

**TENDER OFFER EXPLANATORY**  
**STATEMENT**

May 2020

Global Acoustic Partners LLC  
(Target: TEAC CORPORATION)

[Name of the filing party (offeror)]	Global Acoustic Partners LLC
[Address of the filing party (offeror)]	11390 West Olympic Blvd, Suite 100, Los Angeles, CA 90064
[Closest contact place]	N/A
[Telephone number]	Same as above
[Name of contact person]	Same as above
[Name of attorney-in-fact]	Evolution Japan Securities Co., Ltd. Shaun Lawson, Representative Director and President
[Address of attorney-in-fact]	4-1 Kioi-cho, Chiyoda-ku, Tokyo New Otani Garden Court 12F
[Closest contact place]	Same as above
[Telephone number]	03-4510-3350
[Name of contact person]	Masanobu Tsujie
[Place where a copy of this statement is kept for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo, Japan)

(Note 1) In this Statement, "Offeror" means Global Acoustic Partners LLC.

(Note 2) In this Statement, "Target" means Teac Corporation.

(Note 3) Where the figures in this Statement have been rounded or truncated, the amount recorded in the relevant "total" column may not always be equal to the sum of the relevant figures.

(Note 4) In this Statement, "Act" means the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended).

(Note 5) In this Statement, "Enforcement Order" means the Enforcement Order of the Financial Instruments and Exchange Act (Government Ordinance No. 321 of 1965, as amended).

(Note 6) In this Statement, "TOB Order" means the Cabinet Office Ordinance on Disclosure of Takeover Bids of Shares Conducted by Non-Issuers (Ministry of Finance Japan Ordinance No. 38 of 1990, as amended).

(Note 7) In this Statement, "Shares, Etc." means rights pertaining to shares.

(Note 8) In this Statement, a "business day" means a day other than a day as specified in each item of Article 1, Paragraph 1 of the Act Concerning Public Holidays of Administrative Organs (Act No. 91 of 1988, as amended).

(Note 9) Unless otherwise described in this Statement, any reference to the number of days or the date and time shall mean the number of days or the date and time in Japan.

(Note 10) In this Statement, "Tender Offer" means the tender offer in connection with the filing of this Statement.

(Note 11) The Tender Offer is to acquire common shares of the Target, which is a company incorporated in Japan, and the common shares are listed on the first section of the Tokyo Stock Exchange, Inc. ("TSE") The Tender Offer will be conducted in compliance with the procedures and related disclosure standards set forth under the laws of Japan, which are not necessarily the same as the procedures and standards in the United States of America ("U.S. ") In particular, the provisions of Article 13 (e) or 14 (d) of the U.S. Securities Exchange Act of 1934 and the related rules that are provided thereunder do not apply to the Tender Offer, and the Tender Offer is not carried out in compliance with these procedures and standards. With respect to the financial information contained in this Statement, the financial statements of the Offeror is prepared based on the U.S. accounting standards, however any other financial information is based on the International Financial Reporting Standards (IFRS) and is not based on the Generally Accepted Accounting Principles in the U.S. ("U.S. GAAP") accounting standards, and the financial statements may differ from those prepared under the U.S. GAAP.

- (Note 12) Unless otherwise specified, all procedures relating to the Tender Offer are to be conducted entirely in Japanese. All or any part of the document related to the Tender Offer is prepared in the English language and if there is any inconsistency between the English-language documentation and the Japanese-language documentation, the Japanese-language documentation shall prevail.
- (Note 13) The statements in this Statement include "forward-looking statements" (which mean any statements with any term concerning future and include terms such as "believe," "anticipate," "plan," "schedule," "project," "estimate," "expect," "intend," and the like, and the negative of these words; forward-looking statements include arguments concerning policies). . The results may significantly differ from the predictions explicitly or implicitly indicated as "forward-looking statements" due to various risks or uncertainties (which also include matters that may not be controllable or foreseeable for the Offeror). Neither the Offeror nor any of its affiliates assures that such explicit or implicit forecasts given as "forward-looking statements" will be realized. The "forward-looking statements" in this Statement were prepared based on the information, plans or ideas held by the Offeror as of the date of filing of this Statement, and unless required by laws or the rules of a financial instrument exchange, the Offeror or its affiliates are not obliged to update or modify such statements in order to reflect any event or condition or occurrence of any unexpected event in the future.

# Table of Contents

	Page
<b>PART I. Terms and Conditions of Tender Offer</b>	
1. Name of the Target	5
2. Class of Shares to be Purchased	5
3. Purposes of Tender Offer	5
4. Tender Offer Period, Price and Number of Shares to be Purchased	20
5. Percentage of Ownership of Shares After Tender Offer	25
6. Licenses, Etc. Concerning Acquisition of Shares	25
7. Method of Tendering Shares under the Tender Offer and Cancellation thereof	25
8. Funds Required for Tender Offer	28
9. The Company Issuing Securities as Consideration for the Purchase	30
10. Method of Settlement	30
11. Other Conditions and Methods of Tender Offer	31
<b>PART II. Information on the Offeror</b>	
1. In Case the Offeror is a Corporation	34
2. In Case the Offeror is an Entity other than Corporation	37
3. In Case the Offeror is an Individual	37
<b>PART III. Shares Held and Traded by the Offeror and Special Related Parties</b>	
1. Breakdown of Ownership of Shares.	38
2. Trading of shares	38
3. Material contracts concerning the shares shown above	38
4. Contracts pertaining to purchase of shares subsequent to the filing date	38
<b>PART IV. Transactions between the Offeror and the Targe</b>	
1. Transactions between the Offeror and the Target or its Officers, and the Details Thereof (if any)	39
2. Agreements between the Offeror and the Target or its Officers, and the Terms Thereof (if any)	39
<b>PART V. Information on the Target</b>	
1. Profits and Losses, Etc. for the Past Three Years	40
2. Share Price	41
3. Shareholders	42
4. Matters Concerning the Target which is Subject to the Obligation of Continuous Disclosure	44
5. Details of Conveyed Facts regarding Implementation of Offer, etc.	45
6. Others	45
<b>Changes in principal management index regarding the Target</b>	46

# **PART I. Terms and Conditions of Tender Offer**

## **1. Name of the Target**

Teac Corporation

## **2. Class of Shares to be Purchased**

Common Shares

## **3. Purposes of Tender Offer**

### **(1) Overview of the Tender Offer**

The Offeror is a limited liability company established under the state laws of California, U.S. on May 16, 2012, that intends to acquire and own the common shares of the Target, a company listed on the first section of the TSE (the "Target's Common Shares"), through the Tender Offer. As of the date of filing of this Statement, the sole equity member of the Offeror is EVO FUND ("EVO FUND") which is established under the laws of Cayman Islands in December 2006. EVO FUND is entirely owned (direct and indirect interests combined) by the founder and representative of Evolution Financial Group, Michael Lerch, who is also an officer of EVO FUND (Note 1).

Evolution Financial Group was founded in 2001 and maintains an integrated suite of diverse financial businesses including EVOLUTION JAPAN SECURITIES Co, Ltd., a leading investment bank, and the development and sales of financial IT systems. EVOLUTION JAPAN SECURITIES Co., Ltd. is focused on delivering tailor-made financing structures including equity offerings, debt issuance, and derivative transactions to our clients in the areas of financial business, where the Offeror believes it has assembled best-in-class teams of market professionals. In parallel with this, Evolution Financial Group conducts various securities transactions in Japan through EVO FUND, which has traded volumes of over 45 billion USD in 2019. EVO FUND conducts its investment activities in the Japanese markets primarily through its affiliate Evolution Japan Asset Management Co., Ltd. (4-1 Kioi-cho, Chiyoda-ku, Tokyo; Representative Director: Kazuko Miyashita) (Note 2).

As of the date of filing of this Statement, the Offeror, EVO FUND or any other entity that belongs to Evolution Financial Group does not own any of the Target's Common Shares.

(Note 1) Evolution Financial Group is the group whose ultimate parent company is Tiger Trust, a trust registered in Cayman Islands and founded in March 2004 in which Michael Lerch holds the beneficial interests. Michael Lerch directly holds the entire non-voting shares issued by EVO FUND and indirectly holds the entire voting shares issued by EVO FUND through EVOLUTION JAPAN GROUP HOLDING INC. (Cayman), a sub-subsidiary of Tiger Trust (For the avoidance of doubt, the parent company of Evolution Japan Group Holding Inc. is Tiger Holdings Ltd. (Cayman), whose parent company is Tiger Trust.

(Note 2) Tiger Trust, the ultimate parent company of Evolution Financial Group, indirectly holds the entire issued and outstanding shares in EVOLUTION JAPAN SECURITIES Co., Ltd. and EVOLUTION JAPAN ASSET MANAGEMENT Co., Ltd.

The Offeror has decided to commence the Tender Offer for the pure investment purpose (Note 3) of acquiring 15,744,700 shares (Shareholding Ratio: 54.65% (Note 4)) (the "Shares to be Tendered by Gibson Holdings") of the Target's Common Shares listed on the First Section of the TSE, which are all of the Target's Common Shares held by the Target's parent company, Gibson Holdings, Inc. ("Gibson Holdings" together with Gibson Brands, Inc. ("Gibson Brands"), the holder of all the issued and outstanding shares of Gibson

Holdings) as Gibson Holdings was considering to sell the Target's Common Shares in order to secure liquid capital, and the Offeror made an approach for the purchase. The Tender Offer will be implemented as required under Article 27-2, Paragraph 1, Item 2 of the Law because, if the Offeror acquires 15,744,700 shares (Shareholding Ratio: 54.65%), which are all of the Target's Common Shares held by Gibson Holdings, it falls under the case where the Shareholding Ratio of Share Certificates, etc. of the Target after the purchase exceeds 1/3.

During the course of the Tender Offer, the Offeror executed the Tender Offer Agreement with Gibson Holdings (the "Tender Offer Agreement") as of May 22, 2020, under which Gibson will tender the Shares to be Tendered by Gibson Holdings. In addition, upon the acquisition of the Target's Common Shares through this Tender Offer, the Offeror and EVO FUND executed the Agreement on Shareholder's Right and Covenants with the Target (the "Agreement on Shareholder's Right and Covenants") as of May 22, 2020, which stipulates that the Offeror will not retain the Target's Common Shares for a long period of time after the Tender Offer and will make its best effort to sell the Target's Common Shares that it acquired on the TSE auction market within two years. For the summary of the Tender Offer Agreement and Agreement on Shareholder's Rights and Covenants, please refer to "(3) Material agreements regarding the Tender Offer" below.

(Note 3) As explained in "(ii) Management policy after the Tender Offer" under "(2) Background, object and process of decision-making to implement the Tender Offer and management policy after the Tender Offer" below, the Offeror intends to sell all the Target's Common Shares acquired in the course of the Tender Offer on the TSE auction market within a period of two years, taking into consideration the impact on the market.

(Note 4) The "Shareholding Ratio" refers to the ratio (rounded to the second decimal place; the same shall apply hereinafter) among 28,809,467 shares. The 28,809,467 shares stands for the total number of outstanding common shares of the Target as of March 31, 2020 (28,931,713 shares), as stated in "earnings briefing for March 2020 IFRS (consolidated)" (the "Earnings Briefing") published by the Target on May 15, 2020, *less* the number of treasury shares owned by the Target as of the same date (122,246 shares).

The Tender Offer is intended to acquire the Shares to be Tendered by Gibson Holdings, and there is no intention in the Tender Offer to delist the Target's Common Shares, and the Offeror and the Target have a policy of maintaining the listing of the Target's Common Shares after the Tender Offer is accomplished. Therefore, in the Tender Offer, the minimum number of tendered shares to be purchased is set at 15,744,700 shares (Shareholding Ratio: 54.65%), which is equal to the number of Shares to be Tendered by Gibson Holdings, and if the total number of Shares, Etc. tendered in response to the Tender Offer (the "Tendered Shares") does not reach the minimum number of tendered shares to be purchased in the Tender Offer, all of the Tendered Shares will not be purchased. In other words, the Tender Offer is intended to acquire 15,744,700 shares (Shareholding Ratio: 54.65%) of the Target's Common Shares, the entire part of the shares held by Gibson Holdings, and therefore, the minimum number of tendered shares to be purchased in the Tender Offer is 15,744,700 shares (Shareholding Ratio: 54.65%), being equal to the number of the Shares to be Tendered by Gibson Holdings. Although Gibson Holdings is obliged to tender the Shares to be Tendered by Gibson Holdings in the Tender Offer pursuant to the Tender Offer Agreement, if Gibson Holdings does not accept the Tender Offer in breach of its obligations, the minimum number of tendered shares to be purchased in the Tender Offer will not be satisfied, and any Tendered Shares will not be purchased regardless of the tender by other shareholders. Also, because the Tender Offer is executed for the purpose of acquiring the Shares to be Tendered by Gibson Holdings and because the policy is to maintain the listing of the Target's Common Shares after the Tender Offer is accomplished, the maximum number of shares to be purchased in the Tender Offer is also set at 15,744,700 shares (Shareholding Ratio: 54.65%), being equal to the number of the Shares to be Tendered by Gibson Holdings. If the total number of the Tendered Shares exceeds the maximum number of shares to be purchased in the Tender Offer, all or part of the excess portion of the Tendered Shares shall not be purchased but shall be settled through a pro-rata delivery or other settlement method with respect to a tender offer of Shares, Etc. as set forth in Article 27-13, Paragraph 5 of the Act and Article 32 of the TOB Order.

