

February 13, 2017

To whom it may concern:

Name of company: USEN CORPORATION  
Name of representative: Kimimasa Tamura,  
President and Representative Director  
(Code Number: 4842, JASDAQ)  
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**Position statement and recommendation to tender in response to the tender offer for share certificates of USEN Corporation by Kabushiki Kaisha U-NEXT SPC1 and announcement of execution of the basic agreement for consolidation with U-NEXT Co., Ltd.**

USEN Corporation (hereinafter the “Company”) announced that at the meeting of the board of directors of the Company held on February 13, 2017, the Company expressed an opinion in favor of the tender offer for common stocks of the Company (the “Company’s Stock”) by Kabushiki Kaisha U-NEXT SPC1 (the “Tender Offeror”) (the “Tender Offer”) and resolved to recommend to shareholders of the Company to tender in response to the Tender Offer.

The Company also announced that at the meeting of the board of directors of the Company held on February 13, 2017, the Company gave approval to execute the basic agreement with Kabushiki Kaisha U-NEXT (“U-NEXT”) with respect to the consolidation with U-NEXT (the “Consolidation”), including the Tender Offer. The Company and U-NEXT will execute a definitive agreement with regards to the Consolidation in approximately June 2017, and will discuss and review the details of the Consolidation and will aim to complete the Consolidation on December 1, 2017.

I. Outline of the Tender Offer

1. Outline of the Tender Offeror

(1)	Name of the Tender Offeror	Kabushiki Kaisha U-NEXT SPC1
(2)	Address of head office	35-2, Jingumae 3-chome, Shibuya-ku, Tokyo
(3)	Name and title of representative	Yasuhide Uno, Representative Director
(4)	Details of its business	Pure holding company
(5)	Stated capital	1,000,000 yen
(6)	Date of incorporation	January 13, 2017
(7)	Major shareholders and shareholding ratio	U-NEXT: 100%
(8)	Relationship with the Company	
	Capital relationship	There is no capital relationship between the Tender Offeror and the Company.
	Personal relationship	Mr. Yasuhide Uno, who is the chairman and director of the Company, concurrently serves as the representative director of the Tender Offeror and the president and the representative director of U-NEXT, which is the sole parent company of the Tender Offeror.
	Transactional relationship	There is no transactional relationship between the Tender Offeror and the Company.
	Status of relationships with related parties	The Company is not a related party of the Tender Offeror.

2. The Tender Offer Price  
461 yen per share of common stock (the “Tender Offer Price”)

3. Contents of, basis of, and reason for opinion related to the Tender Offer  
(1) Contents of the opinion

At the meeting of the board of directors of the Company held on February 13, 2017, the Company expressed an opinion in favor of the Tender Offer and resolved to recommend to shareholders of the Company to tender in response to the Tender Offer based on the basis and reason stated in “(2) Basis of and reason for opinion” below.

The board of directors of the Company resolved such matters in the manner described in “(iv) Approvals from all directors without conflicts of interest and opinions from all statutory auditors that they have no objections” in the section titled “(7) Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer” below.

(2) Basis of and reason for the opinion

① Outline of the Tender Offer

According to the Tender Offeror, the outline of the Tender Offer is as follows:

The Tender Offeror is a joint stock corporation (kabushiki kaisha) incorporated on January 13, 2017 for the purpose of acquiring and holding the common stock in the Company (the “Company’s Shares”) through the Tender Offer among other things, and U-NEXT Co., Ltd. (“U-NEXT”) owns all of issued shares in the Tender Offeror (1 share) as of the filing date of this Statement. Further, the Tender Offeror owns 100 shares of Company’s Shares as of the filing date of this Statement.

The Tender Offeror and U-NEXT (the “Tender Offerors”) (i) will have the Tender Offeror acquire all of the Company’s Shares, excluding the treasury shares owned by the Company and Non-tendered Shares (as defined below; hereinafter the same), make the Company a private company, and thereafter consolidate the managements of U-NEXT and Company (the “Consolidation”) through a series of reorganizations, and (ii) have decided to conduct the Tender Offer as a part of such Consolidation.

In connection with the Tender Offer, the Tender Offeror executed with Mr. Yasuhide Uno (“Mr. Uno”) (chairman and director of the Company; largest shareholder of the principal shareholder of the Company; president and representative director of U-NEXT, which is 100% parent company of the Tender Offeror; and the sole shareholder of Kabushiki Kaisha UNO-HOLDINGS (“UNO-HOLDINGS”), which is the controlling shareholder of U-NEXT) a contract under which Mr. Uno agreed not to tender any of the Company’s Shares held by Mr. Uno (63,400,402 shares (Note 1) and a Shareholding Ratio (Note 2) of 30.77%) in response to the Tender Offer (the “Non-tender Agreement”). The Tender Offeror also executed with HIKARI TSUSHIN, INC. (“Hikari Tsushin”) (the second largest shareholder of the Company) a contract under which Hikari Tsushin agreed to tender part of the Company’s Shares held by Hikari Tsushin (28,205,437 shares and Shareholding Ratio of 13.69% if Tender Offer Agreement 2 (as defined below) is executed and 29,380,335 shares and a Shareholding Ratio of 14.26% if Tender Offer Agreement 2 is not executed) and all of the Company’s Shares held by Kabushiki Kaisha Infoservice (“Infoservice”) (the fifth largest shareholder of the Company and subsidiary of Hikari Tsushin) (4,146,300 shares and a Shareholding Ratio of 2.01%) and Kabushiki Kaisha Broad Peak (“Broad Peak”) (the subsidiary of Hikari Tsushin) (224,100 shares and Shareholding Ratio of 0.11%) (32,575,837 shares and a Shareholding Ratio of 15.81% in total for the three companies if Tender Offer Agreement 2 is executed and 33,750,735 shares and a Shareholding Ratio of 16.38% in total for the three companies if Tender Offer Agreement 2 is not executed) in response to the Tender Offer (the “Tender Offer Agreement 1”). The Tender Offeror has also agreed with Hikari Tsushin under Tender Offer Agreement 1 that Hikari Tsushin would not tender its Non-tendered Shares (9,204,023 shares and a Shareholding Ratio of 4.47% if Tender Offer Agreement 2 is executed and 8,029,125 shares and a Shareholding Ratio of 3.90% if Tender Offer

Agreement 2 is not executed) in response to the Tender Offer (Company's Shares not subject to tender under the Tender Offer Agreement 1 and Non-tender Agreement (Mr. Uno: 63,400,402 shares and Shareholding Ratio of 30.77%; Hikari Tsushin: 9,204,023 shares and a Shareholding Ratio of 4.47% if Tender Offer Agreement 2 is executed and 8,029,125 shares and a Shareholding Ratio of 3.90% if Tender Offer Agreement 2 is not executed; and a total of: 72,604,425 shares and a Shareholding Ratio of 35.24% if Tender Offer Agreement 2 is executed and 71,429,527 shares and a Shareholding Ratio of 34.67% if Tender Offer Agreement 2 is not executed) shall be individually and collectively referred to as "Non-tendered Share(s)".) (Note 3).

During the Tender Offer Period, the Tender Offeror wishes to execute with GSTK2 Holdings Godo Kaisha ("GS") (the third largest shareholder of the Company) a contract under which GS agrees to tender part of the Company's Shares held by GS (13,695,951 shares and Shareholding Ratio of 6.65%) and GS agrees not to tender remaining Company Shares held by GS (10,813,859 shares and Shareholding Ratio of 5.25%) (the "Expected Non-tendered Shares") in response to the Tender Offer (the "Tender Offer Agreement 2") (as defined below; hereinafter the same). With respect to the execution of Tender Offer Agreement 2, the Tender Offeror is engaging in good faith discussions with GS as of the filing date of this Statement and plans to proceed with the necessary procedures.

Mr. Uno is the chairman and director of the Company, the largest shareholder of the principal shareholder of the Company, the president and representative director of U-NEXT which is 100% parent company of the Tender Offeror, and the sole shareholder of UNO-HOLDINGS which is the controlling shareholder of U-NEXT. Due to the fact that the Tender Offer will be conducted under the leadership of Mr. Uno, the chairman and director of the Company and the largest shareholder of the principal shareholder of the Company, U-NEXT views the Consolidation as a transaction equivalent to a so-called management buyout (MBO) (Note 4).

For details of the Non-tender Agreement, Tender Offer Agreement 1, and Tender Offer Agreement 2, please see "(i) Non-tender Agreement," "(ii) Tender Offer Agreement 1" and "(iv) Tender Offer Agreement 2" of "(4) Matters regarding material agreement(s) related to the Tender Offer".

- (Note 1) In addition to the Company's Shares (63,400,402 shares) mentioned above which fall under the Non-tender Agreement, Mr. Uno holds 99,783 shares of the Company's Shares as equity in the officers stock ownership plan of the Company, which are not subject to the Non-tender Agreement.
- (Note 2) "Shareholding Ratio" means the ratio (rounded to the nearest one-hundredth) between (i) the number of shares in the Company held by a shareholder of the Company and (ii) the number of shares in the Company (206,045,787 shares) equal to the difference between the total number of issued shares in the Company as of November 30, 2016 (207,148,891 shares) as provided in the Quarterly Securities Report for the First Quarter of the 53th Term which has been filed by the Company on January 13, 2017 (the "Company's Quarterly Report") and the number of treasury shares owned by the Company as of November 30, 2016 (1,103,104 shares) as provided in the "First Quarter Earnings Summary (Japanese Standard) (Consolidated) of Fiscal Year Ending August 2017" (the "Company's Earnings Summary") which has been announced by the Company on January 11, 2017.
- (Note 3) As stated above, the number of the Non-tendered Shares of the Company's Shares held by Hikari Tsushin differs depending on the success or failure of Tender Offer Agreement 2 so that the voting right ratio of U-NEXT between GS and Hikari Tsushin will remain the same after the Consolidation in each case. If Tender Offer Agreement 2 is executed and GS does not tender the Expected Non-tendered Shares in response to the Tender Offer (case (a)), GS is expected to receive common stock in U-NEXT as a shareholder of the Company under the Merger ② (please see "(e) Implementation of Merger in which U-NEXT Is the Surviving Company and Company Is the Merged Company" of "③ Structure of Consolidation" of "(i) Background, Purpose and Decision-making Process Leading up to Decision to

Implement Tender Offer” of “(2) Background, purpose and decision-making process leading to decision to conduct the Tender Offer and management policy for after the Tender Offer” below; hereinafter the same). However, if Tender Offer Agreement 2 is not executed and GS tenders the Expected Non-tendered Shares in response to the Tender Offer, GS is not expected to receive the common stock in U-NEXT under the Merger ② (case (b)). In case (a) above, where the total number of voting rights of all shareholders increases after GS receives the common stock in U-NEXT, when compared with case (b), U-NEXT decides that the number of the Non-tendered Shares of the Company’s Shares held by Hikari Tsushin should be adjusted so that the voting right ratio of U-NEXT between GS and Hikari Tsushin will remain the same as case (b) after the Consolidation.

- (Note 4) Management buyout (MBO) means the tender offer in which the tender offeror is a director or officer of the target company (including a tender offer in which the tender offeror is a person who is conducting the tender offer based on a request from a director or officer of the target company and who has a common interest with such director or officer of the target company). As there are no direct capital ties between the Tender Offeror and Mr. Uno and Mr. Uno and the Tender Offeror did not always maintain a common interest due to the absence of such direct capital ties, U-NEXT is of the belief that the Consolidation is not a pure management buyout. However, the Consolidation will be handled in a manner equivalent to a management buyout (MBO) since the possibility cannot be ruled out that there may be a conflict of interest between Mr. Uno, who is the chairman and director of the Company, and the Company in terms of the structure of the Consolidation as in the standard management buyout.

The Tender Offeror has set 71,465,300 shares (Shareholding Ratio of 34.68%) as the minimum number of share certificates, etc. to be tendered under the Tender Offer. If the total number of share certificates, etc. tendered under the Tender Offer (the “Share Certificates of Tendered Shares”) does not reach the minimum number of share certificates, etc. scheduled to be tendered (71,465,300 shares), the Tender Offeror will not purchase, among other things, all of the Share Certificates of Tendered Shares. The minimum number of share certificates, etc. scheduled to be tendered (71,465,300 shares) is the number of shares in the Company equal to the difference (142,645,285 shares) between (i) the total number of issued shares in the Company as of November 30, 2016 (207,148,891 shares) as provided in the Company’s Quarterly Report and (ii) the total amount of (a) the treasury shares owned by the Company (1,103,104 shares) as of November 30, 2016 as provided in the Company’s Earnings Summary, (b) the Company Shares owned by the Tender Offeror (100 shares) and (c) the Company Shares owned by Mr. Uno (63,400,402 shares), who agreed not to tender his Company’s Shares in response to the Tender Offer, after multiplying such difference by 50.1% and rounding it up to the nearest whole unit (100 shares). On the other hand, as the Tender Offeror’s purpose is to acquire all of Company’s Shares (excluding treasury shares owned by the Company and Non-tendered Shares and if Tender Offer Agreement 2 is executed, excluding the Expected Non-tendered Shares), a maximum number of share certificates, etc. scheduled to be tendered has not been set in the Tender Offer, and therefore, if the total number of Share Certificates of Tendered Shares is no less than the minimum number of share certificates, etc. scheduled to be tendered (71,465,300 shares), the Tender Offeror will purchase all of the Share Certificates of Tendered Shares. If the Tender Offer is implemented, the Tender Offeror will acquire by itself at least 714,653 units of the voting rights in the Company (34.93% of the total number of voting rights of all shareholders) out of the total number of voting rights of all shareholders of the Company as of August 31, 2016 (2,046,095 units of voting rights) as provided in the Company’s Quarterly Report, and the sum of the voting rights to be acquired by the Tender Offeror and the voting rights relating to the Non-tendered Shares (Mr. Uno: 63,400,402 shares and a Shareholding Ratio of 30.77%; Hikari Tsushin: 8,029,125 shares and a Shareholding Ratio of 3.90% (in case Tender Offer Agreement 2 is not executed); and a total of 71,429,527 shares and a Shareholding Ratio of 34.67%) will be 714,295 units of the voting rights in the Company (69.84% of the total number of voting rights of all shareholders), which will result in the Tender Offeror, Mr. Uno

and Hikari Tsushin holding at least 2/3 of the total number of voting rights of all shareholders of the Company.

