

October 23, 2018

To whom it may concern,

Company	Ci:z Holdings Co., Ltd.
Representative	Tomomi Ishihara, President and COO
Securities Code	4924: First Section, Tokyo Stock Exchange
Contact	Hiroyuki Kosugi, Director

Announcement of Opinion Regarding the Tender Offer to be Conducted by Johnson & Johnson

Ci:z Holdings Co., Ltd. (the “Company”) hereby announces that it resolved at its board of directors meeting held today to express its opinion in support of the tender offer (the “Tender Offer”) for its common shares (the “Company Shares”) to be conducted by Johnson & Johnson (the “Offeror”) and recommend that the Company’s shareholders tender their shares in the Tender Offer.

The above resolution of the Company’s board of directors meeting is made on the premise that the Offeror intends to acquire all of the Company’s Shares and that the Company’s Shares will be delisted through the Tender Offer and procedures to be taken thereafter.

1. Outline of the Offeror

(1)	Name	Johnson & Johnson	
(2)	Address	One Johnson & Johnson Plaza, New Brunswick, New Jersey 08933, U.S.A.	
(3)	Title and Name of Representative	Alex Gorsky, Chairman, Board of Directors and Chief Executive Officer	
(4)	Description of Business	Manufacture and sale of pharmaceuticals, and consumer products and medical devices products	
(5)	Capital	3.120 billion dollars	
(6)	Date of Establishment	Year of 1886	
(7)	Major Shareholders and Shareholding Ratios as of December 31, 2017	The Vanguard Group	7.61%
		BlackRock Inc.	6.2%
		State Street Corporation	5.81%
(8)	Relationship between the Company and the Offeror		
	Capital Relationship	As of today, the Offeror holds 100 Company Shares (ownership ratio: 0.00%; see Note 1), and Cilag GmbH International, a wholly-owned subsidiary of Cilag Holding AG, voting rights of which are indirectly wholly-owned by the Offeror, owns 9,679,300 Company Shares (ownership ratio: 19.90%).	
	Personnel Relationship	Ms. Ikuko Ebihara, president and representative director of Johnson & Johnson K.K. (a wholly-owned subsidiary of the Offeror), concurrently serves as an outside director of the Company.	
	Business Relationship	Not applicable. The Company has given Johnson & Johnson Pte. Ltd., a group company of the Offeror, exclusive right to market and commercialize the Company’s cosmetics brands outside of Japan in	

		exchange for obtaining royalties on the sales of such products.
	Status as Related Party	Not applicable. Cilag GmbH International, a wholly-owned subsidiary of Cilag Holding AG, voting rights of which are indirectly wholly-owned by the Offeror, is a major shareholder holding 19.90% of the Company's Shares as of today, and constitutes a related party.

Note 1: "Ownership ratio" means, with respect to a certain number of shares, the fraction (expressed as percentage and rounded to two decimal places; the same applies hereinafter when calculating the ownership ratio), the numerator of which is such number of shares and the denominator of which is the difference (48,635,104 shares) of the total number of issued shares of the Company as of July 31, 2018 (48,635,255 shares) less the number of treasury shares held by the Company as of the same date (151 shares), both stated in the Company's financial results for the financial year ended July 31, 2018 announced by the Company as of September 11, 2018 (the "Company's Financial Results").

2. Price of Tender Offer

5,900 yen per share of common stock (the "Tender Offer Price")

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

(1) Details of the Opinion on the Tender Offer

The Company resolved at its board of directors meeting held on October 23, 2018, on the basis and for the reasons both of which are stated in the section below titled "(2) Basis of, and Reasons for, the Opinion on the Tender Offer", to express its opinion in support of the Tender Offer and recommend that the Company's shareholders tender their shares in the Tender Offer. The Company's board of directors resolution stated above is made by the manner described in the section below titled "(iv) Unanimous approval of all disinterested directors of the Company and opinion of no objection by all disinterested statutory auditors of the Company" under "(6) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest".

(2) Basis of, and Reasons for, the Opinion on the Tender Offer

(i) Outline of the Tender Offer

The Company received from the Offeror the following explanation regarding the outline of the Tender Offer.

The Offeror is a holding company headquartered in New Brunswick, New Jersey, USA with more than 260 operating companies. The Offeror's primary focus is products related to human health and well-being. The Offeror owns 100 Company Shares (ownership ratio: 0.00%) listed on the first section of the Tokyo Stock Exchange, Inc. ("Tokyo Stock Exchange") as of today. Cilag GmbH International ("Cilag"), a wholly-owned subsidiary of Cilag Holding AG, voting rights of which are indirectly wholly-owned by the Offeror, is headquartered at Gubelstrasse 34, 6300 Zug, Switzerland and engages in execution and coordination of Offeror's consumer, pharmaceutical and medical device business in certain jurisdictions worldwide. Cilag is also the second-largest shareholder of the Company owning 9,679,300 Company Shares (ownership ratio: 19.90%) as of today.

The Offeror has respectively determined on October 23, 2018 as a part of a series of transactions designed to acquire all the Company Shares (the “Transactions”)(i) to launch the Tender Offer in order to acquire all of the Company Shares, excluding the Company Shares held by the Offeror, Cilag, which has agreed not to tender in the Tender Offer, and CIC Corporation (“CIC”, see Note 1), which holds 13,600,000 Company Shares (ownership ratio: 27.96%) and has also agreed not to tender in the Tender Offer, and treasury shares held by the Company (the “Excluded Shares”), (ii) conditional upon the completion of the Tender Offer and pursuant to the Stock Purchase Agreement described below, to acquire all issued shares of CIC (the “CIC Shares”), the company owned by Dr. Yoshinori Shirono, the Chairman and Chief Executive Officer of the Company (“Dr. Shirono”) and his relatives, and the largest shareholder of the Company and (iii) in the event that the Offeror is unable to obtain all of the Company Shares (excluding the Excluded Shares), to take procedures to obtain 100% of the Company Shares.

Note 1: CIC is an asset holding company all outstanding shares in which are owned by Dr. Shirono (the Chairman and Chief Executive Officer of the Company) and his two relatives (together with Dr. Shirono, collectively, the “CIC Shareholders”). CIC owns 13,600,000 Company Shares (ownership ratio: 27.96%) as of today.

Cilag has previously entered into an agreement with Dr. Shirono pursuant to which Dr. Shirono has agreed to cause CIC not to sell, transfer, pledge or otherwise dispose all or part of Company Shares owned by CIC without written consent of Cilag. Dr. Shirono has requested that the Offeror acquire all of the CIC Shares, rather than acquiring all of the Company Shares held by CIC through the Tender Offer, in the Transactions. After continuous discussions between the Offeror and Dr. Shirono, the Offeror concluded that the aggregate purchase price of the CIC Shares to be paid to CIC Shareholders (the “CIC Shares Purchase Price”) that has been agreed as described below will be equivalent to economic value that would be received by the CIC Shareholders for the case where CIC tenders the Company Shares in the Tender Offer and thus the purchase price of the CIC Shares will not violate the equal price doctrine under Article 27-2, Paragraph 3 of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended) and Article 8, Paragraph 3 of the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended). As a result, the Offeror and the CIC Shareholders entered into a stock purchase agreement (the “Stock Purchase Agreement”) on October 23, 2018, pursuant to which the CIC Shareholders have agreed not to cause or permit CIC to tender all of its Company Shares (13,600,000 shares; ownership ratio: 27.96%) into the Tender Offer, and on the commencement date of settlement of the Tender Offer (the “CIC Shares Transfer Date”) the CIC Shareholders have agreed to sell to the Offeror, and the Offeror will purchase from the CIC Shareholders, all of the CIC Shares held by the CIC Shareholders, on the condition that, among other things, the Tender Offer shall have been successfully completed. The CIC Shares Purchase Price will be an amount equal to (i) the number of Company Shares held by CIC (13,600,000 shares) multiplied by the Tender Offer Price, which aggregate purchase price is 80,240,000,000 yen, (ii) reduced by CIC’s indebtedness for borrowed money, accounts payable, income taxes payable or any other liabilities or obligations as of the CIC Shares Transfer Date, and (iii) increased by the amount of CIC’s cash and deposits and corporate tax receivable as of the

CIC Shares Transfer Date. Please refer to the section below titled “4 Matters concerning the material agreements regarding the Tender Offer” for these details of the Stock Purchase Agreement.

In the Tender Offer, the Offeror set a minimum number of Share Certificates, Etc. to be purchased at 9,144,100 shares (ownership ratio: 18.80%), and if the total number of shares tendered in the Tender Offer (“Tendered Share Certificates, Etc.”) is less than the minimum number of Share Certificates, Etc. to be purchased, the Offeror will not purchase any of the Tendered Share Certificates, Etc. On the other hand, the Offeror intends to acquire all of the Company Shares (excluding the Excluded Shares), as stated above, and therefore the Offeror does not set a maximum number of Share Certificates, Etc. to be purchased. Therefore, if the total number of Tendered Share Certificates, Etc. is equal to or more than the minimum number of Share Certificates, Etc. to be purchased, the Offeror will purchase all of the Tendered Share Certificates, Etc. The minimum number of Share Certificates, Etc. to be purchased in the Tender Offer is set so that the Offeror, Cilag and CIC will own an aggregate number of shares representing two-thirds or more of all voting rights of the Company when the Tender Offer is successfully completed. Specifically, the minimum number of Share Certificates, Etc. to be purchased (which is 9,144,100 shares) is determined as the number calculated (A) firstly by deducting (i) 100 shares of the Company Share owned by the Offeror, 9,679,300 shares of the Company Share owned by Cilag and 13,600,000 shares of the Company Share owned by CIC, from (ii) two-thirds of 48,635,104 shares (which two-thirds is 32,423,403 shares (rounded up to the nearest whole number)) (48,635,104 shares is the difference of (x) the number of all issued shares of the Company (48,635,255 shares) as of July 31, 2018 stated in the Company’s Financial Results less (y) the number of treasury shares (151 shares) owned by the Company as of the same date), and (B) secondly by rounding the number obtained by the calculation in the immediately preceding clause (A) up to the nearest full unit (100 shares) of the Company Shares.

If the Offeror is unable to acquire all of the Company Shares (excluding the Excluded Shares) after successful completion of the Tender Offer, the Offeror will conduct procedures to cause the Company Shares to be held only by the Offeror, Cilag and CIC, as stated in the section below titled “(5) Policy for Corporate Restructuring After the Tender Offer (matters relating to the “Two-Step Acquisition”)”.

