

December 2, 2008

To whom it may concern

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Final Opinion Regarding a Tender Offer for the Shares of the Company

Charle Co., Ltd. (the “Company”) announces that the Company, at the meeting of its Board of Directors held on December 2, 2008, adopted the resolution “Final Opinion Regarding a Tender Offer for the Shares of the Company,” and reached the conclusion that, as its final opinion on the matter of the tender offer (the “Tender Offer”) for shares of common stock of the Company by Southern Eagle Inc. and Otto Inc. (collectively the “Tender Offerors”), the Company does not support the Tender Offer.

1. The Procedures and Processes Leading up to the Company’s Announcement of its final opinion that it does not support the Tender Offer for the Shares of the Company

As described in the “Announcement of An Affirmative View Regarding a Tender Offer in the Company Shares” dated September 19, 2008, the Company expressed an affirmative view regarding the Tender Offer. However, as stated in the “Establishment of a Third-Party Committee for Investigation into the Procedures and Processes Leading up to the Company’s Announcement of an Affirmative View Regarding a Tender Offer for the Shares of the Company” dated October 29, 2008, taking into account the internal reports, etc. concerning the procedures and processes leading up to the Company’s announcement of an affirmative view regarding the Tender Offer, at the Board of Directors’ meeting held on October 26, 2008, a third-party committee composed of external and independent knowledgeable persons was established, and the Board of Directors requested the committee to investigate and evaluate the facts of the above-mentioned procedures and processes.

Consequently, as described in the “Report on the Results of an Investigation by the Third-Party Committee for Investigation into the Procedures and Processes Leading up to the Company’s Announcement of an Affirmative View Regarding a Tender Offer for the Shares of the Company” dated October 31, 2008, the Company received the results of the investigation in which the third-party committee concluded that “an issue of transparency and fairness did appear to exist with regard to the process of decision-making” for approval of the management plan, which provided fundamental values for the calculation of the Company’s stock value, which in turn was one of the bases upon which the affirmative view of the Company with respect to the Tender Offer was determined, and “these conditions do not permit the assertion that there was a conflict of interest issue on the part of outside directors in this matter, but on the other hand, the suspicion that there remained a conflict of interest issue cannot be reasonably eliminated.”

As stated in the “Restatement of the View Regarding a Tender Offer in the Company Shares” dated November 7, 2008, the Company, at the Board of Directors’ meeting held on November 7, 2008, accepting the results of the investigation as above with sincerity, decided to provisionally withdraw its affirmative view regarding the Tender Offer and refrain from expressing its opinion on this subject until restatement of its view. The Company also decided to conduct verification of the management plans through a review committee composed of external and independent experts, and restate its view regarding the Tender Offer based on the results of these processes.

The Company requested the review committee to conduct verification of the content of the management plan that was created on August 31, 2008 (the “Plan as of August 31”) and the management plan that was created on September 13, 2008 (the “Plan as of September 13”). This was based on the fact that the announcement of an affirmative view regarding the Tender Offer on September 19, 2008 was based on the valuation of the Company’s stock value by KPMG FAS Co., Ltd. (“KPMG FAS”), which in turn utilized the estimated figures of the two management plans submitted by the Company to KPMG FAS, the Plan as of August 31 and the Plan as of September 13, as fundamental values in its calculation of the valuation results,

and the fact that the investigation report by the third-party committee pointed out issues in the preparation of the Plan as of August 31.

The Company received a report from the review committee in which the committee's conclusion was that "the Review Committee judged that both the Plan as of August 31 (the Downside Case) and the Plan as of September 13 (the Upside Case) cannot be considered unreasonable." In this context, the Company requested Corporate Partner Co., Ltd. (Takahiko Kano, Representative Director and Certified Public Accountant) ("Corporate Partner"), an independent and external third-party valuation agency different from KPMG FAS, to reevaluate the Company's stock value by referring to the Plan as of August 31 and the Plan as of September 13. The Company received the valuation report from Corporate Partner as below. The reason why the Company designated Corporate Partner for this evaluation was as follows:

As described above, the Company, at the Board of Directors' meeting held on November 7, 2008, decided to provisionally withdraw its affirmative view regarding the Tender Offer and refrain from expressing its opinion on this subject until restatement of its view. Believing that the period without expressing its opinion should be as short as possible, the Company decided to restate its view regarding the Tender Offer by November 19, 2008. In choosing a third-party valuation agency that could carry out the evaluation in a short time, the Company selected Corporate Partner, which could work quickly and with whom the Company was already acquainted (however, the Company does not have a serious business relationship with Corporate Partner). Corporate Partner had once given the Company advice with regard to the calculation of the corporate value of a target company when the Company was considering an M&A opportunity. This matter was not realized, and did not reach the stage of due diligence. Through this opportunity, however, the Company was acquainted with Corporate Partner and the aforementioned business relationship was simply about such consultation, which the Company did not believe posed an issue of independence as to Corporate Partner serving as a third-party valuation agency.

Result of valuation by Corporate Partner

Valuation method	Result of valuation
Market price method	¥509 - ¥535
DCF method	¥631 - ¥747
Adjusted net asset method	¥709 - ¥802

The result of valuation given by KPMG FAS when the Company released the announcement of an affirmative view regarding the Tender Offer on September 19, 2008 was as follows:

Result of valuation by KPMG FAS

Valuation method	Result of valuation
Market price method	¥518 - ¥535
DCF method	¥681 - ¥1,010
Stock value magnification method	¥976 - ¥1,259
Adjusted net asset method	¥929

Through the internal investigation conducted from November 18, 2008 to November 28, 2008, apart from the actions already revealed by the third-party committee in its investigation report, the following facts were revealed.

During the period from August 3 to August 12, 2008, former Director and Representative Executive Officer Katsuya Hayashi (who was removed from office as of December 2, 2008, as explained below), having received advice from Hayate Investment Co., Ltd. ("Hayate" is an advisor to the founding family), issued instructions to the executive officer who had asserted that explanation should be given to the outside directors regarding the legal risks involved in the case of the expression of an affirmative view with regard to a low tender offer price, with Katsuya Hayashi stating that an explanation which overemphasized the risks should not be given. In addition, despite the opposition of the executive officer to the attendance of Hayate at the first explanatory meeting regarding the Tender Offer for the outside directors, he gave instructions that Hayate be allowed to attend, stating that the discussion would not be guided toward the desired direction of approving the Tender Offer if the discussions on the preliminary values for the valuation results by KPMG FAS received on July 30, 2008 were only made internally. Furthermore, during the period from around August 21 to September 9, 2008, given advice from Hayate, Katsuya Hayashi instructed the executive officer to negotiate with KPMG FAS on the following issues: 1) the DCF method should not be adopted; 2) the comparable companies used in the stock value magnification method should be the same as those adopted for the valuation results by Ernst & Young Transaction Advisory Services Co., Ltd.; and 3) the

adjusted net asset method should not be adopted. Certain specifics of Katsuya Hayashi's instructions to the executive officers regarding negotiation with KPMG FAS were subject to comments from Morgan Stanley Capital K.K. ("MSC"), a constituent of the Morgan Stanley Group. Of the instructions given by Katsuya Hayashi, his request concerning the comparable companies adopted for the stock value magnification method was partially accepted and reflected in the final valuation results by KPMG FAS.

