion that having examined the results of the Evaluation Report regarding the Bonds with Share Acquisition Rights, in addition to the results of receiving the explanation of the contents of the issuance terms and conditions, the fact that Akasaka International, a third-party valuer independent of the Company and the Scheduled Allottee, has performed the calculation of the Bonds with Share Acquisition Rights, the fact that Akasaka International's calculation method for the price of the Bonds with Share Acquisition Rights is a reasonable method generally accepted in financial engineering, the fact that the major facts that may affect the valuation amount of the Bonds with Share Acquisition Rights formed the basis for the calculation process, the fact that no unreasonable points were found in the calculation process and prerequisites, etc., and the fact that the substantive consideration for the share acquisition rights attached to the Bonds with Share Acquisition Rights exceeds the fair value of the relevant share acquisition rights, the issuance of the Bonds with Share

Acquisition Rights does not constitute an issuance under particularly favorable conditions to the Scheduled Allottee and is lawful.

(2) Basis for Determining that the Amount of Shares to be Issued and the Scale of Share Dilution are Reasonable

The 1,489,200 shares of the Company's common stock (14,892 voting rights) to be issued if all of the Share Acquisition Rights are exercised and the 1,195,900 shares of the Company's common stock (11,959 voting rights) to be issued if all of the Bonds with Share Acquisition Rights are exercised equals a total of 2,685,100 shares (26,851 voting rights), which represents 21.74% and 24.99% (rounded to two decimal places) of the total number of 12,348,500 outstanding shares and 107,414 total voting rights in the Company respectively as of September 30, 2023. However, the Company believes that appropriating the funds to be raised through the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights as described in "(2) Specific Uses of Funds to be Raised" of "3. Amount, Use and Planned Timing of Expenditure of Funds to be Raised" above will improve corporate value and contribute to sustainable growth. The average daily trading volume of the Company's shares for the past two years (from November 2021 to November 2023) was 27,598 shares, and for the past six months (from May 2023 to November 2023) the volume was also 38,133 shares, indicating a certain degree of liquidity. On the other hand, if the total number of 2,685,100 shares of the Company's common stock, which are to be issued if all of the Share Acquisition Rights are exercised and all of the Bonds with Share Acquisition Rights are converted, are exercised and sold during the exercise period of the Share Acquisition Rights, from November 29, 2023 to November 28, 2028, the volume per day will be 2,148 shares, which is about 7.78% (rounded to two decimal places, the same applies hereinafter) of the daily volume for the past two years and 5.63% of the volume for the past six months, and the Company believes that the impact on the share price will be limited and digestible.

Based on the above, the Company believes that the size of the dilution of shares resulting from the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights will not have an undue impact on the market and is reasonable.

6. Reasons for Selection of Scheduled Allottee

(1) Overview of the Scheduled Allottee

(As of November 7, 2023)

(1)	Name	AAGS S7, L.P.
(2)	Location	Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands
(3)	Basis of Establishment, etc.	The Exempted Limited Partnership Law of the Cayman Islands
(4)	Purpose of Formation	Investment
(5)	Formation Date	August 28, 2023
(6)	Amount invested	2.161 billion yen
(7)	Investors, investment ratio and outline of investors	Advantage Advisors Growth Support Investment Limited Partnership: 100%

(8)	Outline of Managing Partner	Name	AAGS Investment, Inc.
		Location	Walkers Corporate Limited, 190 Elgin Avenue George Town, Grand Cayman KY1-9008, Cayman Islands
		Title and name of representative	Director, Douglas R. Stringer
		Details of business	Operation and management of investment partnership assets
		Capital amount	US$1,000
(9)	Outline of Domestic Agent	Not applicable.	
(10)	Relationship between the listed company and the fund	Relationship between the listed company and the fund	There is no direct or indirect investment in the fund from the Company, its related persons or its affiliates.
		Relationship between the listed company and the managing partner	There is no capital, personal, or business relationship to be noted between the Company and the managing partner of the fund. In addition, there are no noteworthy capital, personal, or business relationships between the Company, its related persons and its affiliates on the one hand, and the managing partner of the fund, the investors in the fund (including current investors), and the related persons and affiliates of the managing partner of the fund on the other.
		Relationship between the listed company and the domestic agent	Not applicable.