In addition, according to the "Statement on the Tender Offer for the Target's Common Shares by Global Acoustic Partners LLC" (the "Target's Press Release") published by the Target on May 22, 2020, and as stated in "(iii) Process and reasons of decision-making of the Target" under "(2) Background, object and process of decision-making to implement the Tender Offer and management policy after the Tender Offer" below, the Target resolved on the approval of the Tender Offer for the Target's Common Shares by the Offeror at the meeting of the Target's board of directors held on May 22, 2020, based on comprehensive consideration that the Tender Offer will not impair the maintenance and enhancement of the Target's corporate value and that the implementation of the Tender Offer is not considered detrimental to the interest of minority shareholders as long as the Offeror complies with the Agreement on Shareholder's Right and Covenants, and with respect to the appropriateness of the purchase price in the Tender Offer (the "Tender Offer Price"), the Target withheld its opinion and decided to leave the decision to its shareholders on whether or not to accept the Tender Offer because (i) the Tender Offer Price is far below the market share price, and there is no economic benefit for the Target's minority shareholders to apply for the Tender Offer, (ii) the Target has not independently verified whether or not the Tender Offer Price appropriately reflects the Target's corporate value, and (iii) it is reasonable for the Target's shareholders to continue to hold the Target's Common Shares after the completion of the Tender Offer since the listing of the Target's Common Shares will be maintained after the completion of the Tender Offer.

For details of the resolutions of the board of directors of the Target, please refer to the Target's Press Release and "(iii) Approval of all disinterested directors of the Target" under "(5) Matters related to measures to secure fairness and prevent conflict of interest" below.

- (2) Background, object and process of decision-making to implement the Tender Offer and management policy after the Tender Offer

- (i) Background and object of decision-making to implement the Tender Offer

- (a) Business environment surrounding the Target

The Target was founded in Musashino-shi, Tokyo in August 1953 under the name of the Tokyo Television Acoustic Company and started the manufacturing and sales of electric device centered on recording device. It changed its trade name to TEAC Audio Company in November 1962. The Target conducted the absorption-type merger with TEAC Corporation with the Target as the surviving Company and TEAC Corporation as the disappearing company (This company was founded in Sumida-ku, Tokyo in December 1956 under the name of the Tokyo Electro-Acoustic Company and engaged in the manufacturing of measuring instrument. It changed its trade name to TEAC Corporation in November 1962.) in October 1964 and then changed its trade name to and came into being as TEAC Corporation, the present trade name. The Target's shares became listed on the Second Section of the TSE in April 1970 and became listed on the First Section of the stock exchanges in Tokyo, Osaka and Nagoya in 1972.

Since its foundation in August 1953, the Target and its subsidiaries (11 companies in total as of the date of filing of this Statement; the "Target Group") has placed "Recording and Playback" at its core, and as the recording media has changed as a result of technical innovation, it has continued to provide customers with products that have a high recording quality at all times. The Target has provided CD players, network players, DA converters, amplifiers, speakers, high-end audio accessories and other related equipment products and related imports as a business operator of development, sales and import and sales of electronic and electric device. Currently, the Target Group has two business segments and conducts development and sales of (i) high-grade audio, general audio and music production and professional audio for audio products business and (ii) in-flight recording and reproducing equipment and measuring instrument for information products business.

However, with the development of the Internet and communication technology, the demand for media and

recording/playback equipment is on the decline for individuals and corporations. While recognizing such changes in needs as a challenge, the Target Group sees this as an opportunity to distinguish itself from the competitors and strives to achieve business growth by accelerating the proposal and provision of network-accessible equipment and solutions in both the audio and information product businesses. In order to expand a lineup of products, it actively pursues the utilization of outside partner manufacturers instead of insisting on manufacturing by itself and aims at the speedy introduction of products.

Against this background, the Target Group continually strives to enhance its position as the high-end brand originating in Japan both at home and abroad with respect to the high-grade and general audio business, one of its business segments, creating unique products compared to the competitors by placing middle-grade and high-grade equipment at the center in order to further increase its profitability. With respect to music production and professional audio equipment business, which is also one of the audio business, it is expanding the product lineup to accommodate a wider range of applications in the equipment market. In addition, with respect to the information products business, which is another business segment of the Target, it continually strives to enter into overseas markets for medical image recording devices and measurement devices. In addition, it is stepping up its sales of new in-flight entertainment products.

In the fiscal year ending March 2020, sales revenues decreased due to exchange rate fluctuations and the COVID-19 pandemic. Operating profits decreased since gains from the transfer of the nursing care recording system business were recorded in the previous fiscal year. Accordingly, the Target Group's sales revenue was JPY 14,745 million (6.0% decrease from the previous fiscal year), the operating profit was JPY 286 million (52.4% decrease from the previous fiscal year), and the income attributable to the owners of the parent company was JPY 27 million (47.0% decrease from the previous fiscal year).

Meanwhile, in May 2018, Gibson Brands, the parent company of the Target since May 2013, filed for Chapter 11 bankruptcy protection in a United States court due to its excessive debts following a series of acquisitions as described in "(b) Consultation between the Offeror, the Target, Gibson Brands and Gibson Holdings and the decision-making process of the Offeror" below. Then, from November 1, 2018, Kohlberg Kravis Roberts ("KKR"), an investment fund, became the major shareholder of Gibson Brands. Under the new management team led by James Curleigh, the new President and CEO, Gibson Group focused on musical instruments and professional audio equipment businesses, with the aim to accomplish a regrowth of the business. However, Gibson Group clarified its policy to withdraw from unprofitable businesses such as the consumer audio business and focus on the musical instruments business, including the guitar business, in order to accomplish such regrowth. The Target became the subsidiary of Gibson Brands and Gibson Holdings in May 2013 and efforts have been made to maximize the mutual corporate value through the capital and business alliance with Gibson Group. However, no collaboration in the business has been made with Gibson Brands or its affiliates, except for some modest sales and purchase transactions with Gibson Brands (In the fiscal year ending March 31, 2020, the sales from the Target to Gibson Brands and its affiliates was approximately JPY 44 million, and no purchase was made by the Target from Gibson Brands or its affiliates.). It became apparent that the Target's business was not a core business under the new management of Gibson Brands and Gibson Holdings affiliated with KKR, and therefore, it became impracticable to expand the business with Gibson Brands and Gibson Holdings in the future.

- (b) Consultation between the Offeror, the Target, Gibson Brands and Gibson Holdings and the decision-making process of the Offeror

Gibson Brands, which holds all the shares of Gibson Holdings, the parent company of the Target, is a musical instruments manufacturer in the United States, and since its foundation in 1894, it has engaged in the manufacturing and sales of professional audio equipment and accompanying items thereof as well as high quality musical instruments, including acoustic guitars and electric guitars. Its manufacturing technology and

musical instruments manufactured with its technology are sold around the world, and Gibson Brands believes that Gibson Group's brands such as "GIBSON," "EPIPHONE," "MAESTRO," "KRAMER," "STEINBERGER," "SLINGERLAND," "TOBIAS," "FLATIRON," "DOBRO," "BALDWIN," "STANTON," "CERWIN-VEGA!" and "KRR" are well known among music lovers around the world.

Gibson Brands received an offer from Phoenix Capital, a former parent company of the Target, in 2012 for the purchase of the Target's Common Shares. Gibson Brands and the Target determined to conduct a business alliance to maximize their corporate value through an alliance in sales, product development and the integration of the supply chains between the manufacturing and sales business of Gibson Brands' musical instruments and the Target's audio business. Gibson Brands and the Target agreed that it would be desirable to build a capital alliance between them by making the Target a consolidated subsidiary of Gibson Brands. Therefore, Gibson Holdings conducted a tender offer for the Target's Common Shares, acquired 15,744,700 shares of the Target's Common Shares in total from the funds whose executive member are Phoenix Capital (which refers to Phoenix Capital Partners One Investment Fund and Japan Recovery Fund III) and became the parent company of the Target in May 2013.

After Gibson Brands became affiliated with KKR in November 2018 following the filing for Chapter 11 bankruptcy protection in a United States court in May 2018, it clarified its policy to withdraw from unprofitable businesses such as the audio business and focus on the musical instruments business, including the guitar business. Accordingly, while the Target's shares were positioned as a non-core asset, in the middle of February 2019, Gibson Brands notified its intention to the Target to sell all of the Target's Common Shares Gibson Holdings held in order to focus corporate resources on core businesses. After consultation between the Target and Gibson Brands, Target employed Lincoln International ("Lincoln") as its financial adviser, at the beginning of April 2019, to select the most eligible purchaser, with the aim to maximize the Target's corporate value and stock value.

Then, Lincoln approached about 50 companies in total including business companies and funds in the middle of June 2019. After selecting 5 companies, it started negotiation with such 5 companies from the beginning of August 2019 to proceed with the selection process for a purchaser of the Target's Common Shares. Initially, EVO FUND was involved in the selection process as a funder to one of the about 50 candidate companies that had received the offer of the transfer of the Target's Common Shares from Lincoln. However, since such candidate company was excluded from the selection process when the candidates were narrowed down to five companies, it expressed its initial intention to KKR to acquire the Target's Common Shares by itself in the middle of January 2020, so that EVO Fund could determine whether the acquisition of the Target's Common Shares was a good investment opportunity. Thereafter, an introductory meeting was held between Lincoln, a financial adviser of the Target, and EVO FUND regarding the acquisition of the Target's Common Shares. EVO FUND expressed its intention to Lincoln to acquire the Target's Common Shares for JPY 105 per share on January 30 of the same year (the closing price of the Target's Common Shares on that day was JPY 198) to become one of the candidate companies, assuming that the acquisition of the Target's Common Shares will be a good investment opportunity that will generate capital gains. Subsequently, in late February of the same year, a meeting was held among KKR, Lincoln and EVO FUND. At the same time, the stock price of the Target (closing price per share) was declining from a price of JPY 202 on February 6<sup>th</sup> of the same year to a price of JPY 105 on March 13<sup>th</sup> of the same year. The Target believes that such decline was caused by the downturn in the market due to the uncertainty over Japan's economic outlook caused by the spread of the COVID-19 pandemic.

Given the drop in stock price, at the beginning of March of the same year, EVO FUND proposed to Lincoln that the Tender Offer Price of the Target's Common Shares per share should be set at a 35 percent discount of the closing price of the Target's Common Shares on the First Section of the TSE on the day immediately preceding the first day of the Tender Offer Period, provided that the price would not exceed JPY 110. However, around mid-March of the same year, EVO FUND and KKR both wished to focus on the negotiation

of a specific amount of the Tender Offer Price per share, not the calculation method by which the Tender Offer Price should be set at a 35 percent discount of the closing price, and therefore, discussions on the calculation formula were stopped (That is, as described below, from the beginning of April of the same year, EVO FUND and KKR shifted focus of the negotiation to whether they can agree on the proposal where the Tender Offer Price should be set at JPY 60 which is further discounted from the price of JPY 65, which is a discount of approximately 35% on the closing price of the Target's Common Shares around the middle of March of the same year (approximately JPY 100), and therefore, discussions on the calculation formula were stopped.)

Meanwhile, EVO FUND wanted to conduct the Tender Offer with the approval from the Target, it also held a conference call with Yuji Hanabusa, President and CEO of the Target and Yoshihide Nomura, Director of the Target at the end of March of the same year. During the conference call meeting, EVO FUND agreed with Yuji Hanabusa, President and CEO of the Target and Yoshihide Nomura, Director of the Target that it has no intention to be involved in the Target's management even after acquiring shares, and respects the independence of the Target's management, and there was a feeling that it is likely to obtain the approval from the Target for the Tender Offer.

Subsequently, from early to mid-April of the same year, EVO FUND, Gibson Brands and KKR proceeded with discussions and negotiations regarding the Tender Offer. However, although the extent of impact of the COVID-19 pandemic on the Target's business was not necessarily apparent, in light of the uncertainty over the outlook of the stock price of the Target's Common Shares as a result of the movements of the stock price of the Target's Common Shares due to the uncertainty over Japan's economic outlook caused by the COVID-19 pandemic, the increased volatility of the market price of the Target's Common Shares, and the concern over liquidity caused by the unstable ability to trade the Target's Common Shares in the market (Note), EVO FUND proposed that the Tender Offer Price should be JPY 60 per share of the Target's Common Shares, and Gibson Brands and KKR considered whether it can accept such proposal or not.

After such consideration, on April 14 of the same year, EVO FUND, Gibson Brands and KKR orally agreed that the Tender Offer Price should ultimately be set at JPY 60 per share of the Target's Common Shares (the closing price of the Target's Common Shares on that day was JPY 151), based on the intention of Gibson Brands and KKR to sell its non-core assets as soon as possible and concentrate its management resources on its core businesses, and the other terms of the Tender Offer were negotiated. Meanwhile, from the beginning of March, EVO FUND proceeded with the discussions with the Target through Lincoln on the holding policy of the Target's Common Shares after the Tender Offer. Accordingly, the parties orally agreed at the beginning of May that the Offeror shall not continue to hold the Shares to be Tendered by Gibson Holdings after the Tender Offer and make its best efforts to sell all of the Shares to be Tendered by Gibson Holdings that it obtained within two years at the TSE auction market. The parties, since the beginning of May, had negotiated the other conditions (e.g. the conditions relating to the transfer of all or part of the Shares to be Tendered by Gibson Holdings from Offeror to EVO FUND) and had proceeded with the preparation for the execution of the Agreement on Shareholder's Rights and Covenants (For details of the Agreement on Shareholder's Rights and Covenants, please refer to "(ii) Agreement on Shareholder's Rights and Covenants" under "(3) Material agreements regarding the Tender Offer" above). Then, on May 22, 2020, EVO FUND executed the Tender Offer Agreement with the Offeror and Gibson Holdings and the Agreement on Shareholder's Rights and Covenants with the Offeror and the Target, and decided to conduct the Tender Offer when the conditions precedent regarding the Tender Offer, which conditions are described in the Tender Offer Agreement are satisfied or waived by the Offeror, and in addition, decided to set the Tender Offer Price at JPY 60 (the closing price of the Target's Common Shares on that day was JPY 147).