- (ii) Background, purpose, and decision-making process with respect to conducting the Tender Offer, and management policy after the Tender Offer
 - (a) Background of the Tender Offer

According to the Offeror, the Offeror is a holding company headquartered in New Brunswick, New Jersey, U.S.A. The Offeror’s primary focus is products related to human health and well-being. The Offeror was founded by brothers Robert Wood Johnson, James Wood Johnson and Edward Mead Johnson and was incorporated in the State of New Jersey in 1887. The Offeror was first listed on the New York Stock Exchange in 1944. The Offeror currently holds the stock of over 260 companies worldwide in what is termed the “Johnson & Johnson Family of Companies”.

According to the Offeror, a part of the Johnson & Johnson Family of Companies is the Offeror’s consumer business segment (“J&J Consumer”), which is comprised of Johnson & Johnson Consumer Inc., in the United States and other operating

companies incorporated in countries throughout the world. J&J Consumer markets a broad range of products used in the baby care, oral care, beauty, over-the-counter pharmaceutical, women's health and wound care markets. In particular, J&J Consumer's beauty business (the "Beauty Business") includes iconic brands such as NEUTROGENA®, AVEENO®, OGX®, JOHNSON'S® and NEOSTRATA®. J&J Consumer's Beauty Business places a strong emphasis on building scale and capabilities in the Asia Pacific markets and expanding offerings of premium positioned products to bring differentiated offerings to consumers on a global scale.

The Company group (the Company and its eight subsidiaries (such eight subsidiaries, the "Company Subsidiaries")) is mainly engaged in the sale of cosmetics, health foods and beauty devices focusing on the human skin's own natural healing power (which were commercialized primarily by the research and development department of Dr. Ci:Labo Co., Ltd. (the current Company), which Dr. Shirono founded in February 1999), and the operation of aesthetic salons. The group provides products and services focusing on beauty and health, with Dr. Ci:Labo Co., Ltd. engaging in the planning and sale of medical cosmetics and Ci:z Labo Co., Ltd. engaging in the operation of aesthetic salons.

The majority of the Company's products focus on the skincare segment and range from low-stimulant cosmetics to functional anti-aging products.

The current relationship between the Offeror and the Company group began when J&J Consumer proposed a capital and business alliance to the Company in early October 2015 (the "Alliance"). According to the Offeror, the Alliance was intended to allow J&J Consumer to expand the Company's offerings outside of Japan, since business expansion in the Asia Pacific region was an important and a priority component of the growth strategy of J&J Consumer and an area of interest for the Company.

After considering J&J Consumer's proposal, the Company entered into agreements on collaboration, licensing and transfer with Johnson & Johnson Pte., Ltd. ("JJPL"), a group company of the Offeror in Singapore acting as the hub for the Asian region, on July 11, 2016, to (i) improve the Company's marketing ability by giving JJPL an interest in the Company's overseas business expansion, as well as by introducing marketing techniques based on customer database to the Company's products, and (ii) allow JJPL to sell its cosmetics products through the Company's distribution channels in Japan.

As a result, JJPL acquired exclusive right to market and commercialize the Company's "Dr. Ci:Labo®," "Labo Labo®" and "Genomer®," cosmetics brands outside of Japan in exchange for paying the Company royalties on the sales of such products.

At the same time, in order to build strong partnership between the Offeror group (the Offeror and its subsidiaries and affiliated companies; hereinafter the same) and the Company, and to align the direction of their business, Cilag (i) received 14,500 stock acquisition rights issued by the Company in the 6th series (9,100 yen per right, with an exercise price of 2,323 yen per share, and those rights were exercised and converted into 1,450,000 shares of common stock of the Company on July 28, 2016), and (ii) received 8,229,400 shares (2,500 yen per share) of common stock of

the Company in total from Dr. Shirono (the Chairman and Chief Executive Officer of the Company), his spouse, Mrs. Tomoko Shirono, and Ms. Tomomi Ishihara (the President and Chief Operating Officer of the Company). As a result, Cilag's holding of Company Shares reached 9,679,400 shares (ownership ratio: 19.90%), and also two nominees, Ms. Ikuko Ebihara and Mr. Hiroshi Kojima, who were nominated by Cilag, were elected as directors of the Company at a general meeting of shareholders held in October 2016.

As stated above, the Company is mainly engaged in the Dr. Ci:Labo business in which it sells cosmetics, health foods and beauty devices, and the aesthetic salon business in which it operates aesthetic salons, under the management philosophy of delivering beauty and health to all people using a medical approach. In the aesthetic salons business, on November 30, 2017, the Company acquired shares of SEDONA ENTERPRISE CO., LTD. (which mainly engages in the operation of hair removal salons) for the purpose of acquiring customers of young generations. As a result, the sales of the aesthetic salon business in the fiscal year ending July 2018 were 7,939 million yen (up 198.3 % year-on-year), and the operating profit was 319 million yen (down 25.5% year-on-year). One of the causes of this decrease in operating profit was decrease in profitability of Ci:z Labo Co., Ltd. due to low pricing trend per treatment. In the Dr. Ci:Labo business, the Company introduced updated versions of major products such as "Aqua-Collagen-Gel Enrich-Lift" and "VC100 Essence Lotion" as well as new products, and actively promoted its products through television commercials and other means. As a result, the sales of the Dr. Ci:Labo business in the fiscal year ending July 2018 were 42,999 million yen (up 6.8 % year-on-year), and the operating profit was 8,368 million yen (up 2.6% year-on-year). The distribution channels of the Dr. Ci:Labo business are mail order sales, wholesale and in-store product demonstrations. Although the Company took several measures to acquire new customers, such as using third-party online shopping sites for mail order sales, the increase in mail order sales was limited to 1.2% year-on-year, partly because of the loss of existing customers. Conversely, the sales from wholesale and in-store demonstrations increased by 19.0% and 11.6% year-on-year, respectively, supported by demand from inbound tourists.

As stated above, the Company entered into agreements on collaboration, licensing and transfer with JJPL on July 11, 2016, and has vigorously conducted advertising and promotional activities, mainly targeting Asia, under JJPL's initiative. As a result, awareness of the Company's products has increased in overseas markets, which resulted in significant increase in shipping of Company's products to markets outside of Japan in the financial year ended July 2018, which overseas shipping amounted to 170% compared to that of the financial year ended July 2017. That improved awareness has positively affected the demand from inbound tourists, and is starting to create a synergy effect. In the domestic markets, on the other hand, the number of online sales customers has been decreasing as the negative impact of loss of online sales customers still remains amid the expected long-term shrinkage of domestic markets for cosmetics due to the falling birthrate and aging population and depopulation. In addition, recognizing that the seamless interaction between overseas business and domestic market is the key factor to enhance the Company's brands to global brands amid the businesses globalization

and the weakened notion of national borders, the Company has considered every possible solution to such challenges.

(b) Background and purpose of the Tender Offer by the Offeror

Background of the Tender Offer:

According to the Offeror, J&J Consumer believes in blending heart, science and ingenuity to profoundly change the trajectory of health for humanity. It is this approach towards its Beauty Business which led it to pursue the Alliance with Company in July 2016 as described above.

According to the Offeror, J&J Consumer's strategic plans for its Beauty Business identified expanding in the Asia Pacific region to better serve consumers in this region as a key priority for strategic growth in the future. According to the Offeror, the Alliance allowed J&J Consumer to build scale in the Asia Pacific region while aiding the Company's global expansion aspirations. The Alliance has been a successful collaboration for the parties and has led to the creation of a positive and mutually beneficial business relationship between management of J&J Consumer and the Company.

As a result of this positive business relationship between J&J Consumer and the Company, the Company reached out to the Offeror at the end of January 2018 to propose that the Offeror consider the acquisition of additional Company Shares. The Offeror determined to enter into preliminary discussions with the Company and Dr. Shirono, in his capacity as a CIC Shareholder and a representative director of CIC (unless specifically noted otherwise, any reference to "Dr. Shirono" hereafter shall mean Dr. Shirono in his capacity as both a CIC Shareholder and a representative director of CIC), with respect to the possibility of the Transactions and started consultations with Dr. Shirono and with the Company in the middle of March 2018. Beginning in April 2018, members of Company management provided the Offeror with access to due diligence materials and scheduled meetings with additional members of Company's management to allow the Offeror to better understand the Company's business. Members of J&J Consumer's senior management also attended a formal management presentation organized by the Company on May 29, 2018.

According to the Offeror, to assist in due diligence and in evaluation of the Transactions, the Offeror retained Goldman Sachs & Co. LLC and PricewaterhouseCoopers Aarata LLC as its financial advisors and Mori Hamada & Mastumoto and Cravath, Swaine & Moore LLP as its legal advisors. With the help of its advisors, Offeror was able to substantially complete its due diligence investigation of the Company by the end of July 2018.

According to the Offeror, based on the result of such due diligence investigation, the Offeror decided to start discussions regarding the specific terms of the potential Transactions and discussed and negotiated until the beginning of October 2018 with Dr. Shirono in which the Offeror received request from Dr. Shirono that the Offeror acquire all of the CIC Shares, rather than acquiring all of the Company Shares held by CIC through the Tender Offer, and discussed the topics such as structure of the Transaction, timing for the launch of the Tender Offer, whether to acquire the CIC shares and the mechanics around the purchase of the CIC Shares,

the price to be assigned to the Company Shares in the Tender Offer, the recent performance of the Company, and Dr. Shirono's future role with the Company after consummation of the Tender Offer.

According to the Offeror, as a result of these continuous discussions, (i) the Offeror determined that the Offeror and the Company would be able to achieve the goals as further described in "Purpose of the Tender Offer" below and increase their corporate value of both the Offeror and the Company by delisting the Company and adding the Company to the Johnson & Johnson Family of Companies, and (ii) with respect to the Company Shares held by CIC, the Offeror and Dr. Shirono were able to agree to the CIC Shares Purchase Price to be the price that will not violate the equal price doctrine under Article 27-2, Paragraph 3 of the Act and Article 8, Paragraph 3 of the Enforcement Order, as stated in the section above titled "(i) Outline of the Tender Offer" under "(2) Basis of, and Reasons for, the Opinion on the Tender Offer". According to the Offeror, the Offeror was then able to reach an agreement with Dr. Shirono on the terms and conditions for the purchase of the CIC Shares on October 12, 2018. According to the Offeror, the Offeror then provided a letter of intent to the Board of Directors of the Company detailing the proposed terms of the Transactions and the Tender Offer on October 12, 2018.

Purpose of the Tender Offer:

According to the Offeror, the addition of the Company to the Johnson & Johnson Family of Companies would substantially expand J&J Consumer's business presence in Japan and the Asia Pacific region, enhance the Company's business capabilities and resources and allow it to grow and geographically expand its business, and provide significant value to the Company's shareholders by delivering a premium to the Company's current stock price.

