

November 7, 2023

For immediate release

Company Name	CMIC Holdings
Name of Representative	Kazuo Nakamura, Representative Director and CEO (Stock code: 2309, TSE Prime Market)
Contact	Wataru Mochizuki, Director and CFO (Telephone: +81-3-6799-8000)

Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares

The Company resolved at its board of directors meeting held on November 7, 2023 to endorse the tender offer (the “Tender Offer”) for the common shares of the Company (the “Company Shares”) conducted by Hokuto Management Co., Ltd. (the “Tender Offeror”) as follows as part of a management buyout (MBO – see Note), and to recommend that the shareholders of the Company tender shares in the Tender Offer.

That resolution of the board of directors was adopted on the premise that the Company Shares will be delisted following the Tender Offer and subsequent procedures.

Note: A “management buyout” (MBO) generally refers to a transaction in which the management of the target company contributes all or part of the funds used to acquire shares of the target company on the premise that the target company will continue to operate.

1. Outline of the Tender Offeror

(1) Name	Hokuto Management Co., Ltd.
(2) Address	10060 Kobuchizawa-cho, Hokuto-shi, Yamanashi
(3) Job title and name of representative	Kazuo Nakamura, Representative Director
(4) Description of business	Acquisition and ownership of the Company Shares, etc.
(5) Stated capital	100,000 yen
(6) Date of establishment	October 2, 2023
(7) Major shareholders and shareholding ratios	SORA Corporation 100%
(8) Relationship between the Company and the tender offeror	

Capital relationship	Not applicable. Mr. Kazuo Nakamura (“Mr. Nakamura”), the representative director of the Tender Offeror, holds 565,638 Company Shares as of today (including 18 Company Shares held indirectly through cumulative stock investment (rounded down to the nearest whole share) and 2,400 Company Shares granted as restricted share awards; ownership ratio (see Note): 3.32%).
Personnel relationship	Mr. Nakamura, the representative director of the Tender Offeror, currently serves as representative director, chairman and CEO of the Company.
Transactional relationship	Not applicable.
Status as a related party	Because Mr. Nakamura, the representative director, chairman and CEO of the Company, holds all voting rights in the Tender Offeror, the Tender Offeror is a related party of the Company.

Note: “Ownership ratio” means the percentage (rounded to two decimal places) of the difference (17,042,645 shares) of the total number of issued shares of the Company (18,923,569 shares) as of September 30, 2023, as stated in the “Consolidated Financial Results for the Fiscal Year Ending September 2023” published by the Company on November 7, 2023 (the “Financial Results”), less the number of treasury shares held by the Company (1,880,924 shares) as of that date (the Company Shares owned by the Company’s employee stock ownership plan (J-ESOP) as of that date (158,000 shares) are recorded as treasury shares in the Company’s financial results, but are not included in the number of treasury shares (1,880,924 shares) because the Tender Offeror plans to acquire those shares through the Tender Offer).

2. Price of Purchase, etc.

2,650 yen per common share (the “Tender Offer Price”).

3. Details of and Grounds and Reasons for the Opinion on the Tender Offer

(1) Details of the Opinion

The Company resolved at its board of directors meeting held on November 7, 2023 to endorse the Tender Offer, and to recommend that the shareholders of the Company tender shares in the Tender Offer, based on the grounds and reasons stated in “(2) Grounds and Reasons for the Opinion” below.

The board of directors resolution was conducted as described in “(e) Approval of All Disinterested Directors of the Company and Opinion of Auditors of the Company That They Have No Objections” in “(6) Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.

(2) Grounds and Reasons for the Opinion

Statements in “(2) Grounds and Reasons for the Opinion” that relate to the Tender Offeror are based on explanations received from the Tender Offeror.

(a) Overview of Tender Offer

Tender Offeror is a stock company (*kabushiki kaisha*) established on October 2, 2023 by Mr. Nakamura, the representative director, chairman and CEO, and fifth-largest shareholder of the Company (as of March 31, 2023), with the main purpose of acquiring and holding Company Shares on the Tokyo Stock Exchange (“TSE”) Prime Market through the Tender Offer. SORA Co., Ltd. (“SORA”), of which Mr. Nakamura is the representative director and sole shareholder as of today, holds all of the shares of the Tender Offeror, and Mr. Nakamura is the representative director of the Tender Offeror. The Tender Offeror holds no Company Shares as of today.

The Tender Offeror determined on November 7, 2023 to conduct the Tender Offer as part of a series of transactions (the “Transactions”) to acquire all of the Company Shares listed on the TSE Prime Market (excluding treasury shares held by the Company and the Non-Tendered Shares defined below), delist the Company Shares, and make the Tender Offeror, Artemis Co., Ltd. (“Artemis”; the asset management company of Mr. Nakamura and his relatives within the first degree of kinship, which is the largest shareholder of the Company; number of shares held: 4,022,200; ownership ratio 23.60%), and Keith Japan Co., Ltd. (“Keith Japan”; the asset management company of Mr. Nakamura and his relatives within the first degree of kinship, which is the second largest shareholder of the Company; number of shares held: 3,552,240; ownership ratio 20.84%) the sole shareholders of the Company. The Transactions constitute a management buyout (“MBO”), and Mr. Nakamura, who is the representative director, chairman, and CEO of the Company, and his spouse Keiko Oishi (legal name Keiko Nakamura), who is the representative director, president and COO of the Company (“Ms. Oishi”; number of shares held: 154,047 (including 47 Company Shares held indirectly through cumulative stock investment (rounded down to the nearest whole share) and 1,900 Company Shares granted as restricted share awards); ownership ratio: 0.90%) will continue to manage the Company after the Transactions. As of today, the Tender Offeror has not reached an agreement with the other directors, statutory auditors or officers of the Company regarding their appointment after the Tender Offer.

On November 7, 2023, the Tender Offeror entered into tender offer agreements with Artemis and Keith Japan (the “Tender Offer Agreements”), agreeing with Artemis to the effect that Artemis will tender 1,862,200 shares (ownership ratio: 10.93%) of the Company Shares it holds (4,022,200 shares; ownership ratio: 23.60%) in the Tender Offer, and not tender the remaining 2,160,000 shares (ownership ratio: 12.67%), and with Keith Japan to the effect that Keith Japan will tender 1,392,240 shares (ownership ratio: 8.17%) of the Company Shares it holds (3,552,240 shares; ownership ratio: 20.84%) in the Tender Offer, and not tender the remaining 2,160,000 shares (ownership ratio: 12.67%). The Company Shares that Artemis and Keith Japan have agreed not to tender (the “Non-Tendered Shares”) total 4,320,000 shares (ownership ratio: 25.35%), and the Company Shares that Artemis and Keith Japan have agreed to tender total 3,254,440 shares (ownership ratio: 19.10%). For details of the Tender Offer Agreements, see “4. Matters Concerning Important Agreements Relating to the Tender Offer” below.

Meanwhile, the Tender Offeror confirmed in writing on November 7, 2023 that (a) Mr. Nakamura intends to tender 563,220 Company Shares (ownership ratio: 3.30%) in the Tender Offer, representing the Company Shares that he holds (565,638 shares) except for Company Shares held indirectly through cumulative stock investment (18 shares) and Company Shares

granted as restricted share awards (2,400 shares), and (b) Ms. Oishi intends to tender 152,100 Company Shares (ownership ratio: 0.89%) in the Tender Offer, representing the Company Shares that she holds (154,047 shares) except for Company Shares held indirectly through cumulative stock investment (47 shares) and Company Shares granted as restricted share awards (1,900 shares).