(Note) For example, the trading volume of the Target's Common Shares on the First Section of the TSE between March 1 and April 10, 2020 fluctuated within the range between 20,900 shares and 226,000 shares, and this is more than tenfold difference.

## (ii) Management policy after the Tender Offer

The Offeror conducts the Tender Offer in order to acquire the Shares to be Tendered by Gibson Holdings, and the Tender Offer is a part of the Offeror's investment business in Japanese shares. Although the Offeror has no current plan to sell the Target's Common Shares to be acquired through the Tender Offer, it intends to sell the Target's Common Shares at an appropriate time for the Offeror and the Target. With respect to the method of sales, the Offeror intends to sell all of the Target's Common Shares it acquired through the Tender Offer on the TSE auction market within two years, taking into consideration the impact on the market. However, it may sell the shares to any third party outside the market by means of a block trade or other method in accordance with the conditions agreed with the Target, which conditions are described in "(ii) Agreement on Shareholder's Rights and Covenants" under "(3) Material agreements regarding the Tender Offer" below. The size of sales within/outside the market is not decided at the moment. EVO FUND may execute the sales on the TSE auction market or sales outside the market such as a block trade after EVO FUND, the sole equity member of the Offeror, acquires all or any part of the Shares to be Tendered by Gibson Holdings from the Offeror.

The Offeror will become the parent company of the Target when the Tender Offer is completed. However, it has no intention to be involved in the Target's management nor intends to dispatch any officer to the Target. The Offeror and EVO FUND wanted to conduct the Tender Offer amicably after obtaining a supportive opinion from the Target, and they decided to negotiate with the Target to obtain a supportive opinion from the Target on the Tender Offer, and therefore EVO FUND held a conference call with Yuji Hanabusa, President and CEO of the Target and Yoshihide Nomura, Director of the Target at the end of March of the same year (For details, please refer to "(b) Consultation between the Offeror, the Target, Gibson Brands and Gibson Holdings and the decision-making process of the Offeror" under "(i) Background and object of decision-making to implement the Tender Offer" above). At the conference call, the Offeror received the request from the Target to respect the independence of the Target in the negotiation process of the Agreement on Shareholder's Rights and Covenants. Therefore, the Offeror and EVO FUND considered that it is essential to respect the independence of the Target as a basic policy to obtain a supportive opinion for the Tender Offer from the Target and included the provision that the Offeror will respect the independence of the Target in the Agreement on Shareholder's Rights and Covenants.

In particular, as long as the board of directors of the Target determines in good faith that it is reasonably expected to contribute to the maintenance and improvement of the Target's corporate value and the common benefit of the shareholders, the Offeror shall exercise the voting rights in such manner that the proposal submitted by the Target's board of directors to the general shareholders meeting is approved in accordance with the Agreement on Shareholder's Rights and Covenants (For the details, please refer to "(B) Obligation regarding the exercise of voting rights pertaining to the Shares to be Tendered by Gibson Holdings" under "(ii) Agreement on Shareholder's Rights and Covenants" under "(3) Material agreements regarding the Tender Offer" below). On the other hand, in case the board of directors of the Target does not determine in good faith that it is reasonably expected to contribute to the maintenance and improvement of the Target's corporate value and the common benefit of the shareholders (i.e., in the case that submitting a proposal to a general shareholders meeting leads to violation of director's duty to exercise the due care of a prudent manager and fiduciary obligation), the Offeror may exercise the voting rights against the proposal submitted by the Target's board of directors to the general shareholders meeting. For details of the Agreement on Shareholder's Rights and Covenants, please refer to "(ii) Agreement on Shareholder's Rights and Covenants" under "(3) Material agreements regarding the Tender Offer."

## (iii) Process and reasons of decision-making of the Target

Upon receipt from the Offeror of a proposal for the Tender Offer, the Target's board of directors has given careful consideration to the terms of the Tender Offer based on the review on enhancement of the Target's

corporate value, the Offeror's intentions, the legal advice received from its legal adviser, Mori Hamada & Matsumoto, the substance of the report (the "Report") submitted by the special committee as described in "(i) Establishment of an independent special committee by the Target" under "(5) Matters related to measures to secure fairness and prevent conflict of interest" below as well as the substance of the Agreement on Shareholder's Rights and Covenants as described in "(ii) Management policy after the Tender Offer" above.

Accordingly, the board of directors of the Target resolved, at its meeting held on May 22, 2020, to express supportive opinion on the Tender Offer after comprehensively taking into account that (i) since the Offeror expresses its intention to fully respect the current management policy of the Target and maintain the independence of the Target, it is expected that the Target's policy will be maintained which is aimed at regrowth primarily in the business of areas of high profitability and professional areas, after completing selection and concentration of business and that the Tender Offer will not impair the maintenance and enhancement of the Target's corporate value, and (ii) the Tender Offer by the Offeror is not considered detrimental to the interest of minority shareholders, as long as the Offeror complies with the Agreement on Shareholder's Rights and Covenants, since the listing of the Target's Common Shares on the First Section of the TSE will be maintained after the Tender Offer and as described in "(ii) Management policy after the Tender Offer" above, the Offeror agreed, in the Agreement on Shareholder's Rights and Covenants, that it will make its best efforts to sell all of the Shares to be Tendered by Gibson Holdings it acquired through the Tender Offer within two years within the TSE auction market, it will not sell the shares constituting more than 5% of the issued and outstanding Common Shares of the Target to a third party, excluding EVO FUND, without prior written approval of the Target and that it will vote for the agenda to be submitted by the board of directors of the Target to the general shareholders meeting as long as it is reasonably expected that such agenda will contribute to the maintenance and enhancement of the Target's corporate value and shareholders' common benefit.

With respect to the Tender Offer Price, the board of directors of the Target resolved, at its meeting held on May 22, 2020, to withhold opinion regarding the appropriateness of the Tender Offer Price and to leave to its shareholders the decision as to whether or not to tender their shares in the Tender Offer, based on the facts that the Target has not asked the independent calculation agent for the calculation of the stock value since the Tender Offer Price was determined upon consultation and negotiation between the Offeror and Gibson Brands, as well as (i) that the Tender Offer Price is significantly lower than the market price and there would be no benefit for the Target's minority shareholders to apply for the Tender Offer, (ii) that the Target has not independently verified whether or not the Tender Offer Price appropriately reflects the Target's corporate value and (iii) that it is reasonable for the Target's shareholders to continue to hold the Target's Common Shares after the completion of the Tender Offer since the listing of the Target's Common Shares will be maintained after the completion of the Tender Offer.

It is reported that two-step procedures were followed at the above-mentioned board of directors meeting in light of the fact that some of the Target's directors, namely, Mr. Henry E. Juskiewicz, Mr. John Alexander Campbell and Mr. Bryan David Follis is concurrently holding a position as an employee of Gibson Brands, which holds all the shares of Gibson Holdings, that has executed the Tender Offer Agreement; Mr. David Berryman is concurrently holding a position as a director of Gibson Holdings; Mr. James Robert Curleigh is concurrently holding a position as an officer of Gibson Brands; and Ms. Kimberly Suzanne Mattoon had been holding a position as an officer of Gibson Brands until the end of January 2020. First, with the view to eliminating conflicts or likely conflicts of interest in relation to the Tender Offer to the extent possible, (a) the resolution to express the above-mentioned opinion was reportedly deliberated by five (including two external directors) out of the eight attendees (Among total of eleven directors of the Target, Mr. Henry E. Juskiewicz, Mr. David Berryman, and Ms. Kimberly Suzanne Mattoon did not attend the meeting for personal reasons, and Mr. James Robert Curleigh, Mr. John Alexander Campbell and Mr. Bryan David Follis did not participate in the process.), and was unanimously adopted by all directors, including Audit and Supervisory Committee Members. Then, with the view to achieving a quorum for the Target's board of directors meeting, (b) the resolution to express the above-

mentioned opinion was reportedly further deliberated by seven directors, namely, the above-mentioned five directors, Mr. John Alexander Campbell and Mr. Bryan David Follis, and was unanimously adopted by all directors, including Audit and Supervisory Committee Members.

It is reported that with the view to enhancing fairness, transparency and objectivity and avoiding conflict of interests, in the process of decision-making in relation to the Tender Offer by the board of directors, Mr. James Robert Curleigh and Ms. Kimberly Suzanne Mattoon, from among the Target's directors, have never participated in the deliberations and resolutions on the proposals pertaining to the Tender Offer, nor have they participated in the discussions and negotiations with the Offeror as directors of the Target, in view of Mr. Curleigh's concurrent holding of a position as an officer of Gibson Brands and Ms. Mattoon's holding of a position as an officer of Gibson Brands until the end of January 2020, as mentioned above.

(3) Material agreements regarding the Tender Offer

(i) Tender Offer Agreement

In connection with the Tender Offer, the Offeror has concluded the Tender Offer Agreement, involving the implementation of the Tender Offer by the Offeror and the subscription thereto by Gibson Holdings, with regard to the Shares to be Tendered by Gibson Holdings (15,744,700 shares, Shareholding Ratio: 54.65%) as of May 22, 2020. The overview of the Tender Offer Agreement is as follows:

(A) Implementation of the Tender Offer by the Offeror

The Offeror shall commence the Tender Offer, subject to the satisfaction of all of the following conditions:

- (a) The Target shall have obtained an opinion from its special committee to the effect that the special committee recommends that the Target's board of directors resolve to approve and express an opinion in support of the Tender Offer and that the resolution by the Target's board of directors to express the above-mentioned opinion in support of the Tender Offer would not be disadvantageous to the Target's minority shareholders;
- (b) The Target's board of directors shall have adopted a resolution to express an opinion to support the Tender Offer without making any objections to the Offeror; and
- (c) The Target's board of directors shall not have withdrawn or changed the resolution to express an opinion in support of the Tender Offer.

(B) Subscription to the Tender Offer by Gibson Holdings

Gibson Holdings shall, by the end of the term for the purchase pertaining to the Tender Offer, apply to the Tender Offer in respect of all of the Shares to be Tendered by Gibson Holdings, and shall not withdraw such application, subject to the satisfaction of all of the following conditions; provided, however, that Gibson Holdings shall not be required to apply if there has arisen any event whereby the tender by Gibson Holdings to the Tender Offer causes or is reasonably expected to cause Gibson Holdings' directors or officers to be in violation of their duty to exercise the due care of a prudent manager or fiduciary duty during the period from the date of the execution of the Tender Offer Agreement to and not including the commencement date of the Tender Offer.

- (a) The Tender Offer has been commenced in accordance with the Tender Offer Agreement, the Offeror has appropriately complied with all obligations prescribed by applicable laws with regard to the Tender Offer, and the Tender Offer has not been withdrawn;
- (b) the Target shall have obtained an opinion from its special committee to the effect that the special committee recommends that the Target's board of directors resolve to approve and express an opinion in support of the Tender Offer and that the resolution by the Target's board of directors to

express the above-mentioned supportive opinion would not be disadvantageous to the Target's minority shareholders;

- (c) the Target's board of directors shall have adopted a resolution to express an opinion to support the Tender Offer without posing any questions to the Offeror, and such resolution has not been withdrawn or amended;
- (d) the representations and warranties of the Offeror set forth in the Tender Offer Agreement (Note 1) are true and correct in all material respects;
- (e) Gibson Holdings is not aware of any insider information (meaning "material fact about the business" prescribed in Article 166, Paragraph 2 of the Act, pertaining to the Target, and "the fact that a Tender Offer, etc. will be launched or the fact that a Tender Offer, etc. will be suspended" prescribed in Article 167, Paragraph 2 of the Act, pertaining to the Target's Common Shares);
- (f) the Offeror has duly performed in all material respects each of the obligation required to be performed by the Offeror under the Tender Offer Agreement (Note 2); and
- (g) no temporary restraining order, preliminary or permanent injunction or other order preventing the completion of the Tender Offer is in effect.

(Note 1) The Offeror has made representations and warranties to Gibson Holdings regarding (a) lawful establishment and valid continuation of the Offeror and its retention of powers necessary for business operation, (b) the Offeror's retention of valid power and authority for the conclusion and performance of the Tender Offer Agreement, (c) the validity, legal binding power and enforceability of the Tender Offer Agreement, and (d) no conflict with the laws and regulations in relation to the conclusion and performance of the Tender Offer Agreement.

(Note 2) Under the Tender Offer Agreement, the Offeror bears the obligations of (a) initiating the Tender Offer according to the Tender Offer Agreement, (b) creating documents legally necessary for the Tender Offer and the advance provision to Gibson Holdings in the event of changes to the documents, (c) payment of consideration for the Shares to be Tendered by Gibson Holdings, (d) non-extension of the Tender Offer Period unless required by the laws, (e) reasonable efforts for the obtainment of approvals and licenses necessary for the transactions under the Tender Offer Agreement and the provision of copies of the approvals and licenses so obtained to Gibson Holdings, (f) notification upon the occurrence of material violations of the Tender Offer Agreement or circumstances preventing the completion of the Tender Offer, (g) holding confidential information (restriction of disclosure to third parties), and disclosing information regarding the Tender Offer after agreement with the counterparty, (h) not enforcing liability against the Target's directors who are affiliated with Gibson Holdings (Messrs. Henry E. Juskiewicz, David Berryman and James Robert Curleigh, Ms. Kimberly Suzanne Mattoon, Messrs. John Alexander Campbell and Bryan David Follis) for their actions conducted before the settlement of the Tender Offer, (i) not transferring its rights and obligations under the Tender Offer Agreement, and (j) cooperation regarding tax filings; provided, however, that with regard to (e) above, there are no applicable approvals or licenses, as described in "6. Licenses, Etc. Concerning Acquisition of Shares" below.

