

Notice of Convocation of the Extraordinary Shareholders Meeting

Date and Time:

10 a.m., Thursday, October 22, 2020

Venue:

Conference room of the Company on the 9th floor,
msb Tamachi-Tamachi Station Tower S,
1-21, Shibaura 3-chome, Minato-ku, Tokyo

* Please note that we do not prepare souvenirs for attending shareholders. We appreciate your understanding.

* In order to prevent the spread of the novel coronavirus disease (COVID-19), we may ask you to wear a face mask in the conference room. Please note that we will let you know on the following website if we change the method of operation of the extraordinary shareholders meeting due to the situation going forward.

<https://www.family.co.jp/english>

Resolution Items:

No. 1: Share Consolidation

No. 2: Partial Amendment to the Articles of Incorporation

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Reference Document for the General Meeting of Shareholders

FamilyMart Co., Ltd.
Securities Code: 8028

To All Shareholders

Takashi Sawada
Representative Director and President
FamilyMart Co., Ltd.
1-21, Shibaura 3-chome,
Minato-ku, Tokyo, Japan

Notice of Convocation of the Extraordinary Shareholders Meeting

Dear Shareholder:

This is to inform you that the Extraordinary Shareholders Meeting (the “Meeting”) of FamilyMart Co., Ltd. (the “Company”) will be held as described below and to request your attendance at the Meeting.

The Meeting will be held in response to a request from a shareholder of the Company, and all of the proposals on the agenda are based on proposals made by that shareholder.

In the event that you are unable to attend the Meeting, you may exercise your voting rights by either method stated below. Please see the “Reference Document for the General Meeting of Shareholders” provided below, and exercise your voting rights so that it arrives no later than 6 p.m. on Wednesday, October 21, 2020.

[Exercise of voting rights in writing]

Please indicate your vote for or against each of the proposals on the enclosed Voting Rights Exercise Form, and return it so that it arrives by 6 p.m., Wednesday, October 21, 2020.

[Exercise of voting rights electronically (via the Internet, etc.)]

Please register your vote for or against each of the proposals by 6:00 p.m., Wednesday, October 21, 2020.

Institutional investors may use the electronic voting platform operated by ICJ, Inc.

1. Date and Time: 10 a.m., Thursday, October 22, 2020
2. Venue: Conference room of the Company on the 9th floor, msb Tamachi-Tamachi Station Tower S,
1-21, Shibaura 3-chome, Minato-ku, Tokyo

3. Agenda:

Resolution Items:

No. 1: Share Consolidation

No. 2: Partial Amendment to the Articles of Incorporation

Notes:

1. When you attend the Meeting, please present the enclosed Voting Rights Exercise Form at the reception desk. For exercise of voting rights by proxy, you may delegate one shareholder who has voting rights as your proxy. In such cases, the proxy is required to present a letter of

- proxy.
2. Should any revisions be made to the Reference Document for the General Meeting of Shareholders, such changes will be posted on the Company's website.

Company's website
<https://www.family.co.jp/english>

Notice of Preventive Measures Against COVID-19

- As the Meeting will be held with wider intervals between seats and a reduced number of seats in order to continue to prevent the spread of COVID-19, there is a likelihood that even if you come to the venue of the Meeting, you may not be able to enter the venue. On the date of the Meeting, please refrain from coming to the venue of the Meeting, and instead exercise your voting rights in writing or via the Internet.
- Shareholders considering coming to the venue of the Meeting, please check your health condition leading up to the day of the Meeting and take precautions to prevent infection, such as wearing a face mask and using alcohol disinfectant.
- The Company plans to have a body temperature check nearby the entrance of the venue of the Meeting. Those with a fever or those who appear to be in ill health may be not allowed to enter the venue of the Meeting and may be asked to leave.
- The staff in charge of running the Meeting will take measures such as wearing a face mask and checking their health condition.

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Reference Document for the Extraordinary Shareholders Meeting

Each proposal is based on the request from one shareholder.

Each proposal (excluding the [Opinion of the Board of Directors of the Company on the Proposals]), except for the deletion of "(planned)" on the effective date of the share consolidation, is as set out in the original of the document regarding the request to convene an extraordinary shareholders meeting (including amendments by the shareholder) submitted by the shareholder.

Further, as for the opinion of the Board of Directors of the Company on each proposal, as stated in [Opinion of the Board of Directors of the Company on the Proposals] (on page 19-35), the Board of Directors declares that it takes a neutral position regarding whether to approve the Proposals and leaves that to the discretion of the shareholders.

No. 1: Share Consolidation

1. Grounds for the Proposal

(1) Overview and Results of the Tender Offer

As announced in the “Announcement in Relation to Results of Tender Offer for Shares in FamilyMart Co., Ltd. (Securities Code: 8028)” announced by ITOCHU Corporation (“**ITOCHU**”) and Retail Investment Company, LLC (the “**Tender Offeror**”) on August 25, 2020 (including matters that have been revised by the Announcement of Revisions to the “(Amendments) Announcement in Relation to Results of Tender Offer for Shares in FamilyMart Co., Ltd. (Securities Code 8028)” announced by ITOCHU and the Tender Offeror on August 27, 2020, the “**Tender Offer Results Press Release**”), the Tender Offeror conducted a tender offer under the Financial Instruments and Exchange Act (Act No. 25 of 1948, as revised) for the common shares of FamilyMart Co., Ltd. (the First Section of the Tokyo Stock Exchange (the “TSE First Section”), Securities Code 8028, and those common shares, the “**Company Shares**”) where the tender offer period was from July 9, 2020 to August 24, 2020, the tender offer price per share (the “**Tender Offer Price**”) was 2,300 yen, and the minimum number of shares to be purchased was 50,114,060 shares (Ownership ratio (note): 9.90%) for the purpose of taking the Company private (the “**Tender Offer**”), and the Tender Offer was successfully completed on August 24, 2020. As a result of the Tender Offer, ITOCHU and the Tender Offeror came to own a total of 332,568,668 shares of the Company Shares (Ownership ratio (note): 65.71%) as of August 28, 2020.

(Note) “Ownership ratio” means the ratio (rounded to two decimal places) relative to the number of shares (506,108,072 shares) obtained by deducting the number of treasury shares held by the Company as of February 29, 2020 (741,180 shares) from the total number of issued shares of the Company as of February 29, 2020 set out in the 39th Annual Securities Report filed by the Company on May 29, 2020 (506,849,252 shares).

(2) Circumstances Leading to the Proposals Related to Taking the Company Private

The Tender Offeror is a Godo Kaisha (limited liability company) established on March 18, 2020 primarily for the purpose of acquiring and holding the share certificates, etc. of the Company through the Tender Offer and, ITOCHU and Tokyo Century respectively hold a 99% stake and 1% stake in the Tender Offeror

As stated in the “Announcement in Relation to Commencement of Tender Offer for Shares in FamilyMart Co., Ltd. (Securities Code 8028)” announced by ITOCHU and the Tender Offeror on July 8, 2020 (including amendments in the “(Amendments) Announcement Relating to Amendments to “Announcement in Relation to Commencement of Tender Offer for Shares in FamilyMart Co., Ltd. (Securities Code 8028)” (the “Announcement in Relation to Commencement of Tender Offer”), ITOCHU made the Company its consolidated subsidiary by the tender offer for the Company Shares which ITOCHU Retail Investment, LLC, which is a wholly-owned

subsidiary of ITOCHU, (“IRI,”) conducted in August 2018. After making the Company its consolidated subsidiary, ITOCHU continued to maintain the listing of the Company Shares, thereby enabling it to continue enjoying the advantages of a listed company, such as maintaining the status of the Company in the industry and its commercial rights as a neutral party, as well as securing efficient personnel. In the meantime, ITOCHU has been making efforts toward actualizing the business synergy of the ITOCHU Group and the Company by actively providing human resources support from ITOCHU and the supply chain function held by the ITOCHU Group, so that the Company is able to respond to diversified consumer needs, survive in the fiercely competitive retail industry, and achieve sustainable growth.

On the other hand, given the circumstances in which ITOCHU and the Company operate businesses independently as listed companies, even though the Company and the other ITOCHU Group companies (excluding the Company) expect to mutually complement one another’s management resources and know-how more closely and to make the best use of them, careful consideration regarding the effectiveness and objective fairness of the transaction is required, taking into account the protection of minority shareholders of the Company. Due to this reason, certain limitations exist, such as the inadequate sharing of information such as cost structures or the lack of reallocation of personnel and physical resources between the two parties. Therefore, we are aware that under the current circumstances, the ITOCHU Group is not able to fully engage in prompt decision-making as one whole group.

For example, ITOCHU realizes that while the percentage of the supply chain that includes the logistics and manufacturing sectors makes up a significantly large portion of the cost structure of the Company’s business, the logistics costs are increasing, and remaining high, due to upward pressures, such as an increase in labor costs resulting from the recent lack of drivers and the expansion of e-commerce demand and ITOCHU has made progress in a joint effort, together with NIPPON ACCESS, INC. (“**NIPPON ACCESS**”), which is a wholly-owned subsidiary of ITOCHU, to reduce logistics costs by improving logistics efficiency. Through that process, ITOCHU has come to understand that to essentially reduce the Company’s logistics costs, it is necessary to realize the removal of unnecessary factors and the optimization of the supply chain as a whole at each logistical stage, from procurement of materials, manufacturing, and inventory, to delivery to stores, and that in order to do so, it is essential to acquire a shift schedule for the staff and delivery vehicles for each logistics and manufacturing company, as well as inventory information. However, in the current situation where the Company is a listed company, there is tension between “partial optimization” as a listed company and “overall optimization” of the ITOCHU Group which includes the Company; ITOCHU and NIPPON ACCESS are restricted in their ability to acquire sufficient information regarding the logistics costs, etc., from the Company. Simultaneously, from the point of view of achieving overall optimization of the ITOCHU Group based on the ITOCHU Group’s capital costs, it may be pointed out that measures such as the execution of business portfolio strategies as the ITOCHU Group or reallocation of management resources may cause some of the profits obtained through such measures to flow outside the ITOCHU Group, and it is difficult to maximize the corporate value of the ITOCHU Group by realizing prompt and efficient group management. As a result, ITOCHU believes that an effort to streamline the Company’s logistics and thereby reduce logistics costs has not yet reached the stage where it is possible to provide adequate results.

From the time ITOCHU made the Company a consolidated subsidiary until today, the environment surrounding the domestic convenience store industry has been changing, as stated in I and II below. Also, according to the Japan Franchise Association, the number of convenience stores in Japan decreased by 123 as of the end of December 2019, compared with the number at the end of the previous year. The number of stores decreased as of the end of the year for the first time, since 2005, when the data became comparable. According to store sales for the companies ranked first to third for sales in the convenience store industry, the average daily turnover (for one store, sales per day) for all stores in the fiscal year ended 2012 was 669,000 yen for Seven-Eleven, 531,000 yen for FamilyMart, and 547,000 yen for Lawson; however, in the fiscal year ended 2019, it decreased to 656,000 yen, 530,000 yen, and 531,000 yen, respectively. In addition, the total net increase in number of stores for the companies ranked first to third for sales in the convenience store industry in the term ended in February 2020 was 45 stores, compared with the previous term, which was the worst since recording began in February 1980. The industry is facing a harsh situation. Although an increase in the total number of stores and an increase in the daily turnover (for one convenience store, sales per day) of converted stores of the Company converting were achieved to a certain extent, which was expected as an effect of the brand integration with Circle K Sunkus, it has been determined that in order to survive in the retail industry, which is becoming harsher, it is necessary to slim down the organization and improve operational effectiveness in

advance, and to increase the competitiveness of the whole supply chain, and in November 2019 it was decided that the Company would solicit early voluntary retirement to the extent that it would not interrupt the organization's management. At the end of the term ended in February 2020, 1,025 employees of the Company, approximately 7% of all employees, decided to retire early.

I. Business models for convenience store business must be reconsidered

Until now, the convenience store industry, including the Company, has continued to grow by opening new stores and expanding services, and has been praised as a winner in the domestic retail industry. However, in recent years, the types of contracts with member stores have diversified in order to maintain the number of stores, and the expanded services have resulted in more complex store operations. While this made convenience stores more convenient, making them an indispensable part of the infrastructure of daily life, it created more fierce competition across the chain and a relatively higher burden on member stores. This situation, combined with prolonged deflation and serious labor shortages caused today's various management issues in convenience stores, such as 24-hour operation issues, food loss and waste issues, and the lack of enrollment in social insurance of employees working at the member stores, which are social issues that are attracting attention even beyond this industry. Accordingly, the convenience store business is in a situation where the business model itself must be reconsidered

Furthermore, due to the COVID-19 outbreak, which broke out in Wuhan, Hubei Province in China in January 2020, and then spread all over the world including Japan, the end of which still seems to be nowhere in sight in ITOCHU's view, changes have occurred in consumer behavior with respect to their lifestyle and purchases, and those changes are not expected to completely return to their original patterns of behavior, even after the effect of the spread of the COVID-19 outbreak has ended, and this new behavior is expected to become normal to a certain extent. Specifically, this includes such things as the establishment of telework, customer service in a non-contact manner, and distinguishing the usage of purchase channels by purposes. These changes in actions will also require a significant change in the premises of the convenience store business, such as store locations, payment methods, and product range

II. Rapid expansion of the e-commerce market is eating into the business territory

In the meantime, the e-commerce market is steadily expanding, and becoming more convenient by continually providing new services. In 2019, with the government's recommendation to introduce cashless payments timed to coincide with the increase in consumption tax, various business entities started mobile payment services, and PayPay and LINE Pay, which are mobile payment services, have run campaigns, spending promotional costs ranging from 10 to 30 billion yen, as announced on the websites of Yahoo Japan Corporation and LINE Corporation, respectively, to lock users into their ecosystems. ITOCHU acknowledges that as indicated by the example of PayPay and LINE Pay, the competition in the retail industry, including the convenience store industry, now extends beyond the boundaries of physical and digital spaces, and has become such a cutthroat fight in which survival will be difficult unless an investment equivalent to net income attributable to owners of the Company's parent ("Consolidated Net Income") (for the term ended in February 2020, 43.5 billion yen) is made. In addition, overseas digital platforms, a representative example being Amazon.com, Inc., are forming capital and business alliance with physical stores such as supermarkets on a continual basis, generously injecting management resources into marketing strategies formulated based on a wide variety of partners and customer data acquired by e-commerce (for example, according to the material disclosed by Amazon, for the number of customers, there are over 100 million Amazon Prime members worldwide as of April 2018, and according to research by Consumer Intelligence Research Partners, LLC, it is estimated that the number of Amazon Prime members in the U.S. is approximately 112 million, as of the end of December 2019), and eating into the business territory of the Company. Furthermore, these network influences, called platformers, are persuading consumers who visit the company's platform to do so-called "shopping on the sidelines" by giving a pinpoint purchasing recommendation to those consumers, which is conducting "targeted advertising" based on the consumer's past viewing history or purchase history. By utilizing the platforms of network influences, consumers are able to compare the prices of favored products on the Internet, or purchase products that could be bought only in distant places, without visiting physical stores. ITOCHU recognizes that the efforts of these network influences, called platformers, are leading to a rapid expansion of e-commerce, together with the

diversification of consumer preferences, as a result of factors such as the fact that first digital generation, known as the “millennials,” who were born between 1980 to 2000, have become the main consumers.