According to the Offeror, consummation of the Transactions would help transform J&J Consumer into a leading player in the highly strategic, fast-growing, medically and clinically focused global Dermo-Cosmetic skincare category. The Company's authentic doctor-founded heritage is expected to build J&J Consumer's health-in-beauty point of difference, which is well aligned to J&J Consumer's foundational Healthy Beauty approach.

According to the Offeror, acquiring the Company would provide J&J Consumer with a proven business model, strong Dermo-Cosmetic presence and established customer base backed by Japanese beauty credentials and efficacious products positioned at attractive premium prices. It would also deliver a portfolio of Asia-born skincare brands that are incremental to J&J Consumer's existing portfolio, with strong brand equity and a reputation for quality and efficacy.

According to the Offeror, the Company would also provide J&J Consumer with a sizeable and profitable business that would deliver immediate scale to J&J Consumer in the Asia Pacific region with a stronghold in the Japanese market and high degree of relevance in China. This would strengthen J&J Consumer's presence in the Asia Pacific region, substantially increase its existing presence in Japan and provide it with enhanced capabilities to grow existing J&J Consumer beauty brands. It would also enhance J&J Consumer's capabilities in mail order and counselling-type department store channel and in rapid product innovation.

According to the Offeror, in addition, consummation of the Transactions would have the following benefits:

- Compelling, All-Cash Transaction for the Company's Shareholders: The Tender Offer would deliver a significant and immediate premium to the Company's shareholders.
- Value-enhancing Transaction for the Offeror's Shareholders: The Transactions are expected to enhance long-term growth and value creation for J&J Consumer.
- Elevating the Offeror's Online E-Commerce Capabilities: The Transactions would allow J&J Consumer to build Asia Pacific and global online e-commerce capabilities by leveraging one of the largest customer relationship management databases for direct-to-consumer skincare in Japan.
- Expanding and Improving the Company's Distribution Through Well-Established Networks: The addition of the Company to the Johnson & Johnson Family of Companies would provide the opportunity to expand and improve the Company's pharmacy presence through the Offeror's consumer capabilities and well-established distribution networks.
- Strengthening the Company's International Innovation Pipeline: The Transactions would also provide the Company with a strong platform for premium-priced innovations and portfolio expansion by leveraging the Offeror's international pipeline.

According to the Offeror, based on the above, the Offeror has determined to (1) launch the Tender Offer for the Company Shares and (2) purchase all of the CIC Shares, subject to the successful completion of the Tender Offer and certain other conditions. For the details of the purchase of the issued shares of CIC, please refer to the section below titled "4. Matters concerning the material agreements regarding the Tender Offer".

As stated above, the Company recognizes that, in order to achieve increase in mid-to long-term profits and grow its business amid the expected long-term shrinkage of domestic markets for cosmetics due to the falling birthrate and aging population and depopulation, it must (i) increase sales in overseas markets, (ii) fully utilize customer databases held by the Company group, (iii) enhance its product line-up, and (iv) increase sales via its e-commerce website. Therefore, the Company considers that realizing greater synergies through further enhancing cooperation with the Offeror group will be highly effective in addressing these anticipated managerial issues. The Company further believes that it is not necessary to continue its listing with relevant exchanges since it has already developed a certain level of publicity, social credibility and financial stability, and the Company contemplates that it can increase business efficiency by implementing measures such as mitigating costs to maintain its listed status as a result of the Transactions (e.g., costs to operate shareholders' meetings or maintain timely disclosure of securities reports or other required documents under the Financial Instruments and Exchange Act), while continuing to be able to secure funding from diverse sources since the Offeror is a listed company on the New York Stock Exchange. The Company also believes it will further enhance its social credibility and financial stability by becoming a member of the Offeror group. In order to realize

the abovementioned synergies and business efficiency, the Company realizes that it must cooperate more closely with the Offeror and advance the mutual utilization of business resources and related know-how through the Transactions, whereby the Company Shares will be delisted and privatized and the Company will become a wholly-owned subsidiary of the Offeror group.

The Company anticipates the measures and effects of business synergy after the Transactions as follows:

- (A) utilization of the Offeror group's distribution channels in overseas markets, and increase in overseas sales through in-depth sharing of information with the Offeror group;
- (B) increase in sales through enhancement of mail order sales by utilizing the Offeror group's knowledge in customer management and analysis together with the Company group's customer database; and
- (C) acceleration of growth through flexible investment decisions.

For item (A), as stated in the section above titled "(ii) Background, purpose, and decision-making process with respect to conducting the Tender Offer, and management policy after the Tender Offer" under "(2) Basis of, and Reasons for, the Opinion on the Tender Offer", the Company currently grants to JJPL the right to exclusively operate cosmetic businesses under its brands, namely "Dr. Ci:Labo®," "Labo Labo®," and "Genomer®," outside of Japan. As a result of the Company strengthening its relationship with the Offeror group, more in-depth information may be shared and overseas sales of the Company group would increase, by enabling it to better understand the needs in each country.

For item (B), the Company group has 12,580,000 domestic mail order registered members as at the end of fiscal year ended July 31, 2018. The Company recognizes that by utilizing the Offeror group's knowledge in customer management and analysis, it can effectively utilize its customer database and provide each customer with the products or services that it is looking for. This would result in greater customer satisfaction and thus further improve business efficiency. In addition, the Company believes that by linking the Offeror group's information on overseas customers with the domestic business, it will be able to provide products and services in line with the needs of each overseas customer who visits Japan to shop for its products. This would result in a further increase in sales from inbound tourists.

Moreover, for item (C), the Company, as a listed company, is required to run the company keeping its stock price in mind and one of its important business goals is to earn profits every year. As a result, it is difficult to fully make the necessary investments for mid- to long-term growth, such as those related to development of new products and information and communication technology (ICT). Through the Transactions, however, the Company will be able to make speedy and active investment based on the flexible decisions in such fields or R&D that it could not have made before by using the Offeror group's business resources and planning and development capabilities. The Company believes that such active investment will enhance its product line-up and the usability of its e-commerce website, which will likely result in the acceleration of its mid- to long-term growth.

In line with the above, the Company decided that (A) the Transactions are expected to contribute to further enhancement of the corporate value of the Company, (B) the Tender Offer Price and other terms and conditions of the Tender Offer are fair, and (C) the Tender Offer provides the shareholders of the Company with the opportunity to sell their shares at a reasonable price and on reasonable terms and conditions. The Company resolved at its board of directors meeting held on the October 23, 2018 to express its opinion of its support for the Tender Offer and recommend that the Company's shareholders tender their shares in the Tender Offer. Please see the section below titled "(c) Company's decision-making process at its board of directors meeting" for details of the Company's deliberation and decision-making process with respect to the Transactions.

(c) Company's decision-making process at its board of directors meeting

The Company has built a good business relationship with the Offeror group which is in charge of the Company's overseas business since it entered into the Alliance with Cilag in July 2016. As stated in the section above titled "(b) Background and purpose of the Tender Offer by the Offeror", the Company determined that, in order to achieve increase in mid- to long-term profits and grow its business amid the expected long-term shrinkage of domestic markets for cosmetics due to the falling birthrate and aging population and depopulation, the Offeror group and the Company must cooperate more closely with each other and advance the mutual utilization of business resources and related know-how, and reached out to the Offeror in the end of January 2018 to propose that the Offeror consider the acquisition of additional Company Shares and consultations with the Offeror started in the middle of March 2018. The Company appointed Nomura Securities Co., Ltd. ("Nomura Securities") as its financial advisor independent from the Company and the Offeror, and Nagashima Ohno & Tsunematsu as its legal advisor independent from the Company and the Offeror as stated in the section below titled "(6) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest". Further, since conflicts of interest might arise between the Offeror and the Company's minority shareholders in connection with the Transactions, the Company requested its independent outside director to examine whether the decisions made by the Company with respect to the Transactions are disadvantageous to the Company's minority shareholders so that the fairness of the Transactions will be ensured. Regarding the details of the Company's obtaining the independent director's opinion, please see the section below titled "(iii) Obtaining opinion from a disinterested outside director of the Company" in "(6) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest".

Having received an interim valuation report on the Company Shares and financial advice from Nomura Securities, as well as legal advice from Nagashima Ohno & Tsunematsu, the Company carefully deliberated on the terms and conditions (including the Tender Offer Price) of the Tender Offer and had discussions with the Offeror from October 12, 2018, the date on which it received the letter of intent, to October 23, 2018. In such discussions, the Company received from the Offeror, and made deliberations relying on, the explanation that the aggregate CIC Shares

Purchase Price will be an amount equal to (i) the number of Company Shares held by CIC (13,600,000 shares) multiplied by the Tender Offer Price (80,240,000,000 yen), (ii) reduced by CIC's indebtedness for borrowed money, accounts payable, income taxes payable or any other liabilities or obligations as of the CIC Shares Transfer Date, and (iii) increased by the amount of CIC's cash and deposits and corporate tax receivable as of the CIC Shares Transfer Date, and therefore will be equivalent to economic value that would be received by the CIC Shareholders for the case where CIC tenders the Company Shares in the Tender Offer.

In this process, the Company's board of directors paid the maximum respect to the content of the written report (the "Written Report"; for its details, please see the section below titled "(iii) Obtaining opinion from a disinterested outside director of the Company" in "(6) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest") submitted by the independent director of the Company on October 23, 2018, taking into account the share valuation report on the Company Shares obtained from Nomura Securities on October 22, 2018 (the "Company Share Valuation Report") as well as legal advice from Nagashima Ohno & Tsunematsu.

As stated in the section above titled "(b) Background and purpose of the Tender Offer by the Offeror", the Company determined that, in order to achieve increase in mid- to long-term profits and grow its business, taking the measures mentioned in the section above titled "(b) Background and purpose of the Tender Offer by the Offeror" to realize the synergies by becoming a wholly-owned subsidiary of the Offeror group through the Transactions will contribute to enhancing the corporate value of the Company.