If the Tender Offeror fails to acquire all of Company's Shares (excluding treasury shares owned by the Company and Non-tendered Shares and if Tender Offer Agreement 2 is executed, excluding the Expected Non-tendered Shares), the Tender Offeror plans to implement a series of procedures as provided in "(6) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called "Two-Step Acquisitions")" below after the implementation of Tender Offer. After the implementation of such procedures, the Tender Offeror also plans to implement a series of reorganizations as a part of Consolidation. For details, please see "(a) Structure of Consolidation" of "(i) Background, Purpose and Decision-making Process Leading up to Decision to Implement Tender Offer" of "② Background, purpose and decision-making process leading to decision to conduct the Tender Offer and management policy for after the Tender Offer" below.

According to "(iii) Funds to be borrowed on or after the date hereof" of "(2) Deposits or borrowings allocable for funds required for tender offer" of "8. Funds Required for Tender Offer, etc." in the Tender Offer Registration Statements, the Tender Offeror plans to take out a loan from Mizuho Bank, Ltd. ("Mizuho Bank") up to the maximum total amount of 80,000,000,000 yen and to use such funds for payment under the Tender Offer, payment for the Squeeze Out (as defined in "(6) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called "Two-Step Acquisitions")" below; hereinafter the same), repayment of existing loans of the Company and payment of costs and expenses relating to the Consolidation including the Tender Offer. Subject to the completion of the Tender Offer, the repayment of the existing loan borrowed by the Company is scheduled to be implemented on March 31, 2017. For such loan from Mizuho Bank, the Tender Offeror plans to offer as collateral all of issued shares of Tender Offeror and all of Company's Shares to be acquired by Tender Offeror through a series of procedures as provided in "(6) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called "Two-Step Acquisitions")" below.

② Background, purpose and decision-making process leading to decision to conduct the Tender Offer and management policy for after the Tender Offer

(i) Background, Purpose and Decision-making Process Leading up to Decision to Implement Tender Offer

(A) Background and Purpose Leading up to Decision to Implement the Tender Offer

U-NEXT, which owns all of issued shares of Tender Offeror as of the filing date of this Statement, runs contents platform business whose core business is video streaming business which mainly streams contents such as movies and television dramas (hereinafter referred as "CP Business") and communication network business which is telecommunication business whose core business is internet connection service via fiber optic and mobile communications (the "CN Business"). The current CP Business was originally a fee-based internet video streaming service for individual viewers started by the Company, which was established in June 1961 (The Company changed the form of company to joint stock corporation (*kabushiki kaisha*) in September 1964.), in June 2007 as "U-NEXT business" and as a future core business in the content streaming business which followed the cable broadcasting music streaming business, and has been promoted to increase the number of users in order to earn steady Running Profits (Note 1) by securing long-term users since the commencement of the business. However, as of December 2010 when the Restructuring (as defined below) was implemented, the number of users to gain enough income to cover the business operation costs could not be achieved and the costs continued to exceed the profits, even after 3 years after the commencement of the business in June 2007. U-NEXT also was of the belief that the investments in renewing the terminals would become necessary in the future in order to differentiate its service from the competitors' services. On the other hand, the Company's distribution business of fiber optic internet service to individual users at that time (the "BB

Business”), which became the basis of current CN Business, was under the business model in which U-NEXT received Incentives (Note 2) from fiber optic internet service provider such as Nippon Telegraph and Telephone Corporation by mainly selling the fiber optic internet service for individual users and U-NEXT saw it as an opportunity to acquire new users of “U-NEXT Business” by securing the viewing environment, but U-NEXT could not earn enough profits to cover the business operation costs and was therefore required to provide certain support to this business.

As explained above, as of December 2010, the Company was not able to clearly envision the future of both businesses which were unprofitable and was in a situation in which the Company was required to internally discuss the continuation of the business.

At the present, the Target Company, 3 consolidated subsidiaries and 3 affiliated companies (the “Company Group”) engage in the music streaming business, systems business for business customers, ICT business and other businesses (such as customer attraction support business).

In the music streaming business, the Company Group offers the service of broadcasting contents such as music and information to stores for business customers, chain stores and individual customers through the leased tuners via coaxial cable, telecommunications satellite and internet exclusively used by the Company. Most of the customers are stores for business customers, many of whom are in the food, retail, hair salon, healthcare or office business.

ALMEX Inc., which is consolidated subsidiary of the Company, conducts the system business for business customers and aims to offer hospitality to end-users by offering products and services which use the state-of-the-art technologies. ALMEX, Inc. develops, manufactures, sells and conducts maintenance on systems such as automatic fare adjustment machine, hotel management system, reception system and guide display system for business hotels, city hotels, leisure hotels, medical institutions such as general hospitals, and golf courses.

In the ICT business, the Company Group sells ICT products and services such as network service (such as internet service and internet cables), cloud service and mobile service for corporate customers under the brand name “USEN GATE 02.”

The Company Group also conducts other businesses, including customer attraction support business, energy business, music copyright management and creation business, and development and launch of new products and services. In the customer attraction support business, the Company Group runs “Hitosara”, which offers customer attraction support service for restaurants.

After the Company was founded in June 1961, the Company listed on NASDAQ Japan market of Osaka Securities Exchange, Inc. (currently, JASDAQ (standard) market (“JASDAQ”) of Tokyo Stock Exchange, Inc. (“Tokyo Stock Exchange”)) in April 2001. The Company Group was starting to stop the decline in its corporate performance which had been affected by the economic stagnation continuing around two years since the consolidated fiscal year ending August 2009, but the business environment surrounding the Company group was still harsh at that time and its corporate performance was not making recovery yet and therefore, the Company group needed to aim to strengthen its business structure by generating profits and cash flow by continuing to further narrow down and cultivate the existing business areas and reduce and save costs.

In the midst of such situation, the Company, upon considering any measures to be taken to reconstruct the business of the Company, came to a conclusion that the elimination of existing burden of the Company by immediately withdrawing from the “U-NEXT Business” and BB Business and by controlling the outflow of available funds and the focus on music streaming

business, which was the Company group's main business and which generated stable profits, would contribute to the enhancement of corporate value of the Company group rather than aiming to gain profits in the future by making additional investments in the "U-NEXT Business" and by increasing the number of U-NEXT users while at the same time carrying the risk of decline in the profitability of the BB Business.

Thereafter, in around 2010, due to the fact that Mr. Uno, who was the chairman and director of the Company at the time, ended up personally taking over the business departments in charge of "U-NEXT Business" and BB Business as a result of internal discussions within the Company and bidding by multiple companies, in December 2010, U-NEXT succeeded both "U-NEXT Business" and BB Business by the Company's transfer of "U-NEXT Business" and BB Business to U-NEXT, which was the wholly owned subsidiary of the Company at the time, by demerger and by the Company's transfer of all of U-NEXT shares to Mr. Uno, who was the representative director and president of the Company at the time, at the same time (the "Restructuring"), and restarted as a joint stock corporation (*kabushiki kaisha*) which is 100% funded by Mr. Uno. U-NEXT, which succeeded "U-NEXT Business" and BB Business, and the Company thereby have been conducting the business until today as separate entities without having any capital tie-up.

According to the Tender Offeror, the background and purpose leading up to the decision to implement the Tender Offer is as follows:

After the Restructuring, U-NEXT, under Mr. Uno's management, caused its business to steadily grow and improved its corporate performance by expanding its customer base which used to be mainly general individual customers, by properly managing the costs concerning the contents such as procurement costs and sales promotion costs, and by popularization of smartphones/tablets. In December 2014, U-NEXT listed its stocks on the Mothers market of the Tokyo Stock Exchange and in December 2015, its stocks were listed on the First Section of the Tokyo Stock Exchange. Upon U-NEXT's listing of its stocks on the Mothers market of Tokyo Stock Exchange, Mr. Uno and U-NEXT ended their 100% capital tie-up, but even after the listing, Mr. Uno continued to hold the U-NEXT shares through UNO-HOLDINGS, which is Mr. Uno's asset management company, and the number of such shares held as of June 30, 2016 is 10,530,000 shares (Shareholding Ratio compared to the total number of issued shares: 64.11%).

On the other hand, with respect to the CN Business, the price war in the MVNO (Note 4) market, in which U-NEXT began "U-Mobile" (Note 3) in 2013, has eased to a certain extent, but the competition in terms of services and promotions has intensified and is in a very competitive state due to reasons such as entry of large companies. "U-NEXT Hikari Collaboration" (Note 5) which began in 2015 is also not growing at the pace initially expected by U-NEXT due to the rise in market share of packaged service offered by the existing mobile phone carriers since the time of commencement of "U-NEXT Hikari Collaboration" service.

With regard to the CP Business, the infrastructure has been developed to offer VOD Service (Note 6) due to the rise of smartphones, but the competition has intensified due to the video streaming service offered by subsidiaries of existing domestic telecommunications carriers, who are aiming to acquire market share in such market, and entry of foreign video streaming service providers into the Japanese market such as "Hulu" (Its business in Japan has been taken over by Nippon Television Network Corporation.), "Netflix" and "Amazon (Amazon Prime)."

As explained above, the environment surrounding U-NEXT is continuing to go through significant changes and U-NEXT is required to solidify its business strategy in order to secure its competitive edge at all times and to accelerate its growth. Under such circumstances, U-NEXT acquired in March 2016 a portion of fixed broadband network business for apartment

complex, which had been operated by ARTERIA Networks Corporation. Such acquisition was the action taken by the U-NEXT management upon understanding the current situation that it was urgent for U-NEXT to further strengthen its competitiveness and sales capabilities by expanding its service lineup and to enhance its corporate performance by further expanding the customer base of CP Business and CN Business.

The Company refinanced the total amount of its syndicate loan and acquired and cancelled its preferred stocks in March 2016 and therefore, U-NEXT envisions a strategy in which the Company continues to clean its balance sheet and simultaneously grow as a company which can offer various total solution services by expanding its lineup, including new services which are based on strong platforms developed by the maintenance and expansion of its existing business, but U-NEXT understands that the Company's corporate performance growth remains flat due to reasons such as restraint on active investment in order to prioritize improvement on its financial basis and therefore, the adoption of clear growth strategy is an urgent issue for the Company's management hereafter.

- (Note 1) "Running Profit" means a certain amount of the profit constantly gained from existing customers.
- (Note 2) "Incentive" in the above context means the commission-based profit paid by fiber optic internet service provider such as Nippon Telegraph and Telephone Corporation based on the number of the sales of the fiber optic internet service.
- (Note 3) "U-Mobile" means one of the CN Business which sells cheap smartphones and SIM cards.
- (Note 4) "MVNO" means the business in which a company borrows from other telecommunications business operators the wireless communication platform such as mobile phone line and offers the wireless communication service by adding its own service.
- (Note 5) "U-NEXT Hikari Collaboration" collectively means the service pack, whose core service is fiber optic internet service "U-NEXT Hikari" which U-NEXT is able to offer at low price by receiving the "FLET'S Hikari" service offered by Nippon Telegraph and Telephone East Corporation and Nippon Telegraph and Telephone West Corporation by wholesale.
- (Note 6) "VOD Service" means the service in which viewers can watch various video contents at any time they wish.

(B) Decision-making Process

As explained above, while U-NEXT and Company respectively have management issues concerning the current business environment, Mr. Uno, who is president and representative director of U-NEXT, sole shareholder of UNO-HOLDINGS which is the controlling shareholder of U-NEXT, the chairman and director of the Company and the largest shareholder of the principal shareholder of the Company, viewed that there would be synergy between U-NEXT and the Company from the individual customer sales network and video and telecommunication service of U-NEXT and the corporate customer sales network exceeding 147 offices and 618,410 shops nationwide (as of December 31, 2016) and music streaming service of the Company, which was not foreseeable at the time when the Company went through the Restructuring in December 2010. Therefore, in late February 2016, Mr. Uno requested U-NEXT consider the measures concerning the collaboration between U-NEXT and Company and the synergy effect from the two companies becoming as one, and U-NEXT began considering them in the middle of April 2016.

According to the Tender Offeror, the decision making process of the Tender Offer was as follows:



In the course of such consideration, U-NEXT came to the conclusion that since the stabilization of management base was the issue for actively making investments in the fierce competitive environment, the consolidation of management resources of U-NEXT and Company by including the Company, which had stable management base, into U-NEXT group would contribute to the stabilization of management base and open up a possibility to come up with aggressive measures which would not lose to competitors.

U-NEXT also came to a conclusion that even though the profitability of Company's business itself was high and stable, the lack of growth and sluggish rise of its stock price were issues and therefore, there was a possibility that the Company would be evaluated as a growing company overall if U-NEXT's capability of generating new services including U-NEXT's technical aspects was put into use. Specifically, the Company views (i) that the business benefits can be gained such as the promotion of ICT (information and communication technology) to commercial stores through the integration of telecommunication business know-hows, the expansion of sales methods by integration of know-hows and resources relating to Telemarketing (Note 1) and the increase in the number of subscriptions to cable broadcasting for individuals by integration of Consumer Marketing (Note 2), and (ii) that such integrations will significantly contribute to the enhancement of the Company's corporate value.