As stated above, in a business environment with diversified consumer preferences and purchase channels and changes in the face-to-face sales industry taking place at an unprecedented speed, ITOCHU believed that conventional “product-oriented” businesses that products are planned, developed, and provided on a company-led basis, and developing products utilizing the company’s strength and technology, based on the idea that “good products should sell” and vertically-segmented organizations are not sufficient to address the situation appropriately. Based on this view, ITOCHU newly established “The 8th Company” in July 2019, and has been transforming its business into a new business from a market-oriented perspective to meet market and consumer needs, fully leveraging various business platforms of ITOCHU, which has strengths in the consumer sector. To be specific, ITOCHU formed a business alliance related to the inbound tourism business targeting affluent Chinese visitors to Japan, and invested in “Couger Inc.,” which engages in human-like AI agents mobilizing the world’s premier technology related to game AI (containing members who were involved in the development of top games such as Final Fantasy and Magimon), blockchain (chosen among the world’s top 10 in the “Ethereum” world competition, for the first time as a Japanese team), and image recognizing AI (ranked third in the world at an image-recognition competition organized by Facebook). However, ITOCHU believes this is not speedy enough to drastically transform the conventional “product oriented” trading company business.

On the other hand, according to the Company, while the business model of the retail industry to which the Company belongs has been changing to one that tries to enhance the quality of the business in a limited market, and companies are required to adapt to changes in drastic and speedy ways, the Company has believed that with respect to the area of management division, the digital area, and overseas expansion, in addition to the existing business areas of the Company, the use of diversified management resources including cooperation with third party companies other than the Company Group including the ITOCHU Group is the source of growth for the Company. However, under the current circumstances in which ITOCHU and the Company operate businesses independently as listed companies, the Company has recognized that it is difficult for a prompt decision making. Further, there is also a recognition that there is a possibility that optimization by redistribution of human and physical management resources will not be achieved, as the decisions will be made with certain restrictions on sharing information, such as the cost structure of the parties.

In addition, in light of the “Practical Guidelines for Group Governance Systems” released by the Ministry of Economy, Trade and Industry on June 28, 2019, ITOCHU is deliberating, at an important company-wide conference with its directors participating, whether it is optimal to keep each listed subsidiary as a listed subsidiary, and is committed to securing sound and fair corporate governance for the entire group. In light of the aforementioned business environment surrounding the Company, while making the efforts stated above, ITOCHU came to realize that in order for the Company to remain a winner in this fierce competition and to achieve sustainable growth, it is indispensable to not keep the Company as a listed subsidiary, but that the management resources of the ITOCHU Group be redistributed to the Company now, and that ITOCHU and the Company should work together to challenge themselves aggressively to make a transformation to a new business model, in addition to continuing the conventional business model, so as to flexibly and promptly address the rapid change in the market environment. At the same time, ITOCHU believes that by (a) creating a digital platform based on the store network of approximately 16,500 stores in Japan and approximately 15 million customers visiting stores per day of the Company, which is the largest consumer contact point platform of the ITOCHU Group in the consumer sector, and providing new services and establishing a business model, and also making the digital platform the place to introduce and practice the next generation, new technology of the ITOCHU Group to further utilize that strength, which is the consumer contact point, and (b) making an effort to optimize the supply chain of the Company and make it more efficient, as well as bring it to the next generation by making the best use of IT, represented by electronic settlement, through the utilization of various business foundations of ITOCHU to the maximum extent through “The 8th Company” created in July 2019, and thus achieving a so-called digital transformation of the consumer sector business of the ITOCHU Group centered on the Company would thereby further stabilize the consumer sector, which is an area of ITOCHU’s strengths. In addition, ITOCHU has come to believe that it would be the most optimal choice to enhance the corporate value of the entire ITOCHU Group over the medium and long term. From the perspective of medium and long term growth, ITOCHU believes that redistributing the management resources of the ITOCHU Group to the Company and striving to aggressively transform the business

model of the Company would contribute to enhancing the corporate value of the entire ITOCHU Group, including the Company, over the medium and long term. However ITOCHU believes that in the short term, the burden on the Company that accompanies transformation of the Company's business model runs the risk of largely impacting the revenue from the existing business of the Company, and is likely to be at odds with interests of the general shareholders of the Company.

Accordingly, ITOCHU came to believe that the following would be necessary in order to enhance the corporate value of the entire ITOCHU Group, including the Company, and began initial deliberations in early September 2019 to take the Company private: (i) first, it would be necessary to ensure that the interests of the general shareholders of the Company would not be undermined, by taking drastic measures, specifically by taking the Company private, and by offering the general shareholders of the Company an appropriate and reasonable opportunity to sell the Company Shares; (ii) meanwhile, ITOCHU should organize a structure in which ITOCHU and the Company extend beyond their current mutually independent management structures as a parent company and a listed subsidiary, integrate in name and reality, and by promoting mutual use of the management resources and know-how and proceeding with prompt decision-making as the ITOCHU Group take drastic measures that could lead to medium and long term growth of the entire ITOCHU Group, including the Company, even if this does not directly result in short term profits for the Company, and build a stronger alliance, such as by having the Company and the other ITOCHU Group companies mutually complement one another's management resources and know-how seamlessly, and make best use of them. In early January 2020, ITOCHU retained Nomura Securities, a financial advisor of ITOCHU, as a third-party evaluation firm independent from the Company, and Nishimura & Asahi as a legal advisor independent from the Company, and built a structure for discussing and negotiating to take the Company private. In early February 2020, ITOCHU made an initial overture to the Company to the effect that it would like to commence deliberations toward taking the Company private. On February 17, 2020, ITOCHU submitted to the Company an initial proposal letter concerning a series of transactions resulting in the Company's shareholders comprising of only all or part of ITOCHU and the Tender Offeror (the "Transactions").

(3) System for Deliberation at the Company

As stated in the Company's press release on July 8, 2020, titled "Announcement of Opinion Pertaining to the Tender Offer of the Company's Shares by Retail Investment Company, LLC, a Subsidiary of ITOCHU Corporation, the Parent Company" (including amendments in the Company's press release on July 10, 2020, titled "(Amendments) Announcement of Opinion Pertaining to the Tender Offer of the Company's Shares by Retail Investment Company, LLC, a Subsidiary of ITOCHU Corporation, the Parent Company"), in response to the abovementioned initial proposal from ITOCHU, based on the advice of Mori Hamada & Matsumoto as the Company's legal advisor, the Company immediately began to establish a system to discuss and negotiate the Transactions from the perspective of improving the Company's corporate value and ensuring the interests of the Company's general shareholders from a position independent of the Tender Offeror. The reason for that is that the Company is a consolidated subsidiary of ITOCHU and the Transactions constitute transactions that are typified by issues such as the existence of structural conflicts of interest and information asymmetry, and therefore the Company had to address those issues to ensure the fairness of the Transactions.

Specifically, the Company established a special committee consisting of three outside directors of the Company (Mr. Tadashi Isawa, Ms. Mika Takaoka, and Ms. Chikako Sekine) based on a written resolution of the meeting of the board of directors of the Company held on February 19, 2020 right after the Company received an initial written proposal from ITOCHU on February 17, 2020. The Company then requested the special committee to (i) deliberate on and determine (a) the propriety of the Transactions from the perspective of whether they will contribute to the improvement of the Company's corporate value and (b) the appropriateness of the transaction terms and the fairness of procedures from the perspective of ensuring the interests of the Company's general shareholders, and then deliberate on and provide the Company's board of directors with advice regarding whether the Company's board of directors should endorse the Tender Offer and whether it should recommend that the Company's shareholders tender their shares in the Tender Offer and (ii) deliberate on and provide the Company's board of directors with an opinion regarding whether the decision of the Company's board of directors on the Transactions will be disadvantageous to the Company's minority shareholders, and the Company commissioned the special committee to submit its opinion regarding those matters to the Company. Further, the special committee appointed Nakamura, Tsunoda & Matsumoto as its legal advisor and PwC Advisory LLC ("PwC"), which is its financial advisor and third-party appraisal firm, based on the authority described above.

Further, the Company had the special committee confirm that there is no problem with respect to the professional expertise and the independence from ITOCHU, the Tender Offeror, the Company, the National Federation of Agricultural Cooperative Associations (“**Zen-Noh**”), The Norinchukin Bank (“**Nochu**”), and Tokyo Century of Mori Hamada & Matsumoto as the Company’s legal advisor and Merrill Lynch Japan Securities Co., Ltd. (“**Merrill Lynch Japan Securities**”) as the Company’s financial advisor and the Company received the special committee’s approval for their appointment. (for matters such as involvements of Zen-Noh, Nochu and Tokyo Century in the Transactions, see “(4) Discussions with Zen-Noh and Nochu and with Tokyo Century and Management Policy After Taking the Company Private” below.)

Company received guidance and other legal advice from Mori Hamada & Matsumoto, including guidance and advice on measures to ensure the fairness of the procedures in the Transactions, and it also received from Merrill Lynch Japan Securities a stock valuation report showing the results of the valuation of the Company Shares and other advice from a financial perspective. In light of that, the Company carefully discussed and deliberated on the propriety of the Transactions and the appropriateness of the transaction terms.

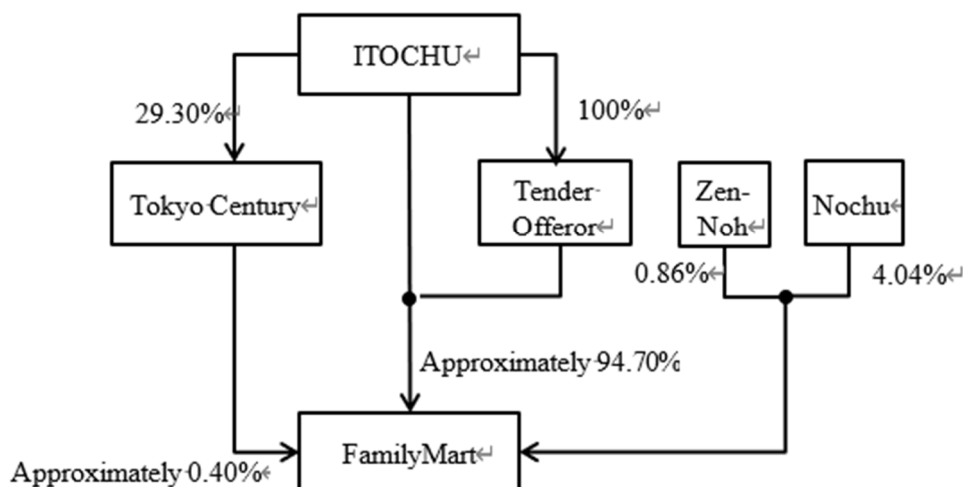
- (4) Discussions with Zen-Noh and Nochu and with Tokyo Century and Management Policy After Taking the Company Private
- While submitting this proposal to the Company, ITOCHU was simultaneously holding discussions concerning the scheme of the Tender Offer and the management policy for the Company after going private with Zen-Noh, Nochu, and the Tokyo Century, from the viewpoint that they have existing transactional relationships with the Company as strategic partners that are necessary to promptly and steadily actualize the business strategy for the Company after going private, and that there is a high probability of creating synergy. ITOCHU, Zen-Noh, and Nochu, from management’s point of view, are in a cooperative relationship with the ITOCHU Group, such that Zen-Noh and ITOCHU are conducting joint business in collecting and supplying grain in North America (CGB Enterprises, Inc.) via the Food Company, and also with regard to the raw materials for home meal replacement and prepared food for the Company, and from a financial point of view, Nochu is one of the close correspondent financial institutions for the ITOCHU Group. With these conventional efforts as a background, based on the intentions of Zen-Noh and Nochu to participate in taking the Company private, by late February 2020, ITOCHU, Zen-Noh and Nochu came to believe that Zen-Noh and Nochu are capable of creating synergy with the Company in terms of (i) product supply, (ii) community activation, and (iii) overseas strategy by conducting capital participation in the Company as strategic partners.

Since February 1998, when ITOCHU made the Company an equity-method affiliate, Tokyo Century has positioned the Company as an important business partner through transactions involving leases of the Company stores and ancillary facilities, and has made efforts such as expansion of transactions with the ITOCHU Group companies and collaboration using ITOCHU’s domestic and overseas network. ITOCHU believes that the following factors will serve an important role in various measures to convert the Company’s business model after the Transactions are executed. First, there are business and capital relationships between the ITOCHU Group and Tokyo Century, and there is a collaboration, using ITOCHU Group’s domestic and overseas network, among the ITOCHU Group and Tokyo Century. Second, Tokyo Century’s experience and various services not previously considered of integrating the three axis of “finance × service × business,” surpassing various business fields and finance limitations, such as (a) the domestic lease business leasing mainly information and communication equipment, and (b) domestic automobile business areas comprised of leasing automobiles to corporations and individuals, and rental cars. Based on the intention of Tokyo Century to participate in taking the Company private, in the middle of February 2020, ITOCHU and Tokyo Century commenced deliberations and discussions regarding Tokyo Century’s capital participation in the Company. Tokyo Century aims to make a “contribution to realize a society based on a circular economy” together with partner companies by providing various new financial services, including but not limited to the leasing business, and ITOCHU believes that synergies can be expected which will create new value including cost reductions as a result of Tokyo Century bringing various solutions such as building a system to optimally allocate ancillary facilities for each store to the businesses required by the community, and which maintains progress by cultivating close relationships with people and the community, which the Company (which is essential “infrastructure” in the community) aims to conduct.

For the foregoing reasons, in late February 2020, ITOCHU came to believe that the Zen-Noh, Nochu and Tokyo Century would be the

appropriate strategic partners that it needs to promptly and steadily actualize the business strategy for the Company after taking the Company private. Zen-Noh and Nochu supply domestic perishable foods using their suppliers, and Tokyo Century enables cost reductions by optimizing the allocation of the Company stores' ancillary facilities, among others. ITOCHU believes that, through a capital tie-up, synergies will be actualized by Zen-Noh, Nochu and Tokyo Century integrating management resources, such as personnel resources to the Company.