The outside directors of the Company came to recognize the facts stated above as a result of an internal investigation.

(Note) Please refer to the attached "Amendment Report to the Report Regarding Expression of Opinion in relation to the Tender Offer (Excerpt)" that was submitted to the Kanto Local Finance Bureau as of December 1, 2008.

As a consequence of taking into account the results of the investigation by the Third-Party Committee and the verification by the Review Committee, etc. as well as the facts discovered in the internal investigation, the Company, at the meeting of its Board of Directors held on December 2, 2008, reached its final resolution to not support the Tender Offer, since there was a serious conflict of interest issue in the process that led to the Company's previous view regarding the Tender Offer.

The Board of Directors of the Company received legal advice from Mitsui Company, a Japanese law office, on its resolutions on November 7, 2008 and on December 2, 2008.

Director of the Company Katsuya Hayashi, as a special interested party, refrained from participating in the above-mentioned discussions and the subsequent voting on the resolution at the Board of Directors' meeting held on December 2, 2008, regarding the Company's view with respect to the Tender Offer, as he planned to indirectly make an investment into Tomorrow Co., Ltd., the parent company of the Tender Offerors, if the Tender Offer was completed. In addition, Director Hiroko Hayashi also refrained from participating in discussions and the subsequent voting on the resolutions at the same Board of Directors' meeting regarding the Company's view with respect to the Tender Offer in order to avoid potential conflicts of interest in view of her status as a member of the founding family. As a consequence, excluding these two individuals, all three directors (all of whom are outside directors) attended the above-mentioned meeting of the Company's Board of Directors held on December 2, 2008, participated in discussions, and unanimously adopted the resolution.

Prior to making the final decision on the Company's view with respect to the Tender Offer, the Company dismissed Director and former Representative Executive Officer Katsuya Hayashi from the office of Representative Executive Officer as of December 2, 2008, through the following process. (Katsuya Hayashi currently remains a Director.)

Based on the aforementioned results of the investigation by a Third-Party Committee and the facts revealed through the internal investigation, the Company removed Katsuya Hayashi from the office of Representative Executive Officer as of December 1, 2008. Despite the Company's intention of releasing its final view with respect to the Tender Offer during the same day, there was not enough time to do so. Due to the Company's judgment that notice of the dismissal of Mr. Hayashi and the statement of the Company's final view with respect to the Tender Offer should be made on the same day, the Company withdrew the dismissal on December 1 and again dismissed him from the aforementioned office on December 2, 2008, to coincide with the announcement of the Company's final view with respect to the Tender Offer.

Former Executive Officer Masafumi Okamoto succeeded to the office of President and Representative Executive Officer. Kinya Hashimoto, who was also a former Executive Officer, became Vice President and Representative Executive Officer.

Based on the aforementioned results of the investigation by the Third-Party Committee and the facts discovered in the internal investigation, the Company is recommending that Katsuya Hayashi and Hiroko Hayashi should resign as Directors.

Concerning the three outside directors, the Company will select their successors quickly, and they will resign as soon as the new candidates are approved by the General Meeting of Shareholders.

2. The Tender Offer Period related to the Tender Offer

As of today, the Tender Offerors have informed the Company of their intention to file a notification of corrections regarding the Tender Offer, and in the event that such notification of corrections is filed, the Tender Offer Period will be prolonged pursuant to the Financial Instruments and Exchange Law of Japan and related laws.

(Attached document)

**Amendment Report to the Report Regarding Expression of Opinion in relation to the Tender Offer
(Excerpt)**

(3) Measures to Ensure the Fairness of the Tender Offer, such as Measures Taken to Ensure Fairness in the Evaluation of the Offer Price and Measures Taken to Prevent Conflicts of Interest

(Before Amendments)

The Tender Offerors have taken the following measures to ensure the fairness of and prevent conflicts of interest in the Transaction, which includes the Tender Offer, based on the fact that the Tender Offer will be conducted as part of an MBO transaction centered around Katsuya Hayashi, Director and Representative Executive Officer.

[...]

For its part, the Board of Directors of the Company selected and requested KPMG FAS Co., Ltd. (“KPMG FAS”), a third-party evaluator independent from the Tender Offerors and the Company, to evaluate the value of its shares to avoid any unfair and arbitrary judgment in the process of decision-making on the judgment of the fairness and appropriateness of the Offer Price proposed by the Tender Offerors.

[...]

Referring to the results of the KPMG FAS valuation report above and based on the results of discussions and negotiations with the Tender Offerors, the Board of Directors carefully examined various conditions of the Tender Offer from the viewpoints of financial conditions, business climate and fairness between shareholders, as well as other factors. As a result, the Company, at the meeting of Board of Directors held on September 19, 2008, judged that that the Offer Price and other various conditions in the Tender Offer are appropriate and that the Tender Offer provides the shareholders with an opportunity to sell their shares at a fair and reasonable price. Consequently, the Board of Directors decided to support the Tender Offer and all the directors present thereat unanimously adopted the affirmative resolution to support the Tender Offer.

Note 2: Although the Company prepared a business plan in July 2008 based on the Medium-Term Management Plan that was approved at the Board of Directors’ meeting held in April 2008, this business plan was not presented to the Board of Directors. The outside directors continued to examine the feasibility of this business plan in August and September 2008. Consequently, the Board of Directors passed a resolution approving the business plan with achievable revised figures.

[...]

③ Approval by all of the directors present

As a result of careful discussions on the Tender Offer from the standpoint of raising the corporate value of

the Company, based on the information obtained through its information gathering activities including the results of the valuation report described above, at the Board of Directors' meeting held on September 19, 2008, the Board of Directors judged the various conditions of the Tender Offer to be appropriate and that the Tender Offer would present its shareholders with an opportunity to sell their shares at a fair and reasonable price. Consequently, all three directors present (i.e. all directors excluding Katsuya Hayashi and Hiroko Hayashi) unanimously adopted the resolution supporting the Tender Offer.

In addition, since June 2008 the Company has received explanation about legal issues related to the Transaction from the Oh-Ebashi LPC & Partners.

Katsuya Hayashi, Director and Representative Executive Officer of the Company, intends to make an investment through the Hayate Vehicle into Tomorrow, which holds all issued and outstanding shares of the Tender Offerors. As a special interested party, he therefore refrained from participating in discussions and the subsequent voting on the resolution concerning the Transaction at the Board of Directors' meeting described above. Hiroko Hayashi, Director, also refrained from participating in discussions and the subsequent voting on the resolution in order to avoid potential conflicts of interest in view of her status as a member of the Founding Family. Excluding Katsuya Hayashi and Hiroko Hayashi, three directors (all of whom are outside directors) attended the meeting of the Company's Board of Directors in which the resolution concerning the Transaction was adopted, and unanimously adopted the resolution to support the Tender Offer.