After going through the process as explained above, from late July 2016, U-NEXT began to consider a plan of a holding company structure between U-NEXT and Company and informed the Company that U-NEXT wished to begin the consideration and discussion on the Consolidation in the beginning of August 2016. Thereafter, both companies started to make preliminary consideration on the Consolidation of the two companies and to respectively conduct due diligence on each other from the middle of August 2016. U-NEXT's due diligence on the Company ended in early December 2016. After going through such consideration and due diligence, U-NEXT provided the Company with a written proposal on the Consolidation on January 17, 2017 and continued serious considerations and discussions with the Company upon making proposals on the objectives of the Consolidation, expected structure, tender offer price and shareholding ratio upon the Consolidation.

By taking into account such considerations and discussions, U-NEXT believes that the following synergy effects are expected upon materializing the new holding company structure between U-NEXT and Company:

(a) Sales Synergy

By materializing the holding company structure which consolidates U-NEXT and Company, the music streaming business for corporate and individual customers, the CP Business for individual customers, and the CN Business for corporate and individual customers will be conducted within the same corporate group. Each of such businesses originally offered products and services to corporate customers and individual customers which are in different markets, and the businesses succeeded by U-NEXT by Restructuring especially were in the business environment at the time of implementation of Consolidation in December 2010 in which such businesses were not only incurring losses but also were not expected to have synergy effect.

However, with the popularization of smartphones thereafter, U-NEXT's CP Business became profitable due to the fact that smartphone become popularized and the video streaming business became more well-known and the number of users significantly increased and its CN Business is also steadily increasing both corporate and individual users during the same period by starting its own fiber optic internet service and MVNO (i.e., cheap smartphones and SIM).

In the midst of such change in the business environment, U-NEXT came to the conclusion that in the CP Business, it is beneficial to begin expanding the business as the business offering the integrated entertainment service via internet which adds the music broadcasting feature as added service value. In the CN Business, U-NEXT came to a conclusion that more effective sales activities are possible through expansion of business by sharing the know-hows within the same corporate group due to the fact that part of U-NEXT's service is sold to the Company by wholesale and the Company sells the fiber optic internet service to corporate customers based on such U-NEXT's service.

(b) Cost Synergy

With the sharp sales increase especially in the CP Business and CN Business, U-NEXT is in a situation in which the development of its business management structure is not keeping up and in which the procurement of management resources, which mainly consist of personnel and know-how, has become management issue all the time and therefore, U-NEXT came to a conclusion that it would become possible to more smoothly deal with the expansion of business by consolidating the U-NEXT's features with the Company's features which are same. Furthermore, with respect to the transactions currently occurring between U-NEXT and the Company, since the transactions are within the same corporate group, U-NEXT came to a conclusion that more efficient business management would be possible due to the fact that the transaction costs of both U-NEXT and the Company on the matters such as negotiation on the transaction terms would be reduced and that U-NEXT and Company would be able to conduct joint public relations activities and procurement activities.

(c) Streamlining the Business Management System and Reduction of the Listing Maintenance Cost

U-NEXT came to the conclusion that it would be possible to achieve the streamlining including improvement of business such as sorting out overlapping businesses by consolidating again the business management structures of the Company, whose main customers are corporate customers, and U-NEXT, whose main customers are individual customers, both of which used to be managed as one entity until 2010.

At the present time, both U-NEXT and the Company are respectively listed on the stock exchange and audited by accounting firm, and U-NEXT believes that by consolidating them, the overall costs to maintain the listing will be reduced.

In addition to such synergy, U-NEXT views that by U-NEXT and the Company transitioning to a new system which is holding company structure between them, the holding company can integrate all companies under the group, better monitoring of growth stage of companies under the group becomes possible and implementation of most appropriate allocation of management resources becomes possible. Furthermore, U-NEXT views that further enhancement of corporate value of entire group is expected due to the fact that together with the implementation of most appropriate allocation of management resources, it will become possible for each company to enhance its corporate value by using such management resources.

U-NEXT also came to the conclusion that in order to fully take advantage of the benefits of synergy effect and holding company structure as mentioned above, it is most important that the management who well understands the business of U-NEXT and the Company manages the operations of U-NEXT and the Company by taking advantage of the strength and complementing the disadvantage. In this regard, U-NEXT thinks that the Consolidation, under which U-NEXT (of which Mr. Uno holds the majority of the voting rights) plays a main role and consolidates U-NEXT and the Company into a same group again and operate both

companies under new organization, is most preferable for the enhancement of the corporate values of U-NEXT and the Company, under the strong leadership of Mr. Uno, who well understands the business of U-NEXT and the Company, is the president and representative director of U-NEXT and the chairman and director of the Company.

U-NEXT views that if the Consolidation is implemented, there is a risk of reduction in the profit level or deterioration of cash flow due to the necessity to finance a large amount of purchase funds in a short term, but there is a possibility to move onto the new growth stage by the implementation of Consolidation.

U-NEXT views that if the Consolidation is not implemented, it may become difficult to sustain growth while simultaneously securing competitive edge in the environment which continues to make significant changes and that while it is not certain that the Consolidation will achieve the expected results depending on the future business environment and competitive environment, the Consolidation is the most effective method to avoid any negative impact which may arise against the shareholders of the Company and to swiftly and aggressively implement the fundamental and flexible management strategies from the medium- and long-term perspective.

Due to the fact that U-NEXT also viewed that Hikari Tsushin and GS are large shareholders of the Company and that enhancement in stability of shareholder composition and business synergy is expected by having Hikari Tsushin, which has strong business relationships with U-NEXT and the Company, cooperate with the Consolidation and become a stable shareholder of U-NEXT which became a holding company, U-NEXT made a proposal of Consolidation to both Hikari Tsushin and GS in the middle of January 2017. After such proposal, U-NEXT discussed with Hikari Tsushin on the terms and conditions of Consolidation including tender offer price and on the details of business tie-up among U-NEXT, Company and Hikari Tsushin after the Consolidation and executed the Tender Offer Agreement 1 on the Tender Offer with Hikari Tsushin on February 13, 2017. The Tender Offeror is also discussing with GS in good faith as of the filing date of this Statement and plans to proceed with the necessary procedures with respect to the execution of Tender Offer Agreement 2.

By going through the circumstances explained above, U-NEXT established the Tender Offeror in January 2017 in order to implement the Consolidation, and the Tender Offeror came to a decision on February 13, 2017 to conduct the Tender Offer as a part of the Consolidation.

U-NEXT has received the Company's approval on the implementation of Consolidation including the Tender Offer. After the implementation of Tender Offer, U-NEXT and Company entered into the Basic Agreement on Consolidation as of February 13, 2017 (the "Basic Agreement") because it was necessary to promptly proceed with the preparation of Consolidation between U-NEXT and Company. For the outline of Basic Agreement, please see "(iii) Basic Agreement" of "(4) Matters regarding material agreement(s) related to the Tender Offer" below.

(Note 1) "Telemarketing" means the sales promotion activity through direct communication with customers by means of telephone, etc.

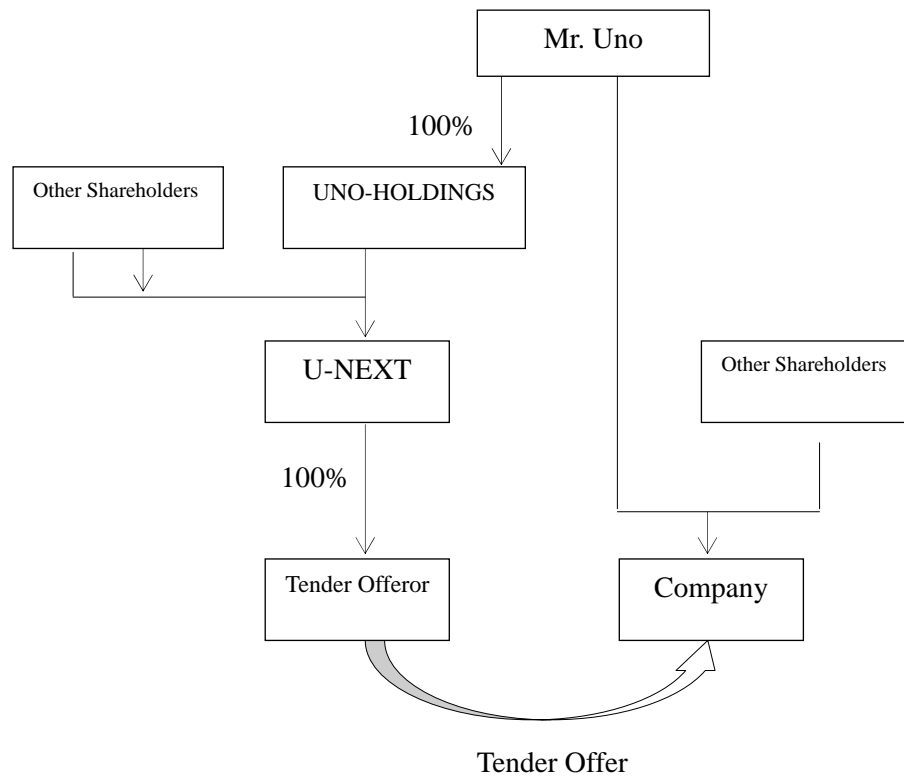
(Note 2) "Consumer Marketing" means the sales promotion activities for the consumer market formed by individuals.

(C) Structure of Consolidation

The structure of Consolidation is as provided below:

(a) Implementation of Tender Offer

The Tender Offeror conducts the Tender Offer for the purpose of acquiring all of Company's Shares (excluding the treasury shares owned by the Company and Non-tendered Shares and if Tender Offer Agreement 2 is executed, excluding the Expected Non-tendered Shares).



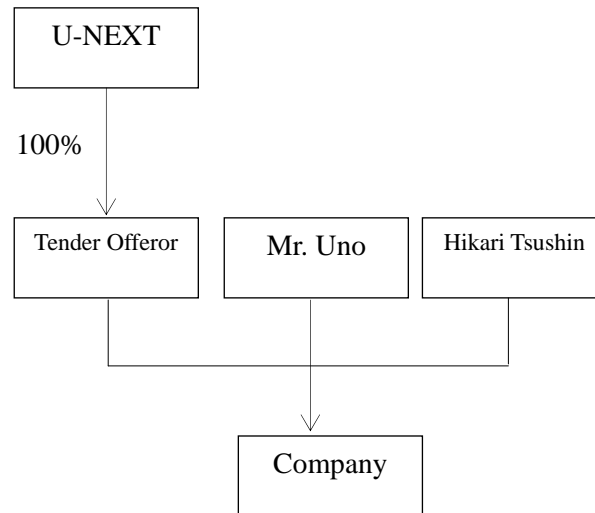
(b) Procedures to Make the Shareholders of Company Only Tender Offeror and Remaining Shareholders (which means Mr. Uno and Hikari Tsushin and if Tender Offer Agreement 2 is executed, Mr. Uno, Hikari Tsushin and GS; hereinafter the same)

If the Tender Offer is implemented and the Tender Offeror fails to acquire all of the Company's Shares (excluding the treasury shares owned by the Company and Non-tendered Shares and if Tender Offer Agreement 2 is executed, excluding the Expected Non-tendered Shares), the Squeeze Out will be implemented. Specifically, the Tender Offeror plans to request the Company to hold an extraordinary general shareholders' meeting including the proposal for Share Consolidation (as defined in "(5) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called "Two-Step Acquisitions")" below; hereinafter the same). For details, please see "(5) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called "Two-Step Acquisitions")" below.

If there is any fraction of Non-tendered Shares held by any Remaining Shareholders (the Expected Non-tendered Shares is included if Tender Offer Agreement 2 is executed) which is less than 1 share and such fraction of share is sold to the Tender Offeror during the Squeeze Out, the Tender Offeror plans to transfer to each of such Remaining Shareholders such fraction of Company's Share in the amount equal to the Tender Offer Price (which means the price of tender offer, etc. per share of Company's Shares in the Tender Offer; hereinafter the same) (i.e., the price per share after the stock split which is scheduled to be implemented on the Company's Shares before such transfer at the ratio which is the opposite of the consolidation ratio of Share Consolidation). The above transfer is scheduled to be implemented after the Company's Shares no longer are share certificates, etc. which are required to be subject to tender offer pursuant to Article 27-2 of the Act, on the condition that the application to suspend the filing of securities report of the Company has been approved by competent authority pursuant to the proviso to Article 42, Paragraph 1 of the Act.

The shareholder composition after the Squeeze Out and the transfer of the Company's Shares to each of the Remaining Shareholders as mentioned above is as follows:

Shareholder	Voting Right Ratio (if Tender Offer Agreement 2 is not executed)	Voting Right Ratio (if Tender Offer Agreement 2 is executed)
Tender Offeror	65.3%	59.5%
Mr. Uno	30.8%	30.8%
Hikari Tsushin	3.9%	4.5%
GS	-	5.2%



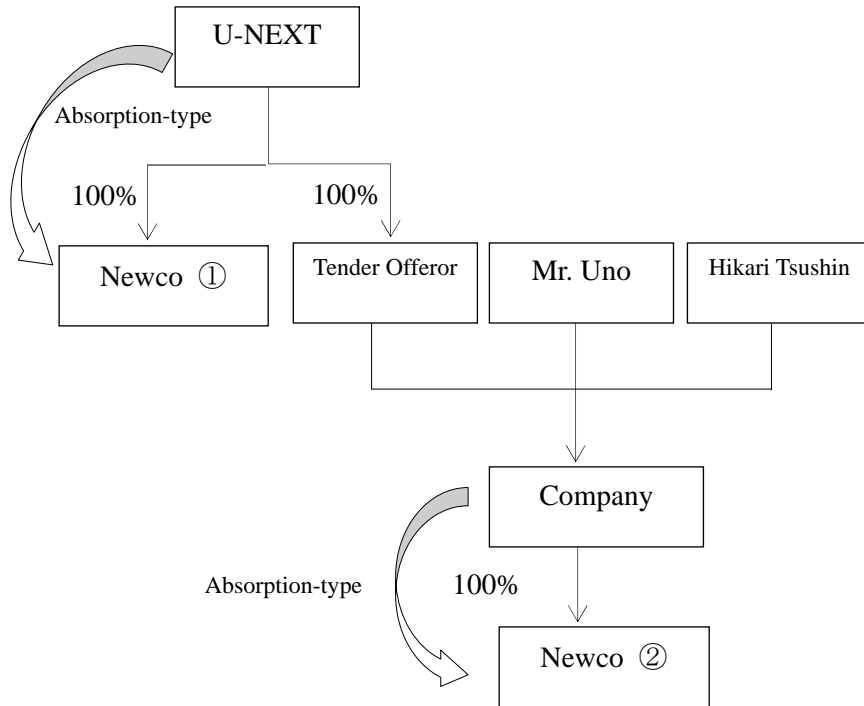
(Note) If Tender Offer Agreement 2 is executed, GS is expected to remain as shareholder of Company. Same will apply under “(c) Implementation of Demerger by U-NEXT and Company” and “(d) Implementation of Merger in which U-NEXT Is Surviving Company and Tender Offeror Is Merged Company.”