In light of those examinations, it is expected that if a series of procedures have been carried out to make ITOCHU and the Tender Offeror the only shareholders of the Company, the Tender Offeror will transfer to Zen-Noh the Company Shares in a number equivalent to 0.86% of the total number of the Company Shares at that time and will transfer to Nochu the Company Shares in a number equivalent to 4.04% of the total number of the Company Shares at that time. It is also expected that Tokyo Century will execute a transaction to acquire the Company Shares in a number equivalent to approximately 0.40% of the total number of the Company Shares at that time in lieu of the equity of the Tender Offeror that Tokyo Century holds at that time. It is expected the capital structure, etc. of the Company after those transactions have been conducted will be as shown below.



ITOCHU has discussed the management policy for the Company after being taken private with Zen-Noh and Nochu, and believes it is possible to create synergy with the Company in terms of (i) product supply, (ii) community activation, and (iii) overseas strategy, through cooperation between the ITOCHU Group, Zen-Noh, Nochu, and the Company. At present, ITOCHU, Zen-Noh, and Nochu expect the following approaches to create synergies: (i) sales of agricultural products directly delivered from the farm at stores of the Company, by taking advantage of the domestic production base owned by Zen-Noh and Nochu, and supplying raw materials for home-meal replacement, (ii) mutual transfer of customers by combining JA service businesses such as financial services with the Company's in-store services, and (iii) promotion of the export of domestic agricultural and livestock products by utilizing the Company's overseas store network. These approaches are considered to be consistent with the direction of the Company, aiming to be "hyper local-based" as advocated in policy briefings to franchisers that enter into franchise agreements with the Company or on the Company's webpage. After the Transactions, ITOCHU, Zen-Noh, and Nochu intend to enter into an agreement regarding approaches to create synergies with the Company after the four parties have held discussions regarding the specific details thereof.

Furthermore, ITOCHU has discussed the management policy for the Company after being taken private with Tokyo Century, and

believes that it is possible to create synergy with the Company in streamlining the existing transaction relationship between Tokyo Century and the Company, and promoting the conversion of the Company's business model by utilizing Tokyo Century's wide range of business areas and various types of services creatively beyond the finance framework.

ITOCHU has been working on building up strong non-resource sectors, particularly consumer-related sectors, and the Company's business is a central business within those sectors, and ITOCHU will basically respect the current management structure of the Company. As of today, four out of the twelve directors of the Company are originally from ITOCHU, and, in accordance with the management regulations regarding the group management of ITOCHU, ITOCHU will support the business of the Company as part of the ITOCHU Group, while also respecting the independent execution of management at the Company. Although the specific management structure of the Company after being taken private is yet to be determined, ITOCHU will discuss and decide the structure aiming to respect the current management structure. At present, there is no plan to dispatch officers from Zen-Noh, Nochu, and Tokyo Century, the strategic partners, to the Company.

(5) Circumstances Leading to the Final Proposal

Following the submission of the initial written proposal on February 17, 2020, ITOCHU and the Tender Offeror had repeated discussions and negotiations with the Company with the aim of commencing the Tender Offer on April 13, 2020, but with the spread of COVID-19 in Japan since around March 2020 and the fact that there was a divergence between the views of the Company and ITOCHU and the Tender Offeror on whether the effects of the spread of COVID-19 will have a temporary or a medium- or long-term impact on the business of the Company, ITOCHU and the Tender Offeror notified the Company that they would hold the commencement of the Tender Offer that was scheduled on April 13, 2020 and that they would continue to have discussions and consider reviewing the Tender Offer Price.

On June 10, 2020, ITOCHU and the Tender Offeror received from the Company the presentation of a business plan that incorporated the effects of the spread of COVID-19 and newly verified the reasonableness and feasibility of that business plan and reflected their own forecast on figures of the business plan, and they reconsidered the Tender Offer Price in light of advice on the valuation results from the financial advisor and discussions based thereon. ITOCHU and the Tender Offeror also received from the Company in the negotiation process requests to increase the Tender Offer Price and requests regarding the terms of the purchase, and they considered those requests. In light of those considerations, on July 2, 2020, ITOCHU made a final proposal to set the Tender Offer Price at 2,300 yen and the lower limit on the number of shares to be purchased at 50,114,060 shares (Ownership ratio: 9.90%), to request that the Company's directors convene an extraordinary shareholders meeting whose agenda items include the Tender Offeror conducting a consolidation of shares under Article 180 of the Companies Act (Act No. 86 of 2005, as revised, hereinafter the same) with respect to the Company Shares (the "**Share Consolidation**") of the Company Shares after the completion of the Tender Offer and, subject to the effectuation of the Share Consolidation, amending the articles of incorporation to abolish provisions on share unit numbers, promptly after the settlement of the Tender Offer is completed, in accordance with Article 297, paragraph 1 of the Companies Act, and requesting that the Company issue a public notice to set a record date so that a date that is soon after the commencement date of the settlement of the Tender Offer will be the record date of the extraordinary shareholders meeting (the "**Final Proposal**").

(6) Details of the Decision by the Company on the Final Proposal

After a Final Proposal, the special committee submitted the Report with contents that are substantially as follows to the board of directors of the Company with the unanimous agreement of its members as a result of multiple careful discussions and deliberations about the Matters of Inquiry based on the details of the legal advice from Nakamura, Tsunoda & Matsumoto, advice from a financial perspective from PwC, and the PwC Stock Valuation Report submitted by PwC on July 7, 2020.

a. Contents of the Report

- (i) The special committee believes it is appropriate for the board of the directors of the Company to endorse the Tender Offer and express an opinion that the decision on whether to tender shares in the Tender Offer should be left to the judgment of the

shareholders of the Company.

- (ii) The special committee believes it would not be disadvantageous to the minority shareholders of the Company for the board of directors of the Company to make a decision to endorse the Tender Offer and to decide on an opinion that the decision on whether to tender shares in the Tender Offer should be left to the shareholders of the Company. The special committee believes it would not be disadvantageous to the minority shareholders of the Company for the board of directors to make a decision pertaining to taking the Company private through the Share Consolidation after the successful completion of the Tender Offer on the assumption that will be done following the methods expected in the Transactions.

b. Deliberations

- (i) The special committee believes the Transactions will contribute to the improvement of the corporate value of the Company.
- (ii) The special committee believes fair procedures from the perspective of ensuring the interests of the general shareholders of the Company are being implemented given that it is recognized that (i) an independent special committee has been established in the Company and that special committee has functioned effectively, (ii) the special committee and the Company have obtained independent expert advice from external experts, (iii) each of the special committee and the Company obtained a stock valuation report from an independent third-party appraisal firm with expertise as a basis for their judgments on the Transactions, (iv) the Company built a structure that excludes directors and other people who have a special interest from discussions and negotiations on the Transactions as much as possible and allows it to have discussions and negotiations from a position that is independent from ITOCHU, (v) a so-called indirect market check is being conducted in the Tender Offer, (vi) it is expected it will be ensured that the general shareholders of the Company will have a chance to make proper decisions in the Tender Offer based on sufficient information, and (vii) practical measures are being taken that are desirable in the Fair M&A Guidelines formulated by the Ministry of Economy, Trade and Industry in June 2019, and coercion has been eliminated.

Further, even though a majority of minority condition has not been set in the Tender Offer, a lower limit on the number of shares to be purchased has been set so that the Ownership ratio of the Tender Offeror and ITOCHU will be at least 60% if the Tender Offer is successfully completed. Although it is believed that minimum will function as a measure to secure fairness to a certain extent in the sense that the Tender Offer will not be successfully completed without a considerable number of general shareholders tendering their shares, given that reasonable grounds for the number of shares in that minimum cannot be confirmed, it is believed it cannot be said that the setting of that minimum is sufficient in light of the purpose of majority of minority conditions. However, given that other sufficient measures to secure fairness in the Transactions have been taken, even if a majority of minority has not been set, and it cannot be said that the setting of a minimum is sufficient in light of the purpose of majority of minority, it is believed the fairness of the procedures in the Transactions will be prejudiced solely because of the setting of that minimum.

- (iii) With respect to the appropriateness of the transaction terms of the Transactions, based on the following points, the purchase method and the type of consideration for the purchase in the Transactions are considered reasonable, but although the Tender Offer Price has a certain level of reasonableness from the perspective of providing the general investors of the Company an opportunity to earn a return on their investments and it cannot be recognized that the Tender Offer Price lacks validity, it is not thought the Tender Offer Price is at a level where the Company can actively recommend that its general shareholders should tender their shares in the Tender Offer.
- (iv) As explained in (i) above, given that it is recognized that the Transactions including the Tender Offer and the subsequent initiatives will contribute to the improvement of the corporate value of the Company, the special committee believes it is reasonable for the board of directors of the Company to endorse the Tender Offer. However, as explained in ii. above, fair procedures to ensure the interests of the general shareholders of the Company are being implemented in the Transactions, and as

explained in iii above, it is recognized that the purchase method and the type of consideration for the purchase in the Transactions are reasonable, and, from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments, the Tender Offer Price has a certain level of reasonableness and it cannot be recognized that the Tender Offer Price lacks validity, but given that it cannot be recognized that the Tender Offer Price is at a level where the Company can actively recommend that its general shareholders should tender their shares in the Tender Offer, the board of directors of the Company cannot recommend that the shareholders of the Company tender their shares in the Tender Offer, so it is believed it is appropriate to leave the decision of whether to tender shares in the Tender Offer to the judgement of the shareholders of the Company.

- (v) As explained in (i) above, it is recognized that the Transactions and the subsequent initiatives will contribute to the improvement of the corporate value of the Company, so it is believed that the decision by the board of directors of the Company to express an opinion endorsing the Tender Offer would not be disadvantageous to the minority shareholders of the Company. Further, as explained in ii. above, fair procedures are being carried out to secure the interests of the general shareholders in the Transactions, and as explained in iii. above, with respect to the transaction terms of the Transactions, the purchase method and the type of consideration for the purchase are considered reasonable. While it is not believed that the Tender Offer Price is at a level where the Company can actively recommend that its general shareholders should tender their shares in the Tender Offer, the Tender Offer Price has a certain level of reasonableness from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments, and it cannot be recognized that the Tender Offer Price lacks validity from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments, so it is believed that decision by the board of directors of the Company to leave the decision of whether to tender shares in the Tender Offer to the judgment of the shareholders of the Company after disclosure of the grounds therefor instead of actively recommending that the shareholders of the Company tender their shares in the Tender Offer would not be disadvantageous for the minority shareholders of the Company. Further, if the Company is made private after the successful completion of the Tender Offer, the Tender Offeror will make a request to convene the Special Shareholders' Meeting where the Share Consolidation is one of agenda items. It is expected money in an amount equivalent to the Tender Offer Price per share would be delivered to the shareholders other than ITOCHU and the Tender Offeror if a proposal for the Share Consolidation is approved at that Special Shareholders' Meeting. And if the Company receives a request to convene the Special Shareholders' Meeting from the Tender Offeror, it plans on convening the Special Shareholders' Meeting where a shareholders' proposal for the Share Consolidation is one of agenda items in response to that request. Hence, based on the assumption that, among other things, taking the Company private after the Tender Offer will be led by the Tender Offeror and the role of the Company will be limited, it is believed that it would not be disadvantageous for the minority shareholders of the Company for the board of directors to make a decision pertaining to taking the Company private through the Share Consolidation after the successful completion of the Tender Offer in the Transactions for the reasons, among other things, that as explained in i. above, it is believed that the Transactions and the subsequent measures will contribute to the improvement of the corporate value of the Company, that the amount expected to be delivered to the shareholders at the time of the Share Consolidation would be the same as the Tender Offer Price, and therefore has a certain level of reasonableness from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments and cannot be recognized as an amount that lacks validity, that it would take time and be costly to leave the convocation of the Special Shareholders' Meeting to a decision of a competent court, instead of the Company to convene the Special Shareholders' Meeting in response to a request by the Tender Offeror, which might be against the interests of its minor shareholders, and that it is possible for the shareholders that oppose the Share Consolidation to make a request to the Company to purchase their shares and file a petition with a competent court for a determination of the share price. Further, a lower limit on the number of shares to be purchased has been set in the Tender Offer so that the Ownership ratio of the Tender Offeror and ITOCHU after the Tender Offer will be 60%, so the Company might not be made private even if the Tender Offer is successfully completed. With respect to that point, considering factors such as the attendance rates at past shareholders meetings of the Company, even 60% is effectively nearly two-thirds of the shareholders in attendance, so considering that the shareholders that have not tendered their shares in the Tender Offer may exercise their voting rights to approve the Tender Offer (for example, ITOCHU expects there are ETFs listed on the Tokyo

Stock Exchange and passive index funds other than ETFs listed on the Tokyo Stock Exchange that will approve the agenda item of the shareholders meeting for the Share Consolidation even if they do not tender their shares in the Tender Offer), it is believed it is not highly likely the Share Consolidation will not be approved and the Company will not be made private. The special committee therefore believes that it cannot be said that the shareholders of the Company will be put in an extremely unstable position.

In response to the Final Proposal, ITOCHU and the Tender Offeror received a reply from the Company on July 3, 2020 stating that the Company endorsed the Tender Offer because it believes that its corporate value will improve in the medium- and long-term by taking the Company private through the Transaction, but it is not recognized that a sufficient premium has been added compared to the levels of premiums in other tender offers with a purchase size of at least 50 billion yen conducted for the purpose of making a company private that have been announced since 2010, although it cannot be said that the Tender Offer is at a level that lacks validity from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments because it is believed a certain premium has been added to the current market price of the Company Shares, so the Company reached a conclusion that the Tender Offer Price is not at a level where the Company can actively recommend that its general shareholders should tender their shares in the Tender Offer. Therefore, the Company made a decision to take a neutral position regarding whether to recommend that the shareholders tender their shares in the Tender Offer, and to leave it to the discretion of the shareholders about whether to tender their shares in the Tender Offer.

(7) Circumstances from the Commencement to the Completion of the Tender Offer

Following that, ITOCHU and the Tender Offeror decided on July 8, 2020 to implement the Transaction, including the Tender Offer, considering the need to immediately implement the Transaction, and the Company's endorsement to the significance of taking the Company private through the Transaction, and they conducted the Tender Offer with a tender offer period from July 9, 2020 to August 24, 2020.

(8) Proposal Upon Completion of the Tender Offer

As a result, as explained in (a) above, the Tender Offer was successfully completed, so the first proposal and the second proposal (the “**Proposals**”) were made for the purpose of taking the Company private.

Further, if the proposal for the Share Consolidation has been approved at the Extraordinary Shareholders Meeting, if the Share Consolidation results in fractional shares that are less than one share, the money obtained by selling the Company Shares equivalent to the total sum of such fractional shares (if the total sum contains fractional shares less than one share, the fractional shares are to be rounded down; hereinafter the same) is to be delivered to the shareholders of the Company that hold those fractional shares in accordance with the procedures prescribed in Article 235 of the Companies Act and other relevant laws and regulations.