※The Company has requested Security & Research (representative: Hisaji Hada; address: 2-16-6, Akasaka, Minato-ku, Tokyo), a third-party investigative institution, to investigate the Scheduled Allottee, its managing partner and its directors, and all investors in the Scheduled Allottee (collectively, the “Scheduled Allottee’s Related Parties”) regarding whether they are anti-social forces such as organized crime groups, or whether they have any relationship with anti-social forces, and we have received a report from Security & Research that an inspection, analysis, and verification of documents and materials related to the Scheduled Allottee, its related corporations and other organizations, and related individuals, confirmation of their past acts, attribute information, litigation history, bankruptcy history, etc., inquiries to relevant institutions, collection of information regarding their reputation and field surveys were conducted.

As a result of these investigations, the Company received an investigation report dated

October 17, 2023, to the effect that there is no relevant information that indicates involvement in anti-social forces or illegal activities with respect to the above-mentioned subjects of the investigation.

Therefore, the Company has determined that the Scheduled Allottee's Related Parties have no relationship with anti-social forces such as organized crime groups. The Company has submitted to the Tokyo Stock Exchange a written confirmation to the effect that it has confirmed that the Scheduled Allottee's Related Parties have no relationship with anti-social forces.

(2) Reasons for Selecting the Scheduled Allottee

The reasons for selecting AAGS S7, L.P. as the Scheduled Allottee of the Share Acquisition Rights and the Bonds with Share Acquisition Rights are as follows.

As stated in "2. Purpose and Reason for Offering" above, our group had been extensively considering the use of external resources in order to further accelerate the implementation of the key strategies in our group's medium-term management plan, and through our group's main bank we received a proposal in around June 2023 from Advantage Advisors regarding a business alliance that includes the provision of information and growth support to our group as well as fundraising. Since then, we have continued to exchange information and conduct interviews with Advantage Advisors, as well as discuss and carefully consider the details of the business alliance and fundraising.

As a result, we have determined that it is an optimal proposal to improve our group's corporate value because we can sufficiently expect that the business alliance with Advantage Advisors, which has an extensive track record of providing support to and improving the corporate value of many listed companies in Japan, and receiving growth support from them will add further depth to our strategies and will lead to us achieving growth with speed and precision, and that issuing the Share Acquisition Rights and the Bonds with Share Acquisition Rights through the third-party allotment as described in "(2) Specific Uses of Funds to be Raised" of "3. Amount, Use and Planned Timing of Expenditure of Funds to be Raised" is the most suitable method to raise funds, and in around October 2023 we selected AAGS S7,L.P., a service fund that Advantage Advisors provides, as the Scheduled Allottee for the third-party allotment.

(3) Holding Policy of the Scheduled Allottee

The Company has received an oral explanation from a person in charge at the Scheduled Allottee that because it expects medium to long term growth of the Company and its objective is to earn a capital gain (recovery of investment funds when exercising the Share Acquisition Rights and selling the Bonds with Share Acquisition Rights after converting them into common stock) by aiming to improve the Company's corporate value and maximize the share value over the medium to long term, its policy is to not transfer the Share Acquisition Rights or the Bonds with Share Acquisition Rights to a third party in the short term after their allotment. However, its policy is to sell the shares of common stock of the Company to be delivered upon exercise of the Share Acquisition Rights or conversion of the Bonds with Share Acquisition Rights, taking into consideration the group's performance, dividend conditions, market trends, and other factors.

In addition, the Company plans to agree that, as described in "(9) Other matters" of "1. Outline of the Offering, 3rd Series Share Acquisition Rights" above, the Scheduled Allottee cannot, in principle, exercise the Share Acquisition Rights during the period from November 29, 2023 to May 28, 2024, and as described in "(9) Other matters" of "1. Outline of the Offering, 1st Series Unsecured Convertible Bonds with Share Acquisition Rights" above, the Scheduled Allottee cannot, in principle, exercise the Convertible-Bond Share Acquisition Rights during the period from November 29, 2023 to November 28, 2024.

As described in "(4) Details of Confirmation of the Existence of Assets Required for Payment by the Scheduled Allottee" below, if the Scheduled Allottee exercises the Share Acquisition Rights or converts the Bonds with Share Acquisition Rights, it plans to sell the shares in the Company acquired through such exercise or conversion and use the proceeds from the sale to exercise the Share Acquisition Rights, either in a one-off action or repeatedly.