The Tender Offeror has set the minimum number of shares to be purchased through the Tender Offer at 7,037,500 shares (ownership ratio: 41.29%), and the Tender Offeror will not purchase any of the share certificates, etc. tendered in the Tender Offer (the “Tendered Share Certificates, Etc.”) if the aggregate number of the Tendered Share Certificates, Etc. is less than the minimum number of shares to be purchased (7,037,500 shares). Because the objective of the Tender Offer is to delist the Company Shares, the Tender Offeror has not set a maximum number of shares to be purchased, and the Tender Offeror will purchase all of the Tendered Share Certificates, Etc. if the aggregate number of the Tendered Share Certificates, Etc. is equal to or greater than the minimum number of shares to be purchased. The number of shares to be purchased is the product (7,037,500 shares) of the difference (70,375 voting rights) of two-thirds (113,618 voting rights, rounded up to the nearest whole number) of the number of voting rights (170,426 voting rights) corresponding to the difference (17,042,645 shares) of the total number of issued shares as of September 30, 2023 as stated in the Financial Results (18,923,569 shares) less the number of treasury shares held by the Company as of that date (1,880,924 shares) less the number of voting rights (43,300 voting rights) corresponding to the Non-Tendered Shares (4,320,000 shares) and the number of voting rights (43 voting rights) corresponding to the Company Shares granted as restricted share awards to Mr. Nakamura and Ms. Oishi (4,300 shares) multiplied by 100. The reason for setting a minimum number of shares to be purchased is to ensure that the Transactions are completed by causing the Tender Offeror, Artemis, and Keith Japan, and Mr. Nakamura and Ms. Oishi, to hold two thirds of the voting rights of all shareholders of the Company after the successful completion of the Tender Offer, which is necessary because the Tender Offeror is conducting the Tender Offer with the objective of delisting the Company Shares, and a special resolution of the shareholder meeting will be required pursuant to Article 309, Paragraph 2 of the Companies Act (Act No. 86 of 2005, as amended; the “Companies Act”) when conducting the share consolidation procedures described in “(4) Policy on Reorganization, etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)” below.

If the Tender Offeror is unable to acquire all of the Company Shares (excluding treasury shares held by the Company and the Non-Tendered Shares) through the Tender Offer despite the successful completion of the Tender Offer, it intends to conduct the procedures described in “(4) Policy on Reorganization, etc. after the Tender Offer (Matters Relating to the So-Called Two-Step Acquisition)” below (the “Squeeze-Out Procedures”) after the Tender Offer in order to make the Tender Offeror, Artemis, and Keith Japan the sole shareholders of the Company.

If the Tender Offer is successfully completed, the Tender Offeror will receive an equity interest of up to 1,000 million yen through the subscription of common shares of the Tender Offeror by SORA at least four business days before the date of commencement of settlement, and finance the balance of the settlement of the Tender Offer through borrowings (the “Bank Financing”) totaling up to 37,387 million yen from Sumitomo Mitsui Banking Corporation (“SMBC”) and Mizuho Bank, Ltd. (“Mizuho Bank”) at least one business day before the date of commencement of settlement. The details of the loan conditions for the Bank Financing are to be determined in the loan agreements for the Bank Financing following separate

consultation with SMBC and Mizuho Bank. The Company Shares to be acquired by the Tender Offeror through the Transactions will be pledged as collateral under the loan agreements for the Bank Financing, and certain other assets of the Company will be pledged as collateral after the completion of the Squeeze-Out Procedures.

- (b) Background, Purpose, and Decision-Making Process of the Tender Offeror's Decision to Implement the Tender Offer, and Post-Tender Offer Management Policy
- (i) Background, Purpose, and Decision-Making Process of the Tender Offeror's Decision to Implement the Tender Offer

The Company was established as CMIC Corporation in March 1985 to provide data management services for clinical trials (see Note 1) of pharmaceutical products, and in April 1992, it started full-scale operations as Japan's first CRO (contract research organization; see Note 2). In January 2012, the Company shifted to a holding company structure and transferred its CRO business to a wholly owned subsidiary called CMIC Corporation through a company split, while the Company changed its trade name to CMIC Holdings Co., Ltd. The Company registered its shares on the OTC market of the Japan Securities Dealers' Association in June 2002, was listed on the Second Section of the TSE in June 2004, and was designated to the First Section of the TSE in September 2005, and its listing moved to the TSE Prime Market following the TSE's market restructuring in April 2022.

Note 1: Clinical trial: A study conducted as part of the drug development process to examine the efficacy and safety of a drug in humans.

Note 2: CRO: Contract research organization. Mainly refers to an organization that performs some or almost all of the work related to clinical trials on behalf of pharmaceutical companies.

As of today, the Company's group comprises the Company and its 24 consolidated subsidiaries and three equity method affiliates, a total of 28 companies (collectively, the "Group") With its unique pharmaceutical value creator (PVC) business model, which comprehensively supports the value chain of pharmaceutical companies, as a foundation for sustainable growth, the Group aims to transition toward a personal health value creator (PHVC) business model, which will "maximize the health value of each individual." In addition to strengthening drug development through new drug discovery platform technologies and enhancing its response to digitalization, the Company intends to expand its business domains into the healthcare field and enhance the Group's management infrastructure for sustainable growth by providing total care support for diseases from prevention through diagnosis, treatment, and prognosis, toward explosive growth in the future.

The Group's business is divided into two segments: Pharmaceutical Solutions, which collaborates laterally to develop the PVC model, and Healthcare Solutions, which contributes to the health of individuals through medical institutions, local governments, and the like. The business of each segment is described below.

Pharmaceutical Solutions

- CRO business: Comprehensively supports research and development for disease

prevention and treatment, from consulting through strategy development, non-clinical and clinical trials, data analysis, and regulatory filings. Specifically, we have locations in 13 countries in the Asia-Pacific region, mainly in Japan, and through collaboration with medical institutions and key opinion leaders in each country, we provide consulting services from development through approval application and market launch for pharmaceuticals, regenerative medicine products, and medical devices in all disease areas, especially cancers and central nervous system diseases, and provide analytical chemistry services for pharmaceutical quality assurance and pharmacokinetics, non-clinical and clinical trials to confirm the efficacy and safety of candidate substances, post-marketing surveillance (PMS), clinical research, and other support services.

- CDMO business (see Note 3): Comprehensively supports the development and manufacture of drug formulations and biopharmaceutical drug substances, from investigational drugs to commercial products. Specifically, we have a total of six manufacturing sites (four in Japan and two overseas) at which we develop biopharmaceutical drug substances, from formulation studies through manufacturing investigational drugs and commercial production, for almost all dosage forms including solid, semi-solid, and injectable formulations.

Note 3: CDMO: Contract development and manufacturing organization. An organization that is commissioned to develop and manufacture pharmaceuticals and related products.

- Market Solutions business: Provides medical affairs (optimizing the medical value of products by creating and providing necessary information to physicians and other healthcare professionals based on medical or scientific expertise), sales (assignment of MRs), and comprehensive solutions for sales and marketing departments (consulting, training, assigning MRs/MSLs, etc.), mainly for pharmaceutical companies. In addition, in order to deliver pharmaceuticals for strong unmet medical needs (see Note 5) such as orphan drugs (see Note 4), we also develop pharmaceuticals in-house, support overseas pharmaceutical companies in entering the Japanese market, and provide optimal solutions for pharmaceutical companies to curate their product portfolios.

Note 4: Orphan drugs are drugs for rare diseases for which the number of patients is small and treatment methods have not been established.

Note 5: Unmet medical needs are medical needs for intractable diseases and other diseases for which there are no effective treatments or drugs and for which the therapeutic environment is still insufficient.

Healthcare Solutions

- Site Support Solutions business: Comprehensively supports mainly healthcare-related facilities based on the concept of “from the life of a drug to the life of a person,” and enables access to healthcare for healthcare professionals, patients, and others. Specifically, as site management organization (SMO; see Note 6), we support drug development, including conducting clinical trials at medical institutions and providing secretariat services.

Note 6: SMO: Site management organization. An organization commissioned by a medical

institution to develop systems and networks at the medical institution and provide administrative services for clinical trials, CRC services including the management of test subjects, and secretarial services to ensure that clinical trials are conducted smoothly.

- Healthcare Revolution business: Provides individuals, local governments, and other organizations with solutions leveraging a new healthcare ecosystem by applying expertise and networks in the pharmaceutical industry, disease prevention and health information, and digital technology, through CMIC's pool of healthcare professionals. Specifically, we provide support services related to Covid-19, medical and pharmaceutical affairs services, a support platform for epilepsy patients and their families, and business support for local governments in line with the Digital Garden City Nation concept, which leverage the electronic pharmacy handbook functionality of harmo: Healthcare Communication Channel and blockchain technology.

Based on the founding spirit of "CMIC'S Creed," the Group has established its three axes, "Mission, Vision, and Values," which indicate the direction of the Group. The Group's mission is to "create new value in healthcare through innovative solutions and deliver needed medical care and care systems as quickly as possible" and its ideal is to "contribute to healthcare innovation so that everyone in the world can lead a healthy, individual life," which is expressed as W&3C (Wellbeing, Change, Challenge, Communication). We seek to create social value that contributes to the advancement of health and medical care for a wide range of people by enhancing the Group's combined strength.