With respect to the sale price of the Company Shares equivalent to the sum total of those fractional shares, ITOCHU and the Tender Offeror will request that the Company file a petition for permission for sale by private contract with the court so that, as a result of the sale, the amount of money to be delivered to the Company's shareholders that did not tender their shares in the Tender Offer will be equal to the amount calculated by multiplying the Tender Offer Price (2,300 yen) by the number of the Company Shares held by those shareholders.

2. Matters listed in each item of paragraph 2 of Article 180 of the Companies Act (Details of the Share Consolidation)

(1) Consolidation ratio

The Company Shares will be consolidated at a ratio of 1 share to 253,043,334 shares of the Company Shares.

Further, the consolidation ratio is based on the assumption that the Company will cancel all of its treasury shares as of August 24, 2020 (however, if the number of treasury stock as of that date is an odd number, the number of treasury stock to be cancelled minus one), The consolidation ratio is calculated so that the number of shares equivalent to 50% of the total number of issued share of the Company Shares would be consolidated into one share in order to make ITOCHU the only shareholder of the Company immediately after the

Share Consolidation.

- (2) Effective date of the Share Consolidation
November 16, 2020
- (3) Total number of authorized shares on the effective date
2 shares

3. Matters regarding the appropriateness of the matters listed in item 1 and item 3 of paragraph 2 of Article 180 of the Companies Act
The Company Shares will be consolidated at a ratio of 1 share with respect to 253,043,334 shares of the Company Shares as result of the Share Consolidation.

ITOCHU believes that the consolidation ratio is appropriate in light of the fact that, as set out in “1. Grounds for Proposal” above, the purpose of the Share Consolidation is to make ITOCHU the only shareholder of the Company, and that the Tender Offer, as part of the Transaction, was successfully completed after the conducting the procedures set out in “1. Grounds for Proposal”, and in light of the following matters.

- Method of processing fractional shares, amount of money expected to be delivered to the shareholders as a result of that processing, and matters regarding the appropriateness of that amount

As stated in “1. Grounds for Proposal” above, the number of Company Shares held by the shareholders other than ITOCHU will become fractional shares.

If any fraction of a share arises as a result of the Share Consolidation, a number of shares equivalent to that total (if there is a fraction of a share in that total, that will be rounded down) will be sold and the proceeds obtained from that sale will be delivered to each shareholder in proportion to their respective fractions. With respect to that sale, ITOCHU will request that the Company file a petition for permission for sale by private contract with the court under Article 234, paragraph 2 of the Companies Act as applied mutatis mutandis under Article 235, paragraph 2 of that Act so that, as a result of the sale, the amount of money to be delivered to the Company’s shareholders that did not tender their shares in the Tender Offer will be equal to the amount calculated by multiplying the Tender Offer Price (2,300 yen) by the number of the Company Shares held by those shareholders and the buyer of the sale will be ITOCHU or the Tender Offeror. However, if the permission of the court is not obtained, the amount of money to be delivered may be different from the abovementioned amount.

As set out in the Tender Offer Statement dated July 9, 2020 (including matters revised in the Amendments to the Tender Offer Statement dated July 21, 2020 and July 29, 2020, hereinafter the same), the Tender Offer Price was determined at the board of directors meeting of ITOCHU held on July 8, 2020 after comprehensively considering matters such as the fact that, of the valuation contents and results set out in the Stock Valuation Report of the Company Shares obtained from Nomura Securities on July 7, 2020 (the “**Purchaser Side Stock Valuation Report**”), the Tender Offer Price in particular is within the range of the results of the valuation using the DCF method, the results of the due diligence of the Company, whether the Tender Offer is endorsed by the board of directors of the Company, trends in the share price of the Company Shares, past examples of premiums granted in tender offers for share certificates, etc. by persons other than the issuer, and the prospect of shareholders tendering their shares in the Tender Offer, and the Tender Offer Price is the amount obtained by adding a premium of 30.24% to 1,766 yen (rounded to two decimal places; hereinafter the same in calculating a premium rate), which is the closing price of the Company Shares on the TSE First Section on July 7, 2020, the business day immediately prior to the date of the announcement regarding the conduct of the Tender Offer, 20.55% to 1,908 yen, which is the simple average closing price of regular transactions during the past month (from June 8, 2020 to July 7, 2020), 22.47% to 1,878 yen, which is the simple average closing price of regular transactions during the past three months (from April 8, 2020 to July 7, 2020), 11.22% to 2,068 yen, which is the simple average closing price of regular transactions during past six months (from January 8, 2020 to July 7, 2020), respectively. Further, not only is the Tender Offer Price a price that exceeds the upper limit of the range of the per share value of the Company Shares calculated using the market price analysis method (1,766 yen–2,068 yen) and the range of the per share value of the Company Shares calculated using the comparable company analysis method (946 yen–1,951 yen) in the Purchaser Side Stock Valuation Report and a price that exceeds the median value of the range of the per share value of the Company Shares calculated using the DCF method (1,701 yen–2,749 yen) in the Purchaser Side Stock Valuation Report, but it is also a

price that exceeds the upper limit of the range of the per share value of the Company Shares calculated based on the market price analysis method (1,766 yen –2,068 yen) in the Stock Valuation Report regarding the results of the valuation of the Company Shares received by the Company from Merrill Lynch Japan Securities as the Company’s financial advisor on July 8, 2020 (the “**Merrill Lynch Stock Valuation Report**”) and it is a price that is within the range of the per share value of the Company Shares calculated using the comparable company analysis method (1,824 yen –2,922 yen) and the range of the per share value of the Company Shares calculated using the DCF Analysis (2,054 yen –3,432 yen) in the Merrill Lynch Stock Valuation Report.

As stated in the Tender Offer Statement dated July 9, 2020, according to an analysis by ITOCHU and the Tender Offeror, as of July 8, 2020, which is the date of the announcement that the Tender Offer will be conducted, it is likely investors that in principle are likely to not tender their shares in a tender offer regardless of the appropriateness of the transaction terms own approximately 30% of the Company Shares (*), and they came to believe that only approximately 20% (which is equal to 100% minus ITOCHU and IRI’s Ownership ratio of 50.10% (i.e., approximately 50%) reduced by approximately 30%) of the Company Shares might be held by the shareholders of the Company (not including ITOCHU, IRI, and the Tender Offeror) that will decide whether to tender their shares in the Tender Offer pursuant to their decision on the appropriateness of the terms of the Transaction including the terms of the Tender Offer. On that point, 79,017,884 shares of the Company Shares (Ownership ratio: 15.61%) were tendered in the Tender Offer, so ITOCHU believes that the shareholders of the Company owning a majority of the approximately 20% of the Company Shares it presumes are owned by the shareholders of the Company that were to decide whether to tender their shares in the Tender Offer pursuant to their decision on the appropriateness of the terms of the Transaction including the terms of the Tender Offer decided that the terms of the Transaction including the terms of the Tender Offer are appropriate.

(*) As stated in the “Fair M&A Guidelines” formulated by the Ministry of Economy, Trade and Industry in June 2019, “as the scale of passive index funds has increased in recent years as a trend in the Japanese capital markets, some of these investors refrain, as a matter of policy, from tendering their shares in response to a tender offer regardless of the appropriateness of the transaction terms,” ITOCHU and the Tender Offeror have believed that there are ETFs (Exchange-Traded Funds) that hold the Company Shares and other passive index funds (Note 1) that refrain, as a matter of policy, from tendering their shares in response to a tender offer regardless of the appropriateness of the terms of the tender offer. As of July 6, 2020, ITOCHU and the Tender Offeror confirmed that ETFs (Exchange-Traded Funds) which are managed by linking them to stock indices and other indices, and are listed on the TSE (“TSE Listed ETFs”), alone hold approximately 20.19% (Note 2) of the Company Shares. ITOCHU and The Tender Offeror have assumed that the TSE Listed ETFs refrain, as a matter of policy, from tendering their shares in response to a tender offer regardless of the appropriateness of the transaction terms because the TSE Listed ETFs, by nature, focus on linking to indices. In addition, there are also passive index funds other than the TSE Listed ETFs which hold the Company Shares (“Other Passive Index Funds”). The total number of the Company Shares held by Other Passive Index Funds cannot be ascertained by publicly available information. Accordingly, ITOCHU and the Tender Offeror requested that ITOCHU’s financial advisor, Nomura Securities Co., Ltd. (“Nomura Securities”) estimate the number of the Company Shares held by Other Passive Index Funds, based on publicly available information and data base information made available by information vendors that provide various data including financial markets data. While it is impossible to ascertain the accurate number, and it would be difficult to provide an exact estimate, Nomura Securities provided a trial calculation that approximately 10% of the Company Shares are likely to be held by Other Passive Index Funds. The Tender Offeror assumes that since Other Passive Index Funds are also passive index funds, they are generally managed with a focus on linking to indices, and thus most refrain, as a matter of policy, from tendering their shares in response to a tender offer regardless of the appropriateness of the transaction terms. In light of the foregoing, ITOCHU and the Tender Offeror have believed, based on its analysis, that approximately 30% of the Company Shares are being held by investors who refrain, as a matter of policy, from tendering their shares in response to a tender offer regardless of the appropriateness of the transaction terms.

(Note 1) Passive index funds refer to funds that aim to secure a market average rate of return by managing investments with an objective to link investment results to indices such as a stock price index, which serve as a benchmark for the market for stocks and other investment assets.

(Note 2) The figure refers to the ratio of the number of the relevant the Company Shares held by the ETFs listed on the TSE as of July 6, 2020 (102,183,000 shares (rounded to the nearest thousand)) to the number of shares (506,108,072 shares) remaining after subtracting the number of the treasury shares (741,180 shares) held by the Company as of February 29, 2020, from the total number of issued shares of the Company (506,849,252 shares) as of the same date, both of which are disclosed in the

Company's Securities Report.

The minimum tender offer period provided by law is 20 business days, but the Tender Offeror set a relatively long tender offer period of 30 business days. By setting a relatively long tender offer period, the Tender Offeror was endeavoring to ensure the appropriateness of the Tender Offer Price by ensuring the shareholders of the Company have an opportunity to properly decide whether to tender their shares in the Tender Offer and ensuring parties other than the Tender Offeror have an opportunity to make competing offers. Further, the Tender Offeror and the Company have given consideration to securing fairness in the Tender Offer by not reaching any agreement with terms that would restrict contact between competing offerors and the Company such as an agreement with transaction protection provisions that prohibit the Company from contacting competing offerors and, in addition to setting the above tender offer period, ensuring competing offerors have an opportunity to make competing offers. Hence, an opportunity was provided in the Tender Offer to make competing offers, but no person other than the Tender Offeror made a competing offer to the Company during the tender offer period of the Tender Offer.

As explained above, ITOCHU determined that the amount of money to be delivered to the shareholders of the Company upon the processing of fractions is appropriate.

No. 2: Partial Amendment to the Articles of Incorporation

1. Grounds for the Proposal

- (1) If the first proposal is approved and passed at the Extraordinary Shareholders Meeting as initially proposed and the Share Consolidation is effectuated, the total number of authorized shares of the Company Shares will be reduced to two shares in accordance with Article 182, paragraph 2 of the Companies Act. In order to clarify that point, Article 6 (Total Number of Authorized Shares) of the articles of incorporation is to be amended subject to the effectuation of the Share Consolidation.
- (2) If the first proposal is approved and passed at the Extraordinary Shareholders Meeting as initially proposed and the Share Consolidation is effectuated, the total number of issued shares of the Company will be two shares, and it will no longer be necessary to provide for share unit numbers. Accordingly, subject to the effectuation of the Share Consolidation, in order to abolish the provisions on share unit numbers of the Company Shares, which currently provide that 100 shares constitute 1 unit, the provisions of Article 7 (Share Unit Numbers) and Article 8 (Additional Buying of Shares Not Constituting One Unit) are to be entirely deleted and the article numbers are to be moved forward as a result of that amendment.

2. Details of the Amendment

The details of the amendment to the articles of incorporation are as follows. Further the amendment to the Article of Incorporation regarding this proposal will be effectuated on November 16, 2020, the effective date of the Share Consolidation, subject to that the first proposal being approved and passed at the Extraordinary Shareholders Meeting as initially proposed and the Share Consolidation being effectuated.

(Underlined parts are amended)

| Current | Proposed Amendment |
|--|--|
| Article 6 Total Number of Authorized Shares | Article 6 Total Number of Authorized Shares |
| The total number of authorized shares of the Company is <u>1 billion</u> shares. | The total number of authorized shares of the Company is <u>two</u> shares. |
| <u>Article 7 Share Unit Numbers</u> | (Deleted) |
| <u>The share unit number of the Company is 100 shares.</u> | |
| <u>Article 8 Additional Buying of Shares Not Constituting One Unit</u> | (Deleted) |
| <u>A shareholder of the Company may request that the Company sell to it the number of shares which, together with the number of shares less than one unit owned by that shareholder, will constitute the share unit number of the Company; provided,</u> | |

| Current | Proposed Amendment |
|--|---|
| <p><u>however, that if the Company does not hold the number of shares equivalent to the number to be sold upon such a request, that request will not take effect.</u></p> <p>Article <u>9</u> – Article <u>37</u> (Provisions omitted)</p> | <p>Article <u>7</u> – Article <u>35</u> (as currently provided)</p> |

[Opinion of the Board of Directors of the Company on the Proposals]

The board of directors of the Company has announced that it endorses making the Company private through the Share Consolidation in light of the fact that the Tender Offer in the Transaction was successfully completed but the board of directors of the Company takes a neutral position regarding whether to approve the Proposals and leaves that to the discretion of the shareholders.

The board of directors of the Company has believed that its corporate value will improve in the medium- and long-term by making the Company private through the Transaction; however, even though the Tender Offer Price of 2,300 yen per share has a certain reasonableness from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments, and it cannot be recognized that the Tender Offer Price lacks validity, the board of directors of the Company reached a conclusion that the Tender Offer Price is not at a level where it can actively recommend that its general shareholders should tender their shares in the Tender Offer. Therefore, the Company made a decision that it is appropriate to take a neutral position regarding whether to recommend that the shareholders tender their shares in the Tender Offer and to ultimately leave that decision to the shareholders, and the Company expressed an opinion approving the Tender Offer and passed a resolution to leave the decision of whether to tender shares in the Tender Offer to the judgment of the shareholders at the meeting of the board of directors of the Company held on July 8, 2020.

As stated in “■ Method of processing fractional shares, amount of money expected to be delivered to the shareholders as a result of that processing, and matters regarding the appropriateness of that amount” above, it is expected that as a result of the Share Consolidation, the number of Company Shares held by the shareholders other than ITOCHU will become fractional shares, and the Company Shares equivalent to the total number of those fractional shares will be sold to ITOCHU or the Tender Offeror by the Company at the request of ITOCHU, and money with a value that is obtained by multiplying 2,300 yen per share, which is the same as the Tender Offer Price, by the number of Company Shares held by each shareholder of the Company other than ITOCHU is to be delivered to each of those shareholders.