The Share Acquisition Rights are subject to restrictions on the transfer of the share acquisition rights as defined in Article 236 (1)(vi) of the Companies Act, while the Bonds with Share Acquisition Rights are not subject to restrictions on the transfer of the share acquisition rights as defined in Article 236 (1)(vi) of the Companies Act, but as a restriction contained in the Subscription Agreement to be entered into by the Company and the Scheduled Allottee, we plan to agree that the Scheduled Allottee will require the approval of the Company via a resolution of the Company's Board of Directors in order to transfer the Share Acquisition Rights to a third party. In the event that a transfer of the Share Acquisition Rights is approved by the Company via a resolution of the Board of Directors, the Company will confirm in advance the identity of the transferee, check that they are not an anti-social force, confirm the source of payment upon exercise, confirm their policy for holding the Share Acquisition Rights and shares to be acquired upon exercise, and confirm that the restrictions upon exercise and the other rights and obligations under the contract that the Company will enter into with the Scheduled Allottee will also be succeeded by the transferee, and if the transfer is approved, the details will be disclosed. The same treatment will be applied to the Bonds with Share Acquisition Rights.

In addition, in the Subscription Agreement, it is planned that the Scheduled Allottee will agree that if it transfers off-market the shares acquired through the exercise of the Share Acquisition Rights or the shares acquired through the conversion of the Bonds with Share Acquisition Rights (however, transactions where the seller cannot be specified, such as PTS transactions and off-auction transactions are excluded), it will not, without the Company's prior written consent, transfer the shares to certain competitors and activists designated by the Company.

(4) Details of Confirmation of the Existence of Assets Required for Payment by the Scheduled Allottee

The Company has confirmed the existence of the assets required for the payment of the issue price by the Scheduled Allottee for the Share Acquisition Rights and the Bonds with Share Acquisition Rights by confirming a copy of the balance of the account (dated November 1, 2023) with the bank with which the Scheduled Allottee of the Share Acquisition Rights and the Bonds with Share Acquisition Rights will conduct the transaction.

Based on the results of such confirmation, the Company has determined that there is certainty in the payment of the issue price of the Share Acquisition Rights and the Bonds with Share Acquisition Rights.

On the other hand, although we have not been able to confirm the full amount necessary for the exercise of the Share Acquisition Rights, when exercising the Share Acquisition Rights, the

Scheduled Allottee will in principle exercise the Share Acquisition Rights or convert the Bonds with Share Acquisition Rights, sell the shares in the Company acquired through such exercise or conversion, and use the funds obtained through the sale to exercise the Share Acquisition Rights, either in a one-off transaction or repeatedly, and therefore, it is not necessary to secure the entire amount necessary for the exercise of the Share Acquisition Rights at this time. In past investments in several listed companies, funds serviced by Advantage Advisors have underwritten share acquisition rights and bonds with share acquisition rights of a number of companies, and we have confirmed through an interview with the person in charge at the Scheduled Allottee on October 27, 2023 that the funds necessary for the exercise of the share acquisition rights were raised by selling the shares of the company acquired through the exercise of the share acquisition rights or the conversion of the bonds with share acquisition rights.

(5) Preferential Negotiation Right

Under the Subscription Agreement, the Company plans to agree that it will not issue, dispose of or grant (hereinafter “Issue, Etc.”) any shares, share acquisition rights, bonds with share acquisition rights, or other dilutive shares in the Company (hereinafter “Shares, Etc.”) during the period from the payment date to the date when the Scheduled Allottee no longer holds any Shares, Etc. without the Scheduled Allottee’s prior consent given in writing or via electronic method (however, cases where the Company issues restricted stock compensation or stock options to executives and employees of the Company or its subsidiary are excluded), and that if the Company intends to Issue, Etc. any Shares, Etc. during the period from the payment date to the date when the Scheduled Allottee no longer holds any Shares, Etc. (however, cases where the Company issues restricted stock compensation or stock options to executives and employees of the Company or its subsidiary are excluded), then before an agreement is made with the relevant third party regarding the Issue, Etc. of the Shares, Etc., the Company will notify the Scheduled Allottee of the details of the relevant Shares, Etc. and the terms of the Issue, Etc., and confirm whether the Scheduled Allottee intends to subscribe to all or a portion of the relevant Shares, Etc. under the relevant terms, and if the Scheduled Allottee wishes to make such a subscription, the Company will Issue, Etc. the Shares, Etc. under the relevant terms to the Scheduled Allottee instead of or in addition to the third party.