Based on these values, after our establishment as Japan's first CRO in 1992, we have continued to create new businesses, including clinical research coordinator (CRC) services since 1996, and support services for recruiting test subjects since 2000. In 2005, with the launch of the CDMO business, we built a platform for our unique business model PVC and expanded our business into healthcare based on our knowledge and experience in the pharmaceutical and medical industries.

At the same time, in the pharmaceutical industry, which is our main business, there are high expectations for the creation of innovative drugs that will provide "customized medical care" through technological innovation and industry-government-academia collaboration. Modalities (see Note 7), which refer to categories of drug discovery technologies such as drug types and therapeutic methods, are becoming more diverse and complex, and medicine is becoming more individualized, making development more challenging. In addition, Japan's drug lag (see Note 8) and drug losses (see Note 9) have become a policy issue as drug prices have been revised every year since FY2021, increasing pressure to lower drug prices, and there is a concern that Japan is not prioritizing drug development by pharmaceutical companies. In this environment, pharmaceutical companies are tending to expand their development pipelines through M&A, develop drugs using new drug discovery platform technologies, and approach total disease care from prevention through diagnosis, treatment, and prognosis. New technologies such as artificial intelligence (AI), which has been called the fourth industrial revolution, and the Internet of Things (IoT), which connects "things" to the Internet to allow them to exchange information with each other for automatic recognition, automatic control, and remote operation, are bringing about major changes in society at large.

Similarly, in the healthcare field, norms of medical treatment and individual values about health are changing with the introduction of digital treatments and online medical services, and industry, government, academia, and the private sector are accelerating their efforts to innovate for an aging society with a declining birthrate. In addition, the Covid-19 pandemic has had a tremendous impact in a wide range of areas, from society and the economy to individual values, and has sparked progress in digitalization and innovation in the healthcare field. Even now that the pandemic has subsided, we recognize that change is still accelerating in the environment surrounding the Group due to the normalization of corporate activities and further technological innovation.

Note 7: Modalities are the basic technical methods or means by which drugs are made, such as small molecule drugs, antibody drugs, nucleic acid drugs, cell therapy, gene cell therapy, and gene therapy, or the classification of drugs based on those methods.

Note 8: Drug lag is a situation where a drug is used overseas but has not yet been approved by the Ministry of Health, Labour and Welfare in Japan, and there is a time lag before the drug can be used compared to other countries.

Note 9: Drug loss is a situation where a drug is already in use overseas but is not available in Japan because it is not developed in Japan.

In order to address the business environment described above, on November 5, 2021, the Group formulated and announced its mid-term management plan for the period from the fiscal year ending September 2022 to the fiscal year ending September 2025. With the basic policy of “pharmaceutical value creator to personal health value creator,” we aim to transition from our unique pharmaceutical value creator (PVC) business model, which comprehensively supports the value chain of pharmaceutical companies, as a foundation for sustainable growth, toward a personal health value creator (PHVC) business model, which will “maximize the health value of each individual.”

In the mid-term management plan, the Group addresses the following key issues:

A. Promoting the Healthcare Business

Creation of new health care businesses that address diverse “individual health values”

Engagement with total care of diseases from prevention through diagnosis, treatment, and prognosis

Support that integrates harmo and other data and technology with human resources

B. Enhancing Comprehensive Support for Disease Prevention and Treatment, from R&D to Sales

Maximizing market access speed

Promotion of drug development and digitalization through novel drug discovery platform technologies

Enhancement of solutions for drug discovery startups and other companies with no base in Japan

C. Contributing to a Sustainable Society through Socially Beneficial Business

Training of “healthcare professionals” to maintain the medical and care system

Promotion of corporate activities that preserve the environment and ensure the health and safety of employees

As specific initiatives, we expanded our support for overseas biotech startups entering the Japanese market and for drug discovery in cutting-edge areas where modalities are diversifying, such as next-generation biopharmaceuticals and gene therapeutics. We also promoted decentralized clinical trials (DCT; see Note 10) and the use of real-world data (see Note 11) and digital transformation to accelerate and streamline drug development. In addition, we have expanded our partnerships with local governments and other entities, which were boosted by our provision of Covid-19 vaccine support services, and we have developed digital-related services in the medical and healthcare fields, such as electronic pharmacy handbooks and smartphone applications, through groupings and alliances with health tech companies.

Note 10: DCT is a new trial method that uses digital technology to allow patients to participate in clinical trials remotely, without visiting a medical facility.

Note 11: Real-world data is medical big data obtained from clinics, such as dispensing receipt data, electronic medical record data, and insurer data.

Our capital and business alliance with the Development Bank of Japan in the CDMO business was dissolved and a strategic business alliance agreement concluded with Dai Nippon Printing Co., Ltd. in April 2023, and CMIC CMO Co., Ltd., CMIC CMO Korea Co., Ltd., and CMIC CMO USA Corporation transitioned from consolidated subsidiaries to equity method affiliates during the third quarter of the fiscal year ending September 2023. As a result, with the expansion and growth of the CDMO business, the CMIC Group will maintain its strategic policy of developing the PVC model and effectively leverage its management resources to create healthcare businesses and achieve sustainable growth.

On the other hand, in early June 2023, in light of the above changes in the business environment surrounding the Company, Mr. Nakamura determined that it would be difficult for the Group to achieve sustainable growth simply by developing the Company's existing businesses in the same way as before, and that it would be possible to further enhance the corporate value of the Group by implementing the following specific measures.

- (i) Alliances with Business Partners to Accelerate CRO Business Development in Global Markets Including Asia and the U.S.

The Group considers the CRO business (clinical) to be its core business, and Mr. Nakamura understands that it has been able to achieve growth at a higher-than-market rate by winning projects based on its reputation among clients for being able to handle large projects, financial stability, and track record. On the other hand, growth is slowing in the domestic CRO market (clinical) itself, and Mr. Nakamura believes that in order to maintain and increase growth in this business going forward, it will be necessary to expand the business through bold strategic alliances with overseas business partners that are distinct from the alliances that have been made so far.

(ii) Intermittent Capital Investment in CRO Business (Non-Clinical)

The CRO business (non-clinical) has received many inquiries regarding bioanalysis (see Note 12) and animal testing, not only in Japan but also overseas, and Mr. Nakamura believes that intermittent capital investment will be necessary to meet this demand. Mr. Nakamura believes that it will be necessary to make strategic investments from a medium- to long-term perspective, taking into account the impact of rising prices for cynomolgus monkeys and other laboratory animals and utility costs, as well as foreign exchange rate risk and other risks.

Note 12: Bioanalysis is a part of new drug development involving experiments to measure and analyze the concentration of the drug in biological samples (blood, urine, etc.) from human or animal subjects.

(iii) Continued Investment in the Healthcare Revolution Business

Mr. Nakamura expects to continue to invest in research and development in the Group's Healthcare Revolution business, mainly to develop systems using the core technologies of harmo (an electronic pharmacy handbook), nanacara (an epilepsy support platform; see Note 13), and blockchain technology. Although these businesses remain non-profitable at present, Mr. Nakamura is aiming for profitability over the medium to long term through continued investment and service expansion, and is confident that by accumulating PHR (see Note 14) and building a disease platform using these fundamental technologies, the Group can significantly increase added value in the CRO business (clinical) and pharmaceutical sales support business over the medium to long term. Mr. Nakamura will also actively seek out and examine promising investment targets that could contribute to the establishment of de facto standards (see Note 15) in this area.

Note 13: nanacara is a smartphone application that allows users to easily record epileptic seizures when they occur, manage daily information such as medication status and seizure frequency, and share this information with family members and doctors, developed and provided by KNOCK ON THE DOOR Co., Ltd., a member of the Group.

Note 14: A PHR (personal health record) is a "system for the accurate monitoring and utilization of health and medical data related to an individual's lifestyle by that individual and their family in the form of electronic records, and the information so recorded."

Note 15: A de facto standard is a standard that has come to be recognized in an industry through competition among companies in the marketplace.