(c) Implementation of Demerger by U-NEXT and Company

U-NEXT will have a new entity to be established by U-NEXT (the “Newco ①”) (There is a possibility that Newco ① will become multiple entities based on discussion hereafter.) succeed all of U-NEXT’s businesses (other than the business management of subsidiaries and the so-called back office work of subsidiaries such as human resources (HR), accounting and general affairs (the “Back Office Business”)) by means of absorption-type demerger (the “U-NEXT Demerger”).

The Company will also have a new entity to be established by the Company (the “Newco ②”) (There is a possibility that Newco ② will become multiple entities based on discussion hereafter.) succeed all of Company’s businesses (other than the business management of subsidiaries and the Back Office Business) by means of absorption-type demerger (the “Company Demerger”).

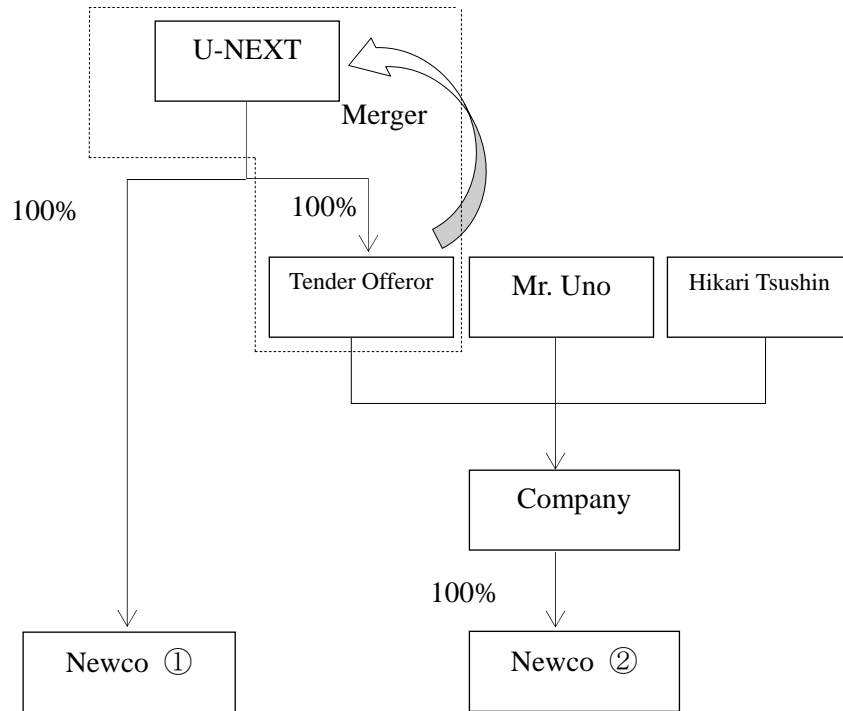
U-NEXT Demerger, Company Demerger, Merger ① (as defined under “(d) Implementation of Merger in which U-NEXT Is Surviving Company and Tender Offeror Is Merged Company” below) and Merger ② are scheduled to become effective at the same time.



(d) Implementation of Merger in which U-NEXT Is Surviving Company and Tender Offeror Is Merged Company

The merger will be implemented in which U-NEXT is the surviving company and the Tender Offeror is the merged company (the “Merger ①”). Due to the fact that Merger ① is a merger between U-NEXT and its wholly-owned subsidiary, the Tender Offeror, the merger has no consideration and there will be no issuance of shares, etc.

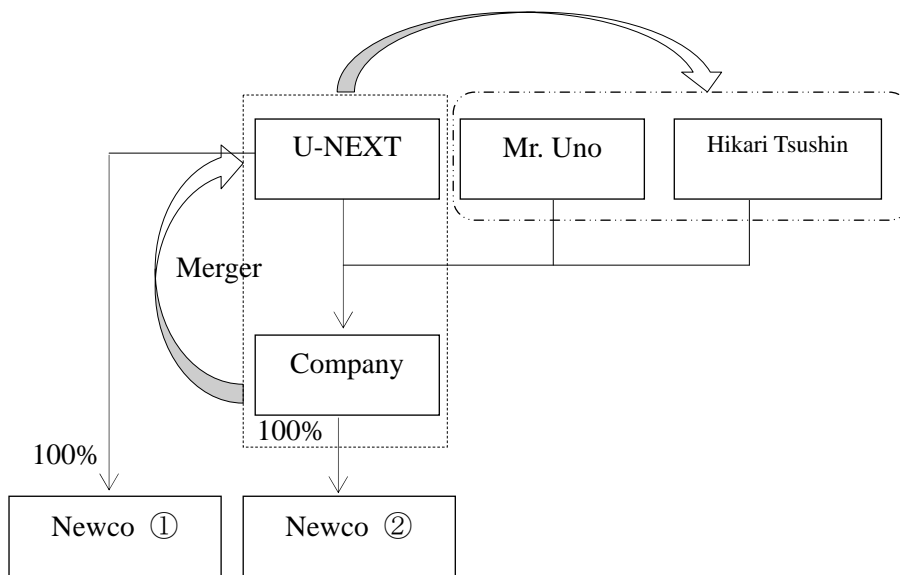




(e) Implementation of Merger in which U-NEXT Is the Surviving Company and Company Is the Merged Company

The merger will be implemented in which U-NEXT is the surviving company and the Company is the merged company (the “Merger ②”). As provided in “(iii) Basic Agreement” of “(4) Matters regarding material agreement(s) related to the Tender Offer” below, U-NEXT and the Company agreed that U-NEXT will allocate 0.61 shares of common stock of U-NEXT per 1 share of the Company’s Shares. For the basis of calculation of the merger ratio of Merger ②, please see “② Basis of and Reason for Contents of Allocation” of “(iii) Basic Agreement” of “(4) Matters regarding material agreement(s) related to the Tender Offer” below.

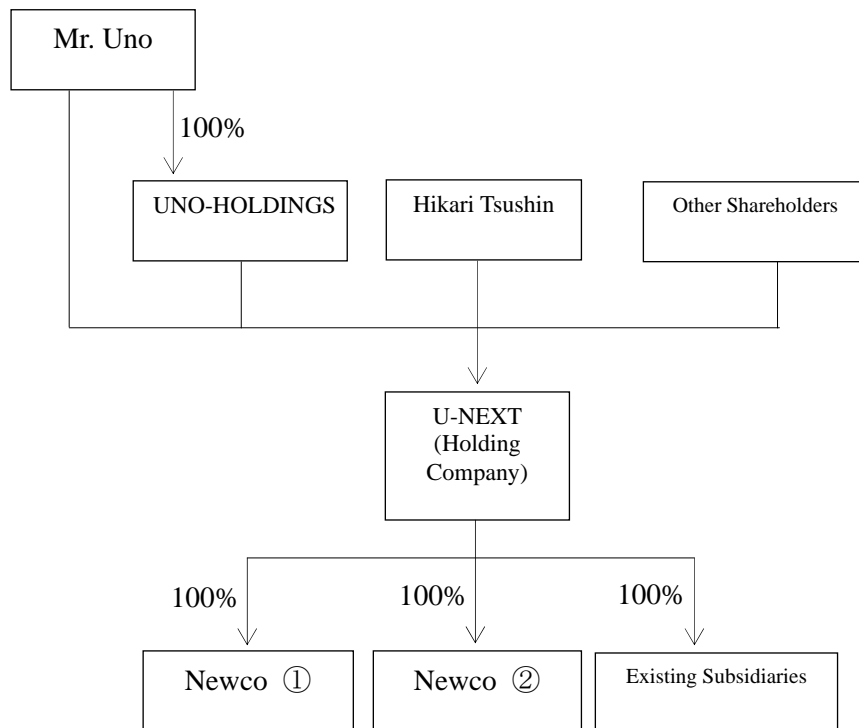
Allocation of U-NEXT Common Stock



(Note) If Tender Offer Agreement 2 is executed, GS is also expected to receive the common stock in U-NEXT as a shareholder of the Company.

(f) After Completion of Consolidation

The businesses to be managed by U-NEXT after the implementation of Merger ① and Merger ② are planned to be the Back Office Business. U-NEXT plans to own or rent the offices, etc. which are necessary to conduct these businesses, to employ employees, and to manage these businesses by continuously receiving considerations from the subsidiaries. Business management is specifically expected to be the work of supervising the management of entire group from financial and auditing perspectives, etc. not only as the shareholder but also as the holding company by, among others, developing business plan, providing guidance on sales and conducting auditing work by taking into account the optimization of businesses of subsidiaries, etc.



(Note) If Tender Offer Agreement 2 is executed, GS is also expected to become a shareholder of U-NEXT.

(ii) Management Policy after Tender Offer

As provided in “(c) Structure of Consolidation” of “(i) Background, Purpose and Decision-making Process Leading up to Decision to Implement Tender Offer” above, a series of reorganizations are planned after the implementation of Tender Offer and Squeeze Out, and U-NEXT and Company will consider the most appropriate structure with respect to the composition of directors and officers of U-NEXT, etc. and other management structures after the completion of Consolidation including such reorganizations, in order to further enhance the corporate value of entire U-NEXT and the Company Group in the future. After U-NEXT becomes the holding company of entire group after the completion of Consolidation, certain number of current directors and officers of the Company are planned to be appointed as the director and officers of such holding company, but the specific number is yet to be determined.

On an additional note, there is no contract or agreement on the management policy after the Tender Offer among U-NEXT, Company and Remaining Shareholders.

③ Our decision making process

The board of directors of the Company deliberately discussed and considered the process of the Consolidation, including the Tender Offer, and the terms and conditions of the Tender Offer, taking into account the Valuation Report (to be defined in “(3) Matters Concerning Calculation”, hereinafter the same) of the Company and legal advice from Nishimura & Asahi and respecting the Company Inquiry Report (to be defined in “(i) Establishment of a third-party committee by the Company” of “(7) Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer”, hereinafter the same) prepared by the third party committee to the fullest extent. As a result, the Company reached the conclusion that an

enhancement of the corporate value of the Company is expected from the Consolidation, including the Tender Offer, for the following reasons:

(a) The Company group (i) has engaged in the background music broadcasting business for commercial use for 50 years since the Company was founded, (ii) conducts an internet service and software provider business for small and medium-sized enterprises and (iii) engages in facility business, including an automatic fare adjustment machine operation for use in leisure hotels, business hotels and large-sized hospitals and ancillary services, and the total number of the Company's clients is around 500 thousand (as of December 31, 2016). The Company recognized that the customer accounts of those clients (the "Customer Accounts") are the greatest asset of the Company group and are the source of the corporate value of the Company group. The Company group gives top priority to enhancing the corporate performance of the Company group using the Customer Accounts in order to enhance the Company's corporate value. Not only the development and marketing of new commodities and services by the Company group but also the creation of new business relationships with third party business partners and the provision of those third party business partners' commodities and services to the Company and the third party business partners' clients using the Company group as a hub and through the Customer Accounts will contribute to achieving the goal.

(b) The Customer Accounts based on the background music broadcasting business, etc. that has been conducted for more than 50 years gives the Company a major advantage; however, it is necessary to solidify the Customer Accounts and maintain the Company's competitive advantage. To achieve this goal, it is imperative to develop more value-added commodities and services in order to meet customer needs and to improve customer satisfaction, not simply increasing the number of business partners and diversifying the commodities provided by the Company, and the Company's business judgment should be based on strategic thinking.

(c) Specifically, the Company needs to have a management structure that enables (i) the making of prior financial investments, including to secure and to grow the necessary personnel, etc., (ii) the creation of new business relationships with third-party business partners through a broad human and corporate network, (iii) the making of choices between each commodity and service taking into consideration profitability, growth potential, competitive advantage and sustainability, (iv) the proactive development of new markets and customers and (v) the maintenance of the sustainability of existing commodities and services, based on a deep understanding of the stakeholders of the Company group such as shareholders of the Company and financial institutions.

(d) Furthermore, the Company group expects that all of the operations, services and facilities for all clients of the Company group will be organically bonded through the Internet as a result of rapid digitalization within a few years. The Company expects that the Company will maintain competitiveness by (i) planning clear growth strategies and (ii) enhancing the transaction value for each customer by developing commodities and services under the growth strategy and suggesting complete packages of commodities and services of the Company group to the clients and cross-selling. The Company also recognized that a key point to achieve the goal is not only concrete and feasible business strategies and commodities and services that meet the client's needs, but by going back to the principles of human society whereby corporate transactions are supported by human relationships and mutual trust. Therefore, one of the largest business challenges of the Company is to enhance, secure and maintain human resources, an intangible asset of the business enterprise.