④ Measures to maximally ensure transparency and fairness in the process of decision-making

As stated in (2) ③ above, accepting the results of the investigation with sincerity, the Company has decided to provisionally withdraw its affirmative view regarding the Tender Offer and refrain from expressing its opinion on this subject until restatement of its view. The Company will again review the management plan, which provides fundamental values for the calculation of the Company's stock value, while maximally ensuring transparency and fairness in the process of decision-making. Specifically, the Company has decided to establish a review committee (the "Review Committee") composed of the following external experts: Akio Sato (Lawyer, Sato Sogo Law Office), who shall act as chairperson; Mitsuo Matsubayashi (Representative Director and Executive Consultant, WAKU Consulting Corp.); and Nobuyoshi Togawa (Competant Tax Accountancy Office, Certified Public Accountant/Tax Accountant). Taking into account the results, the Company will restate its view regarding the Tender Offer.

⑤ Setting of a relatively long tender offer period and prolongation of the period as required

The applicable laws and ordinances stipulate the shortest duration of a tender offer for purchases (the "Tender Offer Period") to be 20 business days. The Tender Offerors have set the Tender Offer Period in the Tender Offer to be 30 business days. Thereafter, in line with the submission of a Notification of Corrections to the Tender Offer Notification, the Tender Offer Period is prolonged as required. The relatively long term established for the Tender Offer Period and prolongation of the Tender Offer Period as required are intended to ensure that the Company's shareholders have appropriate opportunities with respect to the decision to subscribe to the Tender Offer and also to ensure that those other than the Tender Offerors who wish to make

counter purchases have such opportunities with the aim of ensuring fairness and appropriateness in the Offer Price.

Moreover, the Tender Offerors have set a minimum limit of the number of shares to be purchased, indicating a level below which the Tender Offer will not be successful. The minimum limit will not be met unless subscriptions above a majority (4,291,865 shares) are made, where the majority applies to the difference after subtracting from the issued and outstanding shares of the Company exclusive of the treasury stock (19,380,335 shares) the number of shares held by the Tender Offerors (5,383,482 shares) and the number of shares held by the Founding Family (5,413,124 shares), for which subscription to the Tender Offer is already agreed. With this measure, the Transaction shall not come into effect if the majority of shareholders other than the Tender Offerors and the Founding Family choose not to subscribe to the Tender Offer, thereby strongly respecting the intent of the Company's shareholders.

The Tender Offerors have not entered into an accord with the Company that prohibits the Company from making contact with any opponents of the Tender Offer. This should also serve to ensure fairness and appropriateness in the Offer Price, together with the relatively long term of the Tender Offer Period mentioned above.

(After Amendments)

The Tender Offerors have taken the following measures to ensure the fairness of and prevent conflicts of interest in the Transaction, which includes the Tender Offer, based on the fact that the Tender Offer was initially proposed as part of an MBO transaction centered around Katsuya Hayashi, Director.

[...]

For its part, the Board of Directors of the Company selected and requested KPMG FAS Co., Ltd. ("KPMG FAS"), which is a third-party evaluator independent from the Tender Offerors and the Company, to evaluate the value of its shares to avoid any unfair and arbitrary judgment in the process of decision-making on the judgment of the fairness and appropriateness of the Offer Price proposed by the Tender Offerors. In addition, from among the evaluators which are part of major audit corporations, the Company chose KPMG FAS as a result of excluding evaluators related to the Company's auditors and evaluators that were planned to be retained by the Tender Offerors.

[...]

Referring to the results of the KPMG FAS valuation report above and based on the results of discussions and negotiations with the Tender Offerors, previously, the Board of Directors carefully examined various conditions of the Tender Offer from the viewpoints of financial conditions, business climate and fairness between shareholders, as well as other factors. As a result, the Company, at the meeting of Board of Directors held on September 19, 2008, judged that that the Offer Price and other various conditions in the Tender Offer are appropriate and that the Tender Offer provides the shareholders with an opportunity to sell their shares at a fair and reasonable price. Consequently, the Board of Directors decided to support the

Tender Offer and all the directors present thereat unanimously adopted the affirmative resolution to support the Tender Offer.

(Note 2) Although the Company prepared the business plan in July 22, 2008 (the “Plan as of July 22”) based on the Medium-Term Management Plan that was approved at the Board of Directors’ meeting held on April 15, 2008 (the “Plan as of April 15”), this business plan was not presented to the Board of Directors at that time. Hence, the outside directors examined the feasibility of this business plan throughout August and September 2008. Consequently, the Board of Directors passed a resolution approving the business plan at the Board of Directors’ meetings held on August 31, 2008, and on September 14, 2008, (the “Plan as of August 31” and the “Plan as of September 14”), which were the bases of calculations by KPMG FAS and Corporate Partner. The Company formulated not only the above plans but also several other management plans through the following process.

The Company made the Plan as of April 15 which included future targets of new projects, the contents of which were submitted to Morgan Stanley Capital (“MSC”), part of the Morgan Stanley Group, and the Company subsequently received numerous comments relating to numerical errors and other matters. Subsequently the Company corrected such numerical errors and made revised plans, of which the plan as of May 28 was submitted via MSC to lender candidates in connection with the Transaction.

Due to the greater-than-expected decline in operating results for the first quarter, the Company formulated a new plan as of July 11, which was an update of the previous plans based on the first quarter operating results and the progress of projects. Meanwhile, as the values were suddenly lower than the estimates of the previous plans, MSC made an inquiry as to the reason for the significant changes in the numbers and also commented on numerical errors. As the Company had received numerous comments on numerical errors, etc. in the past, and were in the process of correcting such errors, Katsuya Hayashi and the executive officers discussed the management plan once again, and in the form of tempering the degree to which the values were lowered, created a new Plan as of July 22. The Company sent the revised Plan as of July 22 to MSC, which in turn was submitted by it to The Bank of Tokyo-Mitsubishi UFJ, Ltd.

As mentioned above, the Plan as of July 11 and the Plan as of July 22 were made simply for the purpose of reflecting the Company’s poor first quarter operating results into the Plan as of April 15 and were not directly intended to be submitted to KPMG FAS. However, it was understood that the plans would be used as a basis upon which the Company’s stock value calculations would be performed, given that KPMG FAS had already been tasked to carry out the valuation. Although the Plan as of July 11 and the Plan as of July 22 were not approved by the Board of Directors and included targets which had not been given due consideration with regard to their feasibility, they were nonetheless submitted to KPMG FAS upon Katsuya Hayashi’s approval. As explained subsequently, from an objective standpoint, while the Plan as of July 22 had not been given due consideration with regard to feasibility, at that time Katsuya Hayashi was not particularly aware of that point.

The Company submitted the Plan as of July 22 to KPMG FAS and thereafter received the preliminary values of the valuation results by KPMG FAS as of July 30, 2008.