Also, the Company determined that the Tender Offer Price in the Transactions provides the shareholders of the Company with reasonable opportunity to sell their shares based on following reasons: (i) the Company has taken measures to ensure fairness of the Tender Offer and after receiving advice and reports from Nomura Securities and Nagashima Ohno & Tsunematsu, and conducted prudent discussions and considerations; (ii) in the Written Report submitted by the independent director of the Company, the terms and conditions (including the Tender Offer Price) of the Tender Offer are considered appropriate; (iii) in accordance with the calculation results by Nomura Securities stated in the section below titled "(3) Matters concerning the Valuation", the Tender Offer Price is a price above the range of the calculation results based on the market value method and comparable method, and is within the range of the calculation results based on discounted cash flow analysis ("DCF Method"); (iv) the Tender Offer Price represents a premium of 52.65% (rounded to two decimal place; the same applies to other calculations of premium in this section) on 3,865 yen, which was the closing price for the Company Shares quoted on the First Section of the Tokyo Stock Exchange on the evaluation reference date of October 22, 2018 (which was the business day immediately preceding the day when decision to commence the Tender Offer was made by the Company); a premium of 59.98% on 3,688 yen (rounded to the nearest yen; the same applies to all closing price averages in this section), which was the simple average closing price for the Company Shares over the one-week period ending on that date; a premium of 51.63% on 3,891 yen, which was the simple average

closing price for the Company Shares over the one-month period ending on that date; a premium of 33.03% on 4,435 yen, which was the simple average closing price for the Company Shares over the three-month period ending on that date; and a premium of 18.93% on 4,961 yen, which was the simple average closing price over the six-month period ending on that date, and it is deemed within a reasonable range; (v) according to the Offeror, the CIC Shares Purchase Price will be set to be equivalent to economic value that would be received by the CIC Shareholders for the case where CIC tenders the Company Shares in the Tender Offer and (vi) the measures to ensure the fairness of the Tender Offer stated in the section below titled “(6) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest” have been taken and consideration was given to minority shareholders’ interests.

Based on the above, the Company resolved at its board of directors meeting held on October 23, 2018 to express its opinion of its support for the Tender Offer and recommend that the Company’s shareholders tender their shares in the Tender Offer. The Company’s board of directors resolution is made by the manner described in the section below titled “(iv) Unanimous approval of all disinterested directors of the Company and opinion of no objection by all disinterested statutory auditors of the Company” under “(6) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest”.

(d) Management Policy after the Tender Offer

While Dr. Shirono intends to resign from his position as an officer and employee of the Company as of the completion of the acquisition of all shares in the Company by the Offeror after the successful completion of the Tender Offer, as stated in the section below titled “(ii) Advisory Agreement between the Company, JKKK and Dr. Shirono” under “(1) Agreements between the Offeror and the Company or its directors or officers, and the contents thereof” in “10. Other matters”, the Company, Johnson & Johnson K.K. (“JKKK”), voting rights of which are indirectly wholly owned by the Offeror and engages in the Offeror group’s business in Japan, and Dr. Shirono agreed that Dr. Shirono shall, after his resignation from his position as an officer and employee of the Company, and after the date of completion of the acquisition of all shares in the Company by the Offeror group, act as Honorary Chairman and Senior Advisor to the Management Board of the Company and provide advisory services to the Company and JKKK in relation to the business, products and other matters of the Company and JKKK. While the Offeror also intends to have other current management and employees of the Company group continue to operate the business of the Company group, the Offeror will, with consultation with the Company, deliberate in more detail the establishment of the most appropriate structure to improve the corporate value of the Offeror group and the Company group as a whole.

(3) Matters concerning the Valuation

The Company, in expressing its opinion on the Tender Offer, requested Nomura Securities, a financial adviser, as a third party appraiser, independent from the Company group, Dr. Shirono and the Offeror group to evaluate of the value of the Company Shares, and obtained the Company Share Valuation Report on October 22, 2018 from Nomura Securities. It is stated

that Nomura Securities does not constitute a related party of the Company or the Offeror and does not have any material conflicts of interest with the Company or the Offeror. In addition, the Company did not receive an opinion letter regarding the fairness of the Tender Offer Price (a fairness opinion) from Nomura Securities.

After considering the methods that should be utilized to calculate the value of the Company Shares among various share value calculation methods available, and assuming that the Company is a going concern and based on the notion that it is appropriate to evaluate the value of the Company Shares using multiple methods, Nomura Securities decided to calculate the value of the Company Shares using (i) the market value method, because the Company Shares are listed on the First Section of the Tokyo Stock Exchange, (ii) comparable method, because there are listed companies that are comparable with the Company and it is possible to make an analogical inference of the value of the Company Shares by comparing similar companies, and (iii) DCF Method, in order to reflect the status of future business activities to the valuation.

The following are the ranges of values per Company Share that were calculated by Nomura Securities based on each calculation method set out above.

Market value method: From 3,688 yen to 4,961 yen

Comparable method: From 2,905 yen to 4,131 yen

DCF Method: From 4,811 yen to 6,567 yen

For the market value method, the range of value per Company Share of 3,688 yen to 4,961 yen was delivered based on the following prices for the Company Shares quoted on the First Section of the Tokyo Stock Exchange as of the evaluation reference date of October 22, 2018 (which was the business day immediately before October 23, 2018, the announcement date of the Tender Offer): 3,865 yen, the closing price on the reference date, and 3,688 yen, 3,891 yen, 4,435 yen, and 4,961 yen, the simple average closing prices over the preceding one-week, one-month, three-month, and six-month periods, respectively.

For the comparable method, the range of value per Company Share of 2,905 yen to 4,131 yen was derived by calculation of such value through comparison of market value and financial indicators indicating the profitability of the Company with those of multiple listed companies that engage in relatively similar businesses.

For the DCF Method, the range of value per Company Share of 4,811 yen to 6,567 yen was derived by evaluating the Company's corporate value and share value, calculated by discounting to the present value at a certain discount rate the free cash flow that the Company is expected to generate after the fiscal year ending July 2019 based on the Company's estimated future earnings and investment plan in its business plan for the period from the fiscal year ending July 2019 to the fiscal year ending July 2023 prepared by the Company, publicly disclosed information, and the like. The business plan prepared by the Company that Nomura Securities used for its calculation by the DCF Method was not prepared on the assumption of occurrence of the Transactions, and there is no fiscal year in this business plan when significant increase or decrease in profit is expected. Further, synergies anticipated as a result of the Transactions are not considered in this business plan.

(4) Prospects and reasons for delisting

The Company Shares are currently listed on the First Section of the Tokyo Stock Exchange as of today. However, since the Offeror has not set maximum number of Share Certificates, Etc. to be purchased in the Tender Offer, the Company Shares may be delisted through prescribed procedures in accordance with the stock delisting criteria stipulated by the Tokyo Stock Exchange, depending on the results of the Tender Offer.

Also, even in the event that the stock delisting criteria are not met upon successful completion of the Tender Offer, the Company Shares will be delisted through the prescribed procedures in accordance with the stock delisting criteria of the Tokyo Stock Exchange if the procedures stated below in the section below titled “(5) Policy for Corporate Restructuring After the Tender Offer (matters relating to the so-called “Two-Step Acquisition”)” are to be taken after the successful completion of the Tender Offer. After delisting, the Company Shares will be unable to be traded on the Tokyo Stock Exchange.

(5) Policy for Corporate Restructuring After the Tender Offer (matters relating to the “Two-Step Acquisition”)

The Company received from the Offeror the following explanation regarding the policy for organizational restructuring after the Tender Offer (matters relating to the “Two-Step Acquisition”).

As stated in the section above titled “(i) Outline of the Tender Offer” under “(2) Basis of, and Reasons for, the Opinion on the Tender Offer”, the objective of the Tender Offer is to take the Company private, and in the event that the Offeror is unable to obtain all of the Company Shares (excluding the Excluded Shares) through the Tender Offer, then, after the successful completion of the Tender Offer, the Offeror intends to take either of the following actions to obtain all of the Company Shares (excluding the Excluded Shares).

(i) Demand for the sale of shares

If the total number of voting rights represented by shares held by the Offeror, Cilag and CIC, is equal to or more than 90% of the total number of voting rights of all shareholders of the Company after the successful completion of the Tender Offer and the purchasing CIC Shares pursuant to the Stock Purchase Agreement and the Company has become a special controlling shareholder of the Company as stipulated in Article 179, Paragraph 1 of the Companies Act (Act No.86 of 2005, as amended; the “Companies Act”), the Offeror intends, promptly following the settlement of the Tender Offer, to require all shareholders of the Company (excluding the Offeror, Cilag, CIC and the Company (collectively, the “Offeror Related Shareholders”) to sell all of their Company Shares to the Offeror (the “Demand for the Sale of Shares”), as stipulated in Part II, Chapter 2, Section 4-2 of the Companies Act. In the event of a Demand for the Sale of Shares, each of the Company Shares held by each shareholder of the Company (excluding the Offeror Related Shareholders) will be exchanged for cash consideration equal to the Tender Offer Price. In such an event, the Offeror will notify the Company of the Demand for the Sale of Shares and seek the Company’s approval thereof. If the Company approves the Demand for the Sale of Shares by a resolution of the board of directors, then, in accordance with the procedures provided for in applicable laws and regulations and without requiring the consent of the individual shareholders of the Company, on the day stipulated by the Demand for the Sale of Shares, the Offeror will acquire all Company Shares held by shareholders of the Company (excluding the Offeror Related Shareholders). Consequently, the Offeror will deliver to each such shareholder

monetary consideration equal to the Tender Offer Price for each Company Share held by that shareholder. If the Company receives a notice from the Offeror of its intention to conduct a Demand for the Sale of Shares with respect to matters set out in items under Article 179-2, Paragraph 1 of the Companies Act, the Company's board of directors intends to approve the Offeror's Demand for the Sale of Shares. If the Offeror conducts a Demand for the Sale of Shares, according to the provisions of Article 179-8 of the Companies Act and other applicable laws and regulations, shareholders of the Company that did not tender into the Tender Offer will be able to file a petition with the court for a determination of the sale price for their Company Shares. In such a case, the purchase price will be finally determined by a court.

(ii) Share consolidation

On the other hand, if the total number of voting rights represented by shares held by the Offeror, Cilag and CIC is less than 90% of the total number of voting rights of all shareholders of the Company after the successful completion of the Tender Offer, the Offeror intend to request the Company to hold an extraordinary shareholders' meeting (the "Extraordinary Shareholders' Meeting") at which the following proposals will be submitted promptly following the settlement of the Tender Offer pursuant to Article 180 of the Companies Act: (i) to conduct a consolidation of the Company Shares (the "Share Consolidation"), and (ii) to make an amendment to the Company's Articles of Incorporation that would abolish the share unit number provisions, subject to the Share Consolidation taking effect. The Offeror, Cilag and CIC intend to approve such proposals at the Extraordinary Shareholders' Meeting.

If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Company will, on the effective date of the Share Consolidation, hold the number of Company Shares proportionate to the ratio of the Share Consolidation that is approved at the Extraordinary Shareholders' Meeting. In the case where any fractional share less than one share arises as a result of the Share Consolidation, the amount of cash to be obtained by selling the Company Shares in the amount equivalent to the aggregate of such fractional shares (any fractional shares less than one share in the aggregate will be rounded off, hereinafter the same) to the Company or the Offeror will be delivered to the shareholders of the Company pursuant to Article 235 of the Companies Act and other applicable laws and regulations. With respect to the sale price of the Company Shares in the amount equivalent to the aggregate of such fractional shares, the Offeror intends to request the Company to determine such price so that the amount of money to be delivered to each of the Company's shareholders who did not tender their shares in the Tender Offer (excluding the Offeror Related Shareholders) as a result of such sale will be equal to the amount obtained by multiplying (a) the Tender Offer Price by (b) the number of the Company Shares held by such shareholder, and to file a petition to the court for permission for such sale at such determined price.