#### (ii) Agreement on Shareholder's Right and Covenants

In connection with the Tender Offer, the Offeror and EVO FUND have concluded the Agreement on Shareholder's Right and Covenants as of May 22, 2020 with the Target, covenanting, among others, that the Offeror will not continue to hold the Shares to be Tendered by Gibson Holdings (15,744,700 shares, Shareholding Ratio: 54.65%) which it will obtain after the Tender Offer and make its best efforts to sell all of such Shares to be Tendered by Gibson Holdings within two years on the TSE auction market. The overview of the Agreement on Shareholder's Right and Covenants is as follows:

#### (A) Obligations regarding the sale of the Shares to be Tendered by Gibson Holdings

The Offeror (a) shall make its best efforts to sell all of the Shares to be Tendered by Gibson Holdings, which it will obtain through the Tender Offer, within two (2) years after the acquisition on the TSE auction market, and (b) except for the sale on the auction market, shall not sell any of the Shares to be Tendered by Gibson Holdings to any third party without the prior written consent of the Target; provided, however, that notwithstanding (b) above, if the Offeror sells the Shares to be Tendered by Gibson Holdings constituting less than 5% of the total number of issued shares of the Target per transaction to a third party other than anti-social forces or competitors of the Target, such written consent of the Target shall not be required. The Offeror may also transfer all or part of the Shares to be Tendered by Gibson Holdings which the Offeror holds to EVO FUND; provided, however, that the Offeror shall bear the obligation to notify the Target of such transfer, within five (5) business days from such transfer. Should this transfer take place, EVO FUND shall also bear the respective obligations borne by the Offeror described in (A), (B) and (C) of "(ii) Agreement on Shareholder's Right and Covenants" from the time of such transfer onward.

(B) Obligation regarding the exercise of voting rights pertaining to the Shares to be Tendered by Gibson Holdings

The Offeror shall respect the independence of the Target, and shall perform the actions (including, but not limited to, the exercise of voting rights pertaining to the Shares to be Tendered by Gibson Holdings) necessary for the proposals of the Target's board of directors made at the Target's general meeting of shareholders to be approved with regard to the Target's Common Shares held by the Offeror, provided that the Target's board of directors deems in good faith that such proposals are reasonably expected to contribute to the maintenance and improvement of the Target's corporate value and the common interests of the shareholders of the Target.

(C) Compliance with applicable laws

The Offeror shall comply with all applicable laws, including regulations of stock exchanges and insider trading regulations.

(D) Representation and warranty that the Offeror is not an antisocial force

Each of the Offeror and EVO FUND represents and warrants to the Target that it is not a member of any antisocial forces, there are no members of anti-social forces among its officers and employees, no antisocial force is otherwise involved in its management, and it does not knowingly conduct business with any antisocial forces or any entities affiliated with anti-social forces.

(E) Obligations regarding the acquisition of the Target's Common Shares after the Tender Offer

Neither the Offeror nor EVO FUND shall purchase after the Tender Offer, directly or otherwise, any securities representing the voting rights of the Target, including the Target's Common Shares, or options to acquire such voting securities of the Target, other than the Shares to be Tendered by Gibson Holdings, or make any public announcement regarding tender offers or similar transactions regarding the Target.

(F) The Target's obligation regarding financing after the Tender Offer

The Target shall not issue or deliver any of the Target's Common Shares or the share options by third party allotment from the execution date of the Agreement on Shareholder's Right and Covenants until after the lapse of six (6) months from the acquisition of the Shares to be Tendered by Gibson Holdings by the Offeror; provided, however, that this shall not apply to the issuance of stock options

of 3% or less (on a diluted basis) of the total number of issued shares of the Target to the Target's directors or employees.

(G) Effective term of the Agreement on Shareholder's Right and Covenants

The effective term of the Agreement on Shareholder's Right and Covenants shall be from the execution date of the Agreement on Shareholder's Right and Covenants to the day on which two (2) years have passed from the day on which both the Offeror and EVO FUND cease to hold the Target's Common Shares.

(4) Transfer to third parties

As described in "(ii) Management policy after the Tender Offer" under "(2) Background, object and process of decision-making to implement the Tender Offer and management policy after the Tender Offer" above, the Offeror may transfer all or part of the Shares to be Tendered by Gibson Holdings to EVO FUND for the purpose of implementing the sale of the Shares to be Tendered by Gibson Holdings on the TSE's auction market or outside of the auction market using methods such as block trading through EVO FUND. The details, such as the timing of implementation and the number of the Shares to be Tendered by Gibson Holdings regarding the transfer from the Offeror to EVO FUND is undetermined as of the date of filing of this Statement.

EVO FUND is the wholly-owning parent company and sole equity member of the Offeror, and as of the date of the filing of this Statement, does not hold any of the Target's Common Shares. The outline of EVO FUND is as described below.

(i) Business purpose of EVO FUND and the content of its business

EVO FUND is a fund established in December 2006 under the laws of the Cayman Islands for the purpose of investment business with a transaction volume of over 45 billion US dollars with regard to the transaction of various securities as of 2019. EVO FUND invests in the Japanese market mainly through its affiliate EVOLUTION JAPAN Asset Management Co., Ltd. (Kazuko Miyashita, Representative Director, 4-1 Kioicho, Chiyoda-ku, Tokyo).

(ii) EVO FUND's amount of paid-in capital and total number of issued shares

As of May 25, 2020

Amount of paid-in capital and total number of issued shares	Total number of issued shares (shares)
USD 35,511,964	355,119.6426 shares

(5) Matters related to measures to secure fairness and prevent conflict of interest

According to the Target's Press Release, the Target has implemented the measures described below to eliminate arbitrariness from the decision-making process and avoid conflict of interest pertaining to the Tender Offer, and to secure fairness of the Tender Offer, in light of the fact that Gibson Holdings, the controlling shareholder (parent company) of the Target, has concluded the Tender Offer Agreement, and the interests of the Target's minority shareholders may not agree with the Target's.

(i) Establishment of an independent special committee by the Target

According to the Target's Press Release, the expression of the opinions of the Target in connection with the Tender Offer pertains to the expression of opinions for the Tender Offer implemented by the Offeror upon the premise of the acquisition of all of the Target's Common Shares held by Gibson Holdings (the controlling shareholder of the Target), and the Tender Offer falls under "significant transactions, etc. with

controlling shareholders" stipulated in the Code of Corporate Conduct of the TSE. Therefore, the Target has established a special committee comprised of, three persons in total, Messrs. Takumi Hara (External Director) and Yoji Sakaguchi (External Director) from the Target (who are highly independent and do not have vested interests with any of the Target, Gibson Brands, Gibson Holdings or the Offeror, and who are designated as independent officers according to the registration with the TSE), and Mr. Takashi Goto (attorney at Shiomizaka), an external expert independent of the Target, Gibson Brands, Gibson Holdings and the Offeror, on July 26, 2019, in order to eliminate arbitrariness from the decision-making pertaining to the Tender Offer and to secure fairness, transparency and objectivity in the Target's decision-making process, and requested such special committee that it (a) consider whether the Target's board of directors should express a supportive opinion on the Tender Offer and recommend that the Target's shareholders tender their shares to the Tender Offer, and advise the Target's board of directors of its conclusion, and (b) consider whether such resolution by the Target's board of directors with regard to the Tender Offer will not prejudice minority shareholders, and express its opinion to the Target's board of directors, with regard to the policy of the expression of opinions regarding the Tender Offer that the Target's board of directors should adopt.

Upon receiving an explanation regarding the Tender Offer from the Target, the special committee held 9 meetings during the period between August 5, 2019 and May 21, 2020 for the consideration of the aforementioned matters. The special committee has submitted the Report with regard to the aforementioned matters, the details of which are summarized below, to the Target's board of directors on May 22, 2020 after such consideration.

(A)The Tender Offer is consistent with the Target's description of business, earnings structure, business environment and immediate business challenges, and the Target's view that the implementation of the Tender Offer will not be contrary to the maintenance and improvement of its corporate value compared to the current state is reasonable and may be agreed with. Predicted disadvantages can be summarized as follows.

- (a) There is a concern that the corporate value of the Target or the interests of the minority shareholders will be damaged, if, after the completion of the Tender Offer, Evolution Financial Group, the substantive controller of the Offeror which holds the majority of your shares, prioritizes only its own profit in the course of its actions. However, as the improvement of the Target's corporate value will be beneficial to the Offeror, which intends the maximization of capital gain, and the Offeror has consistently stated that it will not be involved in the management of the Target, there is no basis for the argument that the Target's corporate value will be damaged by the Offeror. Moreover, measures to this end are taken in the Agreement on Shareholder's Right and Covenants, which is expected to decrease the concerns.
- (b) To a certain extent, there are concerns upon the sale by the Offeror of the Shares to be Tendered by Gibson Holdings that (i) the price of shares will fall rapidly due to the short-term and large-scale sale, if selling on-market, or (ii) your corporate value will be damaged due to the resale of shares to a third party proving damaging to your corporate value, both on and off-market. However, the maintenance of share prices after the Tender Offer is achievable not by restriction of the transfer of shares or shareholder distribution but by the improvement of profitability through business operation. Measures to this end are taken in the Agreement on Shareholder's Right and Covenants, which is expected to decrease the concerns.
- (c) There is a concern that there will be a negative effect on the existing debts and future borrowings due to the transfer of the parent company following the Tender Offer. However, the Target has been holding discussions with the major banks with the premise that the rights of the shareholder will transfer to the Offeror, and the intention to continue the current transactions after the Tender Offer has already been confirmed.
- (d) To an extent, certain disadvantages, such as stand-alone costs (Note), may be foreseen, upon the change of the parent company from Gibson Holdings to the Offeror, in relation to the Tender Offer.

However, the dependency of the operation of business on Gibson Brands and Gibson Holdings is currently low, and a large sum of stand-alone costs is not expected to arise from the Tender Offer.

As above, specific consideration has been made for each foreseeable disadvantage according to the current conditions, and no particularly unreasonable details may be detected in the details of such consideration. According to the result of such consideration, the disadvantages to the corporate value of the Target arising from the Tender Offer is negligible, and at the very least, there is no matter which may be deemed to cause significant disadvantages to the corporate value of the Target or the minority shareholders' interests arising from the Tender Offer. In addition, there seems to be no matter which may allow for the existence of effective alternative means more advantageous than the Tender Offer from the perspective of the increase in the Target's corporate value.

(Note) The Offeror understands stand-alone costs as additional expenses incurred by the Target when Gibson Holdings ceases to be the Target's parent company.

(B) For this Tender Offer, various measures to secure fairness have been implemented, such as the establishment of a special committee independent of the Target, Gibson Brands, Gibson Holdings and the Offeror (including the implementation of practical designations to enhance the viability of the special committee), the early-stage appointment of Mori Hamada & Matsumoto, a legal adviser independent of the Target, Gibson Brands, Gibson Holdings and the Offeror, third-party organizations and Lincoln, a financial adviser, and the acquisition of their expert advice, the performance of proactive market tracking, and the securing of an opportunity for acquisition proposals after the publication of the Tender Offer, the elimination of interested officers and employees of the Target from the consideration, negotiation and resolution of the Tender Offer and the passing of resolution by unanimous vote of all disinterested officers of the Target, and the improvement of the transparency of the process through the enhancement of the provision of information to general shareholders. In light of conflict of interests under the specific conditions of the Tender Offer, the details of the measure to secure fairness is of necessary and sufficient content and combination, both from the perspective of the securing of (a) a situation which may be deemed to be the same as an arm's length transaction in the course of the development of the conditions of transaction and (b) an opportunity for appropriate decision-making of general shareholders based on sufficient information, and may be considered to have been viably exercised in actual circumstances as well. Therefore, it may be considered that it is possible to admit that sufficient arrangements have been made for the interests of the Target's general shareholders through fair procedure in this Tender Offer.

(C)(a) the Tender Offer is (x) not structurally a conflict-of-interest transaction, (y) a limit is placed on the scheduled amount of purchase, and the freedom of application (the freedom of not applying to the Tender Offer while enjoying the position as shareholder of the Target, a listed company) is secured for the Target's minority shareholders as no so-called squeeze-out by two-step acquisition is expected, and the policy is to maintain listing after the completion of the Tender Offer, and (z) considering the specific condition of the Tender Offer, it may be assessed that the Tender Offer is basically a transaction similar to an arm's length transaction, as the relationship between Gibson Holdings (which has concluded a tender offer agreement with the Offeror and has agreed to apply to the Tender Offer) and the Offeror may be deemed to be that of independent parties, and in addition to this, it may be assessed that reasonable efforts have been made for the Tender Offer to be conducted on terms as advantageous as possible for the general shareholders while also increasing corporate value, as necessary and sufficient measures for the securing of fairness, including the involvement of the special committee, has been operated effectively in the course of the development of the conditions of the transaction for the Tender Offer, and (b) with regard to the scheme and other terms of transaction (not including the Tender Offer Price), the consideration and method of purchase and other conditions of the Tender Offer are not disadvantageous to the Target's minority shareholders, are consistent with the interested parties of this Tender Offer, and therefore may be deemed reasonable. In light of the above, the terms of the Tender Offer may be considered reasonable. However, it is appropriate to entrust whether to apply for the Tender Offer or not to the decision of the minority shareholders, as the Tender Offer Price includes a discount from the market stock price thereby adding no

economic advantage to application, and the Target has not obtained calculations of the share value or conducted any other verification.

(D) In light of the above, it is reasonable that the Target's board of directors express its opinion in support of the Tender Offer. However, it is appropriate to express the opinion that it would withhold opinion regarding the appropriateness of the Tender Offer Price for the Target's Common Shares, and to entrust whether to apply for the Tender Offer or not to the decision of the minority shareholders, as the Tender Offer Price includes a discount from the market stock price thereby adding no economic advantage to application, and the Target has not obtained calculations of the share value or conducted any other verification.