(e) On the other hand, a major part of U-NEXT's customer base is individual customers, in contrast to the Company group's customer base, and U-NEXT is continuously increasing its customer base despite being in a very competitive market due to the entry of large companies. Although U-NEXT needs to conduct its business under very serious business circumstances in which it continuously needs to keep its novelty, originality and lower prices in the market for individual customers, whose priorities are diversifying, to develop and update the quality of commodities and services, and not to be at risk of having contracts terminated, it maintains a certain level of corporate performance. This proves that U-NEXT can continuously grasp the characteristics and changes in the markets in which it

conducts business, keep a close eye on competitor trends and develop and provide commodities and services taking into consideration its current customers' needs and mid-and-long term vision.

(f) Therefore, the Company is confident that the benefit of the Consolidation, including the Tender Offer, which is not a simple business alliance suggested by U-NEXT, is not only that costs will be reduced by integrating overlapping functions and promoting efficiency, but is by obtaining new human resources including new officers and appropriate distribution of human resources and restructuring including supplementing and increasing personnel in each division of the whole new company group using compatibility in human affairs coming from the fact that the origins of the Company and U-NEXT are the same.

(g) The Company expects a possible increase in clients as a result of the Consolidation considering that the major customer base of the Company is corporate customers in contrast to the U-NEXT's customer base and it will contribute to the enhancement of corporate value of the Company.

Furthermore,

the Company may introduce new a business model for corporate and individual customers through the Consolidation because U-NEXT has the know-how to structure a new business model from its transaction experience with the more-sensitive consumers; and the business model will contribute to achieving the goal of "developing more value-added commodities and services in order to meet customer needs and to improve customer satisfaction."

(h) The Company expects that the Company will overcome its weakness whereby the Company's growth potential is relatively low, although the Company's main customer base is corporate customers, and it will achieve stable business and profit from its business by the Consolidation with U-NEXT, the main customer base of which is individual customers, and the business of which is less stable due to wide swings in the market price, and which has a lot of potential for growth and may result in a more attractive portfolio for the whole company group.

(i) Furthermore, the Company believes that it is likely to be difficult to maintain its competitiveness and business growth in its ever-changing business circumstances without implementing the Consolidation. The Company also believes that the Consolidation is the best solution to avoid disadvantages for shareholders of the Company and to implement its fundamental and proactive business plan from the mid-and-long term even though it is not necessarily bringing about substantial results due to future business circumstances and the competitive market.

(j) Although the Company will be delisted due to the Consolidation, the new company group which has control of the Company will maintain its status as a listed company and investors may purchase the shares of the holding company of the Company group, the share value of which will be increased by the Consolidation, therefore, the Company believes that shareholders of the Company still have the opportunity to invest in the Company's business. Additionally, since the Company may promote its efficiency by carrying on its business as an unlisted subsidiary in the new company group under unclear market circumstances, the Company expects that the Company's business performance will be better and the corporate value of the whole new group will increase as well.

Also, the Company received the proposal to set the Tender Offer Price 450 yen per share by the written proposal concerning the Consolidation to the Company on January 17, 2017 from U-NEXT.

Upon receipt of the proposal, the Company diligently reviewed the proposal by obtaining advice, etc. from EY Transaction Advisory Services Co., Ltd. ("EY") as financial advisor and Nishimura & Asahi as legal advisor for the Company and requested U-NEXT to review the Tender Offer Price on January 25, 2017.

Thereafter, U-NEXT reviewed the Tender Offer Price and made another proposal to make the Tender Offer Price to be 460 yen on January 31, 2017.

Upon receipt of this proposal, the Company again sought opinion from EY and Nishimura & Asahi and carefully reviewed the issue, and based on the result of such review, determined that this proposal is favorable for the benefit of the minority shareholders of the Company when compared with the last proposal but the Tender Offer Price had not still sufficiently reflected the synergy of the Consolidation and may additionally provide more premium when compared with other similar cases (i.e., past tender offer cases implemented from 2003 to 2016 which was able to calculate premium rate or discount rate, as applicable (in total: 712 cases)). As such, on February 3, 2019, the Company requested U-NEXT to review the Tender Offer Price.

Thereafter, U-NEXT reviewed the issue and proposed that the Tender Offer Price be 461 yen per share on February 8, 2017. According to U-NEXT, the reason for this offer price was that (a) it was more than the representative valuation figure (i.e., the median obtained by using permanent growth rate or discount rate as the basis of the DCF Method (452 yen)) as made in the calculation of the valuation of the Company's Shares by KPMG, an independent evaluator who was retained by U-NEXT and (b) when compared with the past range of the stock price of the Company analyzed by the closing prices and trading volumes in the previous one year, it offered ample premium to most of the minority shareholders.

In light of the discussions and negotiations stated above, the board of directors of the Company carefully considers that (i) the Tender Offer Price is not less than the appraised value of the Company's Shares under the market price method (from 309 yen to 445 yen) and under the DCF Method (from 444 yen to 559 yen) calculated by EY, a third party appraiser independent from the Company, (ii) the Tender Offer Price represents a premium of 18.8% on 388 yen, the closing price of the Company's Shares on JASDAQ as of February 10, 2017, which is the Business Day immediately preceding the announcement date of the Tender Offer, a premium of 17.3% on 393 yen, the average closing price for the one-month period prior to February 10, 2017, a premium of 22.0% on 378 yen, the average closing price for the three-month period prior to February 10, 2017, and a premium of 32.1% on 349 yen, the average closing price for the six-month period prior to February 10, 2017 and the premium rate of the Tender Offer Price seems to be appropriate when compared with other cases (i.e., past tender offer cases implemented from 2003 to 2016 which were able to calculate the premium rate or discount rate, as applicable (in total: 712 cases)), and (iii) the Tender Offer Price is determined as a result of the serious and continuous discussions and considerations between the Company and U-NEXT substantially equivalent to the discussions and considerations in an arms-length transaction under the measures to avoid conflicts of interest stated in this "Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer" and (iv) the Tender Offer process does not impair the appraisal rights of shareholders of the Company following the procedure under the Companies Act at the discretion of shareholders and presents an opportunity.

Therefore, the board of directors of the Company has determined that the Tender Offer provides shareholders of the Company with a reasonable opportunity to sell the Company's Shares.

At the meeting of the board of directors of the Company held on February 13, 2017, the Company expressed an opinion in favor of the Tender Offer and resolved to recommend to shareholders of the Company to accept the Tender Offer by the unanimous approval of all five directors, other than Mr. Uno, the director and chairman of the Company.

Mr. Uno, the director and chairman of the Company, concurrently serves as the president and representative director of U-NEXT and did not participate in any of the deliberations or resolutions of all agendas concerning the Consolidation, including the Tender Offer, in the board of directors meeting of the Company or attend the negotiations with the Tender Offeror as a director of the Company to avoid conflicts of interest with the Company regarding the Consolidation.

Furthermore, all three statutory auditors, including the external statutory auditor, participated in the meeting of the board of directors, and they had no objections to the resolution adopted at the meeting of the board of directors of the Company.

(3) Matters Concerning Calculation

The Company asked EY, a third party appraiser, to conduct a valuation analysis of the share value of the Company and merger ratio of the Merger ② in order to ensure the fairness of the decision-making process when evaluating the Tender Offer Price submitted by the Tender Offeror, etc. The Company received a valuation report from EY (the “Valuation Report of the Company”) on February 10, 2017. EY does not fall under a related party of the Company or the Tender Offeror, etc., nor does it have a material interest in the Tender Offer. The Company has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from EY.

EY carried out the calculation by using the market stock price method due to the fact that the common stock of the Company is listed on a financial instruments exchange and therefore has a market stock price and by using the DCF Method in order to incorporate into the valuation the condition of future business activities of the Company. The range of the per share value of the Company’s Shares calculated based on such methods is as follows:

Market price method:

From 309 yen to 445 yen

DCF Method:

From 444 yen to 559 yen

Under the market price method, the per share value of the Company’s Shares was analyzed in the range of 309 yen to 445 yen based on the calculation by setting the calculation record date as February 10, 2017, and by using the minimum and maximum closing prices during the period from October 7, 2016, immediately after the public announcement of the Company’s corporate performance for the fiscal year ending August, 2016, on JASDAQ

Under the DCF Method, the per share value of the Company’s Shares was analyzed in the range of 444 yen to 559 yen, by converting the amount of free cash flow expected to be generated by the Company by discounting at certain discount rates, based on future earnings forecasts included in the Company’s business plan for the period between the fiscal year ending December 2016 and the fiscal year ending December 2020 prepared by the Company. The discount rates used are from 5.5% to 6.7% except that 20% discount rate was adopted for cash flow generated by the Company’s energy business taking into consideration the probability of achieving the business plan as a start-up business. The perpetual growth method was used to calculate the contentious value with 1% perpetual growth rate.

The consolidated financial forecast (Japanese Standard), which is based on the business plan prepared by the Company and used the analysis by EY, is as follows. With respect to the business plan, a large increase in profits is not expected. The Company expected a large increase in sales from the energy business, which is a start-up business of the Company, because there is a large number of end customers, the energy business is under the business model in which the Company expected sustainable and continuous sales (cumulated sales) from existing customers, and expected existing customers to shift to using the service, on the other hand, the number of commercial stores and individual clients for the music broadcasting business has been decreasing. Therefore, the Company’s business profit is expected to be flat. However, the Company recognized that the energy business may not contribute a large increase in total profits for the Company because the business model of the energy business is the electricity wholesale trade with electric power companies and the Company cannot expect a large increase in profits due to the high number of competitors in the market based on common benchmark prices, even though the Company did expect a large increase in sales in the energy business.

In regard to the synergy effect expected to materialize upon implementation of the Consolidation, it is not incorporated into the financial forecast below due to the difficulty in making detailed estimates at the present time.

(100 million yen)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Net Sales	796	1,068	1,408	1,715	1,933	2,091	2,191	2,238
Business Profit	103	97	100	102	103	106	104	102
EBITDA	161	153	154	155	155	156	154	152
Free Cash Flow (note)	91	79	82	85	84	69	68	68

(note) The reason why the expected free cash flow in the period from FY 2022 to FY 2024 will be reduced is that the application of loss carried forward will be finished and the normal corporation tax rate will be applied.

(iii) Advice from an independent law firm to the Company

According to the Company's press release, the Company appointed Nishimura & Asahi as a legal advisor independent from the Company and the Tender Offeror to obtain the necessary legal advice regarding the decision-making method and process for the Consolidation, including the Tender Offer, in order to secure the transparency and reasonableness of the decision-making process, etc. concerning the Consolidation, including the Tender Offer. Nishimura & Asahi does not fall under a related party of the Company or the Tender Offeror, etc., nor does it have a material interest in the Tender Offer.

(4) Matters regarding material agreement(s) related to the Tender Offer

(i) Non-tender Agreement

With respect to the Tender Offer, according to the Tender Offeror, the Tender Offeror entered into the Non-tender Agreement with Mr. Uno as of February 13, 2017 under which Mr. Uno agreed not to tender all the Company's Shares held by him (63,400,402 shares and the Shareholding Ratio of 30.77%) in the Tender Offer. The Non-tender Agreement contains no conditions precedent for non-tendering by Mr. Uno.

Further, according to the Tender Offeror, the Tender Offeror has obtained consent from Mr. Uno under the Non-tender Agreement to the effect that, if a fractional share less than 1 share of the Company's Shares held by Mr. Uno arises from the Squeeze Out and such fractional share is sold to the Tender Offeror, Mr. Uno will repurchase the share corresponding to such fractional share from the Tender Offeror at the time separately agreed between Mr. Uno and the Tender Offeror and the purchase price of such repurchase (i.e., the price per share after the stock split which is scheduled to be implemented on the Company's Shares before such repurchase at the ratio which is the opposite of the consolidation ratio of Share Consolidation) shall be the same price as the Tender Offer Price.

In addition, according to the Tender Offeror, the Tender Offeror obtained consent from Mr. Uno under the Non-tender Agreement to the effect that, if the Tender Offer comes into effect, he will agree to all the items on the agenda including the items in connection with the Share Consolidation at the Extraordinary Shareholder's Meeting (to be defined in (5) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called "Two-Step Acquisitions") below; the same shall apply hereinbelow).

(ii) Tender Offer Agreement 1

According to the Tender Offeror, the Tender Offeror entered into the Tender Offer Agreement 1 as of February 13, 2017 with Hikari Tsushin under which Hikari Tsushin will tender a part of the Company's Shares held by it (28,205,437 shares and a Shareholding



Ratio of 13.69% if Tender Offer Agreement 2 is executed and 29,380,335 shares and Shareholding Ratio of 14.26% if Tender Offer Agreement 2 is not executed) as well as all the Company's Shares held by Infoservice, a subsidiary of Hikari Tsushin (4,146,300 shares; a Shareholding Ratio of 2.01%) and all the Company's Shares held by Broad Peak (224,100 shares; a Shareholding Ratio of 0.11%) (total of 32,575,837 shares and a Shareholding Ratio of 15.81% for the 3 companies if Tender Offer Agreement 2 is executed and 33,750,735 shares and a Shareholding Ratio of 16.38% for the 3 companies if Tender Offer Agreement 2 is not executed). The Tender Offeror has agreed with Hikari Tsushin to the effect that Hikari Tsushin will not tender Non-tendered Shares (9,204,023 shares and Shareholding Ratio of 4.47% if Tender Offer Agreement 2 is executed and 8,029,125 shares and a Shareholding Ratio of 3.90% if Tender Offer Agreement 2 is not executed) under the Tender Offer Agreement 1.