Subsequently, receiving advice from Hayate, Katsuya Hayashi, from August 3 to August 12, issued an instruction that an explanation that overemphasized the risks should not be made to the outside directors, against the wishes of an executive officer who insisted that possible legal risks in the event that the Board of

Directors approved of a low offer price should be explained to the outside directors. In addition, against the wishes of an executive officer who was opposed to the presence of Hayate, Katsuya Hayashi issued an instruction that Hayate should attend the meeting for the first explanation to the outside directors of the Tender Offer because, in Katsuya Hayashi's view, the discussion would not be guided to the desirable direction of approving the Tender Offer if the discussions were made only among internal persons, given the preliminary figures of the valuation result by KPMG FAS..

On August 12, 2008, an initial executive officers' meeting was held, attended by Katsuya Hayashi, Hiroko Hayashi, three outside directors, three executive officers, Hayate and three lawyers from Oh-Ebashi LPC & Partners. At this meeting, the lawyers from Oh-Ebashi LPC & Partners explained general legal risks related to MBO transactions, including the possibility of lawsuit filings by shareholders with regard to the squeeze-out, as well as recent judicial precedents. After the meeting, discussions were held between Katsuya Hayashi, Hiroko Hayashi, three outside directors, three executive officers, MSC and Hayate, in which the preliminary values for the valuation results by KPMG FAS were presented by an executive officer, and the preliminary values for the valuation results by EYTAS, the Tender Offerors' evaluator, were presented by MSC. Particularly for the range of the Company's stock value calculated using the DCF method, there was no overlap in the preliminary values produced by the two evaluators. The reason for this was the difference in view with regard to the outlook of the Company's business and due to the objective fact that the values of the Plan as of July 22, which formed the basis of KPMG FAS' preliminary calculations of the Company's stock value, had not been given due consideration with regard to feasibility and were merely a target. On this basis, MSC made comments that they had doubts regarding the business outlook indicated in the Plan as of July 22 based on the Company's historical trends of operational results and the repeated changes in the management plans. Outside directors also expressed doubts concerning the business outlook.

Based on the results of these discussions and at the request of Katsuya Hayashi, the executive officer revised the Plan as of July 22 and created several management plans, each of which was sent to KPMG FAS.

However, the ranges resulting from the calculation results based on those plans still differed in value from the calculation results by EYTAS using the DCF method. Most of these management plans were sent to MSC as soon as they were prepared and MSC requested confirmation and posed questions regarding the content of such plans. Most of the confirmations and questions were comments with regard to numerical errors and the feasibility of the values included in those plans. Furthermore, the plans made by the executive officer at Katsuya Hayashi's request, through the revisions of the Plan as of July 22, took into account many of the comments regarding the business outlook of the Plan as of July 22 made at the aforementioned August 12 meeting, resulting in the lowering of the calculation results of the Company's stock values for the Plan as of July 22.

At a subsequent meeting held on August 27 that was attended by Katsuya Hayashi, two outside directors and three executive officers, an executive officer informed the outside directors that none of the calculation results of the Company's stock values based on the revisions of the Plan as of July 22 were close in value to the calculation results by EYTAS for the Company's stock value range calculated using the DCF method. Prior to August 27, the outside directors had not been aware that they were responsible for making a proactive decision as to a statement of opinion regarding the Tender Offer, but they became conscious of such responsibility upon explanation of this fact by the executive officer at the meeting. As such, in their mind, the doubts that they expressed at the meeting held on August 12 concerning the outlook of the

management plan were akin to comments that would be made by a third party.

After the executive officer's explanation, the outside directors began a proactive and independent investigation into this matter for the first time and found out that the management plans submitted to KPMG FAS had been created and sent to KPMG FAS without their direct knowledge, to which they raised objections. Further, they conducted, independently of other directors, interviews of the Company's executive officers and project members, and upon examination of the content and feasibility of the business strategies that were considered to be the bases of the Plan as of July 22, they determined that a new management plan should be formulated.

Furthermore, after the meeting held on August 27, MSC, Hayate, Katsuya Hayashi and two outside directors conducted discussions in which the views of the Tender Offerors were explained. They stated their opinion that the feasibility of the Company's management plans was low, citing as examples the impact of the health foods business and the impact, etc. of the strategic projects on the existing businesses (underwear and skin care). They further introduced examples of past tender offer cases, and the premiums offered on the market price in those cases. Explanations were given about the stock value calculation method used by EYTAS, the Tender Offerors' evaluator, as well as the value added, etc. anticipated to be gained through support from the Morgan Stanley Group, etc.

On August 29, 2008, the outside directors conducted an interview based on the aforementioned decision made on August 27. On the basis of these results, they analyzed the Plan as of July 22, and the results of the analysis were summarized in a paper entitled the "Calculation Instructions". The outside directors instructed the Company's project members who were in charge of evaluating the Tender Offer presented by the Tender Offerors to perform specific calculation tasks. Further, Hayate attended and asked questions at the interview. As to the reason for Hayate's attendance, it was considered to be a valuable opportunity for the Tender Offerors' side to hear about the progress of the projects from the persons directly responsible. The outside directors did not raise questions about Hayate's attendance.

The Plan as of August 31 was formulated based on the above "Calculation Instructions," and at the Board of Directors meeting held on August 31, this was approved as a plan to be submitted to KPMG FAS. The outside directors recognized that rather conservative estimates were used in the Plan as of August 31. Hayate, an advisor to the Founding Family, was involved in the process of formulating the aforementioned "Calculation Instructions," in addition to giving specific advice to the outside directors with respect to preparing the meeting agenda for the Board of Directors meeting held on August 31 and arming them with the arguments necessary to persuade the executive officer who was opposed to granting approval for the management plan. The outside directors accepted the involvement and advice of Hayate. The details of Hayate's involvement and advice are as follows. With respect to the "Calculation Instructions," the content of the instructions were decided upon by the outside directors late at night on August 30, and Hayate was requested to put to paper the details of outside directors' instructions by the following morning. Hayate's advice to outside directors concerning the arguments to be used to convince the executive officer included points such as the record date to be used for the underlying balance sheet. Although the Company had not been aware of this, with respect to the involvement and advice by Hayate, MSC performed valuation simulations based on the ideas which would form the basis of the "Calculation Instructions", resulting from the interview performed by the outside directors, and which were received from Hayate who attended the interview held on August 29. MSC also discussed with Hayate the content and manner of presenting the

instructions to the Company's project members, including the executive officer. After the draft of the above-mentioned "Calculation Instructions" created by Hayate was reviewed by MSC, and after comments were made, Hayate sent this draft to the outside directors.

On September 4, discussions were held between Hiroko Hayashi, three outside directors, MSC and Hayate in which MSC gave an explanation regarding the value added, etc. to be gained through the support from the Morgan Stanley Group, etc. after completion of the Tender Offer, in addition to presenting the stock price range expected by MSC. At this point, however, the Company had not yet received the calculation results by KPMG FAS based on the Plan as of August 31 and the outside directors did not have information as to what would be an appropriate price. Therefore, the meeting ended with the confirmation that a deviation from the stock value range that MSC expected would not mean that the Tender Offer would not go ahead. The meeting was held at a meeting room of a hotel where the outside directors stayed, and because the meeting lasted until late at night, some attendees of the meeting including one outside director dined for about one hour at the lounge of the hotel after the meeting.