(iv) Fundamental Review of Evaluation System and Compensation Structure

While recognizing that the Group is already gradually transitioning to a compensation structure based on personal business value (see Note 16), Mr. Nakamura believes that it is necessary to fundamentally review the evaluation system and compensation system that rewards the contributions of the Group's executives and employees as a measure for the early development and acquisition of talented and diverse human resources that will be the source of the Group's medium- to long-term business growth and competitiveness. Going forward, Mr. Nakamura hopes to accelerate the establishment of a system to appropriately evaluate human resources who can adapt to changes in the environment, and set compensation and assignments in line with those evaluations, and also to have older professionals return their

wealth of experience in a way that enables them to perform personally meaningful and positive work. Some reforms have already been initiated, but after the Transactions, Mr. Nakamura intends to further pursue the establishment of an appropriate evaluation system and compensation structure under the same policy, without hesitating due to the temporary effect on earnings or the like.

Note 16: Personal business value is the value that each individual brings to their work.

In early June 2023, Mr. Nakamura came to believe that if the Group implements the measures described in (i) through (iv) above while maintaining its public listing, the consolidated performance of the Group as led by the Company may deteriorate in the short term due to upfront investments and the fundamental review of the personnel system (for example, costs may increase temporarily due to the introduction of an appropriate compensation system based on individual evaluations and reassignments in order to attract and retain high-performing personnel), which could adversely affect the share price in a way that the capital markets may not be sufficiently able to understand and recognize, and the Group may not be able to meet the expectations of its shareholders. In addition, in consideration of maximizing the Group's corporate value over the medium to long term, Mr. Nakamura determined that it is essential to establish a management structure that can flexibly and swiftly make radical and agile decisions in order to survive the intensifying competition of the rapidly changing business environment.

Furthermore, Mr. Nakamura came to believe that the increasing costs associated with maintaining the Group's listing (for example, the costs of continuous information disclosure, operation of shareholder meetings, and outsourcing of administrative work to the shareholder registrar) in recent years may become an additional burden on the Group's management in the future. Since listing in 2004, the Group has enjoyed the benefits of being a public company, such as greater credibility and increased name recognition, which has allowed the Group to secure talented personnel. However, Mr. Nakamura determined that, in light of the Group's current financial situation, having secured the necessary funds to conduct its business activities, there is no great need for large-scale equity financing in the immediate future, and the credibility and branding power that have been built up to date will not be lost upon delisting. As such, Mr. Nakamura could see little need to maintain the listing of the Group's stock going forward.

Based on the above judgments, in early June, 2023, Mr. Nakamura concluded that the most effective way to achieve further growth and enhance the corporate value of the Company would be to delist the Company Shares, avoiding negative effects on the Company's shareholders, such as a temporary deterioration in business performance and the resulting slump in share price. Mr. Nakamura engaged SMBC Nikko Securities Inc. ("SMBC Nikko Securities") as financial advisor in mid-June 2023 and Nagashima Ohno & Tsunematsu as legal advisor in late June 2023, respectively, and began concrete deliberations regarding taking the Company Shares private in mid-July 2023.

On July 26, 2023, Mr. Nakamura submitted to the Company a proposal (the "Proposal") concerning delisting the Company's shares, and he then received a communication on the same day to the effect that the Company would establish a special committee (the "Special Committee") to examine the Proposal (for details regarding the composition and specific activities of the Special Committee and related matters, please refer to "I Establishment by the Company of an Independent Special Committee and Procurement of the Committee

Report“ in “(6) Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest”), and would begin to establish an examination system toward implementing the Transactions. Subsequently, Mr. Nakamura conducted financial, tax, and legal due diligence on the Company from late July to early September 2023.

In preparation for the Tender Offer, Mr. Nakamura established the Tender Offeror on October 2, 2023. Having decided to establish a new corporation as a wholly owning parent company of the Tender Offeror from the viewpoint of ensuring flexibility in the future reorganization of his asset management companies, while maintaining his ratio of voting rights in the Company after the Transactions, Mr. Nakamura then established SORA on the same date, with himself as the sole incorporator. On October 12, 2023, Mr. Nakamura transferred to SORA all of the issued shares of the Tender Offeror that he held, making SORA the wholly owning parent company of the Tender Offeror.

In addition, Mr. Nakamura deliberated the terms of the Transactions, including the purchase price per Company Share in the Tender Offer (the “Tender Offer Price”), and on October 3, 2023, he submitted to the Company a price proposal to the effect that (a) the Tender Offer Price shall be 2,500 yen (a 47.75% premium (rounded to two decimal places; the same applies hereinafter to the calculation of premium rates) to the closing price of 1,692 yen on October 2, 2023) based on comprehensive analysis of the Company’s business and financial situation based on the financial information disclosed by the Company and other materials, the due diligence conducted from late July 2023 to early September 2023, the recent share price movements of the Company Shares (the closing price for the three months to October 2, 2023 was between 1,692 yen and 1,971 yen), and comprehensive consideration of the number of shares that are expected to be tendered in the Tender Offer, (b) no maximum number of shares to be purchased shall be set for the Tender Offer, and the minimum number of shares to be purchased shall be set such that the total number of voting rights held by the Offeror, Artemis, and Keith Japan, and Mr. Nakamura and Ms. Oishi, after the successful completion of the Tender Offer will be two-thirds of the voting rights of all shareholders the Company, and (c) after the successful completion of the Tender Offer, the Tender Offeror, Artemis and Keith Japan plan to request the implementation of the Squeeze-Out Procedures in order to make the Tender Offeror, Artemis and Keith Japan the sole shareholders of the Company. In addition, on October 12, 2023, Mr. Nakamura explained to the Special Committee the significance and purpose of the Transactions, the management policy after the Transactions, and the terms of the Transactions as described in “(b) Background, Purpose, and Decision-Making Process of the Tender Offeror’s Decision to Implement the Tender Offer, and Post-Tender Offer Management Policy.” On October 12, 2023, the Special Committee responded by requesting in writing that Mr. Nakamura consider raising the Tender Offer Price, as the Tender Offer Price did not give adequate consideration to the interests of the minority shareholders of the Company, and to set a majority-of-the-minority condition with respect to the minimum number of shares to be purchased, such that tendering by a majority of the minority shareholders is a condition for the successful completion of the Tender Offer. On October 17, 2023, having further deliberated, Mr. Nakamura proposed that a Tender Offer Price of 2,580 yen (a 56.74% premium to the closing price of 1,646 yen on October 16, 2023), and responded in writing that he would not set a majority-of-the-minority condition because he believed that the establishment of a majority-of-the-minority condition would make the successful completion of the Tender Offer uncertain and may not contribute to the interests of minority shareholders who wish to tender their shares in the Tender Offer given that 49% of the voting rights are held by specially related parties, and that sufficient consideration has been given to the interests of the minority shareholders by the implementation of other measures to ensure

fairness. On October 18, 2023, the Special Committee made a written request to Mr. Nakamura to consider raising the Tender Offer Price, as the Tender Offer Price still did not give adequate consideration to the interests of the minority shareholders of the Company. On October 25, 2023, having further deliberated, Mr. Nakamura made a written proposal to the Company to set the Tender Offer Price at 2,650 yen (a 58.68% premium to the closing price of 1,670 yen on October 24, 2023), because while a majority-of-the-minority condition was not acceptable given that it may not contribute to the interests of minority shareholders who wish to tender their shares in the Tender Offer as described above, a price increase was possible. On October 26, the Special Committee responded in writing to the effect that, having discussed and examined the Tender Offer Price, it requested that Mr. Nakamura consider a further increase in the Tender Offer Price in order to further benefit the Company's shareholders, although the proposed share price was reasonable to a certain degree. On November 1, 2023, Mr. Nakamura communicated to the Company in writing that he had considered the request, but a further increase would be difficult, and he could not change the price from 2,650 yen (a 55.43% premium to the closing price on October 31, 2023), and he believed that price sufficiently respected the interests of the minority shareholders. On November 2, 2023, through Houlihan Lokey, the Special Committee responded in writing to the effect that it agreed to the proposed Tender Offer Price of 2,650 yen.

Following these negotiations, the Tender Offeror decided on November 7, 2021 to conduct the Tender Offer as part of the Transactions based on the Tender Offer Price of 2,650 yen.

(ii) Management Policy After the Tender Offer

The Transactions constitute a management buyout (MBO), and Mr. Nakamura and Ms. Oishi intend to continue to manage the Company as the representative director, chairman and CEO and the representative director, president and COO, respectively, after the successful completion of the Tender Offer, and to proceed with the management measures described in “(i) Background, Purpose, and Decision-Making Process of the Tender Offeror’s Decision to Implement the Tender Offer” above. The Tender Offeror’s basic policy is to maintain the current management structure of the Company after the successful completion of the Tender Offer, but as of today, the Tender Offeror has not reached an agreement with the other directors, statutory auditors or officers of the Company regarding their appointment and treatment after the Tender Offer, and plans to decide those matters through consultations with the Company after the Tender Offer is completed.