Given that it is believed the corporate value of the Company will improve by making the Company private through the Share Consolidation after the completion of the Tender Offer in the Transaction, that the amount of money per share of the Company Shares before the Share Consolidation to be delivered to the shareholders of the Company other than ITOCHU upon the Share Consolidation is expected to be 2,300 yen, which is the same amount as the Tender Offer Price, that amount has a certain reasonableness from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments, and it cannot be recognized as an amount that lacks validity, and that it is believed it is necessary to take the Company private through the Share Consolidation as soon as possible to ensure the general shareholders of the Company are not put in an unstable position based on the current situation where the Tender Offer has been successfully completed, the board of directors of the Company decided that it is appropriate to endorse making the Company private through the Share Consolidation, but it decided to take a neutral position regarding whether to approve the Proposals and left that to the discretion of the shareholders because it is expected the amount of money per share of the Company Shares before the Share Consolidation to be delivered to the shareholders of the Company other than ITOCHU upon the Share Consolidation will be 2,300 yen, which is the same amount as the Tender Offer Price, which was not at a level where the Company can actively recommend the tendering of shares in the Tender Offer.

Further, as stated in “■ Procedures after receiving a document regarding a request for the convocation of an extraordinary shareholders meeting” below, after receiving a written request for the convocation of an extraordinary shareholders meeting from ITOCHU, the board of directors of the Company made a report to the special committee and, after the approval of the special committee was obtained, all of the directors of the Company that participated in deliberations and resolutions at the meeting of the board of directors of the Company held on September 10, 2020 approved the expression of that opinion.

■ Matters to be noted to ensure the interests of the shareholders of the Company other than the parent company, etc. are not harmed. Considering that the Company is a consolidated subsidiary of ITOCHU at the time of the commencement of the Tender Offer, the Transaction, which includes the Tender Offer, constitutes an important transaction with a controlling shareholder, and that ITOCHU has an inherent conflict of interest with the other shareholders of the Company, ITOCHU and the Company have taken the measures set out in each of “■ Method of processing fractional shares, amount of money expected to be delivered to the shareholders as a result of that processing, and matters regarding the appropriateness of that amount” above and “■ Measures to Ensure the Fairness of the Transaction and Measures to Avoid Conflicts of Interest” below, from the perspective of ensuring fairness of the Tender Offer and avoiding conflicts of interest.

■ Measures to Ensure the Fairness of the Transaction and Measures to Avoid Conflicts of Interest

As stated in “(6) Measures to Ensure the Fairness of the Tender Offer Including Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Content, Grounds and Reasons for the Opinion on the Tender Offer” in the Announcement of Opinion Pertaining to the Tender Offer of the Company’s Shares by Retail Investment Company, LLC, a Subsidiary of ITOCHU Corporation, the Parent Company (including subsequent revisions) announced by the Company on July 8, the Company implemented the measures set out in a. through g. below during the period before the commencement of the Tender Offer from the perspective of ensuring fairness of the Transaction including the Share Consolidation.

a. Establishment of an independent special committee at the company

(i) Background to the Establishment of the Special Committee

The Company established the special committee based on a written resolution of the meeting of the board of directors of the Company held on February 19, 2020, but prior to the establishment of the special committee and immediately after the Company received an initial proposal from ITOCHU on February 17, 2020 about commencing deliberations about the Company going private, in order to establish a system to discuss and negotiate the Transactions from the perspective of improving the Company’s corporate value and ensuring the interests of the Company’s general shareholders from a position independent from the Tender Offeror and the Company individually explained to all of the independent outside directors of the Company at that time based on advice from Mori Hamada & Matsumoto that (a) it received the above proposal from ITOCHU and (b) it is necessary to take full measures, including establishing a special committee, in the course of conducting discussions and negotiations on the Transactions to ensure the fairness of the transaction terms of the Transactions including the Tender Offer Price because the Transactions constitute transactions that are typified by issues such as the existence of structural conflicts of interest and information asymmetry. The Company also held a meeting on February 25, 2020 attended by Mr. Tadashi Izawa (outside director of the Company, Chairman of the Japan-China Economic Association), Ms. Mika Takaoka (outside director of the Company, professor of the College of Business, Rikkyo University), and Ms. Chikako Sekine (outside director of the Company, Representative Director of K.K. B Mind), who comprised all of the independent outside directors of the Company at that time, and the Company explained again that it received the above proposal from ITOCHU. At that meeting, a Q&A session was held after Mori Hamada & Matsumoto explained that it is necessary to fully secure the fairness of the procedures to address issues in the Transactions such as the existence of structural conflicts of interest and information asymmetry and explained the functions of the special committee. At the same time, the Company verified the independence and competence of its independent outside directors who were to be nominated as special committee members with the advice of Mori Hamada & Matsumoto. Thereafter, the Company confirmed that each of those candidate special committee members is independent from ITOCHU and it has no material interest in the successful or unsuccessful completion of the Transactions that is different from the general shareholders and it had discussions with the independent outside directors of the Company at that time who attended the above meeting. The Company also obtained advice from Mori Hamada & Matsumoto and appointed three people as candidate members of the special committee: Mr. Tadashi Izawa, Ms. Mika Takaoka, and Ms. Chikako Sekine.

Thereafter, as explained above, the Company established the special committee based on a resolution adopted at the extraordinary board of directors meeting held on February 19, 2020, right after the Company received the initial written proposal from ITOCHU on February 17, and the Company commissioned the special committee to consider the Matters of Inquiry and submit its opinion regarding the Matters of Inquiry to the Company. Further, the Company’s board of directors passed a resolution that (a) when a decision is made regarding the Tender Offer, including a decision on whether to endorse the Tender Offer, the Company will give maximum respect to the contents of the special committee’s judgment, (b) the Company will not endorse the Tender Offer if the special committee judges that the transaction terms are unreasonable, and (c) it will authorize the special committee to negotiate with the Tender Offeror, as necessary, on the transaction terms and other matters, to appoint its own financial, legal, and other advisors, as necessary, when responding to the Matters of Inquiry (costs in that case are to be borne by the Company), and to receive from the Company’s directors and employees information necessary for deliberations and judgements on the Tender Offer.

It was also decided that a fixed fee is to be paid to each special committee member as compensation for his or her duties regardless of the contents of the report.

(ii) Background to the Deliberations

The special committee held a total of 27 meetings, totaling approximately 28 hours, during the period from February 25, 2020 to July 8, 2020. In addition, the special committee conducted discussions and deliberations regarding the Matters of Inquiry between the dates

of the meetings, such as by providing reports, sharing information, having discussions, and making decisions via e-mail. Specifically, the special committee first deliberated on matters such as the independence, expertise, and past records of multiple candidate legal advisors and candidate financial advisors and candidate third-party appraisal firms, and it then appointed Nakamura, Tsunoda & Matsumoto to be its legal advisor independent from the Tender Offeror, ITOCHU, Tokyo Century, Zen-Noh, Nochu, and the Company, and it appointed PwC as its financial advisor and third-party appraisal firm independent from ITOCHU, Tokyo Century, Zen-Noh, Nochu, and the Company. The special committee confirmed that there was no business relationship during the past three years between Nakamura, Tsunoda & Matsumoto and any of ITOCHU, Tokyo Century, Zen-Noh, or the Company, and there was a business relationship during the past three years between Nakamura, Tsunoda & Matsumoto and Nochu, but the transaction value was not large. The special committee also confirmed that there was a business relationship during the past three years between PwC and each of ITOCHU, Tokyo Century, Zen-Noh, Nochu, and the Company, but the transaction values were not large and an internal system at PwC had been established to block the flow of information.

The special committee confirmed that there was no problem in terms of the independence or expertise of Mori Hamada & Matsumoto, which is the Company's legal advisor, and approved the appointment of Mori Hamada & Matsumoto. Further, after deliberating on the independence and expertise of Merrill Lynch Japan Securities, the special committee approved the appointment of Merrill Lynch Japan Securities as the Company's financial advisor. The special committee also confirmed and approved the following: (a) although Director Mikio Nishiwaki used to work at ITOCHU, considering the fact that he is currently in the position of the General Manager of the Finance & Accounting Division of the Company, he is familiar with quantitative deliberations at the Company, and he is essential for the formulation of the Company's business plan and the calculation of the Company's corporate value based on that business plan, so the role of Director Mikio Nishiwaki in the negotiations with ITOCHU will be limited as much as possible in a form in which he is involved only in formulating the business plan necessary for negotiations on the condition that other measures to ensure fairness have been taken and not involved in the direct negotiations with ITOCHU and (b) there is no other problem, from the perspective of independence, with the internal system established by the Company for deliberations on the Transactions (including the scope of directors and employees of the Company who will be involved in deliberations, negotiations, and decisions on the Transactions, and their specific duties).

The special committee then discussed and deliberated on measures that need to be taken to ensure the fairness of the procedures in the Transactions in light of legal advice received from Nakamura, Tsunoda & Matsumoto and opinions heard from Mori Hamada & Matsumoto.

The special committee also asked ITOCHU questions in writing and received responses from ITOCHU about matters such as the position of and future vision for ITOCHU's retail business, the Company's role in that business, details of the synergies expected from the Transactions and reasons why privatization is necessary instead of the current capital structure, views on the management policies and medium-term management plan of the Company after the Transactions, reasons for the timing that has been selected and views on the Tender Offer Price, views on personnel policies and governance after the Transactions, views on the disadvantages of delisting, and the procedures and terms of the Transactions. The special committee also received direct explanations from and conducted Q&A sessions directly with the President of the 8th Company and other people in charge at ITOCHU about those matters. Moreover, even though Koji Takayanagi, Representative Director and Chairman of the Company, and Takashi Sawada, Representative Director and President of the Company, did not participate in deliberations on the Transactions, the special committee asked that they attend a special committee meeting from the perspective of gathering information and it obtained their opinions as the Company's management and related information about the relationship between the future vision for the retail business of the Company Group and the Transactions, the reasons why it is necessary to have the Company go private and the synergies expected from the Transactions, their views on the Transactions being conducted at this time, the disadvantages of delisting, whether there are choices other than the Transactions and the details of those choices (if any), and other relevant matters, and the special committee held a Q&A session on those matters and discussed and deliberated those matters.

When the Company prepared a business plan for the Transactions, the special committee was given an explanation about the preparation policy by the Company in advance. Even during the process of preparing that proposed business plan, the Company gave several explanations to the special committee on matters such as the contents of the proposed business plan, important prerequisites, and the progress of the preparation of that business plan, and the special committee confirmed and approved the reasonableness of matters such as the contents of the final business plan, important prerequisites, and the preparation background based on advice from a

financial perspective from PwC in addition to the above explanations. Thereafter PwC and Merrill Lynch Japan Securities carried out valuations of the Company Shares based on the business plans prepared by the Company for the second quarter of the fiscal year ending February 2021 through the fiscal year ending February 2025. The special committee was given explanations by PwC about the calculation methods used in the valuation of the Company Shares by PwC, the reasons for using those calculation methods, the details of the calculation made using each of those calculation methods, and material conditions precedent for the valuation of the Company Shares conducted by PwC (including the basis for the calculation of discount rates in the DCF Analysis or the DCF Method and reasons for selecting the comparable companies in the comparable company analysis or comparable company method) (collectively, the “Calculation Methods”). The special committee also received an explanation from Merrill Lynch Japan Securities about the Calculation Methods used in the valuation of the Company Shares by Merrill Lynch Japan Securities in response to a request by the Company based on a request by the special committee. Based on the above explanations, the special committee confirmed the reasonableness of those matters after holding Q&A sessions and discussing and deliberating on those matters.

Furthermore, the special committee received a prior explanation from the Company about the negotiation policy, which was determined by the Company based on advice from a financial perspective from Merrill Lynch Japan Securities, pertaining to the Transactions including the fact that it will conduct sufficient negotiations in line with the general negotiation process conducted in M&As between mutually independent parties to extract from the Tender Offeror the most advantageous transaction terms possible, and it approved that negotiation policy after discussing and deliberating on the details of that policy based on advice from a financial perspective from PwC. Whenever the Company received a price proposal from ITOCHU since it received the first proposal from ITOCHU on March 2, 2020 with a Tender Offer Price of 2,600 yen per share, the special committee received reports on the details of those proposals from the Company in a timely manner and asked for the opinion of the Company in light of advice from a financial perspective from Merrill Lynch Japan Securities, and after the special committee discussed and deliberated on the details of those proposals in light of advice from a financial perspective from PwC, it instructed and requested the Company to request ITOCHU to further increase the Tender Offer Price and, at that time, to request ITOCHU to present a price that fully reflects the synergies that will be created by the Transactions. Thus, the special committee was at the center of the discussions and negotiations on the Tender Offer Price between the Company and ITOCHU. As a result, the Company received from the Tender Offeror a final proposal that includes a Tender Offer Price of 2,300 yen per share on July 2, 2020.

In addition, the special committee received several explanations from Mori Hamada & Matsumoto about each draft of this press release and a Position Statement concerning the Tender Offer to be disclosed or filed by the Company, and the special committee confirmed that information will be fully disclosed while obtaining advice from Nakamura, Tsunoda & Matsumoto.

(iii) Details of Judgments by the Special Committee

Under the above circumstances, the special committee submitted the Report with contents that are substantially as follows to the board of directors of the Company with the unanimous agreement of its members as a result of multiple careful discussions and deliberations about the Matters of Inquiry based on the details of the legal advice from Nakamura, Tsunoda & Matsumoto, advice from a financial perspective from PwC, and the PwC Stock Valuation Report submitted by PwC on July 7, 2020.

I. Contents of the Report

- i. The special committee believes it is appropriate for the board of the directors of the Company to endorse the Tender Offer and express an opinion that the decision on whether to tender shares in the Tender Offer should be left to the judgment of the shareholders of the Company.
- ii. The special committee believes it would not be disadvantageous to the minority shareholders of the Company for the board of directors of the Company to make a decision to endorse the Tender Offer and to decide on an opinion that the decision on whether to tender shares in the Tender Offer should be left to the shareholders of the Company. The special committee believes it would not be disadvantageous to the minority shareholders of the Company for the board of directors to make a decision pertaining to making the Company private through the Share Consolidation after the successful completion of the Tender Offer on the assumption that will be done following the methods expected in the Transactions.