The Tender Offer Agreement 1 provides the conditions precedent for tendering by Hikari Tsushin and its subsidiaries to the effect that ① under the applicable laws and regulations, all the procedures necessary for the commencement of the Tender Offer have been taken, the Tender Offer has been commenced pursuant to the provisions of the Tender Offer Agreement 1 and has not been withdrawn thereafter, ② there exists no material breach of the obligations under the Tender Offer Agreement 1 to be performed by the Tender Offeror by the commencement date of the Tender Offer (Note 1) or the representations and warranties by the Tender Offeror thereunder (Note 2), and ③ all the directors who were duly present at the meeting of the board of directors of the Company (excluding a director who did not participate in the vote for the purpose of avoiding possible conflict of interests, if any) unanimously resolved to express their opinion in agreement with the Tender Offer and such opinion has been published and has not been withdrawn.

The Tender Offeror has obtained consent from Hikari Tsushin under the Tender Offer Agreement 1 to the effect that, if a fractional share less than 1 share of the Company's Shares held by Hikari Tsushin arises from the Squeeze Out and such fractional share is sold to the Tender Offeror, Hikari Tsushin will repurchase the share corresponding to such fractional share from the Tender Offeror at the time separately agreed between Hikari Tsushin, and the Tender Offeror and the purchase price of such repurchase (i.e., the price per share after the stock split which is scheduled to be implemented on the Company's Shares before such repurchase at the ratio which is the opposite of the consolidation ratio of Share Consolidation) shall be the same price as the Tender Offer Price.

Furthermore, the Tender Offeror obtained consent from Hikari Tsushin under the Tender Offer Agreement 1 to the effect that, if the Tender Offer comes into effect, Hikari Tsushin will agree to all the items on the agenda including the items in connection with the Share Consolidation at the Extraordinary Shareholder's Meeting.

In addition, the Tender Offeror executed the business alliance agreement regarding reservation system business and reservation media business concluded between the Company, Hikari Tsushin and EPARK, Inc. which is a subsidiary of the Hikari Tsushin on February 13, 2017 (the "Hikari Tsushin Business Alliance Agreement") and agreed to approve the Hikari Tsushin Business Alliance Agreement and to cause the Company to execute and comply with the Hikari Tsushin Business Alliance Agreement after the completion of the Tender Offer pursuant to Tender Offer Agreement 1.

(Note 1) The Tender Offeror assumes as the obligations under the Tender Offer Agreement 1 which are required to be performed by the commencement date of Tender Offer the compensation obligation in case of breach of any obligation, confidential obligation, obligation to bear its own costs, etc., obligation not to assign, etc. its

contractual position, rights and obligations under the agreement, and obligation to discuss with other party in good faith any matters not provided in the agreement.

(Note 2) The Tender Offeror represents and warrants that ① the Tender Offeror is lawfully and validly established and existing, ② the Tender Offeror has the power and authority and performed the procedures necessary to execute and perform the Tender Offer Agreement 1, ③ the Tender Offer Agreement 1 is enforceable, ④ execution and performance of Tender Offer Agreement 1 do not contravene any laws and regulations, etc., ⑤ the Tender Offeror has obtained the approvals and authorizations, etc. necessary to execute and perform the Tender Offer Agreement 1, and ⑥ the Tender Offeror does not fall under and is not involved with anti-social forces.

(iii) Basic Agreement

① Outline of the Basic Agreement

For the Tender Offer, U-NEXT and Company executed the Basic Agreement as of February 13, 2017 under the terms as outlined below with respect to the Consolidation method and schedule and the merger ratio of Merger ②, among other things:

(Consolidation Method)

U-NEXT and Company will implement the Consolidation by implementing each of the following procedures:

- (i) The Tender Offeror will conduct the Tender Offer and implement the Squeeze Out on the Company's Shares after the Tender Offer.
- (ii) Thereafter, U-NEXT will implement the U-NEXT Demerger, under which U-NEXT's business will be succeeded by Newco ①, and the Company will implement the Company Demerger, under which Company's business will be succeeded by Newco ②.
- (iii) Merger ① will be implemented, under which U-NEXT after the U-NEXT Demerger will be the surviving company and the Tender Offeror will be the merged company.
- (iv) Merger ② will be implemented, under which U-NEXT after the Merger ① will be the surviving company and the Company after the Company Demerger will be the merged company.
- (v) U-NEXT and the Company will conduct an intra-group reorganization from the perspective of maximizing the synergy amongst the group companies, securing the likelihood that the leveraged buyout financing will be repaid without any issues, construct firm group management structure such as compliance and internal governance in order to secure repayment of loans, including (a) the transactions listed from (i) to (iii) above and (b) cause ALMEX Inc. to become a direct subsidiary of U-NEXT after Merger ② and cause Newco ②, which has the assumed customer attraction support business as result of the Company Demerger, to become a direct subsidiary of N-NEXT.

(Consolidation Schedule)

The Consolidation will be implemented generally under the schedule set forth below. However, if it becomes necessary to change such schedule, U-NEXT and Company will change such schedule upon good faith discussion and agreement.

February 13, 2017: Execution of Basic Agreement and announcement of Consolidation

February 14, 2017: Commencement of Tender Offer

March 28, 2017: Final day of Tender Offer

April 4, 2017: Commencement date of payments relating to Tender Offer  
Mid-June 2017: Resolutions at the board of directors meetings of U-NEXT and Company (i.e., resolutions on Squeeze Out, U-NEXT Demerger, Company Demerger, Merger ① and Merger ②)  
Mid-July 2017: Openings of extraordinary general shareholders' meetings of U-NEXT and Company (Note)  
Mid-August 2017: Effective date of Share Consolidation  
December 1, 2017: Effective date of U-NEXT Demerger, Company Demerger, Merger ① and Merger ②

(Note) The matters relating to U-NEXT Demerger, Merger ① and Merger ② are scheduled to be discussed in the extraordinary general shareholders' meeting of U-NEXT and the matters relating to Share Consolidation, Company Demerger and Merger ② are scheduled to be discussed in the extraordinary general shareholders' meeting of the Company, respectively.

(Tender Offer Price and Merger Ratio of Merger ②)

The Tender Offeror will implement the Tender Offer at 461 yen per share of Company's Shares. For the Merger ②, U-NEXT will allocate 0.61 shares of U-Next common stock per 1 share of Company's Shares (Note).

(Note) U-NEXT plans to use newly-issued shares of U-NEXT common stock with respect to all shares which U-NEXT will allocate.

#### ② Basis of and Reason for Contents of Allocation

In order to ensure fairness and reasonableness on the determination merger ratio of Merger ② (the "Merger Ratio"), U-NEXT appointed Kabushiki Kaisha KPMG FAS ("KPMG") and the Company appointed Ernst & Young Transaction Advisory Service Co., Ltd. ("EY") each as an independent third party accounting firm for the calculation of merger ratio, and U-NEXT and Company respectively requested such firms to calculate the merger ratio of common stock in the Merger ②. U-NEXT and Company (i) carefully reviewed the analysis results and advices on the merger ratio of common stock received from their respective third party accounting firms as mentioned above, (ii) valued the Company's Shares at the same price as the Tender Offer Price (for the purpose of calculating the Merger Ratio) in order to equalize the financial values to be received by shareholders under the Tender Offer and Merger ② which will be implemented as a part of Consolidation, (iii) have taken into consideration the financial conditions, corporate performance trends, stock price trends and other factors concerning both U-NEXT and Company, and (iv) negotiated and discussed in good faith by taking into account the aforementioned matters. As a result, both U-NEXT and Company determined that the Merger Ratio was reasonable and contributed to the benefits of respective shareholders.

By taking into account the abovementioned matters, the board of directors meetings of both U-NEXT and Company, which were held on February 13, 2017, decided on the merger price of Merger ② and U-NEXT and Company executed the Basic Agreement on the same date.

#### ③ Matters Concerning Calculation

According to U-NEXT, with respect to U-NEXT, KPMG carried out the calculation by using the average market stock price method due to the fact that the common stock of U-NEXT is listed on the financial instruments exchange and therefore has a market stock price and by using the discounted cash flow method (the "DCF Method") in order to incorporate into the valuation the condition of future business activities of U-NEXT. With respect to the Company, KPMG carried out the calculation by using the average market stock price method

due to the fact that the Company's Shares is listed on the financial instruments exchange and therefore has a market stock price and by using the DCF Method in order to incorporate into the valuation the condition of future business activities of the Company.

The results of calculation of the merger ratio, under which the share value of 1 share of U-NEXT common stock is set at 1, are as follows:

Method Used	Results of Calculation of Merger Ratio
Average Market Stock Price Method	0.47 ~ 0.64
DCF Method	0.42 ~ 0.83

Under the average market stock price method, KPMG has carried out the calculation by setting the calculation record date as February 10, 2017 and by using the closing price as of the calculation record date and the average closing prices during the immediately preceding 1-month period, 3-month period and 6-month period on the Tokyo Stock Exchange.

With respect to U-NEXT, KPMG has analyzed the corporate value and stock value of U-NEXT based on the DCF Method by converting the amount of free cash flow expected to be generated by U-NEXT on and after the fourth quarter of the fiscal year ending December 2016 to the current value by discounting at certain discount rates, by taking into account the factors, etc. such as the profits in the business plans and investment plans prepared by U-NEXT for the period between the fourth quarter of the fiscal year ending December 2016 and the fiscal year ending December 2020 and publicly-available information.

With respect to the corporate performance of U-NEXT during the business plan period of U-NEXT which is used for the analysis based on the DCF Method, large increase in profits in the amount of 2.219 billion yen from the fiscal year ending December 2016 (net profit: minus 1.062 billion yen) to the fiscal year ending December 2020 (net profit: 1.157 billion yen) is expected mainly due to the enlargement of markets of video streaming business and MVNO service.

On the other hand, with respect to the Company, KPMG has analyzed the corporate value and stock value of the Company based on the DCF Method by converting the amount of free cash flow expected to be generated by the Company on and after the fiscal year ending August 2017 to the current value by discounting at certain discount rates, by taking into account the factors, etc. such as the profits in the business plans and investment plans prepared by the Company for the period between the fiscal year ending August 2017 and the fiscal year ending August 2024 and publicly-available information. With respect to the corporate performance of the Company during the business plan period of the Company which is used for the analysis based on the DCF Method, a large increase in profits is not expected because the difference is minus 116 million yen between the expected net profit of the fiscal year ending August 2017 (5.948 billion yen) and the expected net profit of the fiscal year ending August 2024 (5.832 billion yen).

For the calculation of merger ratio, KPMG (i) generally used the information received from U-NEXT and the Company and publicly-available information as is, (ii) assumed, among others, that all of such materials and documents, etc. used are true and complete and that there are no facts not disclosed to KPMG which have the possibility of having a material effect on the calculation of merger ratio and (iii) therefore, has not independently verified their accuracy and completeness. KPMG has not valued, appraised or assessed on its own, or requested any third party for appraisal or assessment of, any assets or debts (including contingent liabilities) of U-NEXT, the Company or any of their respective subsidiaries or affiliates. In addition, KPMG assumed that the information on the business plan of U-NEXT and the Company as referred to in the calculation has been reasonably prepared by the management of U-NEXT and the Company based on the best possible forecasts and

decisions currently available. KPMG's calculation on the merger ratio incorporates the information and economic condition as of February 10, 2017.

U-NEXT has not obtained from KPMG the fairness opinion on the merger ratio of common stock.

On the other hand, EY carried out the calculation by using the market stock price method due to the fact that the common stock of the Company and U-NEXT is listed on a financial instruments exchange and therefore has a market stock price, and by using the DCF Method in order to incorporate into the valuation the condition of future business activities of the Company and U-NEXT.

The results of the merger ratio calculation, under which the share value of one share of U-NEXT common stock is set at 1, obtained by EY using the abovementioned method are as follows:

Method Used	Results of Calculation of Merger Ratio
Market Stock Price Method	0.402 ~ 0.862
DCF Method	0.507 ~ 0.959

Under the market stock price method, EY has carried out the calculation by setting the calculation record date as February 10, 2017, and by using the closing price as of the calculation record date and the average closing prices (i) with respect to U-NEXT, during the period from November 15, 2016, the following business day after announcing U-NEXT's Third Quarterly Report, to the calculation record date and (ii) with respect to the Company, during the period from October 7, 2016, immediately after the public announcement of the Company's corporate performance for fiscal year ending August, 2016. Under the market stock price method, the merger ratio was derived to be 0.402 to 0.862.

Under the DCF Method, with respect to U-NEXT, EY has analyzed the stock value of U-NEXT by converting the amount of free cash flow expected to be generated by U-NEXT by discounting at certain discount rates, based on future earnings forecasts of U-NEXT for the period between the fiscal year ending December 2016 and the fiscal year ending December 2020. The discount rates used are from 7.4% to 9.2%. The perpetual growth method was used to calculate the contentious value with 1% perpetual growth rate.

On the other hand, with respect to the Company, EY has analyzed the stock value of the Company by converting the amount of free cash flow expected to be generated by the Company by discounting at certain discount rates, based on future earnings forecasts of the Company for the period between the fiscal year ending August 2017 and the fiscal year ending August 2021. The discount rates used are from 5.5% to 6.7%. The perpetual growth method was used to calculate the contentious value with 1% perpetual growth rate. Under the DCF Method, the merger ratio was derived to be 0.507 to 0.959.

For the merger ratio calculation, EY generally used the information received from U-NEXT and the Company and publicly-available information as is and assumed, among other things, that all of such materials and documents, etc. used are true and complete and that there are no facts not disclosed to EY that could possibly have a material effect on the calculation of the merger ratio and therefore, has not independently verified their accuracy and completeness. EY has not valued, appraised or assessed on its own, or requested any third party to appraise or assess, any assets or debts (including contingent liabilities) of U-NEXT and the Company or any of their respective subsidiaries or affiliates. EY's calculation of the merger ratio incorporates the information and economic condition as of February 10, 2017 and EY assumed that the information on the business plan of the Company as referred to in the calculation has been reasonably prepared by the management of the Company based on the best possible forecasts and decisions currently available.