As of today, the Offeror does not plan to merge with the Company after the completion of the Squeeze-Out Procedures.

(c) Process of and Reasons for the Company’s Decision to Endorse the Tender Offer

As described in “(i) Background, Purpose, and Decision-Making Process of the Tender Offeror’s Decision to Implement the Tender Offer” in “(b) Background, Purpose, and Decision-Making Process of the Tender Offeror’s Decision to Implement the Tender Offer, and Post-Tender Offer Management Policy” above, the Company received a proposal to delist the Company Shares from Mr. Nakamura dated July 26, 2023, and informed Mr. Nakamura that it would establish the Special Committee to examine the Proposal and would begin preparations to construct a system for examination of the Transactions. As described in “(6) Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness

of the Tender Offer Price and to Avoid Conflicts of Interest” below, starting in late July 2023, the Company individually explained to all seven of its independent directors and independent corporate auditors as of that time that it had received an initial proposal for the Transactions from Mr. Nakamura and that it is necessary to take sufficient measures to address the issues of structural conflict of interest and information asymmetry in the Transactions in light of the fact that the Transactions are conducted as a management buyout (MBO), and a structural conflict of interest exists, eliminate arbitrariness in the decision-making process of the Company’s board of directors, and ensure the fairness, transparency, and objectivity of the Transactions, in order to ensure the fairness of the Tender Offer Price and other aspects of the Transactions including the Tender Offer. In addition, in early August 2023, the Company appointed Houlihan Lokey K.K. (“Houlihan Lokey”) as a financial advisor and third-party appraiser independent of the Tender Offeror and the Company, and Mori Hamada & Matsumoto as a legal advisor independent of the Tender Offeror and the Company, subject to the approval of the Special Committee as described below. Furthermore, in order to address the issues of structural conflict of interest and information asymmetry in the Transactions, eliminate arbitrariness in the decision-making process of the Company’s board of directors, and ensure the fairness, transparency, and objectivity of the Transactions, the board of directors of the Company adopted a written resolution on August 7, 2023 to establish the Special Committee and to establish an independent team to examine, negotiate, and make decisions regarding the Transactions, based on legal advice from its legal advisor, Mori Hamada & Matsumoto, and constructed a system for examining the Transactions. For the composition, authorities granted and specific activities of the Special Committee, please see “(c) Establishment by the Company of an Independent Special Committee and Procurement of the Committee Report” in “(6) Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below, and for the composition and specific activities of the independent team, please see “(d) Establishment by the Company of an Independent Examination System” in “(6) Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.

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

Specifically, on October 12, 2023, the Company, through the Special Committee, interviewed Mr. Nakamura, who explained the process of deliberation that led to the proposal of the Transactions, the details of the measures envisioned for after the Transactions, the expected disadvantages, advantages, and other effects of the Transactions and their impact, and the management policy planned for after the Transactions, followed by a question-and-answer session. On October 3, 2023, the Company received a proposal from Mr. Nakamura to set the Tender Offer Price at 2,500 yen. On October 12, 2023, the Special Committee decided, based on the advice received from Houlihan Lokey regarding the value of the Company Shares and discussions at Special Committee meetings, that the Tender Offer Price of 2,500 yen did not give adequate consideration to the interests of the minority shareholders of the Company, and requested that Mr. Nakamura consider raising the Tender Offer Price. On October 17, 2023, the Company received a proposal from Mr. Nakamura to set the Tender Offer Price at 2,580 yen. On October 18, 2023, the Special Committee decided, based on the advice received from Houlihan Lokey regarding the value of the Company Shares and discussions at Special Committee meetings, that the Tender Offer Price of 2,580 yen still did not give adequate

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

In addition, on October 3, 2023, Mr. Nakamura made a proposal to the Company to the effect that no maximum number of shares to be purchased in the Tender Offer would be set, and that the minimum number of shares to be purchased would be the number of shares such that the total number of voting rights held by the Tender Offeror, Artemis, Keith Japan, Mr. Nakamura and Ms. Oishi after the successful completion of the Tender Offer would be two-thirds of the voting rights of all shareholders of the Company. On October 12, 2023, the Special Committee responded in writing requesting that Mr. Nakamura reconsider setting a majority-of-the-minority condition in consideration of the interests of the Company's minority shareholders and from the perspective of enhancing the fairness of procedures in the Transactions. On October 17, 2023, Mr. Nakamura explained in writing that he would not set a majority-of-the-minority condition because he believed that a majority-of-the-minority condition would make the successful completion of the Tender Offer uncertain and may not contribute to the interests of minority shareholders who wish to tender their shares in the Tender Offer given that 49% of the voting rights are held by specially related parties, and that sufficient consideration has been given to the interests of the minority shareholders by the implementation of other measures to ensure fairness. Based on this explanation, when requesting a further increase in the Tender Offer Price on October 18, 2023 as described above, the Company stated to Mr. Nakamura that if a majority-of-the-minority condition is not set, the Special Committee believes it is necessary to more carefully examine whether the Tender Offer Price is appropriate from the perspective of the interests of the Company's minority shareholders. At the Special Committee meeting held on October 25, 2023, the Special Committee determined that failure to request further consideration of the majority-of-the-minority condition would not negate the fairness of the Transactions, given that the "Guidelines on Fair M&A Practices" published by the Ministry of Economy, Trade and Industry on June 28, 2019 (the "Fair M&A Guidelines") state that when the purchaser holds a large proportion of the target's shares, setting a majority-of-the-minority condition can be a disincentive to M&A that otherwise would enhance corporate value, and Mr. Nakamura's explanation above is not unreasonable, and that the Tender Offer Price of 2,650 yen proposed by Mr. Nakamura is acceptable to a certain degree, and although the Company will continue to seek a further increase in the Tender Offer Price as stated above, it is possible to conclude

that sufficient consideration has been given to the interests of the Company's shareholders through fair procedures in light of the other fairness measures that have been taken in this matter.

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

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

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

now that the Covid-19 pandemic has run its course, and the fact that the Healthcare Revolution business (specifically, a medical information interfacing system based on an electronic pharmacy handbook, and self-testing services that contribute to the early detection of diseases and prevention of serious illnesses), which the Group considers its new profit center, is in a growth area in the healthcare tech sector which is attracting a great deal of attention, and is the subject of intensifying competition due to the entry of not only startups but also major domestic and foreign tech companies and companies from other industries. Specifically, as described “(i) Background, Purpose, and Decision-Making Process of the Tender Offeror’s Decision to Implement the Tender Offer” in “(b) Background, Purpose, and Decision-Making Process of the Tender Offeror’s Decision to Implement the Tender Offer, and Post-Tender Offer Management Policy” above, the Company concluded that it will be necessary to implement measures including (i) alliances with business partners to accelerate CRO business development in global markets including Asia and the U.S., (ii) intermittent capital investments in the CRO business (non-clinical), (iii) continuous investment in the Healthcare Revolution business, and (iv) a fundamental review of its personnel evaluation system and compensation structure.

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

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

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

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

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

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

tender shares in the Tender Offer. For the method by which the board of directors resolution was conducted, please see “(e) Approval of All Disinterested Directors of the Company and Opinion of Auditors of the Company That They Have No Objections” in “(6) Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.

(3) Matters Concerning Calculation

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

(i) Name of Appraiser and its Relationship with the Company and the Tender Offeror

Prior to expressing its opinion on the Tender Offer, the Company requested the valuation of the Company Shares by Houlihan Lokey as a measure to ensure the fairness and objectivity of the terms of the Transactions, including the Tender Offer Price. Houlihan Lokey is a financial advisor and third-party appraiser independent of the Tender Offeror and the Company, is not a related party of the Tender Offeror or the Company, and does not have any material interest to be noted in respect of the Transactions, including the Tender Offer.

As described in “Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below, the Tender Offeror and the Company have taken measures to ensure the fairness of the Tender Offer Price and to avoid conflicts of interest, and believe that sufficient consideration has been given to the interests of the minority shareholders of the Company, and therefore have not obtained an opinion on the fairness of the Tender Offer Price (fairness opinion) from Houlihan Lokey.