Subsequently, KPMG FAS said that they would like to refrain from releasing a formal calculation document due to the extreme difference between the numbers in the Plan as of August 31 and the Plan as of July 22. In response, the outside directors held a conference call with KPMG FAS on September 11, 2008, in which the outside directors explained that the Plan as of July 22 had not been given due consideration with regard to feasibility and the Plan as of August 31 had been made after conducting interviews and examining the feasibility of the plan. KPMG FAS expressed understanding of the reasons but suggested the use of two plans—the Plan as of August 31 and a plan based on a more optimistic business outlook because of the extreme difference between the numbers in the Plan as of August 31 and the Plan as of July 22—to calculate the Company's stock values. The outside directors decided to create a new management plan by reviewing the Plan as of August 31 and to ask KPMG FAS to calculate the Company's stock values based on the new plan. After this was decided and subsequent to this initial conference call, another conference call was held between the outside directors, MSC and KPMG, the reason for which was that MSC wanted to pay courtesy to KPMG FAS. KPMG gave an explanation of the content of the decisions made in the first conference call, and MSC listened to KPMG's decisions and did not provide any particular opinions. Following this, the confirmation of the Tender Offer schedule was conducted mainly with the outside directors. According to MSC, other than as mentioned above, MSC has had the following contact with KPMG. MSC's Representative Director has a long-term business relationship with one of the three Representative Directors of KPMG (this person is responsible for a different business and has nothing to do with this Transaction). Around August 20, 2008, MSC's Representative Director called the aforementioned Representative Director of KPMG FAS and asked in general terms, as to whether KPMG FAS would carry out another stock value calculation in the case when a client has revised the management plan after a calculation has already been made based on a draft plan, and received an answer in general terms.

Based on the above decisions, the outside directors discussed the aforementioned plan at the meeting of the Board of Directors held on September 13, 2008, and two Plans as of September 13 were approved. One was a plan assuming favorable progress of business and the other assumed even more favorable progress. Of the two plans, the plan assuming the more favorable progress (the Upside Case) was chosen by the Board of Directors at the meeting held on September 14, 2008, and was submitted to KPMG FAS.

Hence, the final calculation results by KPMG FAS were based on the Plan as of August 31 and Plan as of

September 13. In the Plan as of August 31, operating income for the fiscal year ending March 2013, the final year for which there is a forecasted projection, is estimated to be lower by 96% compared with the Plan as of July 22. In the Plan as of September 13, operating income for the fiscal year ending March 2013 is estimated to be lower by 70% compared with the Plan as of July 22. In the other plan that was approved by the Board of Directors at the meeting held on September 13, but which did not become a basis of calculation, operating income for the fiscal year ending March 2013 is estimated to be lower by 85% compared with the Plan as of July 22.

Out of the two plans approved by the Board of Directors at the meeting held on September 13, one was not the basis of the calculation by KPMG FAS. Final calculation by KPMG FAS was based on the Plan as of August 31 and one of the two Plans as of September 13, and the process by which this was decided is explained below.

After receiving KPMG FAS's suggestions during the phone meeting on September 11, the Company's outside directors again reviewed the feasibility of the projects on September 12. Based on the result of the review, a plan would be formulated, and it was conveyed to the executive officers that such plan would be approved by the Board of Directors at the meeting to be held on the following day.

However, in addition to the aforementioned plan, an executive officer produced two other targets and submitted them to the Board of Directors.

On the basis of the plans presented, there was discussion at the meeting of the Board of Directors held on September 13 as to which figures should be chosen as being representative of the optimistic view of future business results. However, neither the plan created by the outside directors nor the plans created by the executive officer were adopted.

Because the board meeting ran out of time as some members had to attend other meetings, the conclusion of the discussion was that neither the plans created by the outside directors nor those created by the executive officer were to be adopted, and that two other potential optimistic plans could be envisioned. Two plans were approved by the outside directors with the idea that one of these would represent the case of good business progress.

The executive officer above, however, without approval of the outside directors, submitted both of the plans to KPMG FAS on the following day, September 14.

Upon learning this fact, the outside directors immediately made contact with KPMG FAS, and after asking them to hold off the calculation on the basis of those plans, because the Plan as of August 31 had not been withdrawn, a meeting of the Board of Directors was held where a resolution to decide on the Plan as of August 31 and the Plan as of September 13 (the Upside Case) as the management plans to be submitted to KPMG FAS was adopted, and these plans were submitted to KPMG FAS as the basis of calculation.

Other than the above, from around August 21 to September 9, 2008, given advice from Hayate, Katsuya Hayashi instructed the executive officer to negotiate with KPMG FAS on the issues that 1) the DCF method should not be adopted; 2) with respect to the comparable peer companies adopted in the stock value magnification method, the comparable peer companies adopted in the EYTAS valuation results should be adopted; and 3) the adjusted net asset method should not be adopted. MSC pointed out specific contents relating to a portion of the instructions given by Katsuya Hayashi to negotiate with KPMG FAS. As a consequence, part of the request relating to the comparable peer companies adopted in the stock value

magnification method was accepted and reflected in the final result of valuation by KPMG FAS.

During the period stated as above, an MSC staff member introduced a management candidate who would be hired after the Tender Offer to one of the outside directors, in relation to the hiring of new management members which was one of the measures proposed by MSC to improve the Company's corporate value. In order to carry out this introduction and to hold a Q & A session, the aforementioned MSC staff member dined with one outside director, the candidate and Hayate's representative on August 25, 2008. To this end, the MSC staff member contacted the relevant outside director in association with the dining occasion.

Other than these, on around October 20, 2008, the Company corrected the already-sealed minutes for the meetings of the Board of Directors held on April 15 and September 19, 2008.

Before the initial announcement of the view regarding the Tender Offer, at the directors' meeting held on August 12 and the meeting held on August 27, the outside directors were informed of a possibility and risk of facing a lawsuit over the decision of the purchase price for the Company's shares filed by shareholders who are against amending the Articles of Incorporation at an extraordinary meeting of shareholders after the Tender Offer comes into effect. The minutes for the meetings of the Board held on August 31, September 13 and September 14, which were not directly related to press releases, had not been prepared even after over a month had passed since the meetings. For these meetings, only shorthand notes prepared by the secretariat were available. To prepare for anticipated questions at an extraordinary meeting of shareholders after the Tender Offer comes into effect and subsequent lawsuits, in mid October 2008, the whole process leading to the Company's initial announcement of the view of the Tender Offer was reviewed.

At that time, it was not clearly stated in the minutes for the meeting of the Board of Directors held on April 15, when the Plan as of April 15 was approved, that in fact the Plan was approved as target values without taking into account the possibility of realizing such estimates. Therefore, this point was corrected upon confirmation with Katsuya Hayashi and Hiroko Hayashi.

Furthermore, in the minutes for the meeting of the Board of Directors held on September 19, 2008, where a resolution to support the Tender Offer was adopted, with regard to the reason by which the calculation results using the stock value magnification method was used as a reference, the actual reasons that were discussed were not clearly noted. This point was clearly stated in the minutes.