The net profits in future earnings forecasts of U-NEXT which is used for the analysis based on the DCF Method are minus 1.062 billion yen in the fiscal year ending December 2016, 233 million yen in the fiscal year ending December 2017, 630 million yen in the fiscal year ending December 2018, 909 million yen in the fiscal year ending December 2019 and 1.157 billion yen in the fiscal year ending December 2020. Large increase in profits in the amount of 2.219 billion yen from the fiscal year ending December 2016 to the fiscal year ending December 2020 is expected mainly due to the enlargement of markets for the video streaming business and MVNO service. The net profits in future earnings forecasts of the Company which is used for the analysis based on the DCF Method are 5.948 billion yen in the fiscal year ending August 2017, 5.636 billion yen in the fiscal year ending August 2018, 5.898 billion yen in the fiscal year ending August 2019, 6.197 billion yen in the fiscal year ending August 2020, 5.929 billion yen in the fiscal year ending August 2021, 6.114 billion yen in the fiscal year ending August 2022, 6.005 billion yen in the fiscal year ending August 2023 and 5.832 billion yen in the fiscal year ending August 2024. A large increase in profits is not expected during the period from the fiscal year ending August 2017 to August 2024.

(iv) Tender Offer Agreement 2

According to the Tender Offeror, during the Tender Offer Period, the Tender Offeror wishes to execute with GS (which is the third largest shareholder of the Company) the Tender Offer Agreement 2 under which GS agrees to tender part of Company's Shares held by GS (13,695,951 shares and Shareholding Ratio of 6.65%) and GS agrees not to tender remaining the Expected Non-tendered Shares (10,813,859 shares and Shareholding Ratio of 5.25%) in response to the Tender Offer.

The Tender Offeror also expects to obtain consent from GS under the Tender Offer Agreement 2 to the effect that, if a fractional share less than 1 share of the Company's Shares held by GS arises from the Squeeze Out and such fractional share is sold to the Tender Offeror, GS will repurchase the share corresponding to such fractional share from the Tender Offeror at the time separately agreed between GS and the Tender Offeror and the purchase price of such repurchase (i.e., the price per share after the stock split which is scheduled to be implemented on the Company's Shares before such repurchase at the ratio which is the opposite of the consolidation ratio of Share Consolidation) shall be the same price as the Tender Offer Price.

Furthermore, the Tender Offeror expects to obtain from GS under the Tender Offer Agreement 2 that upon successful completion of the Tender Offer, GS will vote for the proposal on Share Consolidation, proposal on the Company Demerger and proposal on Merger ② at the Extraordinary Shareholders' Meeting.

(5) Possibility of and reasons for delisting

The Company's Shares are listed on JASDAQ as of the date hereof. However, since the Tender Offeror has not set a maximum limit on the number of Share Certificates to be purchased in the Tender Offer, the Company's Shares may be delisted through prescribed procedures in accordance with the stock delisting criteria set forth by JASDAQ, depending on the results of the Tender Offer. Also, even in the case where the shares of Common Stock of the Company do not fall under that criteria at the time of the successful completion of the Tender Offer, if the Tender Offeror conduct the Squeeze Out as set out in "(5) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called "Two-Step Acquisitions"))" above, Company's Shares will be delisted through the prescribed procedures in accordance with the stock delisting criteria of JASDAQ. After delisting, the Company's Shares will be unable to be traded on JASDAQ.

- (6) Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called “Two-Step Acquisitions”)

According to the Tender Offeror, the Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called “Two-Step Acquisitions”) is as follows:

Although the Tender Offeror implements this Tender Offer in order to acquire all of the Company’s Shares (other than treasury shares held by the Company and the Non-Tendered Shares and if Tender Offer Agreement 2 is executed, excluding the Expected Non-tendered Shares), if the Tender Offeror fails to acquire them all through the Tender Offer, the Tender Offeror plans to take a series of procedures in the following manner so that the Tender Offeror and Remaining Shareholders will hold all Company’s Shares (other than treasury shares held by the Company) (the “Squeeze Out”).

Specifically, the Tender Offeror intends to request the Company to hold an extraordinary general shareholders’ meeting at which the following proposals will be submitted (the “Extraordinary Shareholders’ Meeting”) promptly after the successful completion of the Tender Offer to conduct a consolidation of the Company’s Shares (the “Share Consolidation”). The Tender Offeror and Remaining Shareholders will vote in favor of such proposal at the Extraordinary Shareholders’ Meeting. If the proposal of the Share Consolidation is approved at the Extraordinary Shareholders’ Meeting, the shareholders of the Company will, on the effective date of the Share Consolidation, hold the number of Company’s Shares proportionate to the ratio of the Share Consolidation that is approved at the Extraordinary Shareholders’ Meeting. If there is a fraction of one share of the Company’s Shares as a result of the Share Consolidation, each shareholder will receive an amount of money obtained by selling the Company’s Shares equivalent to the total number of such fractions (any fraction of one share in the total will be rounded down) to the Company or the Tender Offeror or otherwise, in accordance with the procedures under Article 235 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same) and other relevant laws and regulations. The sale price of such Company’s Shares equivalent to the total number of the fractions will be valued so that the amount of money to be delivered to each shareholder of the Company who did not tender its shares in the Tender Offer (other than the Company) and any Remaining Shareholders who own a fraction of one share of the Company’s Shares as a result of the sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of the Company’s Shares held by each such shareholder, and then a petition for permission of voluntary sale will be filed with a court. The ratio of the Share Consolidation has not been determined as of the date hereof. However, the ratio of the Share Consolidation will be determined so that the number of the Company’s Shares held by each shareholder of the Company (other than the Tender Offeror and Remaining Shareholders) who did not tender its shares in the Tender Offer will be a fraction of one share in order for only the Tender Offeror and Remaining Shareholders to hold all Company’s Shares (other than treasury shares held by the Company). If the Extraordinary Shareholders’ Meeting is held, it will be held around July 2017 and the specific procedures and the schedule of implementation thereof will be announced promptly by the Company once it has decided them.

The Companies Act provides that if the Share Consolidation has been conducted and there is a fraction of one share of the Company’s Shares as a result of the Share Consolidation, each shareholder of the Company may request the Company to purchase all of the shares held by it that are fractions of one share at a fair price and may file a petition to a court to determine the price of the Company’s Shares in accordance with Articles 182-4 and 182-5 of the Companies Act and other provisions of relevant laws and regulations. In this case, the purchase price per share will ultimately be determined by a court.

There may be a change in the method to use class shares subject to wholly call or any other method which has almost the same effect as above, depending on the circumstances of interpretation of any relevant law or regulation by the relevant authorities, etc., the Shareholding Ratio of Share Certificates by the Tender Offeror and Remaining Shareholders after the Tender Offer and the ownership of Share Certificates of the Company by the Company’s shareholders other than the Tender Offeror and

Remaining Shareholders. However, even in such case, the Tender Offeror intends to adopt the method of ultimately delivering money to the Company's shareholders (other than the Remaining Shareholders and the Company) who did not tender their shares in the Tender Offer. The amount of money to be delivered to such shareholders in such case is expected to be valued so that it will be equal to the price obtained by multiplying the Tender Offer Price by the number of Company's Shares held by such shareholders.

The Tender Offer is not intended to solicit the shareholders of the Company to approve the proposals at the Extraordinary Shareholders' Meeting.

- (7) Measures to ensure fairness of the Tender Offer Price and to avoid conflicts of interest and other measures to ensure fairness of the Tender Offer)

Taking into consideration the fact that Mr. Uno, who is the president and the representative director of the U-NEXT which owns 100% shares of the Tender Offeror, concurrently serves as the chairman and director of the Company and owns 63,400,402 shares of the Company's Shares (the Shareholding Ratio of which is 30.77%) and he is in the position which can be influential on the determination of the Tender Offer Price, the problem of structural conflicts of interest with the minority shareholders of the Company exists, the following measures have been taken to ensure the fairness of the Consolidation including the Tender Offer and to avoid conflicts of interest. Among the following statements, those relating to the Company are stated based on the explanation and the Company's Press Releases.

Although the minimum number of the Share Certificates to be purchased in the Tender Offer relating to so-called "majority of minority" is not provided under the Tender Offer, according to the Tender Offeror, the Tender Offeror considers that the benefit of the minority shareholders of the Company is sufficiently taken care by the implementation of the items from (i) to (vii) below.

(i) Establishment of a third-party committee by the Company

According to the Company's press release, the Company established an independent third-party committee consisting of Mr. Motohiko Aiba (attorney-at-law, Aiba Law Office), Ms. Kumiko Igushi (the external director of the Company) and Mr. Keiichi Omura (tax accountant, Heiseikaikeisha Tax Corporation), all independent from the board of directors of the Company and the Tender Offeror, etc., on January 24, 2017, (and such members have not changed since establishment) for the purpose of eliminating arbitrariness in decision making concerning the Tender Offer and securing fairness, transparency and objectivity in the decision making process by the Company, and consulted the third-party committee regarding (i) the rationality and reasonableness of the purpose of the Consolidation (including whether the Consolidation will contribute to the enhancement of the corporate value of the Company), (ii) the fairness of the Tender Offer process (including measures to avoid conflicts of interest), (iii) the fairness and reasonableness of the terms and conditions of the Consolidation (including the Tender Offer Price), (iv) based on the foregoing (i) to (iii), an investigation into whether the board of directors of the Company should agree to the Tender Offer and recommend to shareholders who hold the Company's Shares to tender the Company's Shares in response to the Tender Offer and (v) based on the foregoing (i) to (iii), whether the Consolidation will not be disadvantageous to the minority shareholders of the Company (collectively referred to as the "Subject Matters of the Company") and requested that the committee submit a report thereon to the board of directors of the Company.

The third-party committee held seven meetings in total during the period from January 25, 2017, to February 10, 2017, and deliberately discussed and considered the Subject Matters of the Company. Specifically (a) the third-party committee heard a detailed outline of the Consolidation, negotiation process with U-NEXT, the Company's business plan and business circumstances and impact of the Consolidation on the Company's business and other related matters from the project team of the Company and the third-party committee and the project team held question and answer sessions.



Further, (b) the third-party committee also heard about the current picture and the business circumstances of U-NEXT, the purposes of the Consolidation and other background of the Consolidation, the management policy after the Consolidation, terms and conditions of the Consolidation, details about the structure of the Consolidation and other related matters from U-NEXT and Daiwa Securities Co., Ltd., a financial adviser of U-NEXT (“Daiwa”), the third-party committee, U-NEXT and Daiwa held question and answer sessions and the third-party committee discussed the reasons for adopting the structure of the Consolidation with U-NEXT, Daiwa and Nishimura & Asahi. Additionally, (c) an opinion was explained to the third-party committee on the valuation analysis of the share value of the Company, the Tender Offer Price and the Merger Ratio as a third party appraiser by EY, a third party appraiser which was requested to calculate the share value of the Company and the third-party committee and EY held question and answer sessions.

In light of the details of the investigation, the discussions and considerations stated above, the third-party committee deliberately discussed and considered the Subject Matters of the Company. The third-party committee submitted a report (the “Company Inquiry Report”) regarding the Subject Matters of the Company to the board of directors of the Company on February 13, 2017 saying that:

(a) the purpose of the Consolidation in achieving the following synergy effects by implementing the Consolidation is fair because it takes into consideration that the synergy effects may not be achieved only by a business alliance without the Consolidation, and is reasonable because there is no doubt about the feasibility of the Consolidation:

- Promoting the efficiency of business operations by sharing business resources of the Company, the major customer of which is a corporate client and which has a small number of individual clients, and U-NEXT, the major customer of which is an individual client and which has a small number of corporate clients (for example, the Company and U-NEXT plans for the ICT business division (for corporate customers) of the Company and the ICT business division (for individual customers) of U-NEXT to be under the control of a single intermediary holding company, and expected the synergy effects from carrying on the music broadcasting business of the Company and the video streaming business of U-NEXT within the same corporate group);
- the business benefits such as the enhancement of sales capabilities using marketing personnel and business partner networks of the Company and U-NEXT (for example, the promotion of ICT to commercial stores by integrating telecommunications business know-how, and expanding sales methods by integrating know-how and resources relating to Telemarketing) and the increase in the number of subscriptions to the music broadcasting business for individuals by integrating Consumer Marketing etc.;
- Promoting the capacity to generate added-value by sharing the function to develop the commodity and technology;
- Achieving appropriate business resource distribution; and
- Reducing administration costs through promoting organizational efficiency.

(b) considering that (i) the Company established a third-party committee independent from the Tender Offeror and the Company and referred the report submitted by the third-party committee to agree with the Tender Offer, (ii) the Company asked EY as a independent third-party appraiser and obtained the valuation report regarding the share value of the Company and the merger ratio of the Company and U-NEXT and considering the Consolidation based on the valuation report, (iii) the Company appointed Nishimura & Asahi, a legal advisor independent from the Tender Offeror and the Company and obtained necessary legal advice regarding the decision-making method and process for the Consolidation and other legal issues in the decision-making of the Tender Offer and the Merger ②, (iv) the Tender Offeror set the Tender Offer Period as 30 Business Days, longer than the minimum period of 20 Business Days for tender offers under laws and regulations and the Company has not executed any agreement with the Tender Offeror which includes deal protection provisions to prohibit the Company from having contact with a counter offeror or which otherwise limits the opportunity for a counter offeror to have contact with the Company, (v) the Tender Offeror intends to implement the Squeeze Out by means of a Share Consolidation after the completion of the Tender Offer, and the Tender Offeror announced to shareholders of the Company that the shareholders may challenge the

Tender Offer Price by exercising their appraisal rights when the Squeeze out is implemented and paying adequate attention to avoiding coercive behaviour, the process of the Consolidation seems to be fair.