(E) It may also be said that the resolution by the Target's board of directors to express the above opinion with regard to the Tender Offer by the Offeror will not prejudice minority shareholders.

(ii) Advice from a law firm independent of the Target

According to the Target's Press Release, the Target has appointed Mori Hamada & Matsumoto, a legal adviser independent of the Target, Gibson Brands, Gibson Holdings and the Offeror, in order to obtain professional advice regarding the fairness and appropriateness of the procedures in the decision-making process pertaining to the Tender Offer, and has been receiving necessary legal advice from the said firm regarding the method of the decision-making by the Target's board of directors, its process and other matters

(iii) Approval of all disinterested directors of the Target

According to the Target Press Release, upon receipt from the Offeror of a proposal for the Tender Offer, the Target's board of directors has given careful consideration to the terms of the Tender Offer by the Offeror based on the review on enhancement of the Target's corporate value, the Offeror's intentions, the legal advice received from its legal adviser, Mori Hamada & Matsumoto, the substance of the Report submitted by the special committee as described in "(i) Establishment of an independent special committee by the Target" above as well as the substance of the Agreement on Shareholder's Right and Covenants as described in "(ii) Management policy after the Tender Offer" under "(2) Background, object and process of decision-making to implement the Tender Offer and management policy after the Tender Offer" above. As a result, as stated in "(iii) Process and reasons of decision-making of the Target" under "(2) Background, object and process of decision-making to implement the Tender Offer and management policy after the Tender Offer" above, the Target resolved at its board of directors meeting held today to express its opinion in support of the Tender Offer, to withhold opinion regarding the appropriateness of the Tender Offer Price, and to leave to its shareholders the decision as to whether or not to tender their shares in the Tender Offer.

It is reported that two-step procedures were followed at the above-mentioned board of directors meeting in light of the fact that some of the Target's directors, namely, Mr. Henry E. Juskiewicz, Mr. John Alexander Campbell and Mr. Bryan David Follis is concurrently holding a position as an employee of Gibson Brands, which holds all the shares of Gibson Holdings, that has executed the Tender Offer Agreement; Mr. David Berryman is concurrently holding a position as a director of Gibson Holdings; Mr. James Robert Curleigh is concurrently holding a position as an officer of Gibson Brands; and Ms. Kimberly Suzanne Mattoon had been holding a position as an officer of Gibson Brands until the end of January 2020. First, with the view to eliminating conflicts or likely conflicts of interest in relation to the Tender Offer to the extent possible, (a) the resolution to express the above-mentioned opinion was reportedly deliberated by five (including two external directors) out of the eight attendees (Among total of eleven directors of the Target, Mr. Henry E. Juskiewicz, Mr. David Berryman and Ms. Kimberly Suzanne Mattoon did not attend the meeting for personal reasons, and Mr. James Robert Curleigh, Mr. John Alexander Campbell and Mr. Bryan David Follis did not participate in the process.), and was

unanimously adopted by all directors, including Audit and Supervisory Committee Members. Then, with the view to achieving a quorum for the Target's board of directors meeting, (b) the resolution to express the above-mentioned opinion was reportedly further deliberated by seven directors, namely, the above-mentioned five directors plus Mr. John Alexander Campbell and Mr. Bryan David Follis, and was unanimously adopted by all directors, including Audit and Supervisory Committee Members.

It is reported that with the view to enhancing fairness, transparency and objectivity and avoiding conflict of interests, in the process of decision-making in relation to the Tender Offer by the board of directors, Mr. James Robert Curleigh and Ms. Kimberly Suzanne Mattoon, from among the Target's directors, have never participated in the deliberations and resolutions on the proposals pertaining to the Tender Offer, nor have they participated in the discussions and negotiations with the Offeror as directors of the Target, in view of Mr. Curleigh's concurrent holding of a position as an officer of Gibson Brands and Ms. Mattoon's concurrent holding of a position as an officer of Gibson Brands until the end of January 2020.

(6) Whether or not to acquire additional shares, etc. in the Target after the Tender Offer

The Offeror is to conduct the Tender Offer for the purpose of acquiring the Shares to be Tendered by Gibson Holdings, and does not plan to make any additional acquisition of the Target's Common Shares after the Tender Offer. In the Agreement on Shareholder's Right and Covenants, the Offeror and EVO FUND promised not to directly or indirectly acquire, other than the Shares to be Tendered by Gibson Holdings, any securities representing the Target's voting rights, including the Target's Common Shares.

(7) Prospects for delisting and its reasons

As of the date of filing of this Statement, the Target's Common Shares are listed on the First Section of the TSE. The Tender Offer is not being made with the intention of delisting the Target's Common Shares, and the Offeror and the Target plan to maintain the listing of the Target's Common Shares after the completion of the Tender Offer. In addition, as the maximum number of shares to be purchased in the Tender Offer has been set at 15,744,700 shares (Shareholding Ratio: 54.65%), the number of the Target's Common Shares owned by the Offeror after the completion of the Tender Offer is expected to be 15,744,700 shares, at the maximum. Therefore, after the completion of the Tender Offer, the Target's Common Shares will continue to be listed on the TSE.

**4. Tender Offer Period, Price and Number of Shares to be Purchased**

(1) Tender offer period

(i) Period set at the time of filing

Tender Offer Period	From May 25, 2020 (Monday) through June 23, 2020 (Tuesday) (22 business days)
Date of public notice	May 25, 2020 (Monday)
Name of newspaper in which public notice is to appear	Public notice will be made electronically, and such fact will be published in <i>The Nihon Keizai Shimbun</i> . The URL of the website on which the electronic public notice will be posted is as follows: <a href="http://disclosure.edinet-fsa.go.jp/">http://disclosure.edinet-fsa.go.jp/</a>

(ii) Possibility of extension of the Tender Offer Period at the request of the Target

If the Target submits a position statement requesting extension of the Tender Offer Period pursuant to Article 27-10, Paragraph 3 of the Act, the Tender Offer Period will be extended to 30 business days, ending on July 3, 2020 (Friday).

(iii) Contact to confirm whether the Tender Offer Period is extended

Contact: Evolution Japan Securities Co., Ltd.

Phone: 03-4510-3350

(Contact person: Masanobu Tsujiie, Head of Business Administration Division)

Service hours for confirmation: 9:00 a.m. - 5:00 p.m. on weekdays

(2) Price of tender offer, etc.

Share certificates	JPY 60 per common share
Certificate of stock acquisition rights	-
Certificate of corporate bonds with stock acquisition rights	-
Beneficiary certificate of trust of shares ( )	-
Depository receipt for shares ( )	-
Basis of calculation	<p>Given that the principal purpose of the Tender Offer is to acquire the Shares to be Tendered by Gibson Holdings (15,744,700 shares, Shareholding Ratio: 54.65%), the Offeror adopted a policy of setting the Tender Offer Price at a price agreeable to the Offeror and Gibson Holdings. Under such policy, the Offeror engaged in consultations and negotiations with Gibson Holdings while referring to market prices of the Target's Common Shares over the past year and taking into account the results of the due diligence review conducted from late February of 2020 to mid-April of 2020 based on public information, and on April 14, 2020, the parties agreed to set the Tender Offer Price at JPY 60. On May 22, 2020, the Offeror finalized the Tender Offer Price of JPY 60 per share.</p> <p>The Offeror has not obtained a share valuation report from a third party valuator because it determined the Tender Offer Price through consultations and negotiations with Gibson Holdings with comprehensive consideration given to the above mentioned factors.</p> <p>The Tender Offer Price (JPY 60 per share) represents a discount of 59.73% (rounded to the second decimal place; hereinafter the same in the calculation of discount rates) on JPY 149, which is the closing price of the Target's Common Shares on the First Section of the TSE on May 21, 2020, i.e. the</p>

	<p>business day immediately preceding the announcement date of the Tender Offer, 59.46% on JPY 148, which is the simple average closing price for the one-month period ending on that day (rounded to the closest whole number; hereinafter the same in the calculation of simple averages of closing prices), 58.90% on JPY 146, which is the simple average closing price for the three-month period ending on that day, and 66.67% on JPY 180, which is the simple average closing price for the six-month period ending on that day.</p> <p>The Tender Offer Price represents a discount of 59.18% on JPY 147, which is the closing price on May 22, 2020, i.e. the business day preceding the date of filing of this Statement.</p>
Process of calculation	<p>As stated in "(2) Background, object and process of decision-making to implement the Tender Offer and management policy after the Tender Offer" under "3. Purposes of Tender Offer" above, EVO FUND expressed its initial intention to KKR to acquire the Target's Common Shares in the middle of January 2020. Thereafter, an introductory meeting was held between Lincoln, a financial adviser of the Target, and EVO FUND regarding the acquisition of the Target's Common Shares. EVO FUND expressed its intention to Lincoln to acquire the Target's Common Shares for JPY 105 per share on January 30 of the same year (the closing price of the Target's Common Shares on that day was JPY 198) to become one of the candidate companies, assuming that the acquisition of the Target's Common Shares will be a good investment opportunity that will generate capital gains. Subsequently, in late February of the same year, a meeting was held among KKR, Lincoln and EVO FUND. At the same time, the stock price of the Target (closing price per share) was declining from a price of JPY 202 on February 6<sup>th</sup> of the same year to a price of JPY 105 on March 13<sup>th</sup> of the same year. The Target believes that such decline was caused by the downturn in the market due to the uncertainty over Japan's economic outlook caused by the spread of the COVID-19 pandemic.</p> <p>Given the drop in stock price, at the beginning of March of the same year, EVO FUND proposed to Lincoln that the Tender Offer Price of the Target's Common Shares per share should be set at a 35 percent discount of the closing price of the Target's Common Shares on the First Section of the TSE on the day immediately preceding the first day of the Tender Offer Period, provided that the price would not exceed JPY 110. However, around mid-March of the same year, EVO FUND and KKR both wished to focus on the negotiation of a specific amount of the Tender Offer Price per share, not the calculation method by which the Tender Offer Price should be set at a 35 percent discount of the closing price, and therefore, discussions on the calculation formula were stopped (That is, as described below, from the beginning of April of the same year, EVO FUND and KKR shifted focus of the negotiation to whether they can agree on the proposal where the Tender Offer Price should be set at JPY 60 which is further discounted from the price of JPY 65, which is a discount of approximately 35% on the closing price of the Target's Common Shares around the middle of March of the</p>

same year (approximately JPY 100), and therefore, discussions on the calculation formula were stopped.)

Meanwhile, as EVO FUND wanted to conduct the Tender Offer with the approval from the Target, it also held a conference call with Yuji Hanabusa, President and CEO of the Target and Yoshihide Nomura, Director of the Target at the end of March of the same year. During the conference call meeting, EVO FUND agreed with Yuji Hanabusa, President and CEO of the Target and Yoshihide Nomura, Director of the Target that it has no intention to be involved in the Target's management even after acquiring shares, and respects the independence of the Target's management, and there was a feeling that it is likely to obtain the approval from the Target for the Tender Offer.

Subsequently, from early to mid-April of the same year, EVO FUND, Gibson Brands and KKR proceeded with discussions and negotiations regarding the Tender Offer. However, although the extent of impact of the COVID-19 pandemic on the Target's business was not necessarily apparent, in light of the uncertainty over the outlook of the stock price of the Target's Common Shares as a result of the movements of the stock price of the Target's Common Shares due to the uncertainty over Japan's economic outlook caused by the COVID-19 pandemic, the increased volatility of the market price of the Target's Common Shares, and the concern over liquidity caused by the unstable ability to trade the Target's Common Shares in the market (Note), EVO FUND proposed that the Tender Offer Price should be JPY 60 per share of the Target's Common Shares, and Gibson Brands and KKR considered whether it can accept such proposal or not.

After such consideration, on April 14 of the same year, EVO FUND, Gibson Brands and KKR orally agreed that the Tender Offer Price should ultimately be set at JPY 60 per share of the Target's Common Shares (the closing price of the Target's Common Shares on that day was JPY 151), based on the intention of Gibson Brands and KKR to sell its non-core assets as soon as possible and concentrate its management resources on its core businesses, and the other terms of the Tender Offer were negotiated. Meanwhile, from the beginning of March, EVO FUND proceeded with the discussions with the Target through Lincoln on the holding policy of the Target's Common Shares after the Tender Offer. Accordingly, the parties orally agreed at the beginning of May that the Offeror shall not continue to hold the Shares to be Tendered by Gibson Holdings after the Tender Offer and make its best efforts to sell all of the Shares to be Tendered by Gibson Holdings that it obtained within two years at the TSE auction market. The parties, since the beginning of May, had negotiated the other conditions (e.g. the conditions relating to the transfer of all or part of the Shares to be Tendered by Gibson Holdings from Offeror to EVO FUND) and had proceeded with the preparation for the execution of the Agreement on Shareholder's Right and Covenants (For details of the Agreement on Shareholder's Right and Covenants, please refer to "(ii) Agreement on Shareholder's Right and Covenants" under "(3) Material agreements with respect to the Tender Offer" above). Then, on May 22, 2020, EVO FUND executed the Tender Offer Agreement with the Offeror and

	<p>Gibson Holdings and the Agreement on Shareholder's Right and Covenants with the Offeror and the Target, and decided to conduct the Tender Offer when the conditions precedent regarding the Tender Offer, which conditions are described in the Tender Offer Agreement are satisfied or waived by the Offeror, and in addition, decided to set the Tender Offer Price at JPY 60 (the closing price of the Target's Common Shares on that day was JPY 147).</p> <p>(Note: For example, the trading volume of the Target's Common Shares on the First Section of the TSE between March 1 and April 10, 2020 fluctuated within the range between 20,900 shares and 226,000 shares, and this is more than tenfold difference.)</p>
--	---

(3) Number of shares to be purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
15,744,700 (shares)	15,744,700 (shares)	15,744,700 (shares)

(Note 1) If the total number of Tendered Shares fails to reach the minimum number of shares to be purchased (15,744,700 shares), the Offeror will not purchase any of the Tendered Shares. If the total number of Tendered Shares exceeds the maximum number of shares to be purchased (15,744,700 shares), the Offeror will not purchase all or any part of the portion exceeding such maximum number, and will implement the delivery or other settlement procedures for purchasing the shares, etc. on a pro-rata basis as provided in Article 27-13, Paragraph 5 of the Act and Article 32 of the TOB Order.