Although the ratio of the Share Consolidation of the Company Shares has not been determined as of today, it is intended that shareholders (excluding the Offeror Related Shareholders) who held shares in the Company and did not tender in the Tender Offer would have their shares classified as shares less than one unit in order for only the Offeror, Cilag and CIC to become the owners of all of the Company Shares (excluding treasury shares held by the Company).

It is provided for that if the Share Consolidation has been conducted and there is a fraction of one share of the Company Shares as a result of the Share Consolidation, each shareholder of the Company (excluding the Offeror Related Shareholders) may request the Company to purchase all of the shares held by it that are fractions of one share at a fair price and may file a petition to a court to determine the price of the Company Shares in accordance with Articles 182-4 and 182-5 of the Companies Act and other provisions of relevant laws and regulations. As stated above, it is intended that any shareholders of the Company who do not tender their Company Shares in the Tender Offer (excluding the Offeror Related Shareholders) will hold shares less than one unit, and any shareholders of the Company who oppose the Share Consolidation will be able to file the above petition. In the event that holders of shares less than one unit file the above petition with the court, the acquisition price will be finally determined by the court.

It is further noted that shareholders of the Company will not be solicited to agree to the Tender Offer at the Extraordinary Shareholders' Meeting.

With regard to the procedures in (i) and (ii) above, it is possible that, depending on amendments to the relevant laws and regulations, the interpretation of the relevant laws and regulations by authorities, the shareholding percentage of the Offeror after the Tender Offer, and the ownership of Company Shares by shareholders other than the Offeror, more time may be required or alternative methods that have substantially the same effect may be utilized to implement the Transaction. However, even in such a case, it is intended that a method will be used whereby the shareholders of the Company who do not tender their shares in the Tender Offer (excluding the Offeror Related Shareholders) will ultimately receive cash consideration equal to the number of Company Shares held by such shareholder multiplied by the Tender Offer Price in exchange for their shares.

In each case described above, the Company will announce specific procedures and the schedule for implementation thereof promptly once determined through consultation with the Company.

All shareholders of the Company are solely responsible for seeking their own specialist tax advice with regard to the tax consequences of tendering their Company Shares in the Tender Offer or participating in the procedures outlined above.

- (6) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest

As of today, the Company is not a subsidiary of the Offeror and the Tender Offer is not a tender offer conducted by a controlling shareholder. However, given that the Offeror and Cilag, a wholly-owned subsidiary of Cilag Holding AG, voting rights of which are indirectly wholly-owned by the Offeror, own 9,679,400 Company Shares in total (ownership ratio: 19.90%) and that Dr. Shirono, the Chairman and Chief Executive Officer of the Company, and his relatives agreed to transfer to the Offeror all outstanding shares in CIC, the largest shareholder of the Company pursuant to the Share Purchase Agreement, the Offeror and the Company took following measures in light of ensuring the fairness of the Tender Offer and avoiding conflicts of interest.

Although the Offeror does not set the minimum number of Share Certificates, Etc. to be purchased to the number of shares upon which the so-called "Majority of Minority" is achieved, the Offeror believes sufficient consideration is given to the interest of minority shareholders of the Company because following measures were taken by the Offeror and the Company.

- (i) Obtaining a share valuation report from an independent third-party appraiser of the Company

As stated in the section above titled “(3) Matters concerning the Valuation”, the Company, in expressing its opinion on the Tender Offer, requested Nomura Securities, a financial adviser, as a third party appraiser, independent from the Company group, Dr. Shirano and the Offeror group to evaluate of the value of the Company Shares, and obtained the Company Share Valuation Report on October 22, 2018 from Nomura Securities. It is stated that Nomura Securities does not constitute a related party of the Company or the Offeror and does not have any material conflicts of interest with the Company or the Offeror. In addition, the Company did not receive an opinion letter regarding the fairness of the Tender Offer Price (a fairness opinion) from Nomura Securities. For the outlines of the Company Share Valuation Report which received from Nomura Securities, please see the section above titled “(3) Matters concerning the Valuation”.

- (ii) Advice from a law firm independent from the Company

The Company retained Nagashima Ohno & Tsunematsu as its legal adviser and received legal advice from that law firm on the decision-making methods by, and processes of, the board of directors and other matters relating thereto, including procedures for the Transactions. It is stated that Nagashima Ohno & Tsunematsu is independent from the Company group, Dr. Shirono and the Offeror group and does not have any material conflicts of interest with the Company group, Dr. Shirono or the Offeror group.

- (iii) Obtaining opinion from a disinterested outside director of the Company

Although the Tender Offer does not constitute a tender offer by the controlling shareholder, in order to ensure the fairness of the Transactions including the Tender Offer and to have the basis for consideration of the opinion to be expressed by the Company, the Company consulted regarding the following matters with Mr. Katsuaki Tanaka, who is an outside director of the Company and is filed as an independent director with the Tokyo Stock Exchange: (i) whether the Transactions are justifiable as contributing to the enhancement of its corporate value; (ii) whether or not the fairness of the conditions of the Tender Offer (including the Tender Offer Price) is ensured; (iii) whether or not the negotiation process and other procedures for the Transactions are appropriate; and (iv) based on the examination in items (i) through (iii), whether the Transactions including the Tender Offer are not disadvantageous to the minority shareholders of the Company (items (i) through (iv) are hereinafter referred to as “Consulted Matters”), and commissioned Mr. Katsuaki Tanaka to submit his opinion on these matters to the Company’s board of directors.

After receiving explanation of matters necessary for the examination of the Consulted Matters from the representatives of Nomura Securities, a financial advisor of the Company, and Nagashima Ohno & Tsunematsu, a legal advisor, Mr. Katsuaki Tanaka confirmed and examined the details of the Offeror’s letter of intent dated October 12, 2018, and received explanation of the rationale of the Transactions, the terms and conditions of the Tender Offer, the negotiation process, and the like from officers and employees of the Company, asked questions as necessary, and examined the results of the valuation of Company Shares reported to the Company from Nomura Securities, an independent third party appraiser, and other related materials received.

Having gone through this process, Mr. Katsuaki Tanaka submitted a written report to the Company's board of directors on October 23, 2018 as follows:

- (a) It is determined that the Transactions will contribute to the enhancement of the Company's corporate value given that (A) the synergies that the Company envisages arising from the Transactions will be consistent with the Company's current understanding and allow it to address all material business challenges going forward, (B) no significant problems are apparent arising from the delisting of the Company, and the delisting will accelerate the enhancement of the Company's corporate value, and (C) the synergies that the Offeror envisages do not appear to differ significantly from the business directions of the Company.
- (b) It is determined that the Tender Offer Price and other terms and conditions of the Transactions are fair given that (A) the Tender Offer Price exceeds or falls within the range of values per Company Share stated in the share valuation report obtained from Nomura Securities, (B) the Tender Offer Price includes a sufficient premium, (C) the Tender Offer Period is set at a relatively long period and if a counter offeror emerges, there are no agreements to limit the counter offeror's contact with the Company or similar measures in place, (D) the CIC Shares Purchase Price will be set to be equivalent to economic value that would be received by the CIC Shareholders for the case where CIC tenders the Company Shares in the Tender Offer, and (E) the shareholders who do not tender their shares in the Tender Offer will eventually be paid an amount equivalent to the Tender Offer Price in the process of the Transactions.
- (c) It is considered that the opportunity for the shareholders of the Company to make an appropriate decision has been secured, given that (A) the Company plans to make sufficient disclosures regarding the Tender Offer, including the process that led to the commencement of the Transactions in its disclosure documents relating to the Tender Offer, (B) the Company's directors and statutory auditors have not executed any agreement with the Offeror with respect to maintaining the status of the Company's directors and statutory auditors after the successful completion of the Tender Offer, (C) such scheme as preventing shareholders who oppose the Company becoming a wholly owned subsidiary through the Tender Offer from exercising their rights to demand share purchase or right to demand price determination is not adopted, and (D) after the successful completion of the Tender Offer, the Company is expected to become a wholly owned subsidiary based on the same price as the Tender Offer Price. Furthermore, it is considered that arbitrariness was eliminated from the decision-making process given that (A) the Company received a share valuation report from a third-party appraiser independent from any of the Company group, Dr. Shirono and the Offeror group, (B) the Company retained Nagashima Ohno & Tsunematsu, a legal advisor independent from any of the Company group, Dr. Shirono and the Offeror group, (C) the Company consulted with an independent outside director, and (D) the Company's disinterested directors intend to vote unanimously in favor of a board of directors resolution to conduct the Transactions. Moreover, it is considered that due negotiation process with the Offeror has been taken given that (A) having received an interim valuation report on the Company Shares and financial advice from Nomura Securities, as well as legal advice from Nagashima Ohno &

Tsunematsu, the Company carefully deliberated on the terms and conditions (including the Tender Offer Price) of the Tender Offer, and had discussions with the Offeror from October 12, 2018, the date on which it received the letter of intent, to October 23, 2018, and (B) neither Dr. Shirano, Ms. Ikuko Ebihara nor Mr. Hiroshi Kojima attended discussions and negotiations on the specific terms of the Transactions on behalf of the Company. In addition, it is considered that the Offeror's influence on the material Company's decision-making is limited considering the number of the Company's board of directors given that although the Offeror owns 100 Company Shares (ownership ratio: 0.00%), Cilag owns 9,679,300 Company Shares (ownership ratio: 19.90%), and Ms. Ikuko Ebihara, who is an outside director of the Company, concurrently serves as president and representative director of JJKK, voting rights of which are indirectly wholly owned by the Offeror, the Company is not an equity-method subsidiary of the Offeror. Taking all of these factors into account, it is determined that the negotiations and other process that led to the Transactions are appropriate.

- (d) In light of the above considerations, it is determined that the decision to conduct the Transactions is not disadvantageous to the Company's minority shareholders, given that (A) the purpose of the Transactions is legitimate as it will contribute to enhancement of the Company's corporate value, (B) the price of the Tender Offer and other terms and conditions of the Transactions are fair, and (C) the negotiations and other processes that led to the Transactions are appropriate.