II. Deliberations

- i. Based on the following points, the special committee believes the Transactions will contribute to the improvement of the corporate value of the Company.
- It is expected the future of the environment surrounding the retail industry of the Company will continue to be uncertain given factors such as the increasingly competitive environment across business types, the decline in consumer confidence resulting from deep-rooted budget-mindedness, and the impact of the spread of COVID-19. Further, in addition to the diversification of consumer needs and calls for the creation of goods and services from a fresh perspective, corporate social responsibility is growing with respect to issues such as securely providing safe food and addressing environmental issues.
 - The Company Group is combining management resources and exploring growth opportunities by providing unique value in order to succeed in an extremely competitive environment after going through that difficult period. Specifically, the Company Group is implementing the following measures: making steady progress implementing franchise store support initiatives; strengthening profitability; responding to the spread of COVID-19; advancing financial and digital strategies; and promoting business collaboration with Pan Pacific International Holdings Corporation (PPIH).
 - With respect to the proposed initiatives to be implemented after the Transactions, the Company is a subsidiary of ITOCHU and there might be an issue with respect to whether those initiatives can be implemented under the capital structure as of July 7, 2020, but according to ITOCHU, given the characteristics of the business model of ITOCHU as a trading company, ITOCHU operates in a wide range of business domains and it does not necessarily have the same interests as the Company in each business domain, and both ITOCHU and the Company currently carry out their business operations as independent listed companies, so given that in pursuing close synergies and effective use of the management resources and knowhow between the Company and each other company in the ITOCHU Group, it is necessary to give careful consideration, even taking into account the interests of the minority shareholders of the Company with respect to the objective fairness of that effective use as transactions, there are certain restrictions such as the fact that there is not sufficient information sharing on matters such as the cost structures of both sides or redistribution of personnel and material management resources, and by further promoting the complementary use of each other's management resources and knowhow and agilely making decisions together with the ITOCHU Group, it will become possible to carry out fundamental measures that will lead to medium- to long-term growth of the ITOCHU Group as a whole including the Company, even if that is not directly connected to short-term profits of the Company, and to establish an even stronger alliance.
 - Further, with respect to the reason for implementing the Transactions when the impact of the spread of COVID-19 is not entirely clear, ITOCHU was initially aware before the outbreak of COVID-19 that there was pressure to revise the business model of the convenience store business and that business domains are being eroded by the rapid expansion of e-commerce, but it now believes that the Company needs the support of ITOCHU for a V-shaped recovery from the impact of the spread of COVID-19, and it is necessary to implement the Transactions now because the “digital JV idea” proposed by ITOCHU would be too late if the parties waited until the impact of COVID-19 becomes objectively clear.
 - In response to the proposals by ITOCHU, the management of the Company indicated a view that it believes making the Company private through the Transactions and the subsequent measures will contribute to the improvement of the corporate value of the Company because (i) the retail business model is changing to a business model that will enhance the quality in a limited market, a wealth of personnel and resources of ITOCHU related to the areas of the management department, digital, and overseas expansion will be allocated to the Company as a result of the Company being made private through the Transactions, and the diversification of the personnel and resources of the Company will be a source of growth of the Company, (ii) if the Company is made private through the Transactions, it will make faster decisions, and (iii) some of the initiatives proposed by ITOCHU have already been initiated under the capital structure as of July 7, 2020, but once the Company is made private through the Transactions, it will be able to make management decisions with greater freedom and it will be able to proceed with initiatives with a greater sense of speed.
 - At the same time, the disadvantages of the Transactions are abstract concerns such as lower motivation among employees and franchise stores as a result of the Company becoming private through the Transactions, but according to the management of the Company, it is necessary to consider how employees and franchise stores perceive the Transactions, and the management of the Company believes it is necessary to communicate sufficiently with employees and franchise stores and explain the significance of the Transactions to employees and franchise stores, but

- no other specific disadvantages are particularly expected.
 - Hence, the management of the Company indicated a view that the Transactions and the subsequent initiatives would contribute to the improvement of the corporate value of the Company, and there are no particular unreasonable points in that view, and the special committee also believes that the specific initiatives proposed by ITOCHU with respect to the Transactions will promote the digital strategy of the Company Group and contribute to the Company's overseas expansion, particularly in China, and that will contribute to the improvement of the corporate value of the Company.
- ii. The special committee believes fair procedures from the perspective of ensuring the interests of the general shareholders of the Company are being implemented given that it is recognized that (i) an independent special committee has been established in the Company and that special committee has functioned effectively, (ii) the special committee and the Company have obtained independent expert advice from external experts, (iii) each of the special committee and the Company obtained a stock valuation report from an independent third-party appraisal firm with expertise as a basis for their judgments on the Transactions, (iv) the Company built a structure that excludes directors and other people who have a special interest from discussions and negotiations on the Transactions as much as possible and allows it to have discussions and negotiations from a position that is independent from ITOCHU, (v) a so-called indirect market check is being conducted in the Tender Offer, (vi) it is expected it will be ensured that the general shareholders of the Company will have a chance to make proper decisions in the Tender Offer based on sufficient information, and (vii) practical measures are being taken that are desirable in the Fair M&A Guidelines formulated by the Ministry of Economy, Trade and Industry in June 2019, and coercion has been eliminated.
 Further, even though a majority of minority condition has not been set in the Tender Offer, a lower limit on the number of shares to be purchased has been set so that the Ownership ratio of the Tender Offeror and ITOCHU will be at least 60% if the Tender Offer is successfully completed. Although it is believed that minimum will function as a measure to secure fairness to a certain extent in the sense that the Tender Offer will not be successfully completed without a considerable number of general shareholders tendering their shares, given that reasonable grounds for the number of shares in that minimum cannot be confirmed, it is believed it cannot be said that the setting of that minimum is sufficient in light of the purpose of majority of minority conditions. However, given that other sufficient measures to secure fairness in the Transactions have been taken, even if a majority of minority has not been set, and it cannot be said that the setting of a minimum is sufficient in light of the purpose of majority of minority, it is believed the fairness of the procedures in the Transactions will be prejudiced solely because of the setting of that minimum.
- iii. With respect to the appropriateness of the transaction terms of the Transactions, based on the following points, the purchase method and the type of consideration for the purchase in the Transactions are considered reasonable, but although the Tender Offer Price has a certain level of reasonableness from the perspective of providing the general investors of the Company an opportunity to earn a return on their investments and it cannot be recognized that the Tender Offer Price lacks validity, it is not thought the Tender Offer Price is at a level where the Company can actively recommend that its general shareholders should tender their shares in the Tender Offer.
 - With respect to the method of purchasing in the Transactions, the method of conducting the Tender Offer in the first stage and conducting the Share Consolidation in the second stage is a method that is generally adopted in privatization transactions such as the Transactions. Further, given that ITOCHU and the Company have different businesses and it is possible to avoid the risk of the share price of ITOCHU falling, it is believed the type of consideration for the purchase is reasonable for the general shareholders of the Company to use the method of a two-stage transaction where a tender offer is conducted with cash as consideration in the first stage, and then the Share Consolidation is conducted with fractions processed using cash as the second stage, rather than using a method of a single-stage transaction where the shares of ITOCHU are consideration.
 - It is recognized that there are no particular unreasonable points with respect to the purpose and procedures of the formulation of the business plan of the Company that is the basis for the calculations using the DCF Method in the PwC Stock Valuation Report and the DCF Analysis in the Merrill Lynch Japan Securities Stock Valuation Report or the contents of that business plan.
 - It is not recognized that there are any unreasonable points in the valuation method or the contents of the PwC Stock Valuation Report and the special committee has judged that the PwC Stock Valuation Report is credible, and it is

recognized that although the Tender Offer Price is above the maximum of the range of the results of the valuation using a market share price analysis and a comparable companies analysis in the PwC Stock Valuation Report, it is below the minimum of the range of the results of the valuation using the DCF Method in the PwC Stock Valuation Report.

- It is not recognized that there is any arbitrariness in the valuation method or the contents of the Merrill Lynch Japan Securities Stock Valuation Report and the special committee has judged that the Merrill Lynch Japan Securities Stock Valuation Report is credible, and it is recognized that the Tender Offer Price is above the maximum of the range of the results of the valuation using a market price analysis in the Merrill Lynch Japan Securities Stock Valuation Report and is within the range of the results of the valuation using a trading comparables analysis and the DCF Analysis in the Merrill Lynch Japan Securities Stock Valuation Report.
 - Although the Tender Offer Price is a price with a certain premium on the market price, that premium is below both the average and the median the tender offers for all shares that have been announced in similar transactions (other tender offers with a purchase size of at least 50 billion yen for the purpose of making a company private that have been announced since 2010), and it is not recognized that a sufficient premium has been added in comparison to similar transactions.
 - The special committee has been substantially involved in the process of discussions and negotiations between the Company and ITOCHU with respect to the transaction terms of the Transactions including the Tender Offer Price, and serious negotiations have been conducted after ensuring that the Company has used reasonable efforts with the aim of the Transactions being conducted with transaction terms that are as favorable as possible for the general shareholders, or in other words, there are conditions that can be regarded the same as an arm's-length transaction, but ultimately the Company and ITOCHU did not reach an agreement on the Tender Offer Price.
 - It is believed that the Tender Offer Price is not disadvantageous to the minority shareholders in the sense that a certain premium has been added to the market share price of the Company Shares. Further, in addition to that, the special committee believes that given that the Tender Offer Price is within the range of valuation results obtained using the DCF Analysis in the Merrill Lynch Japan Securities Stock Valuation Report that was prepared by Merrill Lynch Japan Securities that has been approved by the special committee as a third-party appraisal firm independent from the Company and that the special committee has judged to be credible because it has not found any particular unreasonable points in the valuation method or the contents as described above, the Tender Offer Price has a certain level of reasonableness from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments and it cannot be recognized that the Tender Offer Price lacks validity. However, given that the Tender Offer Price is below the minimum of the range of the results of the valuation using the DCF Method in the PwC Stock Valuation Report and that it is not recognized that a sufficient premium has been added to the market share price of the shares of the Company in comparison to similar transactions, it cannot be recognized that the Tender Offer Price is at a level where the Company can actively recommend that its general shareholders should tender their shares in the Tender Offer.
- iv. As explained in i. above, given that it is recognized that the Transactions including the Tender Offer and the subsequent initiatives will contribute to the improvement of the corporate value of the Company, the special committee believes it is reasonable for the board of directors of the Company to endorse the Tender Offer. However, as explained in ii. above, fair procedures to ensure the interests of the general shareholders of the Company are being implemented in the Transactions, and as explained in iii above, it is recognized that the purchase method and the type of consideration for the purchase in the Transactions are reasonable, and, from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments, the Tender Offer Price has a certain level of reasonableness and it cannot be recognized that the Tender Offer Price lacks validity, but given that it cannot be recognized that the Tender Offer Price is at a level where the Company can actively recommend that its general shareholders should tender their shares in the Tender Offer, the board of directors of the Company cannot recommend that the shareholders of the Company tender their shares in the Tender Offer, so it is believed it is appropriate to leave the decision of whether to tender shares in the Tender Offer to the judgement of the shareholders of the Company.
- v. As explained in i. above, it is recognized that the Transactions and the subsequent initiatives will contribute to the improvement of the corporate value of the Company, so it is believed that the decision by the board of directors of the

Company to express an opinion endorsing the Tender Offer would not be disadvantageous to the minority shareholders of the Company. Further, as explained in ii. above, fair procedures are being carried out to secure the interests of the general shareholders in the Transactions, and as explained in iii. above, with respect to the transaction terms of the Transactions, the purchase method and the type of consideration for the purchase are considered reasonable. While it is not believed that the Tender Offer Price is at a level where the Company can actively recommend that its general shareholders should tender their shares in the Tender Offer, the Tender Offer Price has a certain level of reasonableness from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments, and it cannot be recognized that the Tender Offer Price lacks validity from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments, so it is believed that decision by the board of directors of the Company to leave the decision of whether to tender shares in the Tender Offer to the judgment of the shareholders of the Company after disclosure of the grounds therefor instead of actively recommending that the shareholders of the Company tender their shares in the Tender Offer would not be disadvantageous for the minority shareholders of the Company. Further, if the Company is made private after the successful completion of the Tender Offer, the Tender Offeror will make a request to convene the Special Shareholders' Meeting where the Share Consolidation is one of agenda items. It is expected money in an amount equivalent to the Tender Offer Price per share would be delivered to the shareholders other than ITOCHU and the Tender Offeror if a proposal for the Share Consolidation is approved at that Special Shareholders' Meeting. And if the Company receives a request to convene the Special Shareholders' Meeting from the Tender Offeror, it plans on convening the Special Shareholders' Meeting where a shareholders' proposal for the Share Consolidation is one of agenda items in response to that request. Hence, based on the assumption that, among other things, making the Company private after the Tender Offer will be led by the Tender Offeror and the role of the Company will be limited, it is believed that it would not be disadvantageous for the minority shareholders of the Company for the board of directors to make a decision pertaining to making the Company private through the Share Consolidation after the successful completion of the Tender Offer in the Transactions for the reasons, among other things, that as explained in i. above, it is believed that the Transactions and the subsequent measures will contribute to the improvement of the corporate value of the Company, that the amount expected to be delivered to the shareholders at the time of the Share Consolidation would be the same as the Tender Offer Price, and therefore has a certain level of reasonableness from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments and cannot be recognized as an amount that lacks validity, that it would take time and be costly to leave the convocation of the Special Shareholders' Meeting to a decision of a competent court, instead of the Company to convene the Special Shareholders' Meeting in response to a request by the Tender Offeror, which might be against the interests of its minor shareholders, and that it is possible for the shareholders that oppose the Share Consolidation to make a request to the Company to purchase their shares and file a petition with a competent court for a determination of the share price. Further, a lower limit on the number of shares to be purchased has been set in the Tender Offer so that the Ownership ratio of the Tender Offeror and ITOCHU after the Tender Offer will be 60%, so the Company might not be made private even if the Tender Offer is successfully completed. With respect to that point, considering factors such as the attendance rates at past shareholders meetings of the Company, even 60% is effectively nearly two-thirds of the shareholders in attendance, so considering that the shareholders that have not tendered their shares in the Tender Offer may exercise their voting rights to approve the Tender Offer (for example, ITOCHU expects there are ETFs listed on the Tokyo Stock Exchange and passive index funds other than ETFs listed on the Tokyo Stock Exchange that will approve the agenda item of the shareholders meeting for the Share Consolidation even if they do not tender their shares in the Tender Offer), it is believed it is not highly likely the Share Consolidation will not be approved and the Company will not be made private. The special committee therefore believes that it cannot be said that the shareholders of the Company will be put in an extremely unstable position

b. Advice Obtained by the Special Committee from an Independent Legal Advisor

As explained in “a. Establishment of an Independent Special Committee at the Company” above, in order to obtain expert advice on the fairness of the procedures, the special committee appointed Nakamura, Tsunoda & Matsumoto as its legal advisor independent from ITOCHU, Tokyo Century, Zen-Noh, Nochu, and the Company, and obtained legal advice, including advice concerning matters such as measures to be taken to ensure the fairness of the procedures in the Transactions, various procedures of the Transactions, and the method and process of deliberations by the special committee on the Transactions.