(Note 2) Shares of less than one unit are also subject to the Tender Offer. If a shareholder exercises the statutory put option for shares less than one unit pursuant to the Companies Act (Act No. 86 of 2005, as amended), the Target may, in accordance with statutory procedures, purchase its own shares during the period for purchase in the Tender Offer (the "Tender Offer Period").

(Note 3) The Offeror has no plan to acquire the treasury shares held by the Target through the Tender Offer.

## 5. Percentage of Ownership of Share Certificates after Tender Offer

Details	Number of voting rights
Number of voting rights represented by the shares to be purchased: (a)	157,447
Number of voting rights represented by potential shares included in (a): (b)	-
Number of voting rights represented by depository receipts for shares and beneficiary certificates of trust for shares included in (b): (c)	-
Number of voting rights represented by shares held by the Offeror (as of May 25, 2020) : (d)	-
Number of voting rights represented by potential shares included in (d) : (e)	-
Number of voting rights represented by depository receipts for shares and beneficiary certificates of trust for shares, etc. included in (e): (f)	-
Number of voting rights represented by shares held by special related parties (as of May 25, 2020) : (g)	-
Number of voting rights represented by potential shares included in (g): (h)	-
Number of voting rights represented by depository receipts for shares and beneficiary certificates of trust for shares included in (h): (i)	-
Number of voting rights of all shareholders, etc. of the Target (as of September 30, 2019) : (j)	287,109
Percentage of voting rights represented by the shares to be purchased to the number of voting rights of all shareholders, etc. of the Target: (a) / (j) (%)	54.65
Percentage of ownership of share certificates after tender offer: (a+d+g) / (j+(b-c)+(e-f)+(h-i))×100 (%)	54.65

(Note 1) "Number of voting rights represented by the shares to be purchased: (a)" is the number of voting rights relating to the number of shares scheduled to be purchased in the Tender Offer (15,744,700 shares).

(Note 2) "Number of voting rights of all shareholders, etc. of the Target (as of September 30, 2019): (j)" is the number of voting rights of all shareholders as stated in the Third Quarterly Securities Report for the 72<sup>nd</sup> term filed by the Target on February 7, 2020. However, as the shares less than one unit are also subject to purchase under the Tender Offer, for the purpose of calculating "Percentage of voting rights represented by the shares to be purchased to the number of voting rights of all shareholders, etc. of the Target " and "Percentage of ownership of share certificates after tender offer," the denominator was set at 288,094, which is the number of voting rights with respect to the number of shares (28,809,467 shares) obtained by deducting the number of treasury shares owned by the Target (122,246 shares) as of March 31, 2020 from the total number of the Target's issued common shares as of the same date (28,931,713 shares), both as disclosed in the Earnings Briefing.

(Note 3) "Percentage of voting rights represented by the shares to be purchased to the number of voting rights of all shareholders, etc. of the Target" and "Percentage of ownership of share certificates after tender offer" are rounded to the second decimal place.

## 6. Licenses, Etc. Concerning Acquisition of Shares

N/A

## 7. Method of Tendering Shares under the Tender Offer and Cancellation thereof

(1) Method of tendering shares

- (i) Tender Offer Agent  
Phillip Securities Japan, Ltd.  
4-2, Nihombashi Kabutocho, Chuo-ku, Tokyo
- (ii) Persons wishing to tender their shares under the Tender Offer (the "Tendering Shareholders") are required to fill in the prescribed "Tender Offer Application Form" (*koukai-kaitsuke-oubo-moushikomisho*) and submit it to the head office of the Tender Offer Agent (hereinafter, if the Tendering Shareholders have already held an account at the Tender Offer Agent, the handling office) by no later than 3:00 p.m. on the last day of the Tender Offer Period.
- (iii) In order to accept shares under the Tender Offer, such shares scheduled to be tendered will need to be registered or recorded in accounts set up in the name of the Tendering Shareholders with the Tender Offer Agent (the "Tendering Shareholder Account"). Therefore, in cases where shares scheduled to be tendered are registered or recorded in an account with a financial instruments business operators other than the Tender Offer Agent (including cases where such shares are registered or recorded in a special account established with Mitsubishi UFJ Trust and Banking Corporation), procedures to transfer such shares into a Tendering Shareholder Account, which is set up with the Tender Offer Agent, must be completed prior to tendering such shares. No application for tendering under the Tender Offer made through financial instruments business operators other than the Tender Offer Agents shall be accepted.
- (iv) Please have ready the registered seal (*todokede-in*) used when opening the Tendering Shareholder Account at the time of application of shares, etc. together with the Tender Offer Application Form. In addition, My Number (Individual Number (*kojin-bango*)) and identification documents, etc. may be necessary upon application (see Notes 1 and 2 below).
- (v) Shareholders that reside outside Japan (including corporate shareholders, the "Non-Resident Shareholders") are requested to tender shares through their standing proxies residing in Japan (the standing proxies shall provide a power of attorney from the Non-Resident Shareholders or a certified "copy" of a contract with the Non-Resident Shareholders).
- (vi) As regards individual shareholders residing in Japan, any difference between the purchase price for the shares sold through the Tender Offer and the original cost of acquiring the same shall generally be subject to self-assessment taxation separate from other income with regard to capital gains on the shares (see Note 3 below).
- (vii) Tendering Shareholders will be issued a "Certificate of Tender Offer Application" upon acceptance of their application.
- (viii) Please consult the Tender Offer Agent or contact Mitsubishi UFJ Trust and Banking Corporation, the account management institution, regarding specific transfer procedures (i.e., procedures to transfer the shares scheduled to be tendered into a Tendering Shareholder Account) for tendering shares registered or recorded in a special account established with Mitsubishi UFJ Trust and Banking Corporation, manager of Target's shareholder register (see Note 4 below).

(Note 1) Identification Documents

Shareholders who are opening a new account with the Tender Offer Agent, or Non-Resident Shareholders

who are applying through their standing proxies residing in Japan must submit My Number (Individual Number) and identification documents (with respect to a corporation, in addition to the Corporate Number (*hojin-bango*) and identification documents of the corporation, the corporation must submit the identification documents of the "person who actually takes charge of the transaction"). Since January 2016, My Number (Individual Number) or Corporate Number and identification documents may be required even if a shareholder already has an account established with the Tender Offer Agent when changing one's name, address or My Number (Individual Number), etc. For more information, please contact the Tender Offer Agent.

Patterns	Document(s) to verify My Number (Individual Number)	Identification Documents
1	Notification card (copy)	Any <u>two</u> of the following documents: <ul style="list-style-type: none"> <li>• Driver's license (copy)</li> <li>• Residence card (copy)</li> <li>• Special permanent resident certificate (<i>tokubetsu-eijusha-shomeisho</i>) (copy)</li> <li>• Basic resident register card (<i>jumin-kihon-daicho-kado</i>) (copy)</li> <li>• Insurance card of various insurances (<i>hi-hoken-sho</i>) (copy)</li> <li>• A certificate of registered seal (<i>inkan-toroku-shomeisho</i>) (original)</li> <li>• A certificate of record of residence registry (<i>jyumin-hyo-kisai-jiko-shomeisho</i>) (original)</li> <li>• A copy of residence registry (<i>jyumin-hyo</i>) (original)</li> </ul>
2	Individual Number card (copies of both sides)	Any one of the documents listed in Pattern 1
3	A certificate of record of residence registry which includes the Individual Number or A copy of residence registry which includes the Individual Number	Any one of the documents listed in Pattern 1 other than those described in the left

(Note 2) Mail of documents related to the transaction:

In order to notify that the identity verification has been performed, documents related to the transaction will be mailed to the address or location described in such identification documents.

(Note 3) Self-assessment taxation separate from other income with regard to gains on shares (for individual shareholders):

For individual shareholders, capital gains realized from income received on a transfer of shares will generally be subject to self-assessment taxation separate from other income. Shareholders should consult his or her own licensed tax accountant or other experts with respect to any specific questions regarding tax consequences and is responsible for his or her own decisions.

(Note 4) Transfer procedures from special accounts:

As described in (iii) above, at the time of the application, shares which are registered or recorded in a special account must be transferred into a Tendering Shareholder Account set up with the Tender Offer Agent.

(2) Method of cancelling the tender of shares to the Tender Offer

Tendering Shareholders may, at any time during the Tender Offer Period, cancel any agreement to tender their shares to the Tender Offer. Tendering shareholders who wish to cancel their agreement must deliver, or send by mail, a cancellation notice (the Certificate of Tender Offer Application and a document stating that such Tendering Shareholder cancels his/her application for tendering to the Tender Offer) to the head office of the Tender Offer Agent that accepted the tender no later than 3:00 p.m. on the last day of the Tender Offer Period. Please note that the Cancellation Notice, if sent by mail, must be received no later than 3:00 p.m. on the last day of the Tender Offer Period.

Person authorized to receive the Cancellation Notice:

Phillip Securities Japan, Ltd.  
4-2, Nihombashi Kabutocho, Chuo-ku, Tokyo

(3) Method of return of shares

If a Tendering Shareholder gives such notice of cancellation by the method described in "(2) Method of cancelling the tender of shares to the Tender Offer" above, the relevant shares will be returned promptly following the completion of the cancellation procedures by the method described in "(4) Method of return of shares" under "10. Method of Settlement" below.

(4) Name and address of head office of financial instruments business operators, banks, etc. keeping custody of, and returning shares  
Phillip Securities Japan, Ltd.  
4-2, Nihombashi Kabutocho, Chuo-ku, Tokyo

**8. Funds Required for Tender Offer**

(1) Funds, etc. required for tender offer

Purchase price (JPY): (a)	944,682,000
Types of consideration other than cash:	-
Sum of consideration other than cash:	-
Purchase commission: (b)	4,000,000
Others (JPY): (c)	3,000,000
Total (JPY) (a)+(b)+(c):	951,682,000

(Note 1) "Purchase price (JPY): (a)" is the amount calculated by multiplying the tendered shares to be purchased in the Tender Offer (15,744,700 shares) by the purchase price per Common Share (JPY 60).

(Note 2) "Purchase commission: (b)" is the estimated amount of commission to be paid to the Tender Offer Agent.

(Note 3) "Others: (c)" is comprised of estimated fees and expenses for the publication fee for the announcement of public notices regarding the commencement of Tender Offer, the printing of the Tender Offer explanatory statement and other necessary documents .

(Note 4) The above amount does not include consumption tax, etc.

(Note 5) There are other expenses to be paid to the Tender Offer Agent and legal fees, and such amount will be determined after the completion of the Tender Offer.

(2) Deposits or borrowings, etc. that may be appropriated to obtain the funds required for the Tender Offer

(i) Deposits one or two days prior to the filing date

Type of deposit	Amounts (thousand yen)
Current deposit	1,002,075 (Note) 9,300,000 (USD)
TOTAL (a)	1,002,075 9,300,000 (USD)

(Note) Conversion of US dollars into Japanese yen has been made at the rate of USD 1 = JPY 107.75, which was the median of telegraphic transfer selling and buying rates vis-a-vis customers published by MUFG Bank, Ltd. on May 22, 2020.

(ii) Borrowings prior to the filing date

(a) Financial institutions

	Lender's business category	Name of lender	Terms of lending agreement	Amounts (thousand yen)
1	-	-	-	-
2	-	-	-	-
TOTAL				-

(b) Others

Lender's business category	Name of lender	Terms of lending agreement	Amounts (thousand yen)
-	-	-	-
-	-	-	-
TOTAL			-

(iii) Borrowings to be made on or after the filing date

(a) Financial institutions

	Lender's business category	Name of Lender	Terms of loan agreement	Amounts (thousand yen)
1	-	-	-	-
2	-	-	-	-
TOTAL (b)				-

(b) Others

Lender's business category	Name of lender	Terms of loan agreement	Amounts (thousand yen)
-	-	-	-
-	-	-	-

Lender's business category	Name of lender	Terms of loan agreement	Amounts (thousand yen)
TOTAL (c)			-

(iv) Other methods of financing

Content	Amounts (thousand yen)
-	-
TOTAL (d)	-

(v) Total of deposits or borrowings, etc. that can be as appropriated to obtain funds required for tender offer

JPY 1,002,075 thousand ((a) + (b) + (c) + (d))

(3) Relationship between the Offeror and the company issuing securities as consideration for the purchase

N/A

**9. The Company Issuing Securities as Consideration for the Purchase**

N/A

**10. Method of Settlement**

(1) Name and address of the head office of financial instruments business operators or banks etc. in charge of the settlement of purchase

Phillip Securities Japan, Ltd.

4-2, Nihombashi Kabutocho, Chuo-ku, Tokyo

(2) Commencement date of settlement

June 25, 2020 (Thursday)

(Note) If the Target requests the extension of the Tender Offer Period by submitting a position statement in accordance with Article 27-10, Paragraph 3 of the Act, such date will be July 7, 2020 (Tue).

(3) Method of settlement

A notice of purchase, etc. through the Tender Offer shall be mailed to the addresses of the Tendering Shareholders, etc. (or the addresses of standing proxies in the case of Non-Resident Shareholders) without delay after the expiry of the Tender Offer Period.