- (iv) Unanimous approval of all disinterested directors of the Company and opinion of no objection by all disinterested statutory auditors of the Company

The Company prudently discussed and examined the Transactions including the Tender Offer, taking into account the Company Share Valuation Report obtained from Nomura Securities, the Written Report submitted by the disinterested outside director, and legal advice from Nagashima Ohno & Tsunematsu, as well as other related materials.

Based on the above, the Company resolved at its board of directors meeting held on October 23, 2018 to the effect that it expresses its opinion of its support for the Tender Offer and recommends that the Company's shareholders tender their shares in the Tender Offer, as stated in the section above titled "(c) Company's decision-making process at its board of directors meeting" under "(ii) Background, purpose, and decision-making process with respect to conducting the Tender Offer, and management policy after the Tender Offer" of "(2) Basis of, and Reasons for, the Opinion on the Tender Offer".

Since Dr. Shirano, who serves as director, Chairman and Chief Executive Officer of the Company, is a shareholder of CIC and entered into the Share Purchase Agreement with the Offeror, Ms. Ikuko Ebihara, who is an outside director of the Company, concurrently serves as president and representative director of JJKK, voting rights of which are indirectly wholly owned by the Offeror, and Mr. Hiroshi Kojima, who is an outside director of the Company, were elected after being nominated by Cilag, it was possible for them to be considered persons with special interests in connection with the Transactions. Therefore, the following two-step procedures were taken at the above mentioned board of director's meeting: (i) three out of six directors of the Company excluding Dr. Shirano, Ms. Ikuko Ebihara and Mr. Hiroshi Kojima discussed and passed the resolution by the unanimous vote of all such three directors; and then, to ensure the quorum of the meeting

of board of directors, (ii) four directors including Mr. Hiroshi Kojima discussed again and passed the same resolution by unanimous vote of all three directors (excluding Mr. Hiroshi Kojima, who abstained from voting). Dr. Shirono participated in discussions regarding the specific terms of the Transactions only in his capacity as a CIC Shareholder and a representative director of CIC as mentioned in the section above titled ““(ii) Background, purpose, and decision-making process with respect to conducting the Tender Offer, and management policy after the Tender Offer” under “(2) Basis of, and Reasons for, the Opinion on the Tender Offer”, and neither Dr. Shirono, Ms. Ikuko Ebihara nor Mr. Hiroshi Kojima attended discussions and negotiations on the specific terms of the Transactions on behalf of the Company.

The Company’s four auditors attended such Company’s board of directors meeting and expressed unanimously that they had no objection for the Company to express its opinion of its support for the Tender Offer and recommend that the Company’s shareholders tender their shares in the Tender Offer.

(v) Measures to ensure an opportunity for other offerors to carry out a tender offer

According to the Offeror, while the shortest period of a tender offer under law is 20 business days, the Offeror has set the tender offer period in the Tender Offer (the “Tender Offer Period”) to 48 business days. According to the Offeror, by setting the Tender Offer Period to a relatively long period, the Offeror intends to ensure that the Company’s shareholders are provided with an opportunity to make an appropriate decision on whether or not to accept the Tender Offer and parties other than the Offeror are provided with an opportunity to carry out a counter tender offer, thereby giving consideration to ensuring the fairness of the Tender Offer.

Further, the Offeror and the Company have not agreed to any deal protection provisions that prohibit the Company from contacting a counter offeror or other provisions that restrict the counter offeror from contacting the Company. According to the Offeror, by allowing for an opportunity for a counter tender offer through the absence of such provisions and through the setting a relatively long Tender Offer Period, the Offeror intends to ensure the fairness of the Tender Offer.

4. Matters concerning the material agreements regarding the Tender Offer

(1) Stock Purchase Agreement between the Offeror and the CIC Shareholders with respect to the transfer of CIC Shares

(i) Outline of Stock Purchase Agreement

The Offeror and the CIC Shareholders entered into the Stock Purchase Agreement on October 23, 2018 wherein the Offeror and the CIC Shareholders agreed that the CIC Shareholders shall sell to the Offeror, and the Offeror shall purchase from the CIC Shareholders, all of the CIC Shares as of the CIC Shares Transfer Date on the condition that the Tender Offer shall have been successfully completed and certain other conditions precedent shall have been satisfied. For the details of such conditions precedent, please refer to the item (iii) below.

(ii) Agreement not to tender in the Tender Offer

Under the Stock Purchase Agreement, the CIC Shareholders agreed that from the signing date of the Stock Purchase Agreement until the CIC Shares Transfer Date, the CIC

Shareholders shall cause CIC not to sell, convey, transfer or subject to any encumbrance any Company Shares held by CIC, including by tendering any Company Shares in the Tender Offer.

In addition, under the Stock Purchase Agreement, if any event, change, occurrence or circumstance exists which has had or could reasonably be expected to have a material adverse effect on the business, assets, liabilities or financial condition of CIC itself, or if the CIC Shareholders are otherwise in breach in any material respect of any of their representations, warranties or obligations under the Stock Purchase Agreement as described below, the Offeror has the option to require the CIC Shareholders to cause CIC to tender all of its Company Shares in the Tender Offer, in which case such tender shall be in lieu of the purchase of the CIC Shares.

(iii) Conditions precedent for the transfer of CIC Shares

The obligation of the CIC Shareholders to sell the CIC Shares to the Offeror pursuant to the Stock Purchase Agreement shall be conditional upon each and all of the following conditions being satisfied:

- (i) the Tender Offer shall have been successfully completed;
- (ii) the representations and warranties of the Offeror under the Stock Purchase Agreement (see Note 1) shall be true and correct in all material respects; and
- (iii) the Offeror shall have performed or complied in all material respects with its obligations under the Stock Purchase Agreement (see Note 2).

Note 1: Under the Stock Purchase Agreement, the Offeror represents and warrants, as of the signing date of the Stock Purchase Agreement and the CIC Shares Transfer Date, that each and all of the following matters are true and correct: (i) due organization of the Offeror, (ii) full corporate power and authority of the Offeror and the legally binding effect and enforceability of the Stock Purchase Agreement, (iii) absence of any consents or approvals required for the execution and performance by the Offeror of the Stock Purchase Agreement, (iv) that the execution and delivery by the Offeror of the Stock Purchase Agreement does not conflict with laws or regulations or violating contracts of the Offeror, (v) the Offeror not being an anti-social group, and (vi) absence of any causes for any legal bankruptcy proceedings with respect to the Offeror.

Note 2: Under the Stock Purchase Agreement, the Offeror has the obligations (i) to purchase the CIC Shares, (ii) to indemnify the CIC Shareholders for their losses arising from or in relation to breach of the Offeror's obligations under the Stock Purchase Agreement or representations and warranties described in Note 1 above, and (iii) to comply with the confidentiality obligation and other obligations under the general provisions of the Stock Purchase Agreement.

Further, the Offeror's obligation to purchase the CIC Shares from the CIC Shareholders pursuant to the Stock Purchase Agreement shall be conditional upon each and all of the following conditions being satisfied:

- (i) the Tender Offer shall have been successfully completed;

- (ii) the representations and warranties of the CIC Shareholders under the Stock Purchase Agreement (see Note 3) shall be true and correct in all material respects;
- (iii) the CIC Shareholders shall have performed or complied in all material respects with their obligations under the Stock Purchase Agreement (see Note 4); and
- (iv) after the signing date of the Stock Purchase Agreement there shall not have occurred or exist any event, change, occurrence or circumstance that has had or could reasonably be expected to have a material adverse effect on the business, assets, liabilities or financial condition of CIC itself.

Note 3: Under the Stock Purchase Agreement, the CIC Shareholders represent and warrant as of the signing date of the Stock Purchase Agreement and the CIC Shares Transfer Date that each and all of the following matters are true and correct: (i) full power and authority of the CIC Shareholders and the legally binding effect and enforceability of the Stock Purchase Agreement, (ii) absence of any consents or approvals required for the execution and performance by the CIC Shareholders of the Stock Purchase Agreement, (iii) that the execution and delivery by the CIC Shareholders of the Stock Purchase Agreement does not conflict with laws or regulations or violate contracts of the CIC Shareholders or the Company, (iv) ownership of CIC Shares and absence of any encumbrances on CIC Shares, (v) none of the CIC Shareholders being an anti-social group, (vi) absence of any causes for any legal bankruptcy proceedings with respect to the CIC Shareholders, (vii) due organization and corporate power of each of CIC and the Company, (viii) the accuracy of the scheduled capitalization of each of CIC and the Company and absence of any restraints on the exercise of voting rights of CIC Shares, (ix) compliance by the Company with the listing rules, (x) the accuracy of the scheduled transactions between CIC Shareholders or their relatives and CIC, the Company or any of the Company Subsidiaries and such transactions being arms' length transactions, (xi) fair presentation of the CIC's financial statements and absence of CIC's liabilities or obligations not reflected in its financial statements, (xii) fair presentation of the Company's financial statements, and filing of required securities reports and compliance with the requirements of the applicable laws to such securities reports, (xiii) possession of due permits and compliance with laws by CIC, the Company and any of Company Subsidiaries, (xiv) absence of legal action pending or threatened against CIC, or the Company or its affiliates, (xv) absence of any legal bankruptcy proceedings with respect to CIC, the Company or the Company Subsidiaries, (xvi) none of CIC, the Company or the Company Subsidiaries being an anti-social group, (xvii) compliance with laws in relation to anti-bribery or anti-corruption by CIC, the Company and its subsidiaries, (xviii) absence of owned assets and the past operation of CIC, (xix) absence of the insurance owned, held by or applicable to CIC, (xx) accuracy of tax returns and due tax payments relating to CIC and (xxi) absence of any obligations of CIC, the Company or its subsidiaries to pay advisory fees.

Note 4: Under the Stock Purchase Agreement, the CIC Shareholders have the obligations (i) to transfer the CIC Shares to the Offeror, (ii) to cause CIC, from the signing date of the Stock Purchase Agreement until the CIC Shares

Transfer Date, to conduct no business other than the holding of the Company Shares and to maintain and preserve intact the existing assets and liabilities of CIC, (iii) to procure that the Offeror is given certain access to information regarding CIC from the signing date of the Stock Purchase Agreement until the CIC Shares Transfer Date, (iv) regarding the voting of the Company Shares as provided in item (e) below, (v) not to compete with the Company or any of the Company Subsidiaries during a certain term after the signing date of the Stock Purchase Agreement, and not to solicit employees of the Company or any of the Company Subsidiaries or other person who has a business relationship with the Company or any of the Company Subsidiaries, (vi) not to consider, solicit or negotiate with a third party any alternative proposal to the Tender Offer or the transfer of CIC Shares, (vii) to indemnify for losses incurred by the Offeror or its affiliates arising out of or related to any failure to perform or observe any obligations of the CIC Shareholders under the Stock Purchase Agreement or any breach of any representation or warranty of the CIC Shareholders under the Stock Purchase Agreement, and (viii) to comply with the confidentiality obligations or other obligations under general terms of the Stock Purchase Agreement.