(c) considering that the Company and U-NEXT conducted multiple consultations and discussions with regard to the Tender Offer Price and the Merger Ratio by referring the Valuation Report of the Company (please see “(ii) Obtaining a valuation report from an independent third party appraiser by the Company”) prepared by EY, an independent third-party appraiser, the Tender Offer Price and the Merger Ratio is within the result of EY’s valuation analysis, the premium rate of the Tender Offer Price seems to be appropriate when compared with other cases (i.e., past tender offer cases implemented from 2003 to 2016 which were able to calculate the premium rate or discount rate, as applicable (in total: 712 cases)) and the Company will pay substantially the same price as the Tender Offer Price to shareholders of the Company during the Squeeze Out process after the completion of the Tender Offer, the terms and conditions of the Consolidation such as the Tender Offer Price and the Merger Ratio seems to be fair and appropriate.

(d) based on the foregoing (a) to (c), since the purpose of the Consolidation seems to be fair and reasonable, the process of the Consolidation seems to be fair and the terms and conditions of the Consolidation seem to be fair and reasonable, the Consolidation will not be disadvantageous to the minority shareholders of the Company and it is appropriate that the board of directors of the Company agrees to the Tender Offer and recommends to shareholders who hold the Company’s Shares to tender the Company’s Shares in response to the Tender Offer.

(ii) Obtaining a valuation report from an independent third party appraiser by the Company  
The Company asked EY, a third party appraiser independent from the Tender Offerors, to conduct a valuation analysis of the share value of the Company and merger ratio of the Merger ② in order to ensure the fairness of the decision-making process when evaluating the Tender Offer Price submitted by the Tender Offeror, etc. The Company received a valuation report from EY (the “Valuation Report of the Company”) on February 10, 2017. EY is not a related party of the Company or the Tender Offeror, etc., nor does it have a material interest in the Tender Offer. The Company has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from EY.

Please see “(3) Matters Concerning Calculation” above for a summary of the valuation report.

(iii) Advice from an independent law firm to the Company  
According to the Company’s press release, the Company appointed Nishimura & Asahi as a legal advisor independent from the Company and the Tender Offeror to obtain the necessary legal advice regarding the decision-making method and process for the Consolidation, including the Tender Offer, in order to secure the transparency and reasonableness of the decision-making process, etc. concerning the Consolidation, including the Tender Offer. Nishimura & Asahi does not fall under a related party of the Company or the Tender Offeror, etc., nor does it have a material interest in the Tender Offer.

(iv) Approvals from all directors of the Company without conflicts of interest and opinions from all statutory auditors of the Company without conflicts of interest that they have no objections  
Based on the reasons set forth in “③ Our Decision Making Process” of “(2) Basis of and reason for the opinion” above, the board of directors of the Company, excluding Mr. Uno, the director of the Company, deliberately discussed and considered the process of the Consolidation, including the Tender Offer, and the terms and conditions of the Tender Offer, taking into account the Valuation Report of the Company and legal advice from Nishimura & Asahi and respecting the Company Inquiry Report prepared by the third party committee to the fullest extent. As a result, the Company reached the conclusion that an enhancement of the corporate value of the Company is expected from the Consolidation, including the Tender Offer.

Mr. Uno, the director of the Company, and who concurrently serves as the representative director of U-NEXT, did not participate in any of the deliberations or resolutions of all agendas concerning the

Consolidation, including the Tender Offer, in the board of directors meeting of the Company or attend the negotiations with the Tender Offeror as a director of the Company to avoid conflicts of interest with the Company regarding the Consolidation.

Furthermore, all statutory auditors, including the external statutory auditor, participated in the meeting of the board of directors, and they had no objections to the resolution adopted at the meeting of the board of directors of the Company.

(v) Obtaining valuation report from an independent third party appraiser by the Tender Offeror

According to the Tender Offeror, etc., in determining the Tender Offer Price, the Tender Offeror, etc. requested KPMG, a third party appraiser independent from the Tender Offeror and the Company, to calculate the share value of the Company and referred to the valuation report of the Company's Shares obtained as of February 13, 2017 (the "Valuation Report").

According to the Tender Offeror, etc., in calculating the value of the Company's Shares, KPMG deemed it appropriate to value the Company's Shares from various perspectives after examination of the financial status of the Company as well as the trend, etc. of the market prices of the Company's Shares and used the methods such as the average market price method and the DCF Method to calculate the value of the Company's Shares. The Tender Offeror has not obtained the opinion concerning the fairness of the Tender Offer Price (the fairness opinion) from KPMG.

According to the Valuation Report, the methods adopted and the range of the share value per share of the Company's Shares calculated based on such methods are as follows;

Average market price method:	From 349 yen to 393 yen
DCF Method:	From 401 yen to 520 yen

Under the average market price method, the share value per share of the Company's Shares was analyzed in the range of 349 yen to 393 yen based on the closing price (388 yen) of the Company's Shares on JASDAQ on the Record Date (being February 10, 2017; the same applies hereinbelow) and the average closing prices during a one-month period prior to the Record Date was 393 yen, during a three month period prior to the Record Date was 378 yen and during a six month period prior to the Record Date was 349 yen (rounded off to the closest whole number; the same applies to the calculation of the average closing prices).

Under the DCF Method, the share value per share of the Company's Shares was analyzed in the range of 401 yen to 520 yen based on the analysis of business and share valuations of the Company by taking into consideration of various factors, such as the profits and investment plans in the business plans for the period from the fiscal year ending August 2017 to the fiscal year ending August 2024, publicly available information, etc. and discounting the free cash flow expected to be generated after the fiscal year ending August 2017 by a certain discount rate to the present value. In the periods of the business plans of the Company used for analysis under the DCF Method, substantial increase in profit is not expected in any fiscal year. The synergy effect, etc. expected to be achieved by the implementation of the Consolidation, which is difficult to estimate specifically at this point, are not included in the financial forecast in the above business plan.

According to the Tender Offerors, in addition to the result of the Valuation Report obtained from KPMG, comprehensively taking into account the due diligence on the Company conducted by U-NEXT, actual cases of the premium placed on the price of share certificates, etc. in the determination of tender offer price in the cases of tender offer for share certificates, etc. by an offeror other than an issuing company in the past, the possibility of endorsement of the Tender Offer by the board of directors of the Company, the trend of market values of the Company's Shares in the past one year and the estimated tendering under the Tender Offer, and upon discussion and negotiation with the Company, the Tender Offeror determined the Tender Offer Price to be 461 yen per share on February 13, 2017.

The Tender Offer Price of 461 yen per share for the Company's Shares represents (i) a premium of 18.8% (rounded to one decimal place; the same applies to premium rates hereinafter) on 388 yen, the closing price of the Company's Shares on JASDAQ as of February 10, 2017 which is the Business Day immediately preceding the announcement date of the Tender Offer, (ii) a premium of 17.3% on 393 yen, the average closing price for the one-month period prior to February 10, 2017, (iii) a premium of 22.0% on 378 yen, the average closing price for the three-month period prior to February 10, 2017, and (iv) a premium of 32.1% on 349 yen, the average closing price for the six-month period prior to February 10, 2017. The Tender Offer Price also represents a premium of 15.3% on 400 yen, the closing price of the Company's Shares on JASDAQ as of February 13, 2017, which is the Business Day immediately preceding the filing date of this Statement.

According to the Tender Offeror, the Tender Offeror made an off-market purchase of 100 shares of the Company's Shares from Mr. Uno on February 1, 2017 at 379 yen per share which is the closing price of the Company's Shares on JASDAQ on January 31, 2017 under the share purchase agreement with Mr. Uno on February 1, 2017. There occurred a difference of 82 yen between the Tender Offer Price (461 yen per share) and the price of such purchase (379 yen per share). This is due to the premium added on the Tender Offer Price as stated above, in addition to the trend of the share price of the Company's Shares after such purchase of the shares.

(vi) Establishment of third-party committee by the Tender Offeror

According to the Tender Offeror, in the light of the particularity of the fact that Mr. Uno is the president and representative director of U-NEXT, the sole shareholder of UNO-HOLDINGS which is the controlling shareholder of U-NEXT, the chairman and director of the Company and the large shareholder of the Company, on the determination of the Tender Offer Price, Mr. Uno has the possibility of structural conflicts of interest with the minority shareholders of the Company and the minority shareholders of U-NEXT, U-NEXT, the wholly owning parent company of the Tender Offeror, has established a third-party committee consisting of Mr. Omoo Yamazaki (the committee chairman, certified public accountant and tax accountant, the representative director of Kabushiki Kaisha GG Partners), Mr. Shintaro Suhara (the external statutory auditor of U-NEXT) and Mr. Seiji Yamashita (attorney-at-law, Yamashita Law Office), all independent from the Company and the Tender Offerors on January 17, 2017, (and such members have not been changed since the establishment) for the purpose of eliminating arbitrariness in decision making concerning the Consolidation and securing fairness, transparency and objectivity in the process of decision making by the Tender Offeror as well as improving fairness of the procedures for the Consolidation as a whole by obtaining an opinion from an independent third party concerning the purpose, etc. of the Consolidation on the side of the Tender Offeror, and consulted the third-party committee about the (i) rationality of the purpose of the Consolidation, (ii) reasonableness of the terms and conditions of the Consolidation (especially, the merger ratio in the case of Merger B), and (iii) based on the foregoing (i) and (ii), whether the Consolidation will contribute to the business valuation of U-NEXT and will not be disadvantageous to the minority shareholders of U-NEXT (collectively referred to as the "Subject Matters") and requested the committee to submit a report thereon to the board of directors of U-NEXT. Although Mr. Shintaro Suhara owns 500 shares of the Company's Shares, the number of shares held by him is small and he is in an independent position as an external statutory auditor, therefore, U-NEXT considers that there is no problem in particular in appointing him as a member of the third-party committee.

The third-party committee held three meetings in total during the period from January 25, 2017 to February 10, 2017 and deliberately discussed and considered the Subject Matters. Specifically, U-NEXT explained to the third-party committee the details and background of the proposal of the Consolidation, the significance and purpose of the Consolidation for U-NEXT and the progress of the negotiation with the Company, and KPMG explained to the third-party committee the calculation of the merger ratio of the Merger ②. Based on the explanation, the third-party committee and U-NEXT held a question and answer session.

In light of the details of the investigation, discussion and consideration stated above, the third-party committee deliberately discussed and considered the Subject Matters and determined as follows:

- (x) The purpose of the Consolidation is reasonable because U-NEXT and the Company will establish a new holding company structure through the implementation of the Consolidation, which is beneficial to deal with the change of business environment after the Restructuring and maximize the synergy to consolidate U-NEXT and the Company which was difficult to realize at the time of the Restructuring.
- (y) Considering that U-NEXT discussed the terms of the Consolidation (especially, the merger ratio of the Merger ②) with the Company in good faith by obtaining the advice of KPMG as third party appraiser and the merger ratio of the Merger ② falls under the range of the merger ratio calculated by KPMG, the terms of the Consolidation (especially, the merger ratio of the Merger ②) are reasonable.
- (z) In light of (x) and (y) above, the Consolidation is not detrimental to the minority shareholders of U-NEXT.

Through the above processes, the third-party committee reported a unanimous opinion regarding (x) to (z) above and submitted the report to that effect on February 13, 2017.

(vii) Measures to secure an opportunity for a counter offer by any other party

The Company has not executed any agreement with the Tender Offeror which includes deal protection provisions to prohibit the Company from having contact with a counter offeror or which otherwise limit the opportunity for a counter offeror to have contact with the Company.

In addition, according to the Tender Offeror, by setting the Tender Offer Period as 30 Business Days, longer than the minimum period of 20 Business Days for tender offers under laws and regulations, the Tender Offeror ensures an appropriate opportunity for general shareholders of the Company to make a decision whether to tender their shares in the Tender Offer and secures an opportunity for any party other than the Tender Offeror to conduct counter offers for the Company's Shares, as a means to ensure the fairness of the Tender Offer.

4. Matters regarding the material agreement(s) related to the Tender Offer to the Tender Offeror between the Tender Offeror, the shareholders of the Company and the director  
With regards to the Non-tender Agreement entered into between the Tender Offeror and Mr. Uno, the shareholder of the Company, and the Tender Offer Agreement entered into between the Tender Offeror, Hikari Tsushin and GS, please refer to "(i) Non-tender Agreement" and "(ii) Tender Offer Agreement 1" of "(4) Matters regarding material agreement(s) related to the Tender Offer" of "3. Contents of, basis of, and reason for opinion related to the Tender Offer" above.

5. Summary of Profit-Sharing by the Tender Offeror or its Specially Related Parties  
None.

6. Counter-Policies with respect to the Basic Policies Regarding the Control of the Company  
None.

7. Inquiries to the Tender Offeror  
None.

8. Request for Extension of Tender Offer Period  
None.

9. Future Prospects

(1) Policies to be implemented after this Tender Offer

With respect to the policies to be implemented after this Tender Offer, please refer to "② Background, purpose and decision-making process leading to decision to conduct the Tender Offer and management policy for after the Tender Offer" of "(2) Basis of and reason for the opinion" of "3. Contents of, basis of, and reason for opinion related to the Tender Offer", "5. Possibility of and

reasons for delisting”, and “6. Policy for organizational restructuring, etc. after the Tender Offer (matters relating to so-called “Two-Step Acquisitions”)” above.

(2) Future Performance Prospects

With respect to the effects on the performance of the Company as a result of this Tender Offer, any arising matters that should be officially disclosed will be promptly disclosed.

10. Other

It was decided at the meeting of the board of directors of the Company held on February 13, 2017 that (i) subject to the completion of the Tender Offer, the forecasted dividends for the August 2017 term that were announced on October 12, 2016 would be revised such that dividends would not be distributed at the end of the August 2017 term and (ii) the special shareholder benefit plan would be abolished. For more details, please see the “Notice of Revision of the August 2017 Term Dividend Forecast and Abolishment of the Special Shareholder Benefit Plan” dated February 13, 2017.