

January 31, 2024

For immediate release

Company name: CMIC HOLDINGS Co., Ltd.

Name of Representative: Kazuo Nakamura, Representative Director and CEO

(Stock Code: 2309; TSE Prime Market)

Contact: Wataru Mochizuki, Director and CFO

(Phone: +81-3-6779-8000)

## **Notice of Share Consolidation, Abolition of the Number of Shares Constituting One Unit of Shares, and Partial Amendments to the Articles of Incorporation**

The Company hereby announces that its Board of Directors has resolved at a meeting held on January 31, 2024 to convene an extraordinary general meeting of shareholders (the "Extraordinary General Meeting of Shareholders") to be held on March 4, 2024, and to submit Agenda Item 1 "Share Consolidation" and Agenda Item 2 "Partial Amendment to the Articles of Incorporation" to the Extraordinary General Meeting of Shareholders.

In the course of the above procedures, the shares of common stock of the Company (the "Company's shares") will fall under the delisting standards stipulated in the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange") in the course of the above-mentioned procedures. As a result, the Company's shares will be designated as Securities to Be Delisted from March 4, 2024 to March 27, 2024, and then delisted as of March 28, 2024. Please note that after the delisting, our shares cannot be traded on the Tokyo Stock Exchange Prime Market.

### Notes

#### **I. Share Consolidation**

##### **1. Purpose and Reason for the Share Consolidation**

As announced in the press release "Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares" dated November 7, 2023 (the "Press Release of Opinion"), Hokuto Management Co., Ltd.(the "Tender Offeror") has decided to acquire all of the Company's shares (except for treasury stock held by the Company and 2,160,000 shares of the Company's stock held by Artemis Co., Ltd. ("Artemis") (ownership ratio (Note): 12.67%) and 2,160,000 shares of the Company held by Keith Japan Co., Ltd. ("Keith Japan")(ownership ratio 12.67%). Such shares of the Company owned by Artemis and Keith Japan are hereinafter referred to as the "Non-Tendered Shares")) in a series of transactions (the "Transactions") for the purpose of taking the Company's shares private. As part of a series of transactions (the "Transaction") to acquire all of the Company's shares and make the Company's shares go private, the Tender Offeror conducted a tender offer for the Company's shares with the Tender Offer Period from November 8, 2023 to January 4, 2024.

As announced in our press release dated January 5, 2024, "Notice Regarding Result of the Tender Offer by Hokuto Management and Changes in the Parent Company and the Largest and the Major Shareholder" (hereinafter referred to as the "Press Release of Tender Offer Results"), as a result of the completion of the Tender Offer, the Offeror acquired 10,487,067 shares of the Company (ownership ratio: 61.53%) on January 12, 2024, the commencement date of settlement of the Tender Offer.

Note: "Ownership ratio" means the percentage (rounded to two decimal places) of the difference (17,042,645 shares) of the total number of issued shares of the Company (18,923,569 shares) as of September 30, 2023, as stated in the "Consolidated Financial Results for the Fiscal Year Ending September 2023" published by the Company on November 7, 2023 (the "Financial Results"), less the number of treasury

shares held by the Company (1,880,924 shares) as of that date (the Company Shares owned by the Company's employee stock ownership plan (J-ESOP) as of that date (158,000 shares) are recorded as treasury shares in the Company's financial results, but are not included in the number of treasury shares (1,880,924 shares) because the Tender Offeror plans to acquire those shares through the Tender Offer).

As announced in the Press Release of opinion, the Company received a proposal to delist the Company Shares from Mr. Kazuo Nakamura ("Mr. Nakamura"), dated July 26, 2023, and informed Mr. Nakamura that it would establish the Special Committee to examine the Proposal and would begin preparations to construct a system for examination of the Transactions. As described in, "(3) Measures to Ensure the Fairness of the Transaction and to Avoid Conflicts of Interest" under "3. Basis, etc. of the amount of money expected to be delivered to shareholders as a result of the fractional shares due to the consolidation of shares" below starting in late July 2023, the Company individually explained to all seven of its independent directors and independent corporate auditors as of that time that it had received an initial proposal for the Transactions from Mr. Nakamura and that it is necessary to take sufficient measures to address the issues of structural conflict of interest and information asymmetry in the Transactions in light of the fact that the Transactions are conducted as a management buyout (MBO), and a structural conflict of interest exists, eliminate arbitrariness in the decision-making process of the Company's board of directors, and ensure the fairness, transparency, and objectivity of the Transactions, in order to ensure the fairness of the Tender Offer Price and other aspects of the Transactions including the Tender Offer. In addition, in early August 2023, the Company appointed Houlihan Lokey K.K. ("Houlihan Lokey") as a financial advisor and third-party appraiser independent of the Tender Offeror and the Company, and Mori Hamada & Matsumoto as a legal advisor independent of the Tender Offeror and the Company, subject to the approval of the Special Committee as described below. Furthermore, in order to address the issues of structural conflict of interest and information asymmetry in the Transactions, eliminate arbitrariness in the decision-making process of the Company's board of directors, and ensure the fairness, transparency, and objectivity of the Transactions, the board of directors of the Company adopted a written resolution on August 7, 2023 to establish the Special Committee and to establish an independent team to examine, negotiate, and make decisions regarding the Transactions, based on legal advice from its legal advisor, Mori Hamada & Matsumoto, and constructed a system for examining the Transactions. For the composition, authorities granted and specific activities of the Special Committee, please see "(c) Establishment by the Company of an Independent Special Committee and Procurement of the Committee Report" in "(3) Measures to Ensure the Fairness of the Transaction and to Avoid Conflicts of Interest" in "3. Basis, etc. of the amount of money expected to be delivered to shareholders as a result of the fractional shares due to the consolidation of shares" below. For the composition, authorities granted and specific activities of the Special Committee, please see "(c) Establishment by the Company of an Independent Special Committee and Procurement of the Committee Report" in "(3) Measures to Ensure the Fairness of the Transaction and to Avoid Conflicts of Interest" in "3. Basis, etc. of the amount of money expected to be delivered to shareholders as a result of the fractional shares due to the consolidation of shares" below, and for the composition and specific activities of the independent team, please see "(d) Establishment by the Company of an Independent Examination System" in "(3) Measures to Ensure the Fairness of the Transaction and to Avoid Conflicts of Interest" in "3. Basis, etc. of the Amount of Cash Expected to be Delivered to Shareholders as a Result of the Fractional Share Consolidation" below.

Under the above structure, the Company discussed and examined the terms of the Transactions multiple times including the Tender Offer Price based on the negotiation policy confirmed in advance by the Special Committee and opinions, instructions, and requests from the Special Committee at critical points in the negotiations, as well as advice from Houlihan Lokey and Mori Hamada & Matsumoto.

Specifically, on October 12, 2023, the Company, through the Special Committee, interviewed Mr. Nakamura, who explained the process of deliberation that led to the proposal of the Transactions, the details of the measures envisioned for after the Transactions, the expected disadvantages, advantages, and other effects of the Transactions and their impact, and the management policy planned for after the Transactions, followed by a question-and-answer session. On October 3, 2023, the Company received a proposal from Mr.

Nakamura to set the Tender Offer Price at 2,500 yen. On October 12, 2023, the Special Committee decided, based on the advice received from Houlihan Lokey regarding the value of the Company Shares and discussions at Special Committee meetings, that the Tender Offer Price of 2,500 yen did not give adequate consideration to the interests of the minority shareholders of the Company, and requested that Mr. Nakamura consider raising the Tender Offer Price. On October 17, 2023, the Company received a proposal from Mr. Nakamura to set the Tender Offer Price at 2,580 yen. On October 18, 2023, the Special Committee decided, based on the advice received from Houlihan Lokey regarding the value of the Company Shares and discussions at Special Committee meetings, that the Tender Offer Price of 2,580 yen still did not give adequate consideration to the interests of the minority shareholders of the Company, and requested that Mr. Nakamura consider further raising the Tender Offer Price. On October 25, 2023, the Company received a proposal from Mr. Nakamura to set the Tender Offer Price at 2,650 yen from the standpoint of consideration to the minority shareholders, which he said was the maximum possible increase in consideration of the Company's financial situation and other factors expected after the Tender Offer. On October 25, 2023, the Special Committee decided, based on the advice received from Houlihan Lokey regarding the value of the Company Shares and discussions at Special Committee meetings, to ask Mr. Nakamura to make another proposal because although the proposed share price was reasonable to a certain degree, a further increase in the Tender Offer Price should be requested in order to further benefit the Company's shareholders, and responded to Mr. Nakamura in writing to that effect on October 26, 2023. On November 1, 2023, the Company received a proposal from Mr. Nakamura to the effect that he had considered the request, but a further increase would be difficult, and he could not change the price from 2,650 yen (a 55.43% premium to the closing price on October 31, 2023), and he believed that price sufficiently respected the interests of the minority shareholders. At the meeting of the Special Committee on November 2, 2023 the Special Committee approved the Tender Offer Price of 2,650 yen based on the advice received from Houlihan Lokey regarding the value of the Company Shares and the discussions of the Special Committee, and responded in writing to Mr. Nakamura on November 2, 2023, through Houlihan Lokey, to the effect that it agreed to the proposed Tender Offer Price of 2,650 yen.