Nakamura, Tsunoda & Matsumoto is not a related party of ITOCHU, Tokyo Century, Zen-Noh, Nochu, or the Company and it does not

have any significant interest in relation to the Transactions, including the Tender Offer. For more details on the independence of Nakamura, Tsunoda & Matsumoto, see “a. Establishment of an Independent Special Committee at the Company” above.

- c. Stock Valuation Report Obtained by the Special Committee from an Independent Financial Advisor and Third-Party Appraisal Firm
As explained in “a. Establishment of an Independent Special Committee at the Company”, in order to obtain expert advice and support on matters such as the valuation of the corporate value and price negotiations, the special committee appointed PwC as its financial advisor and third-party appraisal firm independent from ITOCHU, Tokyo Century, Zen-Noh, Nochu, and the Company, and obtained advice from a financial perspective including the policy for negotiations with ITOCHU, and it obtained the PwC Stock Valuation Report dated July 7, 2020.

PwC is not a related party of the Tender Offeror, ITOCHU, Tokyo Century, Zen-Noh, Nochu, or the Company and it does not have any significant interest in relation to the Transactions, including the Tender Offer. For more details on the independence of PwC, see “a. Establishment of an Independent Special Committee at the Company” above.

The descriptions set forth below are summaries of the material financial analyses presented by PwC to the special committee in connection with the above-mentioned PwC Stock Valuation Report. The PwC Stock Valuation Report is based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to PwC as of, the date of the report. It should be understood that subsequent developments may affect the PwC Stock Valuation Report, and PwC does not have any obligation to update, revise, or reaffirm such report.

In order to collect and examine information required for calculating the value of the Company Shares, PwC obtained information and received explanations on the Company’s current business status and forecasted business outlook from the Company’s management, and calculated the value of the Company Shares based on such information, subject to the assumptions set forth in the below (Note) and certain other conditions.

After considering the methodologies to be applied to calculate the value of the Company Shares among the various share valuation methodologies, and based on the premise that the Company was a going concern and from the perspective that it would be appropriate to assess the value of the Company Shares in multiple ways upon consideration of matters such as its financial status and trends in the share price of the Company Shares, PwC calculated the value of the Company Shares using: (a) the market price method as the share has an observable market price; (b) the comparable company method as there were multiple listed companies engaged in businesses similar to that of the Company and it was possible to draw analogies with the market valuations of comparable companies; and, (c) the “DCF Method” for reflecting the status of future business activities in the valuation.

The following is the ranges of values per the Company Shares that were calculated by PwC based on each calculation method set out above.

| | |
|----------------------------|-----------------------|
| Market Price Method: | 1,766 yen – 2,068 yen |
| Comparable Company Method: | 1,694 yen – 2,168 yen |
| DCF Method: | 2,472 yen – 3,040 yen |

In the market price method, July 7, 2020 was set as the valuation reference date, the value of the Company Shares (per share) was calculated to range from 1,766 yen to 2,068 yen (rounded to the nearest yen), based on the closing price as of the reference date (1,766 yen), the simple average closing price for the one month (1,908 yen), three months (1,878 yen) and six months (2,068 yen) up to the reference date for the Company Shares on the First Section of the TSE, respectively.

In the comparable company method, the value of the Company Shares was analyzed through comparison with the share price and financial indicators which show the profitability, etc. of listed companies that operated business relatively similar to the Company’s. The

value of the Company Shares (per share) was calculated to range from 1,694 yen to 2,168 yen, based on the PER compared to Seven & i Holdings Co., Ltd. and Lawson, Inc. as comparable companies, each of which was selected among the listed companies in Japan that engage mainly in the convenience store business, comprehensively taking into account their similarities to the Company in terms of market capitalization, scale of business, business operating area and other factors.

In the DCF Method, the value of the Company Shares (per share) was calculated to range from 2,472 yen to 3,040 yen which results from analyzing the Company's corporate value by discounting to the present value at a certain discount rate the free cash flow that the Company is expected to generate in the second quarter of the fiscal year ending February 2021 and onward based on factors such as its business plans for the period from the second quarter of the fiscal year ending February 2021 to the fiscal year ending February 2025 prepared by the Company, the interview with the Company management and publicly available information. The discount rate (weighted-average cost of capital) adopted was 3.31% to 3.91%, the perpetual growth method was applied in the valuation of the going concern value of the Company and the perpetual growth rate was 0%.

The consolidated financial forecast prepared based on the business plan provided by the Company (the "Consolidated Financial Forecast"), used by PwC as the basis of the DCF Method, is as follows. As for the Consolidated Financial Forecast, the special committee confirmed the content, important assumptions and the reasonableness of the background for preparation thereof, etc., as set out in "a. Establishment of an Independent Special Committee at the Company" above. Please note that as for the business plan based on which the above-mentioned DCF Method was conducted, no substantial increase/decrease in profits is expected. The synergies expected by the Transactions being completed is not reflected in the Consolidated Financial Forecast because it is difficult to specifically estimate those synergies as of the PwC Stock Valuation Report.

(In 100 million Yen)

| | FY ending February 2021 (nine months) | FY ending February 2022 | FY ending February 2023 | FY ending February 2024 | FY ending February 2025 |
|----------------|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Revenue | 3,482 | 4,830 | 5,283 | 5,562 | 5,619 |
| Gross Profit | 480 | 688 | 724 | 724 | 779 |
| EBITDA | 1,882 | 2,466 | 2,520 | 2,543 | 2,606 |
| Free Cash Flow | 345 | 640 | 480 | 696 | 805 |

(Note) In the valuation of the Company Shares, PwC adopted all relevant information received from the Company as is, in principle, and all relevant publicly available information as is, assuming that all of such materials and information, etc. were accurate and complete and that there was no fact that might have a material impact on the valuation of the Company Shares, which has not been disclosed to PwC, etc. and PwC has not independently verified the accuracy and completeness thereof. In addition, PwC has not independently valued or assessed the assets or liabilities (including off-the-book assets and liabilities and other contingent liabilities) of the Company and its affiliates and has not requested a third-party body for the said valuation, estimate or assessment. Furthermore, PwC assumed that the financial projections provided by the Company (including business plans and other information) were prepared by the management of the Company based on the best estimates and judgment as of July 7, 2020. The valuation performed by PwC reflected the information and economic conditions up to July 7, 2020.

d. Advice Obtained by the Company from an Independent Legal Advisor

As explained in “a. Establishment of an Independent Special Committee at the Company” above, in order to obtain expert advice on the fairness of the procedures, the Company appointed Mori Hamada & Matsumoto as its legal advisor independent from the Tender Offeror, ITOCHU, Tokyo Century, Zen-Noh, Nochu, and the Company, and obtained legal advice, including advice concerning matters such as measures to be taken to ensure the fairness of the procedures in the Transactions, various procedures of the Transactions, and the method and process of deliberations by the Company on the Transactions.

Mori Hamada & Matsumoto is not a related party of the Tender Offeror, ITOCHU, Tokyo Century, Zen-Noh, Nochu, or the Company and it does not have any significant interest in relation to the Transactions, including the Tender Offer.

e. Stock Valuation Report Obtained by the Company from an Independent Financial Advisor and Third-Party Appraisal Firm

As explained in “a. Establishment of an Independent Special Committee at the Company” above, in order to obtain expert advice and support on matters such as the valuation of the corporate value and price negotiations, the Company appointed Merrill Lynch Japan Securities as its financial advisor and third-party appraisal firm independent from the Tender Offeror, ITOCHU, Tokyo Century, Zen-Noh, Nochu, and the Company and obtained advice from a financial perspective, and it obtained the Merrill Lynch Japan Securities Stock Valuation Report dated July 8, 2020.

Merrill Lynch Japan Securities is not a related party of the Tender Offeror, ITOCHU, Tokyo Century, Zen-Noh, Nochu, or the Company and it does not have any significant interest in relation to the Transactions, including the Tender Offer

The descriptions set forth below are summaries of the material financial analyses presented by Merrill Lynch Japan Securities to the board of directors of the Company in connection with the above-mentioned Merrill Lynch Japan Securities Stock Valuation Report. The Merrill Lynch Japan Securities Stock Valuation Report is based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to Merrill Lynch Japan Securities as of, the date of the report. It should be understood that subsequent developments may affect the Merrill Lynch Japan Securities Stock Valuation Report, and Merrill Lynch Japan Securities does not have any obligation to update, revise, or reaffirm such report.

After considering the various valuation methods of the equity value of the Company Shares, Merrill Lynch Japan Securities assessed the equity value of the Company Shares using (i) the market price analysis because the Company Shares are listed on the First Section of the Tokyo Stock Exchange, (ii) the trading comparables analysis because there are numerous listed companies comparable to the Company and it is possible to value the Company Shares by comparing with such comparables, and (iii) the discounted cash flow method (the “DCF Analysis”) so as to reflect in the evaluation the status of future business activities, subject to the condition precedent set forth below (Note) and certain other conditions, based on the premise that the Company is a going concern and from the perspective that it would be appropriate to assess the share value of the Company Shares in multiple ways. According to Merrill Lynch Japan Securities, the methods used, and the corresponding ranges of per-share price of the Company Shares evaluated by such methods, are as follows. For assumptions, points of attention, etc. in the preparation of the Merrill Lynch Japan Securities Stock Valuation Report and the underlying valuation analysis therefor, please refer to the (Note) below.

| | |
|------------------------|-----------------------|
| Market Price Analysis: | 1,766 yen – 2,068 yen |
|------------------------|-----------------------|

| | |
|-------------------------------|-----------------------|
| Trading Comparables Analysis: | 1,824 yen – 2,922 yen |
|-------------------------------|-----------------------|

| | |
|---------------|-----------------------|
| DCF Analysis: | 2,054 yen – 3,432 yen |
|---------------|-----------------------|

Under the market price analysis, July 7, 2020 was set as the valuation reference date, the per-share price of the Company Shares was assessed to range from 1,766 yen to 2,068 yen, based on the closing price on the reference date (1,766 yen), the simple average closing price for the most recent one month period (1,908 yen), the simple average closing price for the most recent three month period (1,878 yen) and the simple average closing price for the most recent six month period (2,068 yen) of the Company Shares on the First Section

of the Tokyo Stock Exchange.

Under the trading comparables analysis, the Company's share value was analyzed via comparison with market share prices and financial indices indicating profitability, etc. of various listed companies engaged in relatively similar, albeit not completely identical, businesses to those of the Company, selected for the purpose of analysis. The per share value of the Company Shares was assessed to range from 1,824 yen to 2,922 yen, based on the ratio of PER to the equity value compared to Seven & i Holdings Co., Ltd., Lawson, Inc., Nitori Holdings Co., Ltd., Pan Pacific International Holdings Corporation, Welcia Holdings Co., Ltd. and Tsuruha Holdings Inc., each of which is deemed to be a listed company having similarities to the Company, and was selected after comprehensively taking into consideration the market capitalization and the scale of business, the similarities of areas in which the Company has operations and business structure and other factors

Under the DCF Analysis, the per-share value of the Company Shares was evaluated to range from 2,054 yen to 3,432 yen, after analyzing the enterprise value and the equity value of the Company based on the financial forecast from the second quarter ended February 2021 to the fiscal year ending February 2025 (including the free cash flow) prepared by the Company, by discounting such free cash flow to the present value at a certain discount rate. Please note that the discount rate (weighted average cost of capital) adopted, which was analyzed based on the CAPM (Capital Asset Pricing Model) theory generally used in share price valuation practice, is 3.25% to 4.00% as to the core business and 3.25% to 4.00% as to the FamilyMart business in Taiwan. The perpetual growth rate method is adopted for the evaluation of the going concern value, and the ratio of -0.25% to 0.25% and 1.50% to 2.00% are adopted as the perpetual growth rate as to the core business and the FamilyMart business in Taiwan, respectively, under the perpetual growth rate method after consultation and confirmation with the Company.

The Consolidated Financial Forecast, used by Merrill Lynch Japan Securities as the basis of the DCF Analysis, is as stated in“(ii) Outline of Valuation” in “c. Stock Valuation Report Obtained by the Special Committee from an Independent Financial Advisor and Third-Party Appraisal Firm” above.

(Note) The above-mentioned Merrill Lynch Japan Securities Stock Valuation Report has been delivered solely for the use and benefit of the board of directors of the Company in its capacity as such in connection with and for purposes of its evaluation of the Tender Offer Price from a financial point of view. The Merrill Lynch Japan Securities Stock Valuation Report does not express any opinion or view with respect to any consideration received in connection with the Transactions by the holders of any class of securities, creditors or other constituencies of any party. The Merrill Lynch Japan Securities Stock Valuation Report does not express any opinion or view as to the fairness of the Tender Offer Price or as to any terms or other aspects or implications of the Transactions, including, without limitation, the form or structure of the Transactions or any terms or other aspects or implications of any other agreement, arrangement or understanding entered into in connection with or related to the Transactions or otherwise. Furthermore, Merrill Lynch Japan Securities does not express any opinion or view as to the relative merits of the Transactions in comparison to other strategies or transactions that might be available to the Company or in which the Company might engage or as to the underlying business decision of the Company to proceed with or effect the Transactions. In addition, Merrill Lynch Japan Securities does not express any opinion or recommendation to any stockholder of the Company as to whether to tender their Company's shares in the Tender Offer or how to vote or act in connection with the Transactions or any related matter. Moreover, Merrill Lynch Japan Securities also does not express any opinion or view with respect to, and have relied, with the consent of the Company, upon the assessments of the Company regarding legal, regulatory, accounting, tax and similar matters relating to the Company or any other entity and the Transactions (including the contemplated benefits thereof). In addition, Merrill Lynch Japan Securities is not expressing any opinion or view with respect to, and have relied, with the consent of the Company, upon the assessments of the Company, regarding the proposed transaction in which the Company will dispose of certain of its interest in Taiwan FamilyMart Co., Ltd. (the “Taiwan FM Transaction”). In addition, Merrill Lynch Japan Securities does not express any opinion or view with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Transactions, or class of such persons, relative to the Tender Offer Price or otherwise. The Merrill Lynch Japan Securities Stock Valuation Report does not express any opinion as to the prices at which the Company Shares will be traded at any time, including following the announcement or consummation of the Transactions.