(6) Right to Demand Acquisition of Share Acquisition Rights

If, in relation to the shares issued by the Company: (i) a tender offer is made under the Financial Instruments and Exchange Act, the Company expresses an opinion in support of such tender offer, and the Company or the tender offeror announces or accepts the possibility that the shares may be delisted from all Japanese financial instruments exchanges on which the Company's shares are listed as a result of such tender offer (except in cases where the Company or the tender offeror publicly announces that it will endeavor to maintain the listing of the Company's shares after the tender offer), and the tender offeror acquires the Company's shares through the tender offer; or (ii) if a Delisting Event, Etc. (as defined below) has occurred or is reasonably expected to occur; or (iii) if the Company's Board of Directors approves an Organizational Restructuring Act (as defined below); or (iv) if a Change of Control Event (as defined below) occurs or is reasonably expected to occur; or (v) a Squeeze-Out Event (as defined below) has occurred or is reasonably expected to occur; or (vi) the Tokyo Stock Exchange makes a supervised trading designation or such designation is reasonably expected to occur, then the Scheduled Allottee may, in its option, give written notice to the Company of its demand that all or a part of the Share Acquisition Rights be acquired. The Company shall acquire the Share Acquisition Rights pertaining to such acquisition demand at an amount equal to the amount to be paid in for each Share Acquisition Right on the earlier of the tenth (10th) business day following the business day on which the written demand for such acquisition is received or the delisting date.

The term “Delisting Event, Etc.” refers to the occurrence of an event as defined in each item of Rule 601, Paragraph 1 of the Tokyo Stock Exchange Securities Listing Regulations regarding the Company or its corporate group, or if the Company becomes insolvent in its financial statements or consolidated financial statements as of the last day of the business year following the allotment date of the Share Acquisition Rights, and the state of insolvency remains for a period of six months from the day following the last day of the relevant business year.

The term “Organizational Restructuring Act” refers to the conclusion of a merger agreement in which the Company will be the dissolved company, the conclusion of an absorption-type company split agreement in which the Company will be the split company, the creation of an incorporation-type company split plan, or the conclusion of a stock swap agreement in which the Company becomes a wholly owned subsidiary of another company, the creation of a stock transfer plan or the creation of a stock transfer plan in which the parent company acquires all of the Company's outstanding shares, or any other corporate reorganization procedure under Japanese law.

The term “Change of Control Event” refers to an event in which the ownership ratio of share certificates, etc. (this refers to the ownership ratio of share certificates, etc. as defined in Article 27-23 (4) of the Financial Instruments and Exchange Act) of a certain shareholder group (this refers to the holders (including those that are included as holders based on Article 27-23 (3) of the same Act) of the Company’s share certificates, etc. as defined in Article 27-23 (1) of the same Act) and their joint holders (this refers to joint holders as defined in Article 27-23 (5) of the same Act, and includes those who are deemed to be joint holders based on Article 27-23 (6) of the same Act) exceeds 50%.

The term “Squeeze-Out Event” refers to (i) a resolution of the Company’s general meeting of shareholders to acquire all of the Company’s common shares for consideration after an amendment to the Articles of Incorporation to change the Company’s common shares to a class of shares with a clause to acquire all of the Company’s common shares; (ii) a resolution of the Board of Directors of the Company to approve a request for the sale of Shares, Etc. by the Company's special controlling shareholder (as defined in Article 179 (1) of the Companies Act) to other shareholders of the Company; or (iii) a resolution is passed at the Company's general meeting of shareholders to approve a consolidation of the Company's common stock that would result in delisting.

In addition, after the issuance of the Share Acquisition Rights, if (i) the Scheduled Allottee has unexercised Share Acquisition Rights as of one month prior to the last day of the exercisable period of the Share Acquisition Rights, (ii) the Business Alliance Agreement is terminated, or (iii) trading of the Company's common stock on the Tokyo Stock Exchange is suspended for five or more trading days, the Scheduled Allottee may, in its option, give written notice to the Company of its demand that all or a part of the Share Acquisition Rights be acquired. The Company shall acquire the Share Acquisition Rights pertaining to such acquisition demand at an amount equal to the amount to be paid in for each Share Acquisition Right on the fifth (5th) business day following the business day on which the written demand for such acquisition is received (or, in the case that (i) above applies, on the final day of the period in which the Share Acquisition Rights can be exercised).