In addition, on October 3, 2023, Mr. Nakamura made a proposal to the Company to the effect that no maximum number of shares to be purchased in the Tender Offer would be set, and that the minimum number of shares to be purchased would be the number of shares such that the total number of voting rights held by the Tender Offeror, Artemis, Keith Japan, Mr. Nakamura and Ms. Oishi after the successful completion of the Tender Offer would be two-thirds of the voting rights of all shareholders of the Company. On October 12, 2023, the Special Committee responded in writing requesting that Mr. Nakamura reconsider setting a majority-of-the-minority condition in consideration of the interests of the Company's minority shareholders and from the perspective of enhancing the fairness of procedures in the Transactions. On October 17, 2023, Mr. Nakamura explained in writing that he would not set a majority-of-the-minority condition because he believed that a majority-of-the-minority condition would make the successful completion of the Tender Offer uncertain and may not contribute to the interests of minority shareholders who wish to tender their shares in the Tender Offer given that 49% of the voting rights are held by specially related parties, and that sufficient consideration has been given to the interests of the minority shareholders by the implementation of other measures to ensure fairness. Based on this explanation, when requesting a further increase in the Tender Offer Price on October 18, 2023 as described above, the Company stated to Mr. Nakamura that if a majority-of-the-minority condition is not set, the Special Committee believes it is necessary to more carefully examine whether the Tender Offer Price is appropriate from the perspective of the interests of the Company's minority shareholders. At the Special Committee meeting held on October 25, 2023, the Special Committee determined that failure to request further consideration of the majority-of-the-minority condition would not negate the fairness of the Transactions, given that the "Guidelines on Fair M&A Practices" published by the Ministry of Economy, Trade and Industry on June 28, 2019 (the "Fair M&A Guidelines") state that when the purchaser holds a large proportion of the target's shares, setting a majority-

of-the-minority condition can be a disincentive to M&A that otherwise would enhance corporate value, and Mr. Nakamura's explanation above is not unreasonable, and that the Tender Offer Price of 2,650 yen proposed by Mr. Nakamura is acceptable to a certain degree, and although the Company will continue to seek a further increase in the Tender Offer Price as stated above, it is possible to conclude that sufficient consideration has been given to the interests of the Company's shareholders through fair procedures in light of the other fairness measures that have been taken in this matter.

The Company received necessary legal advice from Mori Hamada & Matsumoto concerning the method and process of decision-making with respect to the procedures related to the Transactions and other matters to be noted, and after receiving the final proposal from the Tender Offeror on November 1, 2023, received a report from the Special Committee on November 6, 2023 (the "Committee Report"; for a summary of the Committee Report and the specific activities of the Special Committee, please see "(c) Establishment by the Company of an Independent Special Committee and Procurement of the Committee Report" in "(a) Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest" below.)

At the board of directors meeting held on November 7, 2023, the Company carefully discussed and examined the Transactions from the perspective of whether the corporate value of the Company can be enhanced through the Transactions and whether benefit that should be enjoyed by the ordinary shareholders is secured by the Transactions being conducted through fair procedures, based on the legal advice received from Mori Hamada & Matsumoto, its legal advisor, and a share valuation report (the "Share Valuation Report," defined in "(3) Matters Concerning Calculation" below) dated November 6, 2023 received from Houlihan Lokey, its financial advisor and third-party appraiser, while respecting to the maximum possible extent the content of the Committee Report received from the Special Committee.

After receiving the proposal for the Transactions on July 26, 2023, the Company's independent team in charge of examining, negotiating, and making a decision on the Transactions repeatedly examined the necessity of the Transactions, and the expected disadvantages, advantages, and other effects of the Transactions and their impact, and also considered whether or not delisting the Company Shares through the Transactions would contribute to the enhancement of the Group's corporate value, based on the content of Mr. Nakamura's explanations of the management policy, etc. after the Transaction. In the course of such consideration, as described in "(i) Background, Purpose, and Decision-Making Process of the Tender Offeror's Decision to Implement the Tender Offer" in "(b) Background, Purpose, and Decision-Making Process of the Tender Offeror's Decision to Implement the Tender Offer, and Post-Tender Offer Management Policy" above, the Company concluded that in order to respond to changes in the business environment surrounding the Company, it is necessary to address issues such as the promotion of the Healthcare business, enhancement of comprehensive support for disease prevention and treatment from research and development through sales, and contribution to a sustainable society, and in order to develop its business model into a personal health value creator (PHVC) model through these efforts, it will be necessary to establish a management structure that allows the necessary upfront investments to be made and other fundamental measures to be taken more flexibly and promptly than before, based on the fact that further intensification of competition is expected in the pharmaceutical industry going forward due to a slowdown in growth of the domestic drug discovery outsourcing market against a backdrop of increasing pressure to reduce drug prices as a result of the annual drug price revisions since FY2021, cost increases due to the increasing demand for highly specialized clinical trials such as for drugs with new modalities, cancer drugs, and drugs targeting rare diseases, and the shrinkage of the domestic clinical trial market due to the increase of international joint trials and clinical trials in Asian countries, the fact that there is a concern that the Group's revenues may gradually decline going forward now that the Covid-19 pandemic has run its course, and the fact that the Healthcare Revolution business (specifically, a medical information interfacing system based on an electronic pharmacy handbook, and self-testing services that contribute to the early detection of diseases and

prevention of serious illnesses), which the Group considers its new profit center, is in a growth area in the healthcare tech sector which is attracting a great deal of attention, and is the subject of intensifying competition due to the entry of not only startups but also major domestic and foreign tech companies and companies from other industries. Specifically, as described “(i) Background, Purpose, and Decision-Making Process of the Tender Offeror’s Decision to Implement the Tender Offer” in “(b) Background, Purpose, and Decision-Making Process of the Tender Offeror’s Decision to Implement the Tender Offer, and Post-Tender Offer Management Policy” above, the Company concluded that it will be necessary to implement measures including (i) alliances with business partners to accelerate CRO business development in global markets including Asia and the U.S., (ii) intermittent capital investments in the CRO business (non-clinical), (iii) continuous investment in the Healthcare Revolution business, and (iv) a fundamental review of its personnel evaluation system and compensation structure.

However, the Company concluded that, given that speed is of the essence in an increasingly competitive market environment, and such measures require a large amount of upfront investment, and if the Company were to make such upfront investments while maintaining its listing, there is a risk that the Company’s financial condition could deteriorate due to a decline in profit levels and cash flow, at least in the short term, while additionally it is not necessarily clear whether the expected investment effect will be generated and lead to higher earnings for the Group in the medium to long term, it may not receive sufficient recognition from the capital markets, which may result in a decline in the price of the Company Shares and have a negative impact on shareholders of the Company in the short term.

After receiving the proposal for the Transactions, the Company’s independent team repeatedly examined it and, in light of the above points, concluded that in order to avoid such adverse effects on the Company’s shareholders and to implement fundamental measures to enhance the Company’s corporate value from a medium- to long-term perspective, it would be reasonable to delist the Company Shares, and that as a method to achieve this, it would be useful to conduct an MBO under the leadership of Mr. Nakamura, who is the person most familiar with the Company’s business, and to have him continue to exercise leadership in the management of the Group. Finally, on November 7, 2023, the board of directors of the Company reached the conclusion that delisting the Company Shares through the Transactions would contribute to the enhancement of the Group’s corporate value. The delisting of the Company Shares could have a negative impact on the Company’s business due to the fact that the Company will no longer be able to raise equity financing from the capital markets, and will not be able to enjoy the benefits that are generally available to listed companies as a result of greater name recognition, such as the recruitment of talented human resources and the enhancement of public credibility. However, the disadvantages of delisting can be considered to be limited, considering the current financial situation of the Group and the recent low interest rate environment for indirect financing, the Group has little need for equity financing to raise large amounts of capital for the time being, and the Group’s name recognition and credibility are largely secured through its business activities.

Based on the above points, on November 7, 2023, the Company’s board of directors concluded that delisting the Company Shares through the Transactions will contribute to the enhancement of the Group’s corporate value.

In addition, based on the following points, the Company has determined that the Tender Offer Price (2,650 yen) is a reasonable price that secures the benefit that should be enjoyed by the ordinary shareholders of the Company, and that the Tender Offer provides the ordinary shareholders with a reasonable opportunity to sell their shares at a price with an appropriate premium:

- (A) the Tender Offer Price exceeds the upper bound of the range of values calculated by average market price analysis, is greater than the median of the range of values calculated by comparable company analysis, and is slightly below, but close to, the median of the range of values calculated by DCF analysis in the Share Valuation Report prepared by Houlihan Lokey described in “(a) Procurement by

- the Company of a Share Valuation Report from an Independent Financial Advisor and Third Party Appraiser” in “(3) Matters Concerning Calculation”;
- (B) the Tender Offer Price represents a premium of 54.16% to the closing price of the Company Shares (1,719 yen) on the TSE Prime Market on the last business day before the announcement of the Tender Offer (November 6, 2023), a premium of 57.18% to the simple average closing price of the Company Shares (1,686 yen; rounded to the nearest whole yen; the same applies hereinafter to the calculation of simple average closing prices) on the TSE Prime Market over the one-month period ending on November 6, 2023, a premium of 53.53% to the simple average closing price of the Company Shares (1,726 yen) on the TSE Prime Market over the three-month period ending on November 6, 2023, a premium of 43.55% to the simple average closing price of the Company Shares (1,846 yen) on the TSE Prime Market over the six-month period ending on November 6, 2023, and these premiums are reasonable and generally greater than the average premium offered in the 45 MBOs announced and conducted since the publication of the Fair M&A Guidelines by the Ministry of Economy, Trade and Industry on June 28, 2019 (a premium of 42.68% to the closing price on the last business day before the announcement, 45.25% to the simple average closing price over the one-month period ending on the last business day before the announcement, 49.60% to the simple average closing price over the preceding three-month period, and 51.65% to the simple average closing price over the preceding six-month period);
  - (C) in determining the Tender Offer Price, measures to secure the fairness of the Tender Offer Price and measures to avoid conflicts of interest described in “(6) Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below were taken, and consideration was otherwise given to the interests of minority shareholders;
  - (D) the Tender Offer Price was determined through multiple rounds of discussions and negotiations between the Company and the Tender Offeror with the substantial involvement of the Special Committee, which were equivalent to discussions and negotiations in an arm’s length transaction, after taking the above measures;
  - (E) the Tender Offer Price was recognized to be fair and reasonable in the Committee Report received from the Special Committee described in “(c) Establishment by the Company of an Independent Special Committee and Procurement of the Committee Report” in “(6) Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.