Concerning these corrections to the minutes, except when the Company confirmed with Katsuya Hayashi and Hiroko Hayashi on the correction regarding the Plan as of April 15, none of the Tender Offerors including the Founding Family, Hayate or MSC was involved.

[...]

③ Approval of the initial statement of affirmative view by all of the directors present

As for the initial statement of affirmative view, the Company's Board of Directors, at the meeting held on September 19, 2008, carefully consulted on the Tender Offer from the viewpoint of improving the Company's corporate value while referring to the information obtained via its information gathering activities above, including the results of valuation of the stock value of the Company as set forth in (2) above. As a result, the conditions for the Tender Offer were deemed fair and appropriate to offer occasions of selling the Company's shares to the shareholders. Excluding these two individuals, all three remaining

directors attended the above-mentioned meeting of the Company's Board of Directors and unanimously adopted the resolution regarding the affirmative statement of the Tender Offer.

From June 2008 to around the end of October 2008, the Company's Board of Directors received explanation about legal issues relating to the Transaction from Oh-Ebashi LPC & Partners (Note 3).

In addition, Katsuya Hayashi intends to make an investment through the Hayate Vehicle into Tomorrow, which holds all issued and outstanding shares of the Tender Offerors, following the completion of the Tender Offer in the case that the Tender Offer comes into effect. As a special interested party, he therefore refrained from participating in the voting on the resolution concerning the Transactions at the Board of Directors meeting of the Company held on September 19, 2008. Hiroko Hayashi also refrained from participating in the voting on the resolution at the Board of Directors' meeting held on September 19, 2008 in order to avoid potential conflicts of interest in view of her status as a member of the Founding Family. However, Katsuya Hayashi and Hiroko Hayashi attended the Board of Directors' meeting as observers until just before voting on the resolution after which they left the meeting. Excluding these two individuals, all three remaining directors who participated in the voting on the resolution are outside directors.

(Note 3) The Company received a draft legal opinion issued by Oh-Ebashi LPC & Partners on September 5, 2008, which stated that "the Plan as of August 31 may very well be judged to have been prepared for the purpose of lowering the valuation price by KPMG FAS and there is sufficient possibility that the outside directors may be questioned about their failure in their duty to exercise due care of good managers." The outside directors, after checking with Oh-Ebashi LPC & Partners concerning the content of such legal opinion, believed that the reason for such opinion was that there were differences of opinion as to how to position the Plan as of July 22. In other words, the Plan only provides target values without considering feasibility, and the outside directors believed that there had been insufficient understanding of this point on the part of Oh-Ebashi LPC & Partners. Accordingly, the outside directors told Oh-Ebashi LPC & Partners that a final official statement of the legal opinion would not be necessary.

④ Measures to maximally ensure transparency and fairness in the process of decision-making and not supporting the Tender Offer as final opinion

As stated in (2) ③ above, accepting the results of the investigation with sincerity, the Company decided to provisionally withdraw its affirmative view regarding the Tender Offer and refrain from expressing its opinion on this subject until restatement of its view. The Company again reviewed the management plan, which provides fundamental values for the calculation of the Company's stock value, while maximally ensuring transparency and fairness in the process of decision-making. Specifically, the Company decided to establish a review committee (the "Review Committee") composed of the following external experts: Akio Sato (Lawyer, Sato Sogo Law Office), who shall act as chairperson; Mitsuo Matsubayashi (Representative Director and Executive Consultant, WAKU Consulting Corp.); and Nobuyoshi Togawa (Competant Tax Accountancy Office, Certified Public Accountant/Tax Accountant). Taking into account the results, the Company decided to restate its view regarding the Tender Offer.

The Company's affirmative view on the Tender Offer as of September 19, 2008 took into account the calculation results by KPMG FAS, and the calculation results by KPMG FAS utilized two sets of

fundamental values – namely those in the Plan as of August 31 and the Plan as of September 13 submitted by the Company. Given the result of the investigation by the Third-Party Committee, which pointed out that there were some issues concerning the process in which the Plan as of August 31 was prepared, the Company requested the Review Committee to conduct verification of the content of the Plan as of August 31 and the Plan as of September 13, which formed the basis for the calculation by KPMG FAS.

On November 18, 2008, the Company received a report from the Review Committee in which the committee’s conclusion was that “the Review Committee judged that both the Plan as of August 31 (the Downside Case) and the Plan as of September 13 (the Upside Case) cannot be considered unreasonable.” For this reason, the Company requested Corporate Partner Co., Ltd. (Takahiko Kano, President and Certified Public Accountant) (“Corporate Partner”), an independent and external third-party valuation agency different from KPMG FAS, to reevaluate the Company’s stock value by referring to the Plan as of August 31 and the Plan as of September 13. The Company received the following valuation results.

Result of valuation by Corporate Partner

<u>Valuation method</u>	<u>Result of valuation</u>
<u>Market price method</u>	<u>¥509 - ¥535</u>
<u>DCF method</u>	<u>¥631 - ¥747</u>
<u>Adjusted net asset method</u>	<u>¥709 - ¥802</u>

On the other hand, through the internal investigation conducted from November 18, 2008 to November 28, 2008, apart from the actions already revealed by the Third-Party Committee in its investigation report, the following facts were revealed.

Receiving advice from Hayate, Katsuya Hayashi, from August 3 to August 12, issued an instruction that an explanation that overemphasized the risks should not be made to the outside directors, against the wishes of an executive officer who insisted that possible legal risks in the event that the Board of Directors approved a low offer price should be explained to the outside directors. In addition, against the wishes of an executive officer who was opposed to the presence of Hayate, Katsuya Hayashi issued an instruction that Hayate should attend the meeting for the first explanation to the outside directors on the issue of the Tender Offer because, in Katsuya Hayashi’s view, the discussion would not be guided to the desirable direction of approving the Tender Offer if the discussions were made only among internal persons based on the preliminary figures of the valuation result by KPMG FAS. Furthermore, during the period from around August 21 to September 9, 2008, given advice from Hayate, Katsuya Hayashi instructed the executive officer to negotiate with KPMG FAS on the following issues: 1) the DCF method should not be adopted; 2) the comparable companies used in the stock value magnification method should be the same as those adopted for the valuation results by EYTAS; and 3) the adjusted net asset method should not be adopted. Certain specifics of Katsuya Hayashi’s instructions to the executive officer regarding negotiation with KPMG FAS were subject to comments from MSC. Of the instructions given by Katsuya Hayashi, his request concerning the comparable companies adopted for the stock value magnification method was

partially accepted and reflected in the final valuation results by KPMG FAS.

The outside directors of the Company came to recognize the facts stated above as a result of an internal investigation.

As a consequence of taking into account the results of the investigation by the Third-Party Committee and the verification by the Review Committee, etc. as well as the facts discovered in the internal investigation, the Company, at the meeting of its Board of Directors held on December 2, 2008, reached its final resolution to not support the Tender Offer, since there was a serious conflict of interest issue in the process that led to the Company's previous view regarding the Tender Offer.