7. Major Shareholders and Shareholding Ratios After the Offering

Before offering (as of September 30, 2023)		After offering	
Munemasa Corporation	11.36%	AAGS S7, L.P.	19.62%
Yoshi Munemasa	7.47%	Munemasa Corporation	9.13%
The Master Trust Bank of Japan, Ltd. (trust account)	7.34%	Yoshi Munemasa	6.01%
Asante Employee Share Ownership Plan	3.20%	The Master Trust Bank of Japan, Ltd. (trust account)	5.90%
NHGGP JAPAN OPPORTUNITIES FUND, L.P. (Standing proxy: MUFG Bank, Ltd.)	3.19%	Asante Employee Share Ownership Plan	2.57%
Kenichi Shibuya	2.36%	NHGGP JAPAN OPPORTUNITIES FUND, L.P. (Standing proxy: MUFG Bank, Ltd.)	2.56%
Eiketsu Munemasa	1.68%	Kenichi Shibuya	1.90%
Custody Bank of Japan, Ltd. (trust account)	1.62%	Eiketsu Munemasa	1.35%
JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd.)	1.27%	Custody Bank of Japan, Ltd. (trust account)	1.31%
Nippon Life Insurance Company	1.25%	JP MORGAN CHASE BANK 385632 (Standing proxy: Mizuho Bank, Ltd.)	1.02%

(Notes) 1. The major shareholders and their shareholding ratios before the offering are calculated based on the number of shares held as of September 30, 2023 divided by the total number of shares outstanding (excluding treasury stock, the same applies to Note 2 below) on the same date.

2. The major shareholders and their shareholding ratios after the offering are calculated by adding to the total number of outstanding shares as of September 30, 2023 the 2,685,100 shares of common stock of the Company that will be delivered if all of the Share Acquisition Rights are exercised at the exercise price of 1,672 yen and the Bonds with Share Acquisition Rights are converted at the conversion price of 1,672 yen.

3. Shareholding ratios are rounded to two decimal places.

8. Future Outlook

The impact of the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights by way of third-party allotment on our group's business performance for the current fiscal year is expected to be minimal, but we believe that this issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights by way of third-party allotment will enable us to enhance our equity capital and improve and strengthen our financial base, while receiving diverse support from Advantage Advisors, utilizing the advanced management know-how and network of the Advantage Partners Group, including Advantage Advisors, and thereby improving the corporate value of our group in the future.

9. Matters Related to Procedures under the Code of Business Conduct

Because the issuance of the Share Acquisition Rights and the Bonds with Share Acquisition Rights (i) has a dilution ratio of less than 25%, and (ii) does not involve a change in controlling shareholders (a change in controlling shareholders is not expected even if all of the Share Acquisition Rights are exercised and all of the Bonds with Share Acquisition Rights are converted into common stock), the procedures for obtaining an opinion from an independent third party and for confirming the intent of the shareholders as set forth in Rule 432 of the Tokyo Stock Exchange Securities Listing Regulations are not required.

10. Financial results and equity financing for the past three years

(1) Financial results for the past three years (Unit: thousand yen)

	Year ending March 31, 2021	Year ending March 31, 2022	Year ending March 31, 2023
Consolidated net sales	13,872,089	13,699,987	14,141,393
Consolidated operating income	1,602,298	1,324,377	1,380,252
Consolidated ordinary income	1,703,535	1,348,426	1,395,879
Net income attributable to owners of the parent	1,063,294	579,147	875,818
Consolidated net income per share (yen)	89.52	52.82	79.74
Consolidated net assets per share (yen)	1,064.09	1,053.10	1,067.64

(2) Number of outstanding shares and number of dilutive shares at present (as of November 7, 2023)

Type	Number of shares	Ratio of shares outstanding
Number of shares outstanding	12,348,500 shares	100.0%
Number of dilutive shares at current conversion price (exercise price)	0 shares	0%

(3) Recent share prices

(i) Status during the last three years

	Year ending March 31, 2021	Year ending March 31, 2022	Year ending March 31, 2023
Opening price	1,506 yen	1,802 yen	1,459 yen
High price	1,931 yen	1,887 yen	1,725 yen
Low price	1,267 yen	1,440 yen	1,423 yen
Closing price	1,797 yen	1,459 yen	1,650 yen

(ii) Status during the last six months

	2023 Jun.	Jul.	Aug.	Sep.	Oct.	Nov.
Opening price	1,600 yen	1,712 yen	1,714 yen	1,623 yen	1,581 yen	1,609 yen
High price	1,709 yen	1,738 yen	1,717 yen	1,663 yen	1,607 yen	1,616 yen
Low price	1,589 yen	1,682 yen	1,612 yen	1,577 yen	1,540 yen	1,597 yen
Closing price	1,703 yen	1,714 yen	1,624 yen	1,578 yen	1,607 yen	1,605 yen

(Note) Share prices for November 2023 are shown as of November 6, 2023.

(iii) Share price on the day before the date of the issuance resolution

	As of November 6, 2023
Opening price	1,616 yen
High price	1,616 yen
Low price	1,604 yen
Closing price	1,605 yen

(4) Status of equity financing in the past three years

Not applicable.

(The following is omitted.)