Payment for the shares will be made in cash. At the instruction of the Tendering Shareholders (or the standing proxies in the case of Non-Resident Shareholders), payment will be made through the Tender Offer Agent to the Tendering Shareholders (or the standing proxies in the case of Non-Resident Shareholders) by money transfer.

(4) Method of return of shares

In the event that all or part of the Tendered Shares are not purchased under the terms set forth in "(1) Conditions set forth in Article 27-13, Paragraph 4 of the Act and the details thereof" or "(2) Conditions for withdrawal of the Tender Offer, details thereof and method of disclosure for withdrawal" under "11. Other Conditions and Methods of Tender Offer" below, the shares, etc. to be returned shall be returned by returning such shares to their original state of record immediately before the tendering, promptly after the commencement date of the settlement (or in case of the withdrawal of the Tender Offer, at the date of such withdrawal).

**11. Other Conditions and Methods of Tender Offer**

(1) Conditions set forth in Article 27-13, Paragraph 4 of the Act and the details thereof

If the total number of tendered shares fails to reach the minimum number of shares to be purchased (15,744,700 shares), the Offeror will not purchase any of the tendered shares. If the total number of tendered shares exceeds the maximum number of shares to be purchased (15,744,700 shares), the Offeror will not purchase all or part of such excess amount and will conduct the settlement including the delivery related to the purchase of the shares, using the method of proportional distribution in accordance with Article 27-13, Paragraph 5 of the Act and Article 32 of the TOB Order (When there is a part in Tendered Shares that is less than one unit (100 shares) in number, the upper limit of the number of purchased shares to be calculated by the method of proportional distribution will be the number of such Tendered Shares).

If the total number of the shares purchased from the Tendering Shareholders, which is calculated by rounding off the fractional shares less than one unit caused as a result of the calculation using the method of proportional distribution fails to reach the upper limit of the planned number of shares to be purchased, the Offeror will purchase one unit of Tendered Shares (if such addition causes the total number of the purchased shares to exceed the number of the Tendered Shares, up to the number of the Tendered Shares) from the Tendering Shareholders until the number of purchased shares reaches the upper limit of the planned number of shares to be purchased or higher, prioritizing the Tendering Shareholders with the higher number of shares rounded off by calculation. Provided, However, that if such additional purchase from all of the Tendering Shareholders with the same number of rounded shares will cause the total number of purchased shares to exceed the upper limit of the planned number of shares to be purchased, Tendering Shareholders whose shares are to be purchased will be chosen by drawing lots, within the range that would not cause the number of purchased shares to exceed the upper limit of the planned number of shares to be purchased.

If the total number of the shares purchased from the Tendering Shareholders, which is calculated by rounding off the fractional shares less than one unit caused as a result of the calculation using the method of proportional distribution exceeds the upper limit of the planned number of shares to be purchased, the Offeror will reduce one unit of the purchased shares (When there is a part in the purchased shares that is less than one unit in number, such fractional number of shares) from the Tendering Shareholders, prioritizing the Tendering Shareholders with the higher number of shares rounded off by calculation, within the range that would not cause the number of purchased shares to be less than the upper limit of the planned number of shares to be purchased. Provided, however, that if such reduction of shares from all of the Tendering Shareholders with the same number of rounded shares cause the number of purchased shares to be less than the upper limit of the planned number of shares to be purchased, Tendering Shareholders whose purchased shares are to be reduced will be chosen by drawing lots within the range that would not cause the number of purchased shares to be less than the upper limit of the planned number of shares to be purchased.

(2) Conditions for withdrawal of the Tender Offer, details thereof and method of disclosure for withdrawal

Upon the occurrence of any event listed in Article 14, Paragraph 1, Items *1 i* through *ri*, *wo* through *so* and *tsu*,

Items 3 *i* through *chi* and *nu*, as well as in Article 14, Paragraph 2, Items 3 through 6 of the Enforcement Order, the Offeror may withdraw the Tender Offer. Also, in the event that (1) the board of directors of the Target determines to discuss a proposal that the Target would distribute the dividends of surplus for which the record date is set before the commencement of the settlement related to the Tender Offer (except where it is estimated that the amount of money and other properties to be distributed to shareholders fail to reach the amount equivalent to 10% of the book value of the net asset of the Target as provided in the balance sheet (note 1) at the end of the business year that ended on March 31, 2019 (JPY 345,300,000 (note 2))) at the shareholders' meeting of the Target and (2) the board of directors of the Target determines to repurchase treasury shares (except where it is estimated that the amount of money and other properties to be distributed as a result of the repurchase of shares fail to reach the amount equivalent to 10% of the book value of the net asset of the Target as provided in the balance sheet at the end of the business year that ended on March 31, 2019 (JPY 345,300,000)), the Offeror may withdraw the Tender Offer on the ground of an "event equivalent to the events specified in *i* through *so*" of Article 14, Paragraph 1, Item 1 *tsu* of the Enforcement Order. Furthermore, with respect to the Tender Offer, an event equivalent to the respective events specified in *i* through *ri* set forth in Article 14, Paragraph 1, Items 3 *nu* of the Enforcement Order refers to (i) an event that any statutory disclosure documents that the Target has previously filed turns out to contain false information in respect of any material matters or lacks information required to be provided in relation to material matters or to (ii) an event where any event specified in *i* through *to* of the same Item occurs to an important subsidiary of the Target.

In the event that the Offeror intends to withdraw the Tender Offer, the Offeror shall give a public notice electronically, and shall then post in the Nihon Keizai Shimbun that such public notice has been made; provided, however, that, if it is impracticable to give such public notice by the last day of the Tender Offer Period, the Offeror shall make a public announcement pursuant to Article 20 of the TOB Order and give a public notice forthwith.

(Note 1) The balance sheet of the Target at the end of the business year that ended on March 31, 2020 has not been disclosed as of the date of this document.

(Note 2) If there is no change in the total number of issued shares and the number of treasury shares, the dividend amount per share will be JPY 12 (It is calculated by dividing JPY 345,300,000, which is the amount equivalent to 10% of JPY 3,453,000,000 (the net asset value as provided in the balance sheet of the business year that ended on on March 31, 2019) by 28,809,467 shares (the number of shares calculated by deducting 122,246, the number of treasury shares owned by the Target on March 31, 2020 as listed in the Earnings Briefing from 28,931,713, the total number of issued shares of the Target on March 31, 2020 as listed in the Earnings Briefing) and rounding off fractional numbers less than JPY one).

(3) Conditions of reduction of purchase price and method of disclosure of the reduction

Pursuant to Article 27-6, Paragraph 1, Item 1 of the Act, if the Target takes any action enumerated in Article 13, Paragraph 1 of the Enforcement Order during the Tender Offer Period, the Offeror may reduce the price of purchase, etc. in accordance with Article 19, Paragraph 1 of the TOB Order.

In the event that the Offeror intends to reduce the price of purchase, etc., the Offeror shall give public notice electronically, and shall then post a notice in the Nihon Keizai Shimbun that such public notice has been made; provided, however, that, if it is impracticable to give such notice by the last day of the Tender Offer Period, the Offeror shall make a public announcement pursuant to Article 20 of the TOB Order and give public notice forthwith.

If the price of purchase, etc. is reduced, the Offeror shall purchase any and all tendered shares at such reduced price, even if such shares were tendered prior to such public notice.

(4) Matters concerning the right of Tendering Shareholders to cancel their tender

Tendering Shareholders may cancel agreements concerning the Tender Offer at any time during the Tender Offer Period. The method of cancellation shall be as described herein under "(2) Method of cancelling the tender of shares to the Tender Offer" under "7. Method of Tendering Shares under the Tender Offer and Cancellation thereof."

No compensation for damages or penalty payments shall be claimed against any Tendering Shareholders by the Offeror in the event that a tender by a Tendering Shareholder is cancelled. The cost of returning the tendered shares shall be borne by the Offeror.

(5) Method of disclosure of amendment to the conditions of Tender Offer (if any)

Except for the cases prohibited by Paragraph 1 of Article 27-6 of the Act and Article 13 of the Enforcement Order, the Offeror may amend the conditions or other terms of the Tender Offer. If any terms or conditions of the Tender Offer are amended, the Offeror shall give public notice electronically regarding the details of such amendments and then post a notice in the Nihon Keizai Shimbun that such public notice has been made; provided, however, that, if it is impracticable to give such notice by the last day of the Tender Offer Period, the Offeror shall make a public announcement pursuant to Article 20 of the TOB Order and give public notice forthwith. If any amendment to the terms and conditions of the Tender Offer is made, the Offeror shall purchase any and all tendered shares in accordance with the amended terms and conditions, even if such shares were tendered prior to such public notice.

(6) Method of disclosure of amendment statement (if any)

If an amendment to the Tender Offer Registration Statement is filed with the Director General of the Kanto Local Finance Bureau, except in the case provided for in the proviso to Article 27-8, Paragraph 11 of the Act, the Offeror shall forthwith make a public announcement of the details thereof to the extent relevant to the details of the public notice of the Tender Offer, in accordance with the method set forth in Article 20 of the TOB Order. The Offeror shall also forthwith amend the Tender Offer explanatory statement and deliver the amended Tender Offer explanatory statement to all Tendering Shareholders who have already received the Tender Offer explanatory statement; provided, however, that, if the amended parts of the Tender Offer explanatory statement are not substantial, the Offeror shall instead prepare a document stating the reason(s) for the amendments, the matters amended and the details of the information following the amendment and deliver such document to the Tendering Shareholders.

(7) Method of disclosure of results of Tender Offer

The Offeror shall make a public announcement regarding the results of the Tender Offer, in accordance with the methods provided for in Article 9-4 of the Enforcement Order and Article 30-2 of the TOB Order, on the day following the last day of the Tender Offer Period.

## PART II. Information on the Offeror

### 1. In Case the Offeror is a Corporation

#### (1) Outline of the Offeror

##### (i) History of the Offeror

Date	History
May 2012	Incorporated under the laws of California, under the trade name of EVO Real Estate Opportunities III LLC, having its registered office at 2425 Olympic Blvd., Suite 120E, Santa Monica, CA, the United States.
May 2020	The name was changed to Global Acoustic Partners LLC

##### (ii) Business purpose of the Offeror and the content of its business

Business purpose of the company

The purpose of the business of the Offeror is to acquire, hold and sell securities.

Description of the business of the company

Investment business.

##### (iii) Amount of paid-in capital and total number of issued shares

As of May 25, 2020

Amount of paid-in capital	Total number of issued shares (shares)
USD 100	N/A

##### (iv) Major shareholders

As of May 25, 2020

Name	Address	Number of shares held (shares)	Ratio to the total number of issued shares (excluding treasury shares) (%)
EVO FUND	c/o Intertrust Corporate Services (Cayman) Limited 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands	N/A	N/A
Total	—	N/A	N/A

(Note 1) Since the Offeror has not issued shares or other subcategories of shareholders' interest, regarding the number of shares, it is provided as "N/A" as above. Provided, however, that EVO FUND is the entity that effectively owns 100% of the Offeror and it is described as a "major shareholder" above.

## (v) Professional background of and number of shares held by directors and officers

As of May 25, 2020

Title	Position	Name	Date of Birth	Professional Background		Number of shares held (shares)
Director	—	Richard Chisholm	October 18, 1969	Dec. 1997 Jul. 1999 Jan. 2002 Jul. 2003 Mar. 2004 Jun. 2005	Latham and Watkins LLP Venture Law Group Kelley Drye & Warren Patton Boggs LLP Starn, O'Toole Marcus & Fisher Evolution Capital Management LLC, Chief Executive Officer (current position)	—
Total						—

## (2) Financial conditions

Standards for the preparation of financial statements

The financial statements below were prepared pursuant to the Generally Accepted Accounting Principles in the U.S. (US GAAP).

Audit

The financial statements of the Offeror have not been subjected to audit by an audit firm or certified public accountant.

Conversion rate from USD to JPY

The conversion from US dollar to Japanese yen in this Paragraph was calculated at the exchange rate of \$1.00 = JPY 107.75, the mean of telegraphic transfer spot selling and buying exchange rates vis-à-vis customers published by MUFG Bank, Ltd. as of May 22, 2020.