The Board of Directors of the Company received legal advice from Mitsui Company, a Japanese law office, on its resolutions adopted by the Board of Directors' meetings held on November 7 and December 2, 2008, which are stated in (2) ③ above.

Katsuya Hayashi, as a special interested party, refrained from participating in the above-mentioned discussions and the subsequent voting on the resolution at the Board of Directors' meeting held on December 2, 2008, regarding the Company's view with respect to the Tender Offer, as he planned to indirectly make an investment into Tomorrow Co., Ltd., the parent company of the Tender Offerors, if the Tender Offer was completed. In addition, Hiroko Hayashi also refrained from participating in discussions and the subsequent voting on the resolutions at the same Board of Directors' meeting regarding the Company's view with respect to the Tender Offer in order to avoid potential conflicts of interest in view of her status as a member of the Founding Family. As a consequence, excluding these two individuals, all three directors (all of whom are outside directors) attended the above-mentioned meeting of the Company's Board of Directors held on December 2, 2008, participated in discussions, and unanimously adopted the resolution.

⑤Setting of a relatively long tender offer period and prolongation of the period as required

The applicable laws and ordinances stipulate the shortest duration of a tender offer for purchases (the "Tender Offer Period") to be 20 business days. The Tender Offerors set the Tender Offer Period in the Tender Offer to be 30 business days. Thereafter, in line with the submission of a Notification of Corrections to the Tender Offer Notification, the Tender Offer Period is prolonged as required. The relatively long term established for the Tender Offer Period and prolongation of the Tender Offer Period as required are said to be intended to ensure that the Company's shareholders have appropriate opportunities with respect to the decision to subscribe to the Tender Offer and also to ensure that those other than the Tender Offerors who wish to make counter purchases have such opportunities with the aim of ensuring fairness and appropriateness in the Offer Price.

Moreover, the Tender Offerors have set a minimum limit of the number of shares to be purchased, indicating a level below which the Tender Offer will not be successful. The minimum limit will not be met unless subscriptions above the majority (4,291,865 shares) are made, where the majority applies to the difference after subtracting from the issued and outstanding shares of the Company exclusive of the treasury stock (19,380,335 shares) the number of shares held by the Tender Offerors (5,383,482 shares) and the number of shares held by the Founding Family (5,413,124 shares), for which subscription to the Tender Offer is already agreed. With this measure, the Transaction shall not come into effect if the majority of shareholders other than the Tender Offerors and the Founding Family choose not to subscribe to the Tender Offer, thereby strongly respecting the intent of the Company's shareholders.

The Tender Offerors have not entered into an accord with the Company that prohibits the Company from making contact with any opponents of the Tender Offer.

(4) Contents of the view concerning the Tender Offer and policies on corporate restructuring anticipated after the Tender Offer (Matters relating to the so-called ‘Two-Step Acquisition’)

(Before Amendments)

<Omitted>

Specifically, after the Tender Offer has come into effect, the Tender Offerors intend to request the Company to hold an extraordinary general meeting of shareholders which includes in the agenda items 1) through 3) below and to hold a general meeting of shareholders for ordinary shareholders with class shares (*futsu-kabunushi-niyoru shurui kabunushisokai*) which includes in the agenda item 2) below: 1) the Company shall be converted into a corporation issuing class shares (*shurui kabushiki hakkou kaisha*) under the Companies Act (Law No. 86 of 2005, including subsequent versions as amended; hereinafter the same shall apply) by partially amending the Articles of Incorporation of the Company; 2) all of the common shares of the Company to be issued by the Company shall be appended with a call provision (a provision regarding the matter stipulated in Article 108, Paragraph 1, Item 7 of the Companies Act; hereinafter the same shall apply) by further amending a part of the Articles of Incorporation of the Company after amending as above); and 3) a different class of common stock shall be issued by the Company in exchange for all of such shares of the Company (exclusive of the treasury stock). As for the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares to be held as stipulated above, the Tender Offerors have analyzed the issue and requested the Company to submit matters 1) through 3) to the same extraordinary general meeting of shareholders and to discuss matter 2) at a general meeting of shareholders for ordinary shareholders with class shares. Having received such request, the Company has started examining the possibility of holding an extraordinary general meeting of shareholders and a general meeting of shareholders for ordinary shareholders with class shares.

If the Tender Offer comes into effect, the Tender Offerors will acquire more than approximately 77.85% of the issued and outstanding shares of the Company, exclusive of the treasury stock. If it is decided that such procedures shall be adopted, the Tender Offerors intend to express approval of each of the proposals to be put to the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares. If all of the above procedures are completed, all the shares of common stock issued by the Company subject to the call provision and shall be wholly acquired by the Company (exclusive of the treasury stock). Meanwhile, a different class of shares shall be issued to all of the Company’s shareholders as compensation for such acquisition by the Company³. Shareholders who would receive fractional shares of less than one share will receive cash obtained from the sale of shares corresponding to the aggregate number of such fractional shares (fractions of the aggregate number to be truncated) in accordance with Article 234 of Companies Act and other applicable ordinances. The selling price of the aggregate number of fractional shares (and the resulting cash amount to be delivered to each of relevant shareholders) will be calculated on the basis of the Offer Price unless any circumstance otherwise requires, but may differ from the Offer Price due to different timing of computation. In addition, the class and number of shares of the Company to be issued in compensation for the acquisition of shares of the

Company's common stock are subject to the call provision which must be delivered to the Company's shareholders other than the Tender Offerors such that the Tender Offerors will hold all issued and outstanding shares of the Company exclusive of the treasury stock shall result in fractions of less than one share.

To protect the rights of minority shareholders regarding the Procedure for Making a Wholly-Owned Subsidiary, the Companies Act stipulates that (i) in the case that the Articles of Incorporation are amended to the effect that shares of common stock shall be subject to the call provision as stated in Item 2) above, any shareholder may request of the Company the purchase of shares held thereby in accordance with Articles 116 and 117 of the Companies Act and other applicable ordinances and that (ii) if a resolution to acquire all the shares of the Company subject to the call provision is adopted by the extraordinary general meeting of shareholders as stated in Item 3) above, any shareholder may file a claim regarding the decision of the acquisition price of such shares in accordance with Article 172 of the Companies Act and other applicable ordinances. In making such request or claim according to any of these methods, shareholders are requested to make decisions according to their own judgment, at their own risk with regard to the necessary procedures and so on. The Procedure for Making a Wholly-Owned Subsidiary may be replaced with a method having equivalent effects, depending on the interpretation etc., of applicable laws and regulations of the relevant authorities, the shareholding status of the Tender Offerors after the Tender Offer, or the shareholding situation of shareholders other than the Tender Offerors. Even in such cases, however, a cash delivery method for other shareholders is planned such that the Tender Offerors will ultimately hold all issued and outstanding shares of the Company exclusive of the treasury stock. In such cases, the cash amount to be delivered to relevant shareholders will be calculated on the basis of the Offer Price, but it may differ from the Offer Price.

[...]

(Note 3) The Tender Offerors have requested the Company to retire its shares of treasury stock before the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares, and the Company has started examining the possibility of complying with such a request.