Therefore, the Company resolved at its board of directors meeting held on November 7, 2023 to endorse the Tender Offer and to recommend that the shareholders of the Company tender shares in the Tender Offer.

Subsequently, as described above, the Tender Offer was consummated, but the Offeror was unable to acquire all of the Company's shares (excluding the treasury stock held by the Company and the non-tendered shares) through the Tender Offer. As announced in the Opinion Press Release, at the request of the Offeror and subject to shareholder approval at the Extraordinary General Meeting of Shareholders held today, the Company's Board of Directors has resolved that, in accordance with the Offeror's request, the Tender Offeror, Artemis and Keith Japan (collectively, the "Tender Offer Related Parties") will be the only shareholders of the Company. In order to make the Company's shares go private, the Company will conduct a Share Consolidation (the "Share Consolidation") as described in "2. (2) Summary of the Share Consolidation", and resolved to submit a proposal for the Share Consolidation to the Extraordinary General Meeting of Shareholders. As a result of the Share Consolidation, the number of shares of the Company held by shareholders other than the Tender Offer Related Parties will be reduced to fractions of less than one share.

Please refer to the Press Release of Opinion and the Tender Offer Result Press Release for details on the background of the Transaction.

## 2. Summary of Share Consolidation

### (1) Schedule of Share Consolidation

Date of Public Notice of the Record Date for this Extraordinary General Meeting of Shareholders	January 5, 2024
Record date of this Extraordinary General Meeting of Shareholders	January 20, 2024
Date of resolution by the Board of Directors	January 31, 2024
Date of the Extraordinary General Meeting of Shareholders	March 4, 2024 (tentative)
Date of designation as Securities to Be Delisted	March 4, 2024 (tentative)
Last day of trading of the Company's shares	March 27, 2024 (tentative)
Delisting date of the Company's shares	March 28, 2024 (tentative)
Effective date of Share Consolidation	March 30, 2024 (tentative)

(2) Details of the share consolidation

1. Type of shares to be consolidated

Common stock

2. Consolidation ratio

The Company's shares will be consolidated into one share at a ratio of 2,160,000 shares.

3. Total number of shares issued and outstanding to be reduced

17,279,992 shares

(Note) The Company's Board of Directors resolved today to cancel 1,643,569 shares of treasury stock on March 29, 2024, so the "Total number of shares issued and outstanding to be reduced" is based on the number of shares issued and outstanding after such cancellation.

4. Total number of shares issued and outstanding before the effective date

17,280,000 shares

(Note) Since the Company's Board of Directors resolved today to cancel 1,643,569 shares of treasury stock on March 29, 2024, the "Total number of shares issued and outstanding before the effective date" is the number of shares after deducting the number of treasury stock (1,643,569 shares) that the Company plans to cancel on March 29, 2024.

5. Total number of shares issued and outstanding after the effective date

8 shares

6. Total number of shares authorized to be issued as of the effective date

32 shares

7. Method of treatment of fractional shares and amount of money expected to be delivered to shareholders as a result of such treatment

As stated in "1. Purpose and Reason for the Share Consolidation" above, as a result of the Share Consolidation, the number of shares of the Company held by shareholders other than the Tender Offer Related Parties will be fractions of less than one share. With respect to the method of treatment of fractions of less than one share resulting from the Share Consolidation, the total number of shares (If there is a fraction of less than one share in the total number of shares, such fraction will be rounded down pursuant to Article 235, Paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended). The Company will sell the number of shares equivalent to the number of fractional shares of the Company's common stock in accordance with the provisions of Article 235 of the Companies Act and other applicable laws and regulations. With respect to such sale procedures, the Company plans to sell shares equivalent to the total number of such fractions to the Tender Offeror after obtaining permission of the court pursuant to Article 234, Paragraph 2 of the Companies Act.

In this case, if the necessary court approval is obtained as scheduled, we plan to set the sale price at a price that is equivalent to the Tender Offer Price multiplied by the number of our company's shares held by shareholders listed or recorded in our company's final shareholders' register as of March 29, 2024, the day before the effective date of the Share Consolidation, multiplied by 2,650 yen, which is the same amount as the

Tender Offer Price. However, the actual amount to be delivered may differ from the above amount in cases where permission of the court cannot be obtained or where fractional adjustments are required in the calculation.

3. Basis, etc. of the amount of money expected to be delivered to shareholders as a result of the fractional shares due to the consolidation of shares

(1) Basis and reason for the amount of money expected to be delivered to shareholders as a result of fractional shares

(i) Matters taken into consideration so as not to impair the interests of shareholders other than the parent company, etc., in cases where the parent company, etc., exists.

The Tender Offeror and the Company have taken into consideration the fact that the Tender Offer is part of the Transaction, which falls under the category of a so-called management buyout (MBO), and that there are structural conflicts of interest, etc., and have taken measures to ensure the fairness of the Tender Offer Price, eliminate arbitrariness in the decision-making process leading to the decision to conduct the Tender Offer, and avoid any conflicts of interest. Specifically, measures listed in "(3) Measures to ensure the fairness of the Transaction including the Tender Offer and to avoid conflicts of interest" below were taken from the perspective of eliminating arbitrariness and avoiding conflicts of interest.

(ii) Matters concerning the method of fractional share treatment (fractional share treatment), the amount of money expected to be delivered to shareholders as a result of fractional share handling, and the reasonableness of such amount

i. Method of handling of fractions of less than one share

A) Whether the Company plans to process in accordance with Article 235, Paragraph 1 of the Companies Act or Article 234, Paragraph 2 of the Companies Act as applied mutatis mutandis pursuant to Paragraph 2 of the same article, and the reason for such processing.

Please refer to "7. Method of disposal of fractional shares and amount of money expected to be delivered to shareholders as a result of such disposal" in "(2) Details of the Share Consolidation" of the above "2. Summary of the Share Consolidation."

B) Name of the party expected to be the purchaser of the shares involved in the sale  
Hokuto Management Co., Ltd.

C) Method and reasonableness of the method for securing funds for payment of the proceeds of the sale by the person who is expected to be the purchaser of the shares to be sold

The Tender Offeror will use the funds for the acquisition of the Company's shares equivalent to the total amount of fractions resulting from the Share Consolidation to pay for the purchase of the Company's shares by Sumitomo Mitsui Banking Corporation ("Sumitomo Mitsui Banking") and Mizuho Bank, Ltd. ("Mizuho Bank"), and the Company has confirmed the Tender Offeror's method of securing funds by confirming the loan certificates regarding the borrowings from Sumitomo Mitsui Banking and Mizuho Bank. According to the Tender Offeror, no event has occurred that would hinder the payment of the proceeds from the sale of fractional shares, nor is any event expected to occur in the future that would hinder the payment of the proceeds from the sale of fractional shares. Therefore, the Company has determined that the method of securing funds for the payment of the price for the sale of fractional equivalent shares by the Tender Offeror is reasonable.

D) Estimated timing of sale and timing of delivery to shareholders of the proceeds from the sale

The Company plans to file a petition with the court in early April 2024, pursuant to Article 235, Paragraph 2 of the Companies Act, as applied mutatis mutandis pursuant to Article 234, Paragraph 2 of the same Act,



requesting permission to sell the Company shares equivalent to the total number of fractional shares resulting from the Share Consolidation. Although the timing of obtaining such permission may vary depending on the status of the court, the Company plans to sell the shares to the Tender Offeror in early May 2024 upon obtaining the permission of the court, and then make the necessary preparations to deliver the proceeds from such sale to the shareholders, and to sell the shares in early July 2024 upon obtaining the permission of the court.

Considering the period of time required for the series of procedures related to the sale from the effective date of the Share Consolidation, the Company has determined that the sale of the Company's shares equivalent to the total number of fractional shares resulting from the Share Consolidation will be conducted and the proceeds of such sale will be delivered to the shareholders at the respective times as described above.

ii. Matters concerning the amount of money expected to be delivered to shareholders as a result of the fractional shares and the reasonableness of such amount

As stated in "1. Purpose and Reason for the Share Consolidation" above, the amount of cash expected to be delivered to shareholders as a result of the fractional shares will be calculated by multiplying the number of the Company's shares held by shareholders listed or recorded in the Company's final shareholders' register as of March 29, 2024, the day before the effective date of the Share Consolidation, by 2,650 yen, the same amount as the Tender Offer Price.