Houlihan Lokey’s compensation for the Transactions includes a contingency fee that is subject to the successful completion of the Transactions and other conditions. The Company appointed Houlihan Lokey as its financial advisor and third-party appraiser under the above compensation structure based on the judgment that the inclusion of a contingency fee to be paid on the condition that the Tender Offer is successfully completed does not negate Houlihan Lokey’s independence, in consideration of the standard practice in similar transactions and the merits of a compensation structure that could impose a substantial financial burden on the Company even if the Transactions are not successful. In addition, the Special Committee has confirmed that there are no problems with Houlihan Lokey’s independence.

(ii) Outline of Calculation

The Company obtained the Share Valuation Report from Houlihan Lokey dated November 6, 2023. After considering which of the various valuation methods should be adopted for calculating the value of the Company Shares, Houlihan Lokey used average market price analysis, because the Company Shares are listed on the TSE Prime Market and the market price of the Company Shares is available, comparable company analysis, because there are several listed companies engaged in business relatively similar to the Company’s and it is possible to analogize the stock value by comparison with similar companies, and DCF analysis, to reflect the intrinsic value of the Company based on its future business activities.

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

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

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

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

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

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

The financial projections based on the business plan prepared by the Company and used by Houlihan Lokey for the DCF analysis are as follows:

(units: million JPY)

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

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

(4) Policy on Reorganization, etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)

As stated in “(a) Overview of Tender Offer” in “(2) Grounds and Reasons for the Opinion” above, if the Tender Offeror is unable to acquire all of the Company Shares (excluding treasury shares held by the Company and the Non-Tendered Shares) through the Tender Offer, it intends to conduct the Squeeze-Out Procedures by the following method.

If, after the completion of the Tender Offer, the Tender Offeror, Artemis and Keith Japan hold between them at least two-thirds of the voting rights of the Company, the Tender Offeror

plans to request that the Company convene an extraordinary meeting of shareholders (the “Extraordinary General Meeting”) around late February 2024 with an agenda including a proposal regarding consolidation of the Company Shares pursuant to Article 180 of the Companies Act (the “Share Consolidation”) and a proposal regarding the partial amendment of the articles of incorporation to abolish the provision regarding the number of shares constituting one unit of stock, subject to the Share Consolidation becoming effective. The Tender Offeror plans to vote in favor of each of the above proposals at the Extraordinary General Meeting, and Artemis and Keith Japan have agreed in the Tender Offer Agreements to vote in favor of each of the above proposals at the Extraordinary General Meeting. In addition, the Tender Offeror confirmed in writing on November 7, 2023 that Mr. Nakamura and Ms. Oishi will vote in favor of each of the above proposals at the Extraordinary General Meeting. If the proposal regarding the Share Consolidation is approved at the Extraordinary General Meeting, the number of Company Shares owned by the shareholders of the Company will be changed as of the effective date of the Share Consolidation in proportion to the ratio for the Share Consolidation approved at the Extraordinary General Meeting. If any fraction less than one share arises as a result of the Share Consolidation, the amount of money obtainable by selling Company Shares equivalent to the total sum of the fractional shares (with any fraction less than one share in the total rounded down; the same applies hereinafter) to the Company or the Tender Offeror pursuant to Article 235 of the Companies Act and other relevant laws or ordinances, will be delivered to the shareholders of the Company that own fractional shares. The Tender Offeror plans to request that the Company determine the sale price of the Company Shares equivalent to the total sum of the fractional shares such that the amount of money to be delivered as a result of that sale to each shareholder of the Company that did not tender its shares in the Tender Offer (excluding the Tender Offeror, Artemis, Keith Japan, and the Company) will be equal to the product of the Tender Offer Price multiplied by the number of Company Shares held by each such shareholder, and petition a court for permission for that voluntary sale. Although the ratio for the Share Consolidation has not yet been determined as of today, it is contemplated that the ratio will be determined such that the Tender Offeror, Artemis, and Keith Japan will be the sole holders of all of the issued shares of the Company (excluding treasury shares held by the Company) and the number of Company Shares owned by shareholders of the Company that did not tender shares in the Tender Offer (excluding the Tender Offeror, Artemis, Keith Japan, and the Company) will be a fraction less than one share. However, if any shareholder of the Company (the “Majority Shareholder”) holds more Company Shares than the Non-Tendered Shares held by each of Keith Japan and Artemis (216,000 shares) prior to the Share Consolidation taking effect, the consolidation ratio of the Company Shares may be determined such that the Tender Offeror will be the sole holder of all of the Company Shares (excluding the treasury shares held by the Company) as a result of the Share Consolidation. The Company will announce the specific procedures to be conducted with respect to the Share Consolidation promptly after those details are determined through discussions between the Company and the Tender Offeror.

The Companies Act provides, with the object of protecting the interests of minority shareholders in connection with the above procedures, that if a fraction less than one share arises due to the Share Consolidation, the shareholders of the Company may request that the Company purchase, at a fair price, all of the fractions less than one share among the Company Shares that they hold, and petition a court to determine the price of the Company Shares, pursuant to the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws or ordinances. Because it is anticipated that the number of Company Shares owned by shareholders of the Company that did not tender shares in the Tender Offer (excluding the Tender Offeror, Artemis, Keith Japan, and the Company, unless there is a

Majority Shareholder as stated above) will become a fraction less than one share through the Share Consolidation, the shareholders of the Company that oppose the Share Consolidation will be able to file a petition for price determination pursuant to the provisions of Articles 182-4 and 182-5 of the Companies Act and other relevant laws and ordinances. If such a petition is filed, the purchase price of the Company Shares will ultimately be determined by court.

There is no intention to solicit the approval of the shareholders of the Company with respect to the Tender Offer at the Extraordinary General Meeting. Each shareholder of the Company should consult with tax accountants and other professionals at its own responsibility regarding the tax treatment of tendering in the Tender Offer and the above procedures.

The method or timing of the procedures above may be changed due to the amendment or enforcement of relevant laws and ordinances, the interpretation by the authorities of relevant laws and ordinances, and other factors. However, even in such case, the Tender Offeror intends to adopt measures to ultimately deliver money to the shareholders of the Company that did not tender shares in the Tender Offer (excluding the Tender Offeror, Artemis, Keith Japan, and the Company, unless there is a Majority Shareholder as stated above), in which case the amount of money delivered to each shareholder will be calculated so as to be equal to the product of the Tender Offer Price and the number of Company Shares owned by that shareholder.

The Company will announce the specific procedures to be conducted in the above cases and the timeline of those procedures promptly after those details are determined through discussions with the Tender Offeror.

(5) Possibility of and Reasons for Delisting

As of today, the Company Shares are listed on the TSE Prime Market, but given that the Tender Offeror has not set a maximum number of shares to be purchased through the Tender Offer, it is possible that the Company Shares may be delisted through the designated procedures in accordance with the delisting criteria of the TSE, depending on the result of the Tender Offer. Even if the delisting criteria are not met upon completion of the Tender Offer, if the Squeeze-Out Procedures are conducted after the completion of the Tender Offer as described in “(4) Policy on Reorganization, etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)” above, the Company Shares will be delisted through the designated procedures pursuant to the delisting criteria of the TSE. Shareholders will not be able to sell the Company Shares on the TSE Prime Market after the delisting.

(6) Measures to Ensure the Fairness of the Tender Offer, Such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

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

The Tender Offeror has not set a minimum number of shares to be purchased which corresponds to a “majority of the minority” in the Tender Offer, having judged that setting such minimum number of shares to be purchased in the Tender Offer would make the

successful completion of the Tender Offer uncertain, and therefore may be detrimental to the interests of those minority shareholders who wish to tender their shares in the Tender Offer. However, the Tender Offeror believes that sufficient consideration has been given to the interests of the minority shareholders of the Company given that the Tender Offeror and the Company have taken the following measures ((a) through (f)).

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

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

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

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

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

For an outline of the Share Valuation Report, see "(3) Matters Concerning Calculation" above.

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

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

confirmed that the Special Committee may also receive professional advice from that legal advisor as necessary.

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

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

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

Special Committee's compensation consists solely of fixed compensation irrespective of the content of its report, and that compensation does not include any part that is payable subject to the successful completion of the Transactions including the Tender Offer.

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

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

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

multiple occasions. The Special Committee also received an explanation from Houlihan Lokey regarding the method and results of the valuation of the Company Shares.