## (i) Balance sheet

(Unit)	As of December 31, 2019	
	(USD)	(JPY)
ASSETS		
Current Assets		
Checking/Savings		
Bank of America	61,915.30	6,671,374
Total Checking/Savings	61,915.30	6,671,374
Total Other Current Assets	48,058.54	5,178,308
Total Current Assets	109,973.84	11,849,681
TOTAL ASSETS	109,973.84	11,849,681

LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities	0.00	0
Total Current Liabilities	0.00	0
Total Liabilities	0.00	0
Equity		
Evolution Capital Investments		
Additional Contributions	211,385.00	22,776,734
Gain (loss)	(67,115.00)	(7,231,641)
Reduction of Capital	(1,451,626.29)	(156,412,733)
Total Evolution Capital Investments	(1,307,356.29)	(140,867,640)
Retained Earnings	1,723,299.75	185,685,548
Net Income	(305,969.62)	(32,968,227)
Total Equity	109,973.84	11,849,681
TOTAL LIABILITIES & EQUITY	109,973.84	11,849,681

(ii)Income statement

	For the period from January 1, 2019 until December 31, 2019	
(Unit)	(USD)	(JPY)
Ordinary Income/Expense		
Income		
Loan Interest Income	25,994.54	2,800,912
Total Income	25,994.54	2,800,912
Expense		
Taxes	800.00	86,200
Total Expense	800.00	86,200
Net Ordinary Income	25,194.54	2,714,712
Other Income/Expense		
Other Income		
Pass Through Income (Loss)	8,058.54	868,308
Write off payables	100.00	10,775
Total Other Income	8,158.54	879,083
Other Expense		
Write off assets	339,322.70	36,562,021
Total Other Expense	339,322.70	36,562,021
Net Other Income	(331,164.16)	(35,682,938)

Net Income	(305,969.62)	(32,968,227)
------------	--------------	--------------

(3) Matters Concerning the Offeror which are Subject to an Obligation of Continuous Disclosure

(i) Documents Disclosed by the Offeror

(a) Annual Securities Reports and Exhibits thereto

(b) Quarterly Securities Reports or Semiannual Securities Reports

(c) Amendment Reports

(ii) Places for Public Inspection of the Reports

**2. In Case the Offeror is an Entity other than Corporation**

N/A

**3. In Case the Offeror is an Individual**

N/A

## **PART III. Shares Held and Traded by the Offeror and Special Related Parties**

### **1. Breakdown of Ownership of Shares.**

(1) Total number of shares held by the Offeror and special related parties

N/A

(2) Shares held by the Offeror

N/A

(3) Shares held by special related parties (total number of shares held by special related parties)

N/A

(4) Shares held by special related parties (breakdown by each special related party)

N/A

### **2. Trading of Shares**

(1) Trading during the 60-day period preceding the filing date

N/A

### **3. Material contracts concerning the shares shown above**

N/A

### **4. Contracts pertaining to Purchase of Shares subsequent to the Filing Date**

N/A

## **PART IV. Transactions between the Offeror and the Target**

### **1. Transactions between the Offeror and the Target or its Officers, and the Details thereof (if any)**

N/A

### **2. Agreements between the Offeror and the Target or its Officers, and the Terms thereof (if any)**

#### **(1) Agreements on the Tender Offer**

The Target announced that it approves of the Tender Offer of the Target's Common Shares by the Offeror on the ground of the reasons listed in "(iii) Process and reasons of decision-making of the Target" of "(2) Background, object and process of decision-making to implement the Tender Offer and management policy after the Tender Offer," under "3. Purposes of Tender Offer" under "Part I. Terms and Conditions of Tender Offer" above, but withheld its opinion regarding the adequacy of the Tender Offer Price and resolved that it entrusts whether or not to apply for the Tender Offer to the Target's shareholders' judgment, at the meeting of board of directors on May 22, 2020.

Furthermore, regarding the details of such decision by the Target, please see the press release of the Target and "(iii) Approval of all disinterested directors of the Target" under "(5) Matters related to measures to secure fairness and prevent conflict of interest" under "3. Purposes of Tender Offer" under "Part I. Terms and Conditions of Tender Offer" above.

#### **(2) Agreement between the Offeror and the Target**

As of May 22, 2020, the Offeror and EVO FUND executed the Agreement on Shareholder's Right and Covenants, which provides that the Offeror shall not continue holding the Shares to be Tendered by Gibson Holdings after the Tender Offer and shall make every effort to sell all the Shares to be Tendered by Gibson Holdings it purchased at the TSE auction market within two years. With respect to the details of the Agreement on Shareholder's Right and Covenants, see "(3) Material agreements regarding the Tender Offer" under "3. Purposes of Tender Offer" under "Part I. Terms and Conditions of Tender Offer" above.

## PART V. Information on the Target

### 1. Profits and Losses, Etc. for the past three years

#### (1) Profits and losses

Fiscal Year	—	—	—
Net Sales	—	—	—
Cost of Sales	—	—	—
Sales, general and administrative expenses	—	—	—
Non-operating profit	—	—	—
Non-operating expenses	—	—	—
Net profit (loss)	—	—	—

#### (2) Profits and losses per share

Fiscal year	—	—	—
Net profit or loss per share (JPY)	—	—	—
Dividend per share (JPY)	—	—	—
Net asset per share (JPY)	—	—	—

## 2. Share Price

Name of financial instruments exchange or authorized financial instruments firms association	The First Section of the TSE						
Month	November, 2019	December, 2019	January, 2020	February, 2020	March, 2020	April, 2020	May, 2020
Maximum share price (JPY)	257	240	219	205	170	159	153
Minimum share price (JPY)	197	204	195	153	100	130	144

(Note) The data for May, 2020 are for the period up to May 22.

### 3. Shareholders

(1) Status by type of shareholder

As of

Description	Status of Shares (1 unit = shares)								Status of shares less than 1 unit (shares)
	National and local governments	Financial institutions	Financial instrument firms	Other entities	Foreign entities, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders	—	—	—	—	—	—	—	—	—
Number of shares owned (unit)	—	—	—	—	—	—	—	—	—
Number of shares owned (%)	—	—	—	—	—	—	—	—	—

(2) Number of shares held by major shareholders, and directors and officers

(i) Major shareholders

As of

Name	Address	Number of shares held (shares)	Percentage of shares held against total issued shares (excluding treasury shares) (%)
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
Total	—	—	—

(ii) Directors and officers

As of

Name	Title	Position	Number of shares held (shares)	Percentage of shares held against total issued shares (excluding treasury shares) (%)
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
Total	—	—	—	—

#### 4. Matters Concerning the Target which are Subject to an Obligation of Continuous Disclosure

##### (1) Documents Disclosed by the Target

(i) Annual Securities Reports and Exhibits thereto

The Annual Securities Report for the 70th business year (from April 1, 2017 to March 31, 2018) was submitted to the Director General of the Kanto Local Financial Bureau on June 22, 2018.

The Annual Securities Report for the 71st business year (from April 1, 2018 to March 31, 2019) was submitted to the Director General of the Kanto Local Financial Bureau on June 21, 2019.

(ii) Quarterly Securities Reports or Semiannual Securities Reports

The Quarterly Securities Report for the 3rd quarter of the 72nd business year (from October 1, 2019 to December 31, 2019) was submitted to the Director General of the Kanto Local Financial Bureau on February 7, 2020.

(iii) Extraordinary Reports

N/A

(iv) Amendment Reports

N/A

##### (2) Places for Public Inspection of the Report

TEAC Corporation  
(1-47 Ochiai, Tama-shi, Tokyo)

Tokyo Stock Exchange, Inc.  
(2-1 Nihombashi Kabutocho, Chuo-ku Tokyo)

5. **Details of Conveyed Facts regarding Implementation of Tender Offer, etc.**

N/A

6. **Others**

On May 15, 2020, the Target has published the Earnings Briefing for the Fiscal Year that ended on March 31, 2020 (IFRS) (consolidated). The summary of the Earnings Briefing of the Target is as shown below based on such disclosure. The content of such Briefing has not been subjected to audit by an audit firm in accordance with 193-2, Paragraph 1 of the Act. Also, the summary below is an excerpt of the content disclosed by the Target and the Offeror has not independently conducted an inspection of the accuracy and truthfulness of such content. For further details, please see such disclosure by the Target.

(i) Profit and Loss Statement (consolidated)

Fiscal Term	Fiscal Year that ended on March 31, 2020
Sales Profit	JPY 14,745 million
Sales Cost	JPY 8,272 million
Gross Profit	JPY 6,473 million
Selling and General Administration Cost	JPY 6,225 million
Operating Profit	JPY 286 million
Net Profit	JPY 32 million

(Note) An unconsolidated income statement is not disclosed.

(ii) Status per share (unconsolidated)

Fiscal Term	Fiscal Year that ended on March 31, 2020
Net Profit per share	JPY (0.24)
Net Asset per share	JPY 119.62

[Changes in principal management index regarding the Target]

Changes in principal management index

(1) Consolidated management index

Term	IFRS				
	67th term	68th term	69th term	70th term	71st term
End of fiscal year	March 2015	March 2016	March 2017	March 2018	March 2019
Sales (Million yen)	20,434	20,455	17,346	17,016	15,682
Net Income Before Tax (Loss) (Million yen)	△1,832	△132	△8	324	291
Profit attributable to owners of parent (Loss) (Million yen)	△1,870	△196	△52	249	51
Comprehensive income attributable to owners of parent (Million yen)	△982	△1,245	△184	254	321
Interests attributable to owners of parent (Million yen)	2,002	756	571	825	1,145
Total assets (Million yen)	14,648	13,122	11,192	10,285	9,316
Net assets per share attributable to owners of parent (Yen)	6.95	2.62	1.98	28.62	39.76
Net income per share (Loss) (Yen)	△6.49	△0.68	△0.18	8.64	1.77
Net income per share (after dilution) (Loss) (Yen)	-	-	-	-	-
Proportion of interests attributable to owners of parent (%)	13.7	5.8	5.1	8.0	12.3
Ratio of equity attributable to owners of the parent (%)	△74.9	△14.2	△7.8	35.7	5.1
Price-earnings ratio	-	-	-	51.2	109.6
Net cash provided by operating activities (Million yen)	△680	△339	△702	△12	△314
Net cash provided by investing activities (Million yen)	316	183	308	141	101
Net cash provided by financing activities (Million yen)	△339	△100	29	△15	△221
Cash and cash equivalents at end of year (Million yen)	2,826	2,524	2,097	2,142	1,716
Number of employees	981	890	738	688	666

(Notes) 1 Numbers less than one million yen have been rounded or truncated.

2 Consumption tax is not included in the Sales.

3 The total number of employees means the number of employees at work.

4. The diluted net income per share (loss) is not described in the table above since dilutive shares do not exist.

5 The target prepares consolidated management index pursuant to the IFRS from the 68<sup>th</sup> term.

6 The target conducted 10 for 1 reverse stock split related to common share effective as of October 1, 2018. For the purpose of the preparation of the table above, “Net assets per share attributable to owners of parent” and “Net income per share (Loss)” were calculated based on the assumption that the reverse stock split was effective as of April 1, 2017.

Term	J-GAAP	
	67th term	68th term
End of fiscal year	March 2015	March 2016
Sales (Million yen)	20,328	20,402
Ordinary Profit or Ordinary Loss (Million yen)	△689	4
Profit attributable to owners of parent (Loss) (Million yen)	△1,831	△352
Comprehensive income (Million yen)	△1,015	△1,494
Net assets (Million yen)	3,202	1,708
Total assets (Million yen)	15,445	13,765
Net assets per share (Yen)	10.88	5.67
Net income per share (Loss) (Yen)	△6.36	△1.22
Net income per share (after dilution) (Loss) (Yen)	-	-
Capital adequacy ratio	20.3	11.9
Return on equity (%)	△54.3	△21.6
Price-earnings ratio (%)	-	-
Net cash provided by operating activities (Million yen)	△582	△424
Net cash provided by investing activities (Million yen)	267	162
Net cash provided by financing activities (Million yen)	△389	106
Cash and cash equivalents at end of year (Million yen)	2,825	2,523
Number of employees	981	890

(Notes) 1 Numbers less than one million yen have been rounded down.

2 Consumption tax is not included in the Sales.

3 The total number of employees means the number of employees at work.

4. The diluted net income per share (loss) is not described in the table above since dilutive shares do not exist.

5 The numbers in the 68<sup>th</sup> term have not undergone an accounting audit by an audit corporation under Article 193-2 Paragraph 1 of the Financial Instruments and Exchange Act.

## (2) Management index of the Target

Term	67th term	68th term	69th term	70th term	71st term
End of fiscal year	March 2015	March 2016	March 2017	March 2018	March 2019
Sales (Million yen)	13,910	13,496	11,528	10,799	10,166
Ordinary profit or Ordinary loss (Million yen)	△537	128	△393	△196	57
Net income or Net loss (Million yen)	△1,644	△220	△1,140	△378	20
Capital stock (Million yen)	6,000	6,000	6,000	6,000	3,500
Total number of issued shares (Thousand shares)	289,317	289,317	289,317	28,931	28,931
Net assets (Million yen)	5,185	4,952	3,816	3,427	3,453
Total assets (Million yen)	16,653	16,195	14,753	13,662	13,147
Net assets per share (Yen)	17.99	17.18	13.25	118.95	119.87
Dividend per share (Interim dividend per share) (Yen)	- (-)	- (-)	- (-)	- (-)	- (-)
Profit or loss per share (Yen)	△5.71	△0.76	△3.96	△13.15	0.71
Diluted net income per share (Yen)	-	-	-	-	-
Capital assets to total assets (%)	31.1	30.6	25.9	25.1	26.3
Return on equity (%)	△28.6	△4.4	△26.0	△10.5	0.6
Price-earnings ratio	-	-	-	-	273.2
Dividend payout ratio (%)	-	-	-	-	-
Number of employees	294	300	294	242	240
Total Shareholder Return (Reference: TOPIX)	80.6 (128.3)	58.3 (112.0)	58.3 (125.7)	61.1 (142.7)	26.9 (132.3)
Maximum share price (JPY)	78	60	66	55	365 (45)
Minimum share price (JPY)	51	38	30	39	168 (33)

(Notes) 1 Consumption tax is not included in the Sales.

2 The diluted net income per share for the 81st and the 82nd term is not described in the table above since dilutive shares do not exist.

3 “Dividend per share (Interim dividend per share)” for the 67th term through the 70<sup>th</sup> term is not described in the table above as it was the net loss per share and dilutive shares did not exist. The diluted net income per share for tem 71<sup>st</sup> is not described in the table above since dilutive shares do not exist.

4 The target conducted 10 for 1 reverse stock split related to common share effective as of October 1, 2018. For the purpose of the preparation of the table above, “Net assets per share” and “Profit or loss per share” were calculated based on the assumption that the reverse stock split was effective as of April 1, 2017.

5 The total shareholder return was calculated based on the assumption that the reverse stock split was effective on March 31, 2014. The reference was calculated based on TOPIX (without the consideration of TOPIX dividend).

6 Maximum and minimum price for the 71st term shows the price after the reverse stock split and the numbers in bracket shows the price before the reverse stock split.

7 Maximum and minimum price is a price traded at the Tokyo Stock Exchange (Section 1).

8 The reduction in Capital during the 71st term is due to capital reduction.