In addition, the Company has determined that the Tender Offer Price (2,650 yen) is a reasonable price that ensures the benefits to be enjoyed by the Company's common shareholders, and that the Tender Offer provides the Company's common shareholders with a reasonable opportunity to sell their shares at a price with an appropriate premium, based on the following points and others.

(a) The Tender Offer Price is an amount that exceeds the upper limit of the range of the valuation results based on the average market share price method and the median of the range of the valuation results based on the comparable company method, as well as being close to, but slightly below, the median of the range of the valuation results based on the DCF method, as calculated in the Share Valuation Report by Houlihan Lokey, which is described below "(i) Obtaining a Share Price Valuation Report from an Independent Financial Advisor and Third Party Calculation Agent of the Company" under "(3) Measures to Ensure the Fairness of the Transaction and to Avoid Conflicts of Interest" under "3. Basis, etc. of the Amount of Cash Expected to be Delivered to Shareholders as a Result of Fractional Share Consolidation".

(b) The Tender Offer Price represents a premium of 54.16% on the closing price of 1,719 yen of the Company's shares on the Tokyo Stock Exchange Prime Market on November 6, 2023, the business day immediately preceding the announcement of the Tender Offer. The premiums are 57.18% on the simple average of 1,686 yen of the closing price for the past one month until November 6 (rounded to the nearest yen. The same shall apply hereinafter in the calculation of the simple average of the closing price), 53.53% on the simple average of 1,726 yen of the closing price for the past three months, and 43.55% on the simple average of 1,846 yen of the closing price for the past six months. Each of these premiums was calculated by comparing the average premiums in the 45 MBO cases that were announced and completed after June 28, 2019, when METI published its fair M&A guidelines (42.68% of the closing price on the business day preceding the announcement date, 45.25% of the simple average of the closing prices for the past one month until the business day preceding the announcement date, 49.60% of the simple average of the closing prices for the past three months until the business day preceding the announcement date, and 51.65% of the simple average of the closing prices for the past six months). The premium level is considered to be reasonable and generally higher than these premium levels.

(c) In determining the Tender Offer Price, consideration is given to the interests of minority shareholders, including measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest as described below (3) Measures to ensure the fairness of the Transaction and to avoid conflicts of interest"

in "3. Basis, etc. of the amount of money expected to be delivered to shareholders as a result of the fractional shares resulting from the consolidation of shares.

(d) The Tender Offer Price was determined after the above measures were taken and after multiple rounds of discussions and negotiations equivalent to those conducted in an arm's length transaction between the Company and the Tender Offeror with the substantial involvement of the Special Committee.

(e) The Tender Offer Price has also been determined to be appropriate based on the Written Report obtained from the Special Committee as described in "(iii) Establishment of an Independent Special Committee and Acquisition of the Report of the Special Committee" in "(3) Measures to Ensure the Fairness of the Transaction and to Avoid Conflicts of Interest".

In addition, after the Company's Board of Directors' meeting held on November 7, 2023, at which it expressed its opinion in favor of the Tender Offer and recommended that the Company's shareholders tender their shares in the Tender Offer, until the resolution of the Company's Board of Directors' meeting held today, which decided to convene this Extraordinary General Meeting of Shareholders, the Company The Company has confirmed that no factors have arisen that would require a change in the Company's decision regarding the Transaction.

Based on the above, the Company has determined that the amount of money expected to be delivered to shareholders as a result of the fractional purchase is reasonable.

iii. Disposition of material assets, incurrence of material liabilities, or other events occurring after the last day of the last fiscal year of the Company that materially affect the status of the Company's assets

A) Completion of the Tender Offer

As described in "1. Purpose and Reason for the Share Consolidation" above, the Offeror conducted the Tender Offer for 37 business days from November 8, 2023 to January 4, 2024. As a result of the Tender Offer, as of January 12, 2024 (the commencement date of settlement of the Tender Offer), the Offeror holds 10,487,063 shares of the Company (ownership ratio: 61.53%).

B) Cancellation of Treasury shares

At a meeting of the Company's Board of Directors held today, the Company resolved to cancel 1,643,569 shares of the Company's treasury shares on March 29, 2024. Such cancellation of treasury shares is subject to approval of the proposal at the Extraordinary General Meeting of Shareholders as proposed, and the total number of outstanding shares of the Company after the cancellation of treasury shares will be 17,280,000 shares.

(2) Likelihood of delisting

(i) Delisting

As stated in "1. Purpose and Reason for the Share Consolidation" above, subject to the approval of shareholders at the Extraordinary Shareholders' Meeting, the Company plans to implement the Share Consolidation and the only shareholders of the Company will be the Tender Offer Related Parties. As a result, the Company's shares are scheduled to be delisted through prescribed procedures in accordance with the delisting standards of the Tokyo Stock Exchange. As for the schedule, the Company's shares are expected to be delisted on March 28, 2024, after being designated as Securities to Be Delisted from March 4, 2024, to March 27, 2024. After the delisting, the Company's shares cannot be traded on the Tokyo Stock Exchange Prime Market.

(ii) Reason for Purpose of Delisting

As stated in "1. Purpose and Reason for the Share Consolidation" above, the Company has determined that taking the Company's shares private through this transaction will contribute to the enhancement of the

Company's corporate value.

(iii) Impact on minority shareholders and the Company's approach to such impact

As described in "(3) Measures to Ensure the Fairness of the Transaction and to Avoid Conflicts of Interest" under "(iii) Establishment of an Independent Special Committee and Acquisition of the Report by the Company" below, the Board of Directors of the Company has received the Report dated November 6, 2023 from the Special Committee to the effect that the decision on the Transaction (including that the Board of Directors of the Company expresses its opinion in favor of the Tender Offer and recommends that the shareholders of the Company tender their shares in the Tender Offer) is not detrimental to the minority shareholders of the Company. The Board of Directors of the Company received a written report from the Special Committee on November 6, 2023 to the effect that the decision of the Transaction is not disadvantageous to minority shareholders of the Company.

(3) Measures to Ensure the Fairness of the Tender Offer and to Avoid Conflicts of Interest in this transaction

In light of the structural conflict of interest that exists due to the Tender Offer being part of the Transactions, which constitute a management buyout (MBO), the following measures have been taken to ensure the fairness of the Transactions including the Tender Offer Price from the perspective of ensuring the fairness of the Tender Offer Price, eliminating arbitrariness in the decision-making process leading to the decision to conduct the Tender Offer, and avoiding conflicts of interest.

The Tender Offeror has not set a minimum number of shares to be purchased which corresponds to a "majority of the minority" in the Tender Offer, having judged that setting such minimum number of shares to be purchased in the Tender Offer would make the successful completion of the Tender Offer uncertain, and therefore may be detrimental to the interests of those minority shareholders who wish to tender their shares in the Tender Offer. However, the Tender Offeror believes that sufficient consideration has been given to the interests of the minority shareholders of the Company given that the Tender Offeror and the Company have taken the following measures ((a) through (f)).

The statements below that relate to measures taken by the Tender Offeror are based on explanations received from the Tender Offeror.

(a) Procurement by the Company of a Share Valuation Report from an Independent Financial Advisor and Third Party Appraiser

Prior to expressing its opinion on the Tender Offer, the Company requested the valuation of the Company Shares by Houlihan Lokey as a measure to ensure the fairness and objectivity of the terms of the Transactions, including the Tender Offer Price, and obtained the Share Valuation Report dated November 6, 2023. Houlihan Lokey is a financial advisor and third-party appraiser independent of the Tender Offeror and the Company, and is not a related party of the Tender Offeror or the Company. The Company has not obtained an opinion concerning the fairness of the Tender Offer Price (a fairness opinion) from Houlihan Lokey.

Houlihan Lokey's compensation for the Transactions includes a contingency fee that is subject to the successful completion of the Transactions and other conditions. The Company appointed Houlihan Lokey as its financial advisor and third-party appraiser under the above compensation structure based on the judgment that the inclusion of a contingency fee to be paid on the condition that the Tender Offer is successfully completed does not negate Houlihan Lokey's independence, in consideration of the standard practice in similar transactions and the merits of a compensation structure that could impose a substantial financial burden on the Company even if the Transactions are not successful.

In addition, the Special Committee has approved the financial advisor and third-party appraiser appointed by the Company, as there are no problems with its independence and expertise, and has confirmed that the Special Committee may also receive professional advice from that financial advisor as necessary.

The Company obtained the Share Valuation Report from Houlihan Lokey dated November 6, 2023. After

considering which of the various valuation methods should be adopted for calculating the value of the Company Shares, Houlihan Lokey used average market price analysis, because the Company Shares are listed on the TSE Prime Market and the market price of the Company Shares is available, comparable company analysis, because there are several listed companies engaged in business relatively similar to the Company's and it is possible to analogize the stock value by comparison with similar companies, and DCF analysis, to reflect the intrinsic value of the Company based on its future business activities.

The following are the valuation ranges per Company Share based on the above valuation methods.