(iv) Purchase price for the CIC Shares under the Stock Purchase Agreement

The Offeror and the CIC Shareholders agreed that the CIC Shares Purchase Price shall be calculated based on the Tender Offer Price. Namely, under the Stock Purchase Agreement, it is agreed that the aggregate CIC Shares Purchase Price shall be an amount equal to (i) the number of Company Shares held by CIC (13,600,000 shares) multiplied by the Tender Offer Price (5,900 yen per share) (80,240,000,000 yen), (ii) reduced by CIC's indebtedness for borrowed money, accounts payable, income taxes payable or any other liabilities or obligations as of the CIC Shares Transfer Date, and (iii) increased by the amount of CIC's cash and deposits and corporate tax receivable as of the CIC Shares Transfer Date (see Note 1), which is set to be substantially equivalent to the price for the Company Shares held by CIC if they are tendered in the Tender Offer.

In addition, the Offeror and the CIC Shareholders agreed in the Stock Purchase Agreement that the CIC Shareholders shall indemnify the Offeror for any and all losses incurred by the Offeror arising out of or relating to any failure to perform or observe any obligation of the CIC Shareholders (see Note 2) or any breach of any representation or warranty of the CIC Shareholders under the Stock Purchase Agreement (see Note 3). Namely, even in cases where the Offeror may incur losses arising out of or relating to the above concerning CIC or the CIC Shareholders, by allowing the CIC Shareholders to indemnify the Offeror, the CIC Shareholders will not be treated more advantageously than the other shareholders of the Company with respect to the economic benefits that are virtually received by the CIC Shareholders, compared to the case where CIC tenders the Company Shares held by CIC in the Tender Offer.

Note 1: CIC Shares Purchase Price will be paid as of the CIC Shares Transfer Date, which is the commencement date of the settlement of the Tender Offer. The Offeror will pay the amount calculated based on the estimated amount of the items (ii) and (iii) above as of the CIC Shares Transfer Date, which amount will be adjusted as necessary after the actual amount of the items (ii) and (iii)

have been finally determined based on the balance sheet of CIC as of the CIC Shares Transfer Date.

Note 2: Under the Stock Purchase Agreement, the CIC Shareholders represent and warrant, as of the signing date of the Stock Purchase Agreement and the CIC Shares Transfer Date, that each and all of the following matters regarding CIC are true and correct: (i) ownership of CIC Shares and absence of encumbrances on CIC Shares, (ii) due organization and full corporate power of CIC, (iii) the accuracy of capitalization of CIC and absence of any restraints on the exercise of voting rights of CIC Shares (iv) the accuracy of the scheduled transactions between CIC Shareholders or their relatives and CIC and such transactions being arms' length transactions, (v) fair presentation of CIC's financial statements and absence of CIC's liabilities or obligations not reflected in its financial statements, (vi) possession of due permits and compliance with laws by CIC, (vii) absence of legal action against CIC, (viii) absence of any legal bankruptcy proceedings in relation to CIC, (ix) CIC not being an anti-social group, (x) CIC's compliance with laws with regard to anti-bribery or anti-corruption, (xi) absence of previously owned assets and the past substantial operation of CIC, (xii) absence of the insurance owned, held by or applicable to CIC, (xiii) accuracy of tax returns and due tax payments relating to CIC and (xiv) absence of any obligations of CIC to pay advisory fees.

Note 3: Under the Stock Purchase Agreement, CIC Shareholders are subject to the obligations described in Note 4 in item (c) above.

(v) Voting agreement under the Company Shares

Under the Stock Purchase Agreement, the CIC Shareholders agreed to cause CIC to exercise its voting rights associated with the Company Shares in accordance with instructions of the Offeror at any shareholders meeting of the Company that is held after the signing date of the Stock Purchase Agreement and for which CIC was a shareholder of the Company as of the relevant record date for such shareholders meeting.

(2) Others

In connection with the Transactions, the Company, JJKK and Dr. Shirono have agreed that Dr. Shirono as licensor grants to the Company as licensee, an exclusive, perpetual, royalty-free, sub-licensable license to use, publish, distribute, display, sub-license and otherwise exploit his name, likeness, voice, personality and other similar items. Also, the Company, JJKK and Dr. Shirono have agreed that Dr. Shirono shall, after his resignation from his position as an officer and employee of the Company, and after the date of completion of the acquisition of all shares in the Company by the Offeror group, to act as Honorary Chairman and Senior Advisor to the Management Board of the Company and provide advisory services to the Company and JJKK relation to the business, products and other matters of the Company and JJKK. For details of these agreements, please refer to "(1) Agreements between the Offeror and the Company or its directors or officers, and the contents thereof" in "10. Other matters"

5. Details of Benefits Received from the Offeror or Parties Having Special Relationships with the Offeror

Not applicable.

6. Response Policy with respect to Basic Policies relating to the Control of the Company

Not applicable.

7. Questions to the Offeror

Not applicable.

8. Request for Extension of Tender Offer Period

Not applicable.

9. Future Prospects

For policy after the Tender Offer, please see the sections above titled “(2) Basis of, and Reasons for the Opinion on the Tender Offer” and “(4) Prospects and Reasons for Delisting” in “3. Details and Basis of, and Reasons for the Opinion on the Tender Offer.”

10. Other matters

- (1) Agreements between the Offeror and the Company or its directors or officers, and the contents thereof

- (i) Name and Likeness Agreement between the Company, JKKK and Dr. Shirono

The Company, JKKK and Dr. Shirono entered into the Name and Likeness Agreement on October 23, 2018 wherein Dr. Shirono as licensor grants to the Company as licensee, an exclusive, perpetual, royalty-free, sub-licensable license to use, publish, distribute, display, sub-license and otherwise exploit his name, likeness, voice, personality and other similar items.

- (ii) Advisory Agreement between the Company, JKKK and Dr. Shirono

The Company, JKKK and Dr. Shirono entered into the Advisory Agreement on October 23, 2018 wherein Dr. Shirono shall, after his resignation from his position as an officer and employee of the Company, and after the date of completion of the acquisition of all shares in the Company by the Offeror group, to act as Honorary Chairman and Senior Advisor to the Management Board of the Company and provide advisory services to the Company relation to the business, products and other matters of the Company.

- (2) Announcement regarding Revision of Dividends Forecast and Abolishment of Shareholder Incentive

As stated in “Notice Regarding Revision of Dividends Forecast for the Financial Year Ending July 2019 (the 21th Financial Year) and Abolishment of Shareholder Incentive” which the Company announced on October 23, 2018, the Company resolved at the board of directors meeting held on the same day to amend the dividend forecast for the financial year ending July 2019 announced as of September 11, 2018, and not to pay dividends at the end of the financial year ending July 2019, and to abolish the shareholder incentive conditional upon the successful completion of the Tender Offer. Please refer to the Notice concerned for further details.

End

(Reference)

“Notice Regarding Commencement of Tender Offer for shares of Ci:z Holdings Co., Ltd. (Securities Code 4924)”, dated October 23, 2018 (as attached).

October 23, 2018

For immediate release

Company name:	Johnson & Johnson
Representative	Peter Kerrane
	Worldwide Vice President
	Business Development
	Johnson & Johnson Consumer
	Group

**Notice Regarding Commencement of Tender Offer for shares of
Ci:z Holdings Co., Ltd. (Securities Code 4924)**

Johnson & Johnson (the “Offeror”) determined on October 23, 2018 to acquire the common stock (the “Target Company Shares”) of Ci:z Holdings Co., Ltd. (listed on the first section of the Tokyo Stock Exchange (the “TSE”); securities code 4924; the “Target Company”) through a tender offer (the “Tender Offer”) pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”).

Description

1. Purpose of the Tender Offer

(1) Outline of the Tender Offer

The Offeror is a holding company headquartered in New Brunswick, New Jersey, USA with more than 260 operating companies. The Offeror’s primary focus is products related to human health and well-being. The Offeror owns 100 shares (ownership ratio: 0.00%; see Note 1) of the Target Company Shares listed on the first section of the TSE as of the date hereof. Cilag GmbH International (“Cilag”), a wholly-owned subsidiary of Cilag Holding AG that is an indirect wholly-owned subsidiary of the Offeror, is headquartered at Gubelstrasse 34, 6300 Zug, Switzerland and engages in execution and coordination of Offeror’s consumer, pharmaceutical and medical device business in certain jurisdictions outside of the United States. Cilag is also the second-largest shareholder of the Target Company owning 9,679,300 shares (ownership ratio: 19.90%) of the Target Company Shares as of the date hereof.

The Offeror has determined on October 23, 2018 as a part of a series of transactions designed to acquire all the shares of the Target Company (the “Transactions”) (i) to launch the Tender Offer in order to acquire all of the Target Company Shares, excluding the Target Company Shares held by the Offeror, Cilag, which has agreed not to tender in the Tender Offer, and CIC Corporation (“CIC”, see Note 2), which holds 13,600,000 Target Company Shares (ownership ratio: 27.96%) and has also agreed not to tender in

the Tender Offer, and treasury shares held by the Target Company (the “Excluded Shares”), (ii) conditional upon the completion of the Tender Offer and the Stock Purchase Agreement described below, to acquire all issued shares of CIC (the “CIC Shares”), the company owned by Dr. Yoshinori Shirono, the Chairman and Chief Executive Officer of the Target Company (“Dr. Shirono”), and his relatives and the largest shareholder of the Target Company and (iii) in the event that the Offeror is unable to obtain all of the Target Company Shares (excluding the Excluded Shares), to take procedures to obtain 100% of the Target Company Shares.

Note 1: “Ownership ratio” means, with respect to a certain number of shares, the fraction (expressed as percentage and rounded to two decimal places; the same applies hereinafter when calculating the ownership ratio), the numerator of which is such number of shares and the denominator of which is the difference (48,635,104 shares) of the total number of issued shares of the Target Company as of July 31, 2018 (48,635,255 shares) less the number of treasury shares held by the Target Company as of the same date (151 shares), both stated in the Company’s Financial Results For the Year Ended July 31, 2018-Consolidated announced by the Company as of September 11, 2018 (the “Target Company’s Financial Results”).

Note 2: CIC is an asset holding company all outstanding shares in which are owned by Dr. Shirono (the Chairman and Chief Executive Officer of the Target Company) and Mr. Takamitsu Shirono (a relative of Dr. Shirono) and his two relatives (together with Dr. Shirono, collectively, the “CIC Shareholders”). CIC owns 13,600,000 Target Company Shares (ownership ratio: 27.96%) as of the date hereof.