(iii) Details of Decision of the Special Committee

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

i. Content of the Opinion

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

ii. Reasons for the Opinion

- A. Based on the following points, we believe that the Transactions will contribute to the enhancement of the Company's corporate value and that the purposes of the Transactions are justified and reasonable.
 - We recognize that the environment surrounding the Company is changing rapidly given that the pharmaceutical industry faces, in addition to the increasing pressure to lower drug prices, a slowdown in the growth of the domestic drug discovery outsourcing market against a background of rising costs caused by increased demand for highly specialized clinical trials, the declining competitiveness of the domestic pharmaceutical industry, and intensifying competition in the domestic clinical trial market, such that the Company anticipates that competition will further intensify going forward, that we are also concerned that our revenues will gradually decrease in the future as the impact of the Covid-19 pandemic runs its course and that the healthcare tech field, which the Company has positioned as its new profit center, is also the subject of intensifying competition due to the entry of not only startups but also major domestic and foreign tech companies and companies from other industries.
 - In this business environment, we recognize the urgent need for the Company to increase orders from overseas pharmaceutical companies, particularly biotech companies, expand its access to the growing Asian clinical trial market, make its Asian CRO business profitable, expand the Healthcare business, and solve the problem of retaining and securing talented personnel, which are the key to growth in both the PVC and PHVC businesses.
 - In light of the business and management environment surrounding the Company, the

Group formulated a medium-term plan covering the four-year period from the fiscal year ending September 2022 to the fiscal year ending September 2025 (the “Medium-Term Plan”), and based on the basic policy of “pharmaceutical value creator to personal health value creator,” the Group aims to transition toward a personal health value creator (PHVC) business model, which will “maximize the health value of each individual,” with its unique pharmaceutical value creator (PVC) business model, which comprehensively supports the value chain of pharmaceutical companies, as a foundation for sustainable growth, and has been working to address issues including the following, which are described as key issues in the Medium-Term Plan: (i) promotion of the Healthcare business, (ii) enhancement of comprehensive support for disease prevention and treatment from research and development through sales, and (iii) contribution to a sustainable society. In order for the Company to flexibly respond to the changing healthcare ecosystem and achieve sustainable growth and expansion, we believe that it is essential for it to take bold measures from a medium- to long-term perspective in the core CRO business.

- Mr. Nakamura explained that in light of the above changes in the business environment surrounding the Company, he believes that it would be difficult for the Group to achieve sustainable growth simply by developing the Company’s existing businesses in the same way as before, and that it would be possible to further enhance the corporate value of the Group by delisting the Company through the Transactions and implementing measures including (i) alliances with business partners to accelerate CRO business development in global markets including Asia and the U.S., (ii) intermittent capital investments in the CRO business (non-clinical), (iii) continuous investment in the Healthcare Revolution business, and (iv) a fundamental review of its personnel evaluation system and compensation structure.
- The Company also believes that it is necessary to establish a management structure that allows the necessary upfront investments and other fundamental measures that become necessary in the future to be made more flexibly and promptly, in light of the business environment surrounding the Company and the Company’s management challenges described above, and that it is necessary to implement the measures described above.
- The Company explained that while it anticipates a potentially negative impact on the Company’s business due to the fact that the Company will no longer be able to raise equity financing from the capital markets, and will not be able to enjoy the benefits that are generally available to listed companies as a result of greater name recognition, such as the recruitment of talented human resources and the enhancement of public credibility, the disadvantages of delisting can be considered to be limited, considering the current financial situation of the Group and the recent low interest rate environment for indirect financing, the Group has little need for equity financing to raise large amounts of capital for the time being, and the Group’s name recognition and credibility are largely secured through its business activities. Although there is a possibility that there will be restrictions on the management and business operations of the Group as a result of the financing procured by the Tender Offeror for the Transactions, Mr. Nakamura explained that, based on the business plan provided to Mr. Nakamura by the Company, the content will leave a sufficient margin that will not overly restrict the future business activities of the Group, and based on the advice of the Company’s financial advisor, Houlihan Lokey, we expect the impact of the Transactions on the Company’s investment capacity and cash flow to be limited.

- Based on the above, the Special Committee has carefully discussed and examined the business environment surrounding the Company and the Company's management challenges, as well as the Company's understanding of the content and status of measures based on that business environment, which were explained to the Special Committee by the Company, and there is no discrepancy with the Special Committee's understanding. In addition, Mr. Nakamura's explanation regarding the significance of the Transaction is not unreasonable, and while the realization of the above measures requires upfront investments that entail risk and prompt and bold action from the perspective of enhancing medium- to long-term corporate value, delisting will make it easier to implement measures for which it would be difficult to make sufficient upfront investment in a timely manner as a listed company, and we expect that the Company will be able to implement structural reforms by making upfront investments that entail risk in order to enhance corporate value over the medium to long term, and which do not necessarily match the expectations of the stock market, which seeks short-term returns. Furthermore, the Company's understanding of the disadvantages of conducting the Transactions described above and the methods of mitigating such disadvantages are reasonable, and those disadvantages are not expected to be so great as to outweigh the advantages of the Transactions. In addition, the financing procured by the Tender Offeror in connection with the Transactions is expected to have a limited impact on the Company's investment capacity and cash flow after the Transactions.
- B. Based on the following points, we believe that the fairness and appropriateness of the terms of the Transactions are ensured.
- The average market price analysis, comparable company analysis, and DCF analysis used by Houlihan Lokey in the valuation of the Company's shares are common and reasonable methods in light of current practice, the methods used to classify business assets and non-business assets in the DCF analysis and the explanation regarding the basis for the discount rate are reasonable, and the details of the calculation are also appropriate in light of current practice. Therefore, the content of the calculations in the Share Valuation Report is reasonable.
 - The procedures for formulating the business plan of the Company that was used as the basis for the DCF analysis in the Share Valuation Report, and the content of that plan, are reasonable.
 - In light of the valuation of the Company's shares in the Share Valuation Report, the Tender Offer Price exceeds the upper bound of the range of values calculated by average market price analysis, is greater than the median of the range of values calculated by comparable company analysis, and is slightly below, but close to, the median of the range of values calculated by DCF analysis.
 - The premium represented by the Tender Offer Price is reasonable and generally greater than the average premium to the closing price on the last business day before the announcement and the simple average closing price over the preceding one-month, three-month, and six-month periods, in MBO deals involving Japanese listed companies announced after June 28, 2019, which is the date of publication of the "Guidelines on Fair M&A Practices" by the Ministry of Economy, Trade and Industry (to the closing price on the last business day before the announcement: 42.68%; to the preceding one-month period: 45.25%; to the preceding three-month period: 49.60%; to the preceding six-month period: 51.65%).

- The Special Committee actively negotiated with Mr. Nakamura, taking into account the opinions and advice of the Company and Houlihan Lokey, and there are no other specific circumstances that would raise doubts about the fairness of the process of determining the Tender Offer Price.
 - It is reasonable to conduct the Transactions at the time proposed by the Tender Offeror, given the need for prompt and bold structural reform in light of the rapid changes in the external environment surrounding the Company and the significant decrease in the Company's Covid-19-related business.
 - The method of acquisition used in the Transactions, namely conducting the Tender Offer as the first step and conducting a squeeze-out through the Share Consolidation as the second step, is a method commonly adopted in transactions for the purpose of delisting, as in the case of the Transactions. Although some of the shares held by Artemis and Keith Japan will not be tendered in the Tender Offer, according to Mr. Nakamura, those companies' continued ownership of the Company Shares demonstrates Mr. Nakamura's commitment to the Company's management after the Transactions, and is intended to reduce the amount of outside financing required to procure the funds necessary for the Transactions. There is nothing particularly unreasonable about this explanation.
- C. Based on the following points, we believe that sufficient consideration has been given to the interests of the Company's shareholders through fair procedures in the Transactions.
- The Company established a special committee that is appropriately constituted to protect the interests of ordinary shareholders from the perspective of having no material interest in the Tender Offeror and no material interest that differs from those of the ordinary shareholders regarding the success or failure of the Transactions, and the Special Committee can be considered to have been substantively involved in the process of negotiating the purchase price and other terms of the Transactions between the Company and the Tender Offeror, and functioned effectively.
 - With the approval of the Special Committee, the Company received legal advice from Mori Hamada & Matsumoto, a legal advisor independent of the Tender Offeror and the Company, which is not a related party of the Tender Offeror or the Company and does not have a material interest in the Transactions including the Tender Offer.
 - With the approval of the Special Committee, the Company received advice and opinions from a financial standpoint and obtained the Share Valuation Report from Houlihan Lokey, a financial advisor and third-party appraiser independent of the Tender Offeror and the Company, which is not a related party of the Tender Offeror or the Company and does not have a material interest in the Transactions including the Tender Offer.
 - With the approval of the Special Committee, the Company established a system within the Company for examination, negotiation, and decision-making regarding the Transactions, from a standpoint independent of the Tender Offeror, by an independent team comprising solely directors, officers and employees who are recognized as independent from the Tender Offeror.
 - Of the directors of the Company, representative director Mr. Nakamura did not participate in the deliberations or resolution of the board of directors of the Company with respect to the Transactions, nor did he participate in any discussions or negotiations with the Offeror on the side of the Company, given that he is a director