Average market price analysis:	1,686 yen to 1,846 yen
Comparable company analysis:	2,298 yen to 2,908 yen
DCF analysis:	2,475 yen to 2,908 yen

For the average market price analysis, the reference date was set as November 6, 2023, and the value range per Company Share was calculated to be 1,686 yen to 1,846 yen based on the closing price of the Company Shares on the TSE Prime Market as of the reference date (1,719 yen), the simple average closing price over the preceding one-month period (October 10 to November 6, 2023; 1,686 yen), the simple average closing price over the preceding three-month period (August 7 to November 6, 2023; 1,726 yen), and the simple average closing price over the preceding six-month period (May 8 to November 6, 2023; 1,846 yen).

For the comparable company analysis, Linical Co., Ltd., I'rom Group Co., Ltd., SHIN NIPPON BIOMEDICAL LABORATORIES, LTD., WDB coco Co., Ltd., and PhoenixBio Co., Ltd. were selected as listed companies engaged in business relatively similar to the Company's, and the value range per Company Share was calculated to be 2,298 yen to 2,908 yen using a multiple of EBITDA to corporate value.

For the DCF analysis, the corporate value and the share value of the Company were calculated by discounting, based on a certain discount rate, the free cash flows that the Company is expected to generate in and after the fiscal year ending September 2024 based on various factors including the earnings forecasts and investment plans in the business plan of the Company for the three fiscal years from the fiscal year ending September 2024 through the fiscal year ending September 2026 (the preparation of which did not involve Mr. Nakamura or Ms. Oishi in any capacity) and publicly available information, and the value range per Company Share was calculated to be 2,475 yen to 2,908 yen. The discount rate employed was 6.25% to 7.25%, and the going concern value was calculated by the perpetual growth method based on a permanent growth rate of -0.25% to 0.25%. As stated in the "Announcement of New Mid-term Management Plan" issued on November 5, 2021, the Company had formulated a mid-term management plan for the four fiscal years from the fiscal year ending September 2022 to the fiscal year ending September 2025, but in the course of Houlihan Lokey's valuation of the Company Shares, it was determined that it would be appropriate to reflect the current business situation, including the transition of CMIC CMO Co., Ltd., CMIC CMO Korea Co., Ltd. and CMIC CMO USA Corporation from consolidated subsidiaries to equity method affiliates in connection with the strategic business alliance with Dai Nippon Printing Co., Ltd., and the Company formulated a new business plan. In formulating the business plan, the Company considered three fiscal years to be an appropriate period of time to formulate a reasonable plan, in light of the accelerating changes in its business environment, including the slowdown of the domestic CRO market, the subsidence of the Covid-19 pandemic, and the progress of digitalization in the healthcare field. The business plan prepared by the Company and used by Houlihan Lokey as the basis for the DCF analysis contains fiscal years in which a significant decrease in earnings is expected. Specifically, the Company expects a significant decrease in sales in the vaccine development and vaccination support-related business in the Healthcare Solutions segment in the fiscal year ending September 2024 due to the end of the Covid-19 pandemic and its reclassification under the Act on the Prevention of Infectious Diseases from a "Novel Influenza Infection, etc." (a so-called Class II equivalent) to a "Class V Infectious Disease," and a significant on-year decrease in operating profit in the fiscal year ending September 2024 due to the transition of CMIC

CMO Co., Ltd., CMIC CMO Korea Co., Ltd. and CMIC CMO USA Corporation from consolidated subsidiaries to equity method affiliates. In addition, due to the significant decrease in profit expected for the fiscal year ending September 2024, the Company expects a significant on-year increase in free cash flow in the fiscal year ending September 2025 due to a decrease in the amount of bonuses paid in that year, which is partly linked to the previous year's performance. The Company expects a significant on-year increase in free cash flows in the fiscal year ending September 2026, due to a slowdown in the year-on-year sales growth rate, which will result in a smaller increase in working capital compared to the previous year. The business plan prepared by the Company and used by Houlihan Lokey for the DCF analysis is not based on the assumption that the Transactions will be implemented, and the measures to enhance corporate value that the Tender Offeror intends to implement after the Transactions are successfully completed are not taken into account in the financial projections below, given the difficulty of estimating them quantitatively at this time. The financial projections based on the business plan prepared by the Company and used by Houlihan Lokey for the DCF analysis are as follows:

(units: million JPY)

	FY2024/9	FY2025/9	FY2026/9
Net sales	75,940	85,116	87,795
EBITDA	4,910	5,561	6,083
Operating profit	3,020	3,661	4,054
Free cash flow	531	998	2,093

Houlihan Lokey did not verify the accuracy, appropriateness, or completeness of the information provided by the Company or publicly available information when calculating the value of the Company Shares, nor has Houlihan Lokey made any independent evaluation or appraisal of the Group's non-consolidated assets and liabilities (including off-balance sheet assets and liabilities), and the Company has not obtained any appraisal or valuation report with respect to those assets and liabilities. Houlihan Lokey further assumed that there are no undisclosed material facts that would affect the valuation of the Company Shares and that the Company's financial projections (including business plans and other information) have been reasonably prepared based on the best currently available estimates and judgment of the Company's management.

(b) Procurement by the Company of Advice from an Independent Law Firm

In order to ensure the fairness and appropriateness of the decision-making process of the board of directors of the Company with respect to the Transactions including the Tender Offer, the Company appointed Mori Hamada & Matsumoto as its legal advisor independent of the Tender Offeror, the Company, and the Transactions, and received the necessary legal advice from that firm concerning the method and process of decision-making with respect to the procedures related to the Transactions and other matters to be noted. Mori Hamada & Matsumoto is not a related party of the Tender Offeror or the Company, and does not have any material interest in respect of the Transactions. Mori Hamada & Matsumoto's compensation consists solely of an hourly rate irrespective of the success of the Transactions, and that compensation does not include any part that is subject to the successful completion of the Transactions. In addition, the Special Committee approved the legal advisor appointed by the Company, as there are no problems with its independence and expertise, and has confirmed that the Special Committee may also receive professional advice from that legal advisor as necessary.

(c) Establishment by the Company of an Independent Special Committee and Procurement of the Committee Report

(i) Background of Establishment, Etc. of the Special Committee

In light of the structural conflict of interest that exists due to the Transactions being conducted as part of a management buyout (MBO), the board of directors of the Company adopted a written resolution on August 7, 2023 to establish the Special Committee, which comprises members who are independent of the Tender Offeror, in order to address the issues of structural conflict of interest and information asymmetry in the Transactions, eliminate arbitrariness in the decision-making process of the Company's board of directors, and ensure the fairness, transparency, and objectivity of the Transactions. Mr. Nakamura did not participate in that board of directors resolution (written resolution) because he is a director with a special interest due to his conflict of interest with the Company in relation to the Transactions, given that he planned to establish the special purpose corporation (SPC) that would become the Tender Offeror, and that Artemis and Keith Japan, which are the asset management companies of Mr. Nakamura and his relatives within the first degree of kinship, will continue to hold the Non-Tendered Shares after the completion of the Tender Offer. Ms. Oishi did not participate in that board of directors resolution (written resolution) based on the possibility that she has a special interest in the Transactions, given that she is Mr. Nakamura's spouse and will continue to manage the Company with Mr. Nakamura after the Transactions. In addition, starting in late July 2023, the Company individually explained to all seven of its independent outside directors and independent outside corporate auditors as of that time that it had received an initial proposal for the Transactions from Mr. Nakamura and that it is necessary to take sufficient measures to in order to address the issues of structural conflict of interest and information asymmetry in the Transactions, eliminate arbitrariness in the decision-making process of the Company's board of directors, and ensure the fairness, transparency, and objectivity of the Transactions, in order to establish a system to examine, negotiate, and make decisions regarding the Transactions from a standpoint independent of the Tender Offeror and from the perspective of enhancing the corporate value of the Company and securing the interests of the Company's ordinary shareholders prior to the establishment of the special committee. The Company also confirmed, with advice from Mori Hamada & Matsumoto, that the independent outside directors and independent outside corporate auditors of the Company that were candidates for the members of the Special Committee are independent of the Tender Offeror, do not have any material interests that differ from those of the ordinary shareholders regarding the success or failure of the Transactions, and are qualified to serve as members of the Special Committee, and appointed Mr. Takeshi Karasawa (independent outside director of the Company), Mr. Masaru Ota (independent outside director of the Company), Mr. Kei Hata (independent outside corporate auditor of the Company) and Mr. Hidetoshi Watanabe (independent outside corporate auditor of the Company) as the members of the Special Committee, based on the opinions of the independent outside directors and independent outside corporate auditors of the Company, in order to ensure a balance of knowledge, experience, and abilities of the Special Committee as a whole while establishing a special committee of an appropriate size. The Special Committee selected Mr. Masaru Ota as the chairman of the Special Committee by mutual vote. These four were the members of the Special Committee originally selected by the Company, and the Company has not changed the members of the Special Committee. The Special Committee's compensation consists solely of fixed compensation irrespective of the content of its report, and that compensation does not include any part that is payable subject to the successful completion of the Transactions including the Tender Offer.