Cilag has previously entered into an agreement with Dr. Shirono pursuant to which Dr. Shirono has agreed to cause CIC not to sell, transfer, pledge or otherwise dispose all or part of Target Company Shares owned by CIC without written consent of Cilag. Dr. Shirono has requested that the Offeror acquire all of the CIC Shares, rather than acquiring all of the Target Company Shares held by CIC through the Tender Offer, in the Transactions. After continuous discussions between the Offeror and Dr. Shirono, the Offeror concluded that the aggregate purchase price of the CIC Shares to be paid to CIC Shareholders (the “CIC Shares Purchase Price”) that has been agreed as described below will be equivalent to economic value that would be received by the CIC Shareholders for the case where CIC tenders the Target Company Shares in the Tender Offer and thus the purchase price of the CIC Shares will not violate the equal price doctrine under Article 27-2, Paragraph 3 of the Act and Article 8, Paragraph 3 of the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended). As a result, the Offeror and the CIC Shareholders entered into a stock purchase agreement (the “Stock Purchase Agreement”) on October 23, 2018, pursuant to which the CIC Shareholders have agreed not to cause or permit CIC to tender all of its Target Company Shares (13,600,000 shares; ownership ratio: 27.96%) into the Tender Offer, and on the commencement date of settlement of the Tender Offer (the “CIC Shares Transfer Date”) the CIC Shareholders have agreed to sell to the

Offeror, and the Offeror will purchase from the CIC Shareholders, all of the CIC Shares held by the CIC Shareholders, on the condition that, among other things, the Tender Offer shall have been successfully completed. The CIC Shares Purchase Price will be an amount equal to (i) the number of Target Company Shares held by CIC (13,600,000 shares) multiplied by the purchase price of the Tender Offer (5,900 yen per share; the “Tender Offer Price”), which aggregate purchase price is 80,240,000,000 yen, (ii) reduced by CIC’s indebtedness for borrowed money, accounts payable, income taxes payable or any other liabilities or obligations as of the CIC Shares Transfer Date, and (iii) increased by the amount of CIC’s cash and deposits and corporate tax receivable as of the CIC Shares Transfer Date. Please refer to “(3) Matters concerning the material agreements regarding the Tender Offer” below for these details of the Stock Purchase Agreement.

In the Tender Offer, the Offeror set a minimum number of Share Certificates, Etc. to be purchased at 9,144,100 shares (ownership ratio: 18.80%), and if the total number of shares tendered in the Tender Offer (“Tendered Share Certificates, Etc.”) is less than the minimum number of Share Certificates, Etc. to be purchased, the Offeror will not purchase any of the Tendered Share Certificates, Etc. On the other hand, the Offeror intends to acquire all of the Target Company Shares (excluding the Excluded Shares), as stated above, and therefore the Offeror does not set a maximum number of Share Certificates, Etc. to be purchased. Therefore, if the total number of Tendered Share Certificates, Etc. is equal to or more than the minimum number of Share Certificates, Etc. to be purchased, the Offeror will purchase all of the Tendered Share Certificates, Etc. The minimum number of Share Certificates, Etc. to be purchased in the Tender Offer is set so that the Offeror, Cilag and CIC will own an aggregate number of shares representing two-thirds or more of all voting rights of the Target Company when the Tender Offer is successfully completed. Specifically, the minimum number of Share Certificates, Etc. to be purchased (which is 9,144,100 shares) is determined as the number calculated (A) firstly by deducting (i) 100 shares of the Target Company Share owned by the Offeror, 9,679,300 shares of the Target Company Share owned by Cilag and 13,600,000 shares of the Target Company Share owned by CIC, from (ii) two-thirds of 48,635,104 shares (which two-thirds is 32,423,403 shares (rounded up to the nearest whole number)) (48,635,104 shares is the difference of (x) the number of all issued shares of the Target Company (48,635,255 shares) as of July 31, 2018 stated in the Target Company’s Financial Results less (y) the number of treasury shares (151 shares) owned by the Target Company as of the same date), and (B) secondly by rounding the number obtained by the calculation in the immediately preceding clause (A) up to the nearest full unit (100 shares) of the Target Company Shares.

If the Offeror is unable to acquire all of the Target Company Shares (excluding the Excluded Shares) after completion of the Tender Offer, the Offeror will conduct procedures to cause the Target Company Shares to be held only by the Offeror, Cilag and CIC, as stated in “(5) Policy for Organizational Restructuring After the Tender Offer (matters relating to the “Two-Step Acquisition”)” below.

According to “Announcement of Opinion regarding the Tender Offer to be Conducted by Johnson & Johnson” (“Target Company’s Press Release”) released by the Target

Company on October 23, 2018, the Target Company resolved at its board of directors meeting held on the same day to the effect that it expresses its opinion of its support for the Tender Offer and recommends that the Target Company's shareholders tender their shares in the Tender Offer. Regarding details of the Target Company's opinion, please see "(iv) Unanimous approval of all disinterested directors of the Target Company and declaration of no objection by all disinterested audit and supervisory board members of the Target Company" under "(4) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and measures to avoid conflicts of interest" below.

- (2) Background, purpose, and decision-making process with respect to conducting the Tender Offer, and management policy after the Tender Offer
 - (i) Background of the Tender Offer

The Offeror is a holding company headquartered in New Brunswick, New Jersey, U.S.A. The Offeror's primary focus is products related to human health and well-being. The Offeror was founded by brothers Robert Wood Johnson, James Wood Johnson and Edward Mead Johnson and was incorporated in the State of New Jersey in 1887. The Offeror was first listed on the New York Stock Exchange in 1944. The Offeror currently holds the stock of over 260 companies worldwide in what is termed the "Johnson & Johnson Family of Companies".

A part of the Johnson & Johnson Family of Companies is the Offeror's consumer business segment ("J&J Consumer"), which is comprised of Johnson & Johnson Consumer Inc., in the United States and other operating companies incorporated in countries throughout the world. J&J Consumer markets a broad range of products used in the baby care, oral care, beauty, over-the-counter pharmaceutical, women's health and wound care markets. In particular, J&J Consumer's beauty business (the "Beauty Business") includes iconic brands such as NEUTROGENA®, AVEENO®, OGX®, JOHNSON'S® and NEOSTRATA®. J&J Consumer's Beauty Business places a strong emphasis on building scale and capabilities in the Asia Pacific markets and expanding offerings of premium positioned products to bring differentiated offerings to consumers on a global scale.

The Target Company group (the Target Company and its eight subsidiaries (such eight subsidiaries, the "Target Company Subsidiaries")) is mainly engaged in the sale of cosmetics, health foods and beauty devices focusing on the human skin's own natural healing power (which were commercialized primarily by the research and development department of Dr. Ci:Labo Co., Ltd. (the current Target Company), which Dr. Shirono founded in February 1999), and the operation of aesthetic salons. The group provides products and services focusing on beauty and health, with Dr. Ci:Labo Co., Ltd. engaging in the planning and sale of medical cosmetics and Ci:z Labo Co., Ltd. engaging in the operation of aesthetic salons.

The majority of the Target Company's products focus on the skincare segment and range from low-stimulant cosmetics to functional anti-aging products.

The current relationship between the Offeror and the Target Company group began when J&J Consumer proposed a capital and business alliance to the Target Company in early October 2015 (the “Alliance”). The Alliance was intended to allow J&J Consumer to expand the Target Company’s offerings outside of Japan, since business expansion in the Asia Pacific region was an important and a priority component of the growth strategy of J&J Consumer and an area of interest for the Target Company.

After considering J&J Consumer’s proposal, the Target Company entered into agreements on collaboration, licensing and transfer with Johnson & Johnson Pte., Ltd. (“JJPL”), a group company of the Offeror in Singapore acting as the hub for the Asian region, on July 11, 2016, to (i) improve the Target Company’s marketing ability by giving JJPL an interest in the Target Company’s overseas business expansion, as well as by introducing marketing techniques based on customer database to the Target Company’s products, and (ii) allow JJPL to sell its cosmetics products through the Target Company’s distribution channels in Japan, which was consistent with the Target Company group’s strategy to promote multiple brands.

As a result, JJPL acquired exclusive right to market and commercialize the Target Company’s “Dr. Ci:Labo®,” “Labo Labo®” and “Genomer®,” cosmetics brands outside of Japan in exchange for paying the Target Company royalties on the sales of such products.

At the same time, in order to build strong partnership between the Offeror group (the Offeror and its subsidiaries and affiliated companies; hereinafter the same) and the Target Company, and to align the direction of their business, Cilag (i) received 14,500 stock acquisition rights issued by the Target Company in the 6th series (9,100 yen per right, with an exercise price of 2,323 yen per share, and those rights were exercised and converted into 1,450,000 shares of common stock of the Target Company on July 28, 2016), and (ii) received 8,229,400 shares (2,500 yen per share) of common stock of the Target Company in total from Dr. Shirono, his spouse, Mrs. Tomoko Shirono, and Ms. Tomomi Ishihara (the President and Chief Operating Officer of the Target Company). As a result, Cilag’s holding of Target Company shares reached 9,679,400 shares (ownership ratio: 19.90%), and also two nominees, Ms. Ikuko Ebihara and Mr. Hiroshi Kojima, who were nominated by Cilag, were elected as directors of the Target Company at a general meeting of shareholders held in October 2016.

According to the Target Company’s Press Release, the Target Company is mainly engaged in the Dr. Ci:Labo business in which it sells cosmetics, health foods and beauty devices, and the aesthetic salon business in which it operates aesthetic salons, under the management philosophy of delivering beauty and health to all people using a medical approach. In the aesthetic salons business, on November 30, 2017, the Target Company acquired shares of SEDONA ENTERPRISE CO., LTD. (which mainly engages in the operation of hair removal salons) for the purpose of acquiring customers of young generations. As a result, the sales of the aesthetic salon business in the fiscal year ending July 2018 were 7,939 million

yen (up 198.3 % year-on-year), and the operating profit was 319 million yen (down 25.5% year-on-year). One of the causes of this decrease in operating profit was decrease in profitability of Ci:z Labo Co., Ltd. due to low pricing trend per treatment. In the Dr. Ci:Labo business, the Target Company introduced updated versions of major products such as “Aqua-Collagen-Gel Enrich-Lift” and “VC100 Essence Lotion” as well as new products, and actively promoted its products through television commercials and other means. As a result, the sales of the Dr. Ci:Labo business in the fiscal year ending July 2018 were 42,999 million yen (up 6.8 % year-on-year), and the operating profit was 8,368 million yen (up 2.6% year-on-year). The distribution channels of the Dr. Ci:Labo business are mail order sales, wholesale and