(After Amendments)

<Omitted>

Specifically, after the Tender Offer has come into effect, the Tender Offerors intend to request the Company to hold an extraordinary general meeting of shareholders which includes in the agenda items 1) through 3) below and to hold a general meeting of shareholders for ordinary shareholders with class shares (*futsu-kabunushi-niyoru shurui kabunushisokai*) which includes in the agenda item 2) below: 1) the Company shall be converted into a corporation issuing class shares (*shurui kabushiki hakkou kaisha*) under the Companies Act (Law No. 86 of 2005, including subsequent versions as amended; hereinafter the same shall apply) by partially amending the Articles of Incorporation of the Company; 2) all of the common shares of the Company to be issued by the Company shall be appended with a call provision (a provision regarding the matter stipulated in Article 108, Paragraph 1, Item 7 of the Companies Act; hereinafter the

same shall apply) by further amending a part of the Articles of Incorporation of the Company after amending as above); and 3) a different class of common stock shall be issued by the Company in exchange for all of such shares of the Company (exclusive of the treasury stock). As for the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares to be held as stipulated above, the Tender Offerors have analyzed the issue and requested the Company to submit matters 1) through 3) to the same extraordinary general meeting of shareholders and to discuss matter 2) at a general meeting of shareholders for ordinary shareholders with class shares. Having received such request, the Company started examining the possibility of holding an extraordinary general meeting of shareholders and a general meeting of shareholders for ordinary shareholders with class shares.

If the Tender Offer comes into effect, the Tender Offerors will acquire more than approximately 77.85% of the issued and outstanding shares of the Company, exclusive of the treasury stock. If it is decided that such procedures shall be adopted, the Tender Offerors intend to express approval of each of the proposals to be put to the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares. If all of the above procedures are completed, all the shares of common stock issued by the Company will be subject to the call provision and shall be wholly acquired by the Company (exclusive of the treasury stock). Meanwhile, a different class of shares shall be issued to all of the Company's shareholders as compensation for such acquisition by the Company³. Shareholders who would receive fractional shares of less than one share will receive cash obtained from the sale of shares corresponding to the aggregate number of such fractional shares (fractions of the aggregate number to be truncated) in accordance with Article 234 of Companies Act and other applicable ordinances. The selling price of the aggregate number of fractional shares (and the resulting cash amount to be delivered to each of relevant shareholders) will be calculated on the basis of the Offer Price unless any circumstance otherwise requires, but may differ from the Offer Price due to different timing of computation. In addition, the class and number of shares of the Company to be issued in compensation for the acquisition of shares of the Company's common stock are subject to the call provision which must be delivered to the Company's shareholders other than the Tender Offerors such that the Tender Offerors will hold all issued and outstanding shares of the Company exclusive of the treasury stock shall result in fractions of less than one share.

To protect the rights of minority shareholders regarding the Procedure for Making a Wholly-Owned Subsidiary, the Companies Act stipulates that (i) in the case that the Articles of Incorporation are amended to the effect that shares of common stock shall be subject to the call provision as stated in Item 2) above, any shareholder may request of the Company the purchase of shares held thereby in accordance with Articles 116 and 117 of the Companies Act and other applicable ordinances and that (ii) if a resolution to acquire all the shares of the Company subject to the call provision is adopted by the extraordinary general meeting of shareholders as stated in Item 3) above, any shareholder may file a claim regarding the decision of the acquisition price of such shares in accordance with Article 172 of the Companies Act and other applicable ordinances. In making such request or claim according to any of these methods, shareholders are requested to make decisions according to their own judgment, at their own risk with regard to the necessary procedures and so on. The Procedure for Making a Wholly-Owned Subsidiary may be replaced with a method having equivalent effects, depending on the interpretation etc., of applicable laws and regulations of the relevant authorities, the shareholding status of the Tender Offerors after the Tender Offer, or the shareholding

situation of shareholders other than the Tender Offerors. Even in such cases, however, a cash delivery method for other shareholders is planned such that the Tender Offerors will ultimately hold all issued and outstanding shares of the Company exclusive of the treasury stock. In such cases, the cash amount to be delivered to relevant shareholders will be calculated on the basis of the Offer Price, but it may differ from the Offer Price.

[...]

(Note 3) The Tender Offerors have requested the Company to retire its shares of treasury stock before the extraordinary general meeting of shareholders and the general meeting of shareholders for ordinary shareholders with class shares, and the Company started examining the possibility of complying with such a request.

(7) Prospects of the Company

(Before Amendments)

As aforementioned, Katsuya Hayashi, Director and Representative Executive Officer of the Company, will indirectly make an investment into Tomorrow, substantially the parent company of the Tender Offerors, and will continue to assume the position of Director and Representative Executive Officer of the Company even after the Transaction is successfully completed.

(After Amendments)

As aforementioned, if the Tender Offer is successfully completed, it was planned that, upon completion of the Tender Offer, Katsuya Hayashi, formerly Director and Representative Executive Officer of the Company, would indirectly make an investment into Tomorrow, substantially the parent company of the Tender Offerors, and would continue to assume the position of Director and Representative Executive Officer of the Company even after the Transaction is successfully completed.

However, Katsuya Hayashi was removed from the position of Representative Executive Officer as of December 2, 2008, through the following process, and is currently a Director. Based on the aforementioned results of the investigation by a third-party committee and the facts revealed through the internal investigation, the Company removed Katsuya Hayashi from the position of Representative Executive Officer as of December 1, 2008. Despite the intention of releasing the final view on the Tender Offer on the same day, a disclosure on the same day could not be made due to time constraints. Based on the judgment that notice of the dismissal of Katsuya Hayashi and the statement of the final view on the Tender Offer should be made on the same day, the dismissal was once withdrawn and again Katsuya Hayashi was dismissed on December 2, 2008 when the Company's final view on the Tender Offer was announced.

On the same day, former Executive Officer Masafumi Okamoto succeeded the position of President and Representative Executive Officer, and Kinya Hashimoto, who was also a former Executive Officer, became Vice President and Representative Executive Officer.

Based on the aforementioned results of the investigation by a third-party committee and the facts found through the internal investigation, the Company is recommending Katsuya Hayashi and Hiroko Hayashi to

resign from the position of Director.

In addition, concerning the three outside directors, their successors will be quickly selected, and at the time when the candidates of the successors are approved at a general meeting of shareholders, the existing outside directors will resign.

4. Number of Stock Certificates Held by Directors and Number of Voting Rights Accompanying Said Certificates

<Before Amendments>

[...]

(Note 1) The titles, job responsibilities, numbers of shares held, and numbers of voting rights are effective as of the submission date of this Report.

<After Amendments>

[...]

(Note 1) The titles, job responsibilities, numbers of shares held, and numbers of voting rights are effective as of September 19, 2008. Katsuya Hayashi was removed from the position of Representative Executive Officer as of December 2, 2008, and is currently a Director. Masafumi Okamoto assumed the position of President and Representative Executive Officer on the same day. Kinya Hashimoto assumed the position of Vice President and Representative Executive Officer on the same day.