The Company instructed the Special Committee to: (a) examine and report to the board of directors on whether the board of directors should endorse the Tender Offer, and whether the board of directors should recommend that the shareholders of the Company tender shares in

the Tender Offer, and (b) consider and give its opinion to the board of directors on whether the board's decision with respect to the Transactions is disadvantageous to the minority shareholders (ordinary shareholders) of the Company (the matters described in (a) and (b) collectively, the "Referred Matters"). With respect to Referred Matter (a), the Special Committee was to consider and determine (x) the merits of the Transactions from the standpoint of whether they will contribute to the corporate value of the Company and (y) whether the transaction terms are appropriate and the procedures fair from the standpoint of promoting the interests of the ordinary shareholders of the Company (including the measures to ensure fairness taken with respect to the Transactions). When establishing the Special Committee, the Company also passed a resolution to the effect that decisions regarding the Transactions made by the board of directors of the Company, including whether to endorse the Tender Offer, will respect the content of the Special Committee's decision to the maximum possible extent, and if the Special Committee determines that the execution or the terms of the Transactions are not appropriate, the board of directors will not approve the Transactions (including not endorsing the Tender Offer), and granting the Special Committee authority to: (a) negotiate with the Tender Offeror (including indirect negotiation through the Company's officers, employees, advisors, and the like) regarding the transaction terms and other matters; (b) appoint its own financial and legal advisors (at the Company's cost) as necessary for making its report on the Referred Matters, and nominate or approve the Company's financial and legal advisors (including approval after the fact; the Special Committee may seek professional advice from the Company's advisors if it confirms that there are no problems with the independence and expertise of those advisors); (c) request the attendance of persons deemed necessary by the Special Committee at meetings of the Special Committee to explain necessary information; (d) receive the information necessary for its examination and judgment regarding the Transactions from the Company's officers and employees, including information on the content and assumptions of the business plan; and (e) other powers that the Special Committee deems necessary for its examination and judgment regarding the Transactions.

(ii) Background of Examination, Etc. by the Special Committee

The Special Committee met a total of 11 times between August 15, 2023 and November 6, 2023 (for a total of approximately 11 hours), and the Special Committee carefully reviewed and discussed the Referred Matters following reports, discussions and deliberations by email and other methods in the interim between meetings. Specifically, the Special Committee received an explanation from the Company regarding the background to the Transactions being proposed, the purpose of the Transactions, the business environment, the business plan, business challenges, and similar matters, and conducted a question and answer session, and received an explanation from the Tender Offeror regarding the background and reasons for proposing the Transactions, the purpose of the Transactions, the conditions of the Transactions, and similar matters, and conducted a question and answer session. In addition, the Special Committee has actively negotiated the terms of the Transactions, including the Tender Offer Price, with Mr. Nakamura, directly or indirectly through Houlihan Lokey, on multiple occasions. The Special Committee also received an explanation from Houlihan Lokey regarding the method and results of the valuation of the Company Shares.

(iii) Details of Decision of the Special Committee

The Special Committee carefully discussed and examined the Referred Matters, and on November 6, 2023, submitted to the board of directors of the Company its Committee Report, which represents the unanimous opinion of the Special Committee in generally the following

substance.

i. Content of the Opinion

- A. We believe that the board of directors of the Company should resolve to endorse the Tender Offer and recommend that the shareholders of the Company tender their shares in the Tender Offer.
- B. We believe that a resolution of the board of directors of the Company to endorse the Tender Offer and recommend that the shareholders of the Company tender their shares in the Tender Offer would not be disadvantageous to the minority shareholders (ordinary shareholders) of the Company. In addition, we believe that conducting the Squeeze-Out Procedures in the event that the Tender Offeror does not acquire all of the Company Shares through the Tender Offer would not be disadvantageous to the minority shareholders (ordinary shareholders) of the Company.

ii. Reasons for the Opinion

- A. Based on the following points, we believe that the Transactions will contribute to the enhancement of the Company's corporate value and that the purposes of the Transactions are justified and reasonable.
  - We recognize that the environment surrounding the Company is changing rapidly given that the pharmaceutical industry faces, in addition to the increasing pressure to lower drug prices, a slowdown in the growth of the domestic drug discovery outsourcing market against a background of rising costs caused by increased demand for highly specialized clinical trials, the declining competitiveness of the domestic pharmaceutical industry, and intensifying competition in the domestic clinical trial market, such that the Company anticipates that competition will further intensify going forward, that we are also concerned that our revenues will gradually decrease in the future as the impact of the Covid-19 pandemic runs its course and that the healthcare tech field, which the Company has positioned as its new profit center, is also the subject of intensifying competition due to the entry of not only startups but also major domestic and foreign tech companies and companies from other industries.
  - In this business environment, we recognize the urgent need for the Company to increase orders from overseas pharmaceutical companies, particularly biotech companies, expand its access to the growing Asian clinical trial market, make its Asian CRO business profitable, expand the Healthcare business, and solve the problem of retaining and securing talented personnel, which are the key to growth in both the PVC and PHVC businesses.
  - In light of the business and management environment surrounding the Company, the Group formulated a medium-term plan covering the four-year period from the fiscal year ending September 2022 to the fiscal year ending September 2025 (the "Medium-Term Plan"), and based on the basic policy of "pharmaceutical value creator to personal health value creator," the Group aims to transition toward a personal health value creator (PHVC) business model, which will "maximize the health value of each individual," with its unique pharmaceutical value creator (PVC) business model, which comprehensively supports the value chain of pharmaceutical companies, as a foundation for sustainable growth, and has been working to address issues including the following, which are described as key issues in the Medium-Term Plan: (i) promotion of the Healthcare business, (ii) enhancement of comprehensive support for disease prevention and treatment from research and development through sales, and (iii) contribution to a sustainable society. In order for the Company to flexibly respond to the changing healthcare ecosystem and achieve sustainable growth and expansion, we believe that it is essential for it to take bold measures from a medium- to long-term perspective in the core CRO business.
  - Mr. Nakamura explained that in light of the above changes in the business environment surrounding the Company, he believes that it would be difficult for the Group to achieve sustainable growth simply by developing the Company's existing businesses in the same way as before, and that it would be possible to further enhance the corporate value of the Group by delisting the Company through the Transactions and implementing measures including (i) alliances with business partners to accelerate CRO business development in



global markets including Asia and the U.S., (ii) intermittent capital investments in the CRO business (non-clinical), (iii) continuous investment in the Healthcare Revolution business, and (iv) a fundamental review of its personnel evaluation system and compensation structure.

- The Company also believes that it is necessary to establish a management structure that allows the necessary upfront investments and other fundamental measures that become necessary in the future to be made more flexibly and promptly, in light of the business environment surrounding the Company and the Company's management challenges described above, and that it is necessary to implement the measures described above.
  - The Company explained that while it anticipates a potentially negative impact on the Company's business due to the fact that the Company will no longer be able to raise equity financing from the capital markets, and will not be able to enjoy the benefits that are generally available to listed companies as a result of greater name recognition, such as the recruitment of talented human resources and the enhancement of public credibility, the disadvantages of delisting can be considered to be limited, considering the current financial situation of the Group and the recent low interest rate environment for indirect financing, the Group has little need for equity financing to raise large amounts of capital for the time being, and the Group's name recognition and credibility are largely secured through its business activities. Although there is a possibility that there will be restrictions on the management and business operations of the Group as a result of the financing procured by the Tender Offeror for the Transactions, Mr. Nakamura explained that, based on the business plan provided to Mr. Nakamura by the Company, the content will leave a sufficient margin that will not overly restrict the future business activities of the Group, and based on the advice of the Company's financial advisor, Houlihan Lokey, we expect the impact of the Transactions on the Company's investment capacity and cash flow to be limited.
  - Based on the above, the Special Committee has carefully discussed and examined the business environment surrounding the Company and the Company's management challenges, as well as the Company's understanding of the content and status of measures based on that business environment, which were explained to the Special Committee by the Company, and there is no discrepancy with the Special Committee's understanding. In addition, Mr. Nakamura's explanation regarding the significance of the Transaction is not unreasonable, and while the realization of the above measures requires upfront investments that entail risk and prompt and bold action from the perspective of enhancing medium- to long-term corporate value, delisting will make it easier to implement measures for which it would be difficult to make sufficient upfront investment in a timely manner as a listed company, and we expect that the Company will be able to implement structural reforms by making upfront investments that entail risk in order to enhance corporate value over the medium to long term, and which do not necessarily match the expectations of the stock market, which seeks short-term returns. Furthermore, the Company's understanding of the disadvantages of conducting the Transactions described above and the methods of mitigating such disadvantages are reasonable, and those disadvantages are not expected to be so great as to outweigh the advantages of the Transactions. In addition, the financing procured by the Tender Offeror in connection with the Transactions is expected to have a limited impact on the Company's investment capacity and cash flow after the Transactions.
- B. Based on the following points, we believe that the fairness and appropriateness of the terms of the Transactions are ensured.
- The average market price analysis, comparable company analysis, and DCF analysis used by Houlihan Lokey in the valuation of the Company's shares are common and reasonable methods in light of current practice, the methods used to classify business assets and non-business assets in the DCF analysis and the explanation regarding the basis for the discount rate are reasonable, and the details of the calculation are also appropriate in light of current practice. Therefore, the content of the calculations in the Share Valuation Report is reasonable.
  - The procedures for formulating the business plan of the Company that was used as the basis for the DCF analysis in the Share Valuation Report, and the content of that plan, are reasonable.
  - In light of the valuation of the Company's shares in the Share Valuation Report, the Tender

Offer Price exceeds the upper bound of the range of values calculated by average market price analysis, is greater than the median of the range of values calculated by comparable company analysis, and is slightly below, but close to, the median of the range of values calculated by DCF analysis.