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

- The Tender Offeror plans to set a tender offer period of 37 business days, where the statutory minimum tender offer period is 20 business days, and by setting a relatively long tender offer period, the Tender Offeror aims to secure an appropriate opportunity for the shareholders of the Company to make a decision as to whether to tender their shares in the Tender Offer, and to secure an opportunity for any party other than the Tender Offeror to make a competing offer to purchase the shares of the Company, the Tender Offeror has not entered into any agreement with the Company that limits the Company's contact with Competing Bidders, including any agreement containing a transaction protection clause that forbids the Company from contacting Competing Bidders and, thus, a so-called passive market check has been conducted. The Company did not conduct an active market check to determine whether there were any potential purchasers in the market. However, although Mr. Nakamura is not the controlling shareholder of the Company, Mr. Nakamura and his specially related parties hold 49% of the Company Shares, and according to Mr. Nakamura, these shareholders have no intention to sell their holdings of the Company Shares to any third party, except for their intention to sell part of their holdings in the Tender Offer; therefore, a market check would have limited function as a measure to ensure fairness in the Transactions. Given that other substantial measures to ensure fairness have been taken in this matter, and sufficient consideration has been given to the interests of the Company's shareholders through fair procedures, the fact that no active market check was conducted for the Transactions does not undermine the fairness of the procedures in the Tender Offer.
- Mr. Nakamura's explanation that he does not plan to set a majority-of-the-minority condition in the Tender Offer because (a) a majority-of-the-minority condition would make the successful completion of the Tender Offer uncertain and may not contribute to the interests of minority shareholders who wish to tender their shares in the Tender Offer, (b) the Tender Offeror and the Company have taken sufficient measures to ensure fairness including the establishment of a special committee, and sufficient consideration has been given to the interests of the Company's minority shareholders, and (c) a passive market check has been conducted as described above, is not unreasonable, given that the Tender Offer Price is of an appropriate level and that substantial measures to ensure fairness have been taken in the Transactions and that sufficient consideration has been given to the interests of the Company's shareholders through fair procedures, the fairness of the Transaction is not negated even if a majority-of-the-minority condition is not set.

- In order to ensure that ordinary shareholders have an opportunity to make an appropriate decision with respect to the Tender Offer based on sufficient information, substantial information disclosures are planned by means of press releases and the position statement concerning the Transactions.
- In the Transactions, the Squeeze-Out Procedures are to be conducted shortly after the completion of the Tender Offer, and the amount of money to be delivered to shareholders through those procedures is to be calculated so as to be equal to the product of the Tender Offer Price multiplied by the number of the Company Shares held by each shareholder. The legality of the Squeeze-Out Procedures has been ensured, taking into consideration the fact that the Squeeze-Out Procedures will be conducted in compliance with the Companies Act and other applicable laws and ordinances, and that the Squeeze-Out Procedures will be expressly announced in the press release and other disclosures, so that no issues of coercion will exist with respect to the Transactions.

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

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

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

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

The system established within the Company to examine the Transactions, including such

measures, is based on the advice of Mori Hamada & Matsumoto, and the Special Committee has confirmed that there are not problems from the standpoint of independence and fairness.

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

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

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

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

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

The Tender Offeror has set a tender offer period of 37 business days, where the statutory minimum tender offer period is 20 business days. By setting a tender offer period that is longer than the statutory minimum, the Tender Offeror aims to secure an appropriate opportunity for the shareholders of the Company to make a decision as to whether to tender their shares in the Tender Offer, and to secure an opportunity for any person other than the Tender Offeror (a "Competing Bidder") to make a competing offer to purchase the shares of the Company, and thereby to ensure the appropriateness of the Tender Offer Price. In addition, the Tender Offeror has not entered into any agreement with the Company that limits the

Company's contact with Competing Bidders, including any agreement containing a transaction protection clause that forbids the Company from contacting the a Competing Bidder. Thus, consideration has been given to ensuring the fairness of the Tender Offer by ensuring opportunities for competing bids, combined with the establishment of the tender offer period described above.

4. Matters Concerning Material Agreements Relating to the Tender Offer

On November 7, 2023, the Tender Offeror entered into the Tender Offer Agreements with Artemis and Keith Japan, agreeing with Artemis to the effect that Artemis will tender 1,862,200 shares (ownership ratio: 10.93%) of the Company Shares it holds (4,022,200 shares; ownership ratio: 23.60%) in the Tender Offer, and not tender the remaining 2,160,000 shares (ownership ratio: 12.67%), and with Keith Japan to the effect that Keith Japan will tender 1,392,240 shares (ownership ratio: 8.17%) of the Company Shares it holds (3,552,240 shares; ownership ratio: 20.84%) in the Tender Offer, and not tender the remaining 2,160,000 shares (ownership ratio: 12.67%). With respect to the obligations of Artemis and Keith Japan to tender their shares, the only condition precedent is that the Tender Offer has been legally and validly commenced and has not been withdrawn. Artemis and Keith Japan have agreed in the Tender Offer Agreements described in “(4) Policy on Reorganization, etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)” above to vote in favor of each of the above proposals at the Extraordinary General Meeting.

Meanwhile, the Tender Offeror confirmed in writing on November 7, 2023 that (a) Mr. Nakamura will tender 563,220 Company Shares (ownership ratio: 3.30%) in the Tender Offer, representing the Company Shares that he holds (565,638 shares) except for the Company Shares held indirectly through cumulative stock investment (18 shares) and the Company Shares granted as restricted share awards (2,400 shares), and (b) Ms. Oishi will tender 152,100 Company Shares (ownership ratio: 0.89%) in the Tender Offer, representing the Company Shares that she holds (154,047 shares) except for Company Shares held indirectly through cumulative stock investment (47 shares) and Company Shares granted as restricted share awards (1,900 shares). In addition, the Tender Offeror confirmed in writing on November 7, 2023 that Mr. Nakamura and Ms. Oishi will vote in favor of each of the proposals described in “(4) Policy on Reorganization, etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)” above at the Extraordinary General Meeting.

5. Description of Provision of Profit by Tender Offeror or Its Special Interest Parties

Not applicable.

6. Policy to Address Basic Policy About How to Control Company

Not applicable.

7. Inquiries to Tender Offeror

Not applicable.

8. Request for Extending Tender Offer Period

Not applicable.

9. Future Outlook

Please see “(4) Policy on Reorganization, etc. after the Tender Offer (Matters Concerning So-Called Two-Step Acquisition)” and “(5) Possibility of and Reasons for Delisting” in “(b) Background, Purpose, and Decision-Making Process of the Decision to Implement the Tender Offer, and Post-Tender Offer Management Policy” in “(2) Grounds and Reasons for the Opinion” in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” above.

10. Other

(a) Publication of “Consolidated Financial Results for the Fiscal Year Ending September 2023”

The Company published the Consolidated Financial Results for the Fiscal Year Ending September 2023 on November 7, 2023. For details, see the announcement.

(b) Issuance of “Notice of Abolition of Shareholder Benefits System”

At the board of directors meeting held today, the Company resolved to abolish its shareholder benefits system as of March 31, 2024, subject to the successful completion of the Tender Offer. For details, please refer to the “Notice of Abolition of Shareholder Benefits System” issued by the Company today.

(c) Issuance of “Notice of Changes in Directors”

At the board of directors meeting held on November 7, 2023, the Company resolved to submit a proposal regarding changes to its officers at the 39th Ordinary General Meeting of Shareholders to be held on December 15, 2023. For details, please refer to the “Notice of Changes in Directors” issued by the Company today.

End