In preparing the Merrill Lynch Japan Securities Stock Valuation Report and conducting its underlying valuation analysis, Merrill Lynch Japan Securities reviewed certain publicly available information concerning the business and financial matters of the Company, as well as the business and financial information inside the Company (including the Consolidated Financial Forecast) which was either provided by the management of the Company to Merrill Lynch Japan Securities or with which

Merrill Lynch Japan Securities discussed with the management of the Company. Merrill Lynch Japan Securities has assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Merrill Lynch Japan Securities and has relied upon the assurances of the management of the Company that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. Further, with respect to the Consolidated Financial Forecast, Merrill Lynch Japan Securities has been advised by the Company, and has assumed, with the consent of the Company, that it has been reasonably prepared on bases reflecting the best estimates available as of the date of the Merrill Lynch Japan Securities Stock Valuation Report and good faith judgments of the management of the Company as to the future financial performance of the Company. In particular, with respect to the Taiwan FM Transaction, Merrill Lynch Japan Securities has relied on the information provided by the Company to Merrill Lynch Japan Securities as to the impact of such transaction to the Company for purposes of the Merrill Lynch Japan Securities Stock Valuation Report. The Merrill Lynch Japan Securities Stock Valuation Report is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to Merrill Lynch Japan Securities as of, the date of the report (except as otherwise stated in the analysis). The credit, financial and stock markets have been experiencing unusual volatility and Merrill Lynch Japan Securities expresses no opinion or view as to any potential effects of such volatility on the Company, the Tender Offeror or the Transactions. It should be understood that subsequent developments may affect the Merrill Lynch Japan Securities Stock Valuation Report, and Merrill Lynch Japan Securities does not have any obligation to update, revise, or reaffirm such report.

As noted above, the descriptions of the analyses conducted by Merrill Lynch Japan Securities set forth above are summaries of the material financial analyses presented by Merrill Lynch Japan Securities to the board of directors of the Company in connection with the above-mentioned Merrill Lynch Japan Securities Stock Valuation Report and are not comprehensive descriptions of all analyses undertaken by Merrill Lynch Japan Securities in connection with such report. The preparation of the Merrill Lynch Japan Securities Stock Valuation Report and its underlying analysis is a complex analytical process involving various judgments about the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances; therefore, it is not necessarily advisable to describe only a part of the results or summary of the analysis. Merrill Lynch Japan Securities believes that its analyses must be considered holistically. Merrill Lynch Japan Securities further believes that selecting portions of its analyses and the factors considered or focusing on any information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying Merrill Lynch Japan Securities' analysis and the opinion. The fact that any specific analysis has been referred to in the summary set out above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in such summary.

In performing its analyses, Merrill Lynch Japan Securities considered industry performance, general business and economic conditions, and other matters, many of which are beyond the control of the Tender Offeror and the Company. The estimates of the future performance of the Company based on which Merrill Lynch Japan Securities' analyses were made are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than such estimates. Merrill Lynch Japan Securities' analyses were performed solely as part of its analysis contained in the Merrill Lynch Japan Securities Stock Valuation Report and were provided to the board of directors of the Company in connection with the delivery of such report. Merrill Lynch Japan Securities' analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have been traded or may be traded at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be Merrill Lynch Japan Securities' view of the actual value of the Company.

The Tender Offer Price was determined through negotiations between the Tender Offeror and the Company (or the special committee), rather than by any financial advisor, and was approved by the board of directors of the Company. The determination to express its opinion to support the Tender Offer was made solely by the board of directors of the Company. As described above, the Merrill Lynch Japan Securities Stock Valuation Report was only one of many factors considered by the board of directors of the Company in its evaluation of the Transactions and should not be viewed as determinative of the views of the board of directors or the management of the Company with respect to the Transactions or the Tender Offer Price.

Merrill Lynch Japan Securities has not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Company or any other entity, nor has it made any physical inspection of the properties or assets of the Company or any other entity. Merrill Lynch Japan Securities has not evaluated the solvency or fair value of the Company or any other entity under any state, federal or other laws or regulations relating to bankruptcy, insolvency or similar matters.

Merrill Lynch Japan Securities has acted as financial advisor to the Company in connection with the Transactions and will receive a fee for its services, substantial portion of which is contingent upon consummation of the Transactions. In addition, the Company has agreed to reimburse expenses incurred in connection with, and indemnify Merrill Lynch Japan Securities against, certain liabilities arising out of the engagement.

Merrill Lynch Japan Securities and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of its businesses, Merrill Lynch Japan Securities and its affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of the Tender Offeror, the Company and certain of their respective affiliates.

Merrill Lynch Japan Securities and its affiliates in the past (including as of the date of the Merrill Lynch Japan Securities Stock Valuation Report) have provided, and may provide after such date, investment banking, commercial banking and other financial services to the Company and its affiliates and have received or after such date may receive compensation for the rendering of such services. In addition, Merrill Lynch Japan Securities and its affiliates in the past (including as of the date of the Merrill Lynch Japan Securities Stock Valuation Report) have provided and may provide after such date, investment banking, commercial banking and other financial services to the Tender Offeror and its affiliates and have received or after such date may receive compensation for the rendering of these services.

Merrill Lynch Japan Securities does not provide any legal, accounting or tax-related advice.

f. f. Structure of the Independent System for Deliberation at the Company

The Company internally established a system for deliberations, negotiations, and decisions on the Transactions from a position independent of the Tender Offeror. Specifically, immediately after the Company received an initial proposal from ITOCHU on February 17, 2020 about commencing deliberations about the Company going private, in the process of negotiations between the Company and ITOCHU on the transaction terms of the Transactions including the Tender Offer Price and the process of preparing a business plan that is to be the basis for the valuation of the Company Shares, from the perspective of eliminating the issue of structural conflicts of interest, it has been decided that, apart from the involvement of Director Mikio Nishiwaki, who used to work at ITOCHU, and several people seconded from ITOCHU who were necessary in the process of preparing the business plan, not only are officers and employees of the Company who currently concurrently serve as officers and employees of companies of the ITOCHU Group not involved in that process, but officers and employees of the Company who were officers and employees of companies in the ITOCHU Group in the past are also not involved. It has also been decided that even people seconded from ITOCHU who were involved in the formulation of the business plan are not to be involved in the process of negotiations on the transaction terms of the Transactions, and that treatment is continuing. Specifically, at the time of deliberations on the Transactions, in addition to Director Toshio Kato, Director Naomichi Tsukamoto, and Director Jun Takahashi, who are independent from the ITOCHU Group, Director Mikio Nishiwaki, who transferred from the ITOCHU Group more than two years ago, is involved as a director in charge of negotiations. The approval of the special committee has been obtained with respect to the fact that there is no problem from the perspective of independence with the system for deliberation of the Transactions built internally in the Company, including that treatment (including the scope and duties of the officers and employees of the Company involved in deliberations, negotiations, and decisions on the Transactions).

Further, of the directors of the Company, Director Mikio Nishiwaki worked at ITOCHU from the time he joined ITOCHU in 1982 until

2018, but given that Director Mikio Nishiwaki is currently in the position of General Manager of the Finance & Accounting Division of the Company, he is familiar with quantitative deliberations at the Company, and he is essential for the formulation of the Company's business plan and the calculation of the Company's corporate value based on that business plan, Director Mikio Nishiwaki is participating in deliberations on the Transactions including attending meetings of the special committee on the condition that full attention is given in checks of the directors in charge of negotiating and in monitoring by the special committee so that the role of Director Mikio Nishiwaki in the negotiations with ITOCHU will be limited as much as possible in a form in which he is involved only in formulating the business plan necessary for negotiations instead of direct negotiations with ITOCHU in light of the fact that the independent special committee was established and measures are being taken to secure fairness.

- g. Approval of all Directors who do not have an Interest in the Company and Opinion by all Corporate Auditors who do not have an Interest that there is no Objection

The board of directors of the Company carefully discussed and deliberated on whether the Transactions including the Tender Offer will contribute to the improvement of the corporate value of the Company and whether the transaction terms pertaining to the Transactions including the Tender Offer Price are appropriate (i) based on (a) legal advice received from Mori Hamada & Matsumoto, (b) advice from a financial perspective from Merrill Lynch Japan Securities and the contents of the Merrill Lynch Japan Securities Stock Valuation Report, and (c) the contents of the PwC Stock Valuation Report submitted to the Company through the special committee and (ii) while giving maximum respect to the decisions of the special committee indicated in the Report.

Consequently, the Company judged that (i) the Transactions including the Tender Offer will contribute to the corporate value of the Company but (ii) although the Tender Offer Price of 2,300 yen has a certain level of reasonableness from the perspective of providing the general shareholders of the Company an opportunity to earn a return on their investments and it cannot be recognized that the Tender Offer Price lacks validity, the Tender Offer Price is not at a level where the Company can actively recommend that its general shareholders should tender their shares in the Tender Offer.

Of the 12 directors of the Company, Director Koji Takayanagi, Director Isao Kubo, and Director Mikio Nishiwaki used to work at ITOCHU, and even though more than 20 years have passed since Director Takashi Sawada worked at ITOCHU, he was in the position of an employee of ITOCHU in the past, so from the perspective of eliminating as much as possible the likelihood that the Transactions will be affected by the issue of structural conflicts of interest, the above resolutions were passed at the above meeting of the board of directors held today with the unanimous approval of the directors after deliberations among the eight directors excluding Director Koji Takayanagi, Director Isao Kubo, Director Mikio Nishiwaki, and Director Takashi Sawada.

Further, all of the corporate auditors who attended the above board of directors meeting (of the four corporate auditors, three corporate auditors attended that meeting (two of those corporate auditors are outside corporate auditors)) expressed an opinion that they have no objection to the above resolutions.

Further, from the perspective of eliminating as much as possible the likelihood that the Transactions will be affected by the issue of structural conflicts of interest, Director Koji Takayanagi, Director Isao Kubo, Director Mikio Nishiwaki, and Director Takashi Sawada are not participating in deliberations and resolutions at the board of directors meetings of the Company on the Transactions including the above board of directors meeting held today, and Director Koji Takayanagi, Director Isao Kubo, and Director Takashi Sawada are not participating in deliberations on the Transactions in the position of the Company or discussions and negotiations with ITOCHU on the Transactions. Further, as explained "f. Structure of the Independent System for Deliberation at the Company" above, Director Mikio Nishiwaki worked at ITOCHU from the time he joined ITOCHU in 1982 until the time he joined the Company in 2018, but given that Director Mikio Nishiwaki is currently in the position of General Manager of the Finance & Accounting Division of the Company, he is familiar with quantitative deliberations at the Company, and he is essential for the formulation of the Company's business plan and the calculation of the Company's corporate value based on that business plan, Director Mikio Nishiwaki is participating in deliberations on the Transactions on the condition that full attention is given in checks of the directors in charge of negotiating and in monitoring by the special committee so that the role of Director Mikio Nishiwaki in the negotiations with ITOCHU will be limited as much as possible in a form in which he is involved only in formulating the business plan necessary for negotiations instead of direct negotiations with ITOCHU in light of the fact that the independent special committee was established and measures are being taken to secure fairness.

Further, Kunihiro Nakade, who is a corporate auditor of the Company, used to work at ITOCHU, so he has not participated whatsoever

in the above deliberations of the board of directors and he has refrained from stating an opinion on the above resolutions of the board of directors.

■ Procedures after receiving a document regarding a request for the convocation of an extraordinary shareholders meeting

After the Company received a document regarding a request for the convocation of an extraordinary shareholders meeting from ITOCHU, it carefully discussed and deliberated on the contents of the opinion expressed with respect to the Share Consolidation in light of legal advice received from Mori Hamada & Matsumoto.

Further, the Company gave a report to the special committee on the contents of that request and the contents of the opinion expressed by the board of directors of the Company regarding the Share Consolidation, and as stated in the contents of the report set out in “a. Establishment of an independent special committee at the company” above, the Company obtained an opinion from the special committee that given that it is believed it would not be disadvantageous to the minority shareholders of the Company for the board of directors of the Company to make a decision on making the Company private through the Share Consolidation after the successful completion of the Tender Offer on the assumption that will be done following the methods expected in the Transactions, considering the results of the Tender Offer and the contents of the request from ITOCHU for the convocation of an extraordinary shareholders meeting, it is believed that it would not be disadvantageous to the minority shareholders of the Company for the board of directors of the Company (i) to convene an extraordinary shareholders meeting, in response to that request, whose agenda items include a share consolidation etc., as the shareholder’s proposals and (ii) to express that the Company endorses making the Company private through the Share Consolidation but takes a neutral position regarding whether to approve the Proposals and leave that to the discretion of the shareholders as the opinion of the board of directors of the Company on the shareholder’s proposals based on the fact that the Tender Offer in the Transaction was successfully completed. Following that, all of the directors of the Company that participated in deliberations and resolutions at the meeting of the board of directors of the Company held on September 10, 2020 approved that the Company would endorse making the Company private through the Share Consolidation in light of the fact that the Tender Offer in the Transaction was successfully completed, but the Company would take a neutral position regarding whether to approve the Proposals and left that to the discretion of the shareholders.

Further, of the 12 directors of the Company, Director Koji Takayanagi, Director Isao Kubo, and Director Mikio Nishiwaki used to work at ITOCHU, and even though more than 20 years have passed since Director Takashi Sawada worked at ITOCHU, he was in the position of an employee of ITOCHU in the past, so from the perspective of eliminating as much as possible the likelihood that the Transactions will be affected by the issue of structural conflicts of interest, the above resolutions were passed at the meeting of the board of directors held on September 10, 2020 with the unanimous approval of the directors after deliberations among the eight directors excluding Director Koji Takayanagi, Director Isao Kubo, Director Mikio Nishiwaki, and Director Takashi Sawada.

Further, all of the corporate auditors who attended the above board of directors meeting (of the four corporate auditors, three corporate auditors attended that meeting (two of those corporate auditors are outside corporate auditors)) expressed an opinion that they have no objection to the above resolutions.

■ Disposition of important property, burden of major obligations, or any other event that has material impact on the status of Company property that occurred after the last day of the final business year

- (i) The Tender Offer
As explained in “(1) Purpose and Grounds for the Share Consolidation” above, ITOCHU and the Tender Offeror conducted the Tender Offer with a tender offer period from July 9, 2020 to August 24, 2020, and as a result, ITOCHU and the Tender Offeror came to own a total of 332,568,668 shares of the Company Shares (Ownership ratio : 65.71%) on August 28, 2020 (the commencement date of the settlement of the Tender Offer).
- (ii) Cancellation of treasury shares
The Company passed a resolution at the board of directors meeting held today to cancel 762,584 treasury shares on November 16, 2020.
The cancellation of those treasury shares is conditioned on the approval of the proposal regarding the Share Consolidation as proposed at the Extraordinary Shareholders Meeting, and the total number of issued shares of the Company after the cancellation will be 506,086,668 shares.

(iii) Partial transfer of shares involving a change to a subsidiary

On July 8, 2020, the Company decided to transfer 5% of the shares of Taiwan FamilyMart Co., Ltd., which is a subsidiary of the Company, to Pan Pacific International Holdings Corporation (“PPIH”) or a joint venture that is newly established by a subsidiary of a subsidiary of PPIH and the Company, and the Company executed a memorandum of understanding with PPIH.

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