- The premium represented by the Tender Offer Price is reasonable and generally greater than the average premium to the closing price on the last business day before the announcement and the simple average closing price over the preceding one-month, three-month, and six-month periods, in MBO deals involving Japanese listed companies announced after June 28, 2019, which is the date of publication of the “Guidelines on Fair M&A Practices” by the Ministry of Economy, Trade and Industry (to the closing price on the last business day before the announcement: 42.68%; to the preceding one-month period: 45.25%; to the preceding three-month period: 49.60%; to the preceding six-month period: 51.65%).
  - The Special Committee actively negotiated with Mr. Nakamura, taking into account the opinions and advice of the Company and Houlihan Lokey, and there are no other specific circumstances that would raise doubts about the fairness of the process of determining the Tender Offer Price.
  - It is reasonable to conduct the Transactions at the time proposed by the Tender Offeror, given the need for prompt and bold structural reform in light of the rapid changes in the external environment surrounding the Company and the significant decrease in the Company’s Covid-19-related business.
  - The method of acquisition used in the Transactions, namely conducting the Tender Offer as the first step and conducting a squeeze-out through the Share Consolidation as the second step, is a method commonly adopted in transactions for the purpose of delisting, as in the case of the Transactions. Although some of the shares held by Artemis and Keith Japan will not be tendered in the Tender Offer, according to Mr. Nakamura, those companies’ continued ownership of the Company Shares demonstrates Mr. Nakamura’s commitment to the Company’s management after the Transactions, and is intended to reduce the amount of outside financing required to procure the funds necessary for the Transactions. There is nothing particularly unreasonable about this explanation.
- C. Based on the following points, we believe that sufficient consideration has been given to the interests of the Company’s shareholders through fair procedures in the Transactions.
- The Company established a special committee that is appropriately constituted to protect the interests of ordinary shareholders from the perspective of having no material interest in the Tender Offeror and no material interest that differs from those of the ordinary shareholders regarding the success or failure of the Transactions, and the Special Committee can be considered to have been substantively involved in the process of negotiating the purchase price and other terms of the Transactions between the Company and the Tender Offeror, and functioned effectively.
  - With the approval of the Special Committee, the Company received legal advice from Mori Hamada & Matsumoto, a legal advisor independent of the Tender Offeror and the Company, which is not a related party of the Tender Offeror or the Company and does not have a material interest in the Transactions including the Tender Offer.
  - With the approval of the Special Committee, the Company received advice and opinions from a financial standpoint and obtained the Share Valuation Report from Houlihan Lokey, a financial advisor and third-party appraiser independent of the Tender Offeror and the Company, which is not a related party of the Tender Offeror or the Company and does not have a material interest in the Transactions including the Tender Offer.
  - With the approval of the Special Committee, the Company established a system within the Company for examination, negotiation, and decision-making regarding the Transactions, from a standpoint independent of the Tender Offeror, by an independent team comprising solely directors, officers and employees who are recognized as independent from the Tender Offeror.
  - Of the directors of the Company, representative director Mr. Nakamura did not participate in the deliberations or resolution of the board of directors of the Company with respect to

the Transactions, nor did he participate in any discussions or negotiations with the Offeror on the side of the Company, given that he is a director with a special interest due to his conflict of interest with the Company in relation to the Transactions as the sole shareholder and representative director of SORA, which holds all the shares of the Tender Offeror, and as the representative director of the Tender Offeror, and because Artemis and Keith Japan, which are the asset management companies of Mr. Nakamura and his relatives within the first degree of kinship, will continue to hold shares of the Company after the Transactions. Ms. Oishi did not participate in the deliberations or resolution of the board of directors of the Company with respect to the Transactions, nor did she participate in any discussions or negotiations with the Offeror on the side of the Company, based on the possibility that she has a special interest in the Transactions, given that she is Mr. Nakamura's spouse and will continue to manage the Company with Mr. Nakamura after the Transactions.

- The Tender Offeror plans to set a tender offer period of 37 business days, where the statutory minimum tender offer period is 20 business days, and by setting a relatively long tender offer period, the Tender Offeror aims to secure an appropriate opportunity for the shareholders of the Company to make a decision as to whether to tender their shares in the Tender Offer, and to secure an opportunity for any party other than the Tender Offeror to make a competing offer to purchase the shares of the Company, the Tender Offeror has not entered into any agreement with the Company that limits the Company's contact with Competing Bidders, including any agreement containing a transaction protection clause that forbids the Company from contacting Competing Bidders and, thus, a so-called passive market check has been conducted. The Company did not conduct an active market check to determine whether there were any potential purchasers in the market. However, although Mr. Nakamura is not the controlling shareholder of the Company, Mr. Nakamura and his specially related parties hold 49% of the Company Shares, and according to Mr. Nakamura, these shareholders have no intention to sell their holdings of the Company Shares to any third party, except for their intention to sell part of their holdings in the Tender Offer; therefore, a market check would have limited function as a measure to ensure fairness in the Transactions. Given that other substantial measures to ensure fairness have been taken in this matter, and sufficient consideration has been given to the interests of the Company's shareholders through fair procedures, the fact that no active market check was conducted for the Transactions does not undermine the fairness of the procedures in the Tender Offer.
- Mr. Nakamura's explanation that he does not plan to set a majority-of-the-minority condition in the Tender Offer because (a) a majority-of-the-minority condition would make the successful completion of the Tender Offer uncertain and may not contribute to the interests of minority shareholders who wish to tender their shares in the Tender Offer, (b) the Tender Offeror and the Company have taken sufficient measures to ensure fairness including the establishment of a special committee, and sufficient consideration has been given to the interests of the Company's minority shareholders, and (c) a passive market check has been conducted as described above, is not unreasonable, given that the Tender Offer Price is of an appropriate level and that substantial measures to ensure fairness have been taken in the Transactions and that sufficient consideration has been given to the interests of the Company's shareholders through fair procedures, the fairness of the Transaction is not negated even if a majority-of-the-minority condition is not set.
- In order to ensure that ordinary shareholders have an opportunity to make an appropriate decision with respect to the Tender Offer based on sufficient information, substantial information disclosures are planned by means of press releases and the position statement concerning the Transactions.
- In the Transactions, the Squeeze-Out Procedures are to be conducted shortly after the completion of the Tender Offer, and the amount of money to be delivered to shareholders through those procedures is to be calculated so as to be equal to the product of the Tender Offer Price multiplied by the number of the Company Shares held by each shareholder. The legality of the Squeeze-Out Procedures has been ensured, taking into consideration the fact that the Squeeze-Out Procedures will be conducted in compliance with the Companies Act and other applicable laws and ordinances, and that the Squeeze-Out Procedures will be expressly announced in the press release and other disclosures, so that no issues of coercion will exist with respect to the Transactions.

- D. We believe that the Transactions will contribute to the enhancement of the corporate value of the Company and the purposes of the Transactions are justified and reasonable as described in A. above, that the fairness and appropriateness of the Tender Offer Price and other terms of the Transactions are ensured as described in B. above, and that the Transactions are conducted through appropriate procedures from the standpoint of promoting the interests of the ordinary shareholders as described in C. above, and as such, we believe that the decision of the Company's board of directors to endorse the Tender Offer and recommend that the shareholders of the Company tender their shares in the Tender Offer is appropriate.

(d) Establishment by the Company of an Independent Examination System

As described in "(c) Process of and Reasons for the Company's Decision to Endorse the Tender Offer" in "(2) Grounds and Reasons for the Opinion" above, in order to address the issues of structural conflict of interest and information asymmetry in the Transactions, eliminate arbitrariness in the decision-making process of the Company's board of directors, and ensure the fairness, transparency, and objectivity of the Transactions, the Company established a system to examine, negotiate, and make decisions regarding the Transactions from a standpoint independent of the Tender Offeror and from the perspective of enhancing the corporate value of the Company and securing the interests of the Company's ordinary shareholders. Specifically, the Company decided that no person who participates in or assists the Tender Offeror in its deliberation, negotiation, and decision-making regarding the Transactions should be part of the independent team, and the board of directors of the Company adopted a resolution (written resolution) on August 7, 2023 to establish an independent team comprising one director of the Company and nine officers and employees of the Company, from the perspective of ensuring that the independent team comprises only officers and employees who are recognized as independent from the Tender Offeror, and has maintained this policy up to the present day.

In addition, the business plan presented to the Tender Offeror and the business plan used by Houlihan Lokey as the basis for the valuation of the Company's shares were prepared under the leadership of the independent team, with support from Houlihan Lokey as necessary, and Special Committee confirmed that the content, material assumptions, and preparation process of the final business plan were reasonable, and approved that plan.

The system established within the Company to examine the Transactions, including such measures, is based on the advice of Mori Hamada & Matsumoto, and the Special Committee has confirmed that there are not problems from the standpoint of independence and fairness.

(e) Approval of All Disinterested Directors of the Company and Opinion of Auditors of the Company That They Have No Objections

The Company carefully deliberated the terms of the Transactions, including the Tender Offer, taking into account the Share Valuation Report obtained from Houlihan Lokey and the legal advice obtained from Mori Hamada & Matsumoto, while respecting the content of the Committee Report to the maximum possible extent.

As a result, the board of directors of the Company determined that the Transactions would contribute to enhancing the corporate value of the Group by enabling the establishment of a management structure that allows the necessary upfront investments and other fundamental measures that become necessary in the future to be made more flexibly and promptly, and that the Tender Offer provides a reasonable opportunity to sell the Company Shares, and resolved at the board of directors meeting held on November 7, 2023, with the unanimous agreement of all directors of the Company that participated in the deliberations and resolution (eight directors excluding Mr. Nakamura and Ms. Oishi), to endorse the Tender Offer and recommend that the shareholders of the Company tender their shares in the Tender Offer. All four corporate auditors of the Company (Mr. Takanori Tobe, Mr. Kei Hata, Mr. Hidetoshi Watanabe, and Ms. Eiko Hakoda) attended that board of directors meeting, and each expressed the opinion that they had no objection to that resolution.

Of the directors of the Company, representative director Mr. Nakamura did not participate in the deliberations or resolution of the board of directors of the Company with respect to the Transactions, including the board of directors meeting described above, nor did he participate in any discussions or negotiations with the Offeror on the side of the Company, given that he is a director with a special interest due to his conflict of interest with the Company in relation to the Transactions as the sole

shareholder and representative director of SORA, which holds all the shares of the Tender Offeror, and as the representative director of the Tender Offeror, and because Artemis and Keith Japan, which are the asset management companies of Mr. Nakamura and his relatives within the first degree of kinship, will continue to hold the Non-Tendered Shares after the completion of the Tender Offer. Ms. Oishi did not participate in the deliberations or resolution of the board of directors of the Company with respect to the Transactions, including the board of directors meeting described above, nor did she participate in any discussions or negotiations with the Offeror on the side of the Company, based on the possibility that she has a special interest in the Transactions, given that she is Mr. Nakamura's spouse and intends to continue to manage the Company with Mr. Nakamura after successful completion of the Tender Offer.

(f) Securing Objective Circumstances to Ensure the Fairness of the Tender Offer

The Tender Offeror has set a tender offer period of 37 business days, where the statutory minimum tender offer period is 20 business days. By setting a tender offer period that is longer than the statutory minimum, the Tender Offeror aims to secure an appropriate opportunity for the shareholders of the Company to make a decision as to whether to tender their shares in the Tender Offer, and to secure an opportunity for any person other than the Tender Offeror (a "Competing Bidder") to make a competing offer to purchase the shares of the Company, and thereby to ensure the appropriateness of the Tender Offer Price. In addition, the Tender Offeror has not entered into any agreement with the Company that limits the Company's contact with Competing Bidders, including any agreement containing a transaction protection clause that forbids the Company from contacting the a Competing Bidder. Thus, consideration has been given to ensuring the fairness of the Tender Offer by ensuring opportunities for competing bids, combined with the establishment of the tender offer period described above.

4. Future outlook

With the implementation of this stock consolidation, as stated in "(i) Delisting" in "(2) Expected to be delisted" in "3. Basis, etc. of the amount of money expected to be delivered to shareholders as a result of the fractional shares due to the consolidation of shares" mentioned above, our company's stock is expected to be delisted.

5. Matters concerning transactions with controlling shareholders, etc.

As of today, the Tender Offeror is the parent company of the Company, and the transaction relating to the Share Consolidation constitutes a transaction with the controlling shareholder.

(1) Applicability of Transactions with Controlling Shareholders and Compliance with Guidelines Concerning Minority Shareholder Protection Policies

In the report on corporate governance disclosed on December 19, 2023, the Company has not established "Guidelines Concerning Minority Shareholders Protection Policy in Transactions with Controlling Shareholders, etc." However, when conducting transactions with controlling shareholders, etc., the Company shall take measures to ensure the fairness of the content and terms of such transactions, including obtaining advice from lawyers and independent third parties as necessary, and shall make decisions after careful deliberation by the Board of Directors of the Company. However, when conducting a transaction with a controlling shareholder, the Company takes measures to ensure the fairness of the content and terms of the transaction, including obtaining advice from lawyers and independent third-party institutions as necessary, and the Board of Directors makes a decision after careful deliberation, and it is the Company's policy to take appropriate measures so as not to harm the interests of minority shareholders. In order to ensure the fairness of the Transaction including the Tender Offer, the Company has taken the measures described in "(3) Measures to Ensure the Fairness of the Transaction and to Avoid Conflicts of Interest" in "3. Basis, etc. of the amount of money expected to be delivered to shareholders as a result of the fractional shares due to the consolidation of shares".

(2) Matters concerning measures to ensure fairness and to avoid conflicts of interest

Please refer to "(3) Measures to Ensure the Fairness of the Transaction and to Avoid Conflicts of Interest" in "3. Basis of the Amount of Cash Expected to be Delivered to Shareholders as a Result of the Fractional Share Consolidation" above.

(3) Summary of opinions obtained from persons who have no vested interest in the controlling shareholder regarding the matter not being disadvantageous to minority shareholders

On November 6, 2023, the Company received a report from the Special Committee to the effect that the decision to implement the Transaction (including the Board of Directors expressing its approval of the Tender Offer and recommending that the Company's shareholders tender their shares in the Tender Offer) will not be detrimental to the Company's minority shareholders. For details, please refer to "(iii) Establishment of an Independent Special Committee and Acquisition of the Written Report by the Company" in "(3) Measures to Ensure the Fairness of the Transaction and to Avoid Conflicts of Interest" under "3. Basis, etc. of the amount of money expected to be delivered to shareholders as a result of the fractional shares due to the consolidation of shares" above. Since the Written Report relates to the Transaction including the Share Consolidation, the Company has not obtained another opinion from a person who does not have an interest in the Controlling Shareholder when conducting the Share Consolidation.

## **II. Abolition of the number of shares constituting one unit of stock**

(1) Reason of Abolition

This is due to the fact that when this Share Consolidation takes effect, the total number of shares issued by the Company will be eight (8) shares and the number of shares constituting one unit of shares will no longer need to be determined.

(2) Scheduled date of abolition

March 30, 2024

(3) Condition of Abolition

The share consolidation will become effective upon approval of the proposal for the share consolidation and the proposal described in "III. Partial Amendments to the Articles of Incorporation" below as originally proposed at the Extraordinary General Meeting of Shareholders.

## **III. Partial Amendments to the Articles of Incorporation**

1. Aim of the Amendments to the Articles of Incorporation

(1) If the proposal for the Share Consolidation is approved at this Extraordinary General Meeting of Shareholders as originally proposed and the Share Consolidation takes effect, the total number of authorized shares of the Company's stock will be reduced to 32 shares in accordance with the provisions of Article 182, Paragraph 2 of the Companies Act. In order to clarify this point, Article 6 (Total Number of Authorized Shares) of the Articles of Incorporation is to be amended on the condition that the Share Consolidation takes effect.

(2) When the Share Consolidation takes effect, the total number of Company Shares will be 8 shares, and there will be no need to determine the number of shares per unit. Therefore, in order to abolish the provisions regarding the number of shares per unit of our shares, which is currently 1 unit of 100 shares, under the condition that the effect of this stock consolidation occurs, the Company proposes to delete the entire text of Article 7 (Number of Shares Constituting One Unit of Shares) and Article 8 (Additional Purchase of Shares Less Than One Unit) of the Articles of Incorporation, and carry forward the numbering of the articles in connection with such change.

(3) When the Share Consolidation takes effect, the only shareholders of the Company will be the Tender Offer Related Parties, and since the Company's shares will be delisted, the provisions relating to the electronic provision system for the materials of the General Meeting of Shareholders will lose their necessity. Therefore,

subject to the Share Consolidation taking effect, the Company proposes to delete the entire text of Article 14 (Measures for Electronic Provision, etc.) of the Articles of Incorporation and to carry forward the number of articles in connection with such change.

2. Amendments to be applied to the Articles of Incorporation

The details of the amendment are as follows. The amendments to the Articles of Incorporation pertaining to this proposal will become effective on March 30, 2024, on the condition that the proposal for the Share Consolidation is approved and passed as originally proposed at the Extraordinary General Meeting of Shareholders and the Share Consolidation takes effect.

(The sections underlined are the points of change)

Description in the current Articles of Incorporation	Proposed Changes
<p>Article 6 (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>46,000,000</u>.</p>	<p>Article 6 (Total Number of Authorized Shares) The total number of authorized shares of the Company shall be <u>32</u>.</p>
<p><u>Article 7 (Number of Shares Constituting One Unit of Shares)</u> <u>The number of shares constituting one unit of shares of the Company shall be 100 shares.</u></p>	<p>(to be deleted)</p>
<p><u>Article 8 (Additional Purchase of Shares Less Than One Unit)</u> <u>Any shareholder of the Company may, in accordance with the Share Handling Regulations, request the Company to sell to him the number of shares that, together with the number of shares less than one unit held by such shareholder, will constitute one unit of shares.</u></p>	<p>(to be deleted)</p>
<p>Articles <u>9-13</u> (Omitted)</p>	<p>Articles <u>7-11</u> (no change)</p>
<p><u>Article 14 (Electronic Provision of Information, etc.)</u> <u>(1) When convening a general meeting of shareholders, the Company shall take measures to provide electronically the information contained in the Reference Documents for the General Meeting of Shareholders, etc.</u> <u>(2)The Company shall not be required to include all or part of the matters for which it takes electronic provision of information as provided for in the applicable Ordinance of the Ministry of Justice in the document to be delivered to shareholders who have made a written request by the Record Date for Voting Rights.</u></p>	<p>(to be deleted)</p>
<p>Articles <u>15-39</u> (Omitted)</p>	<p>Articles <u>12-36</u> (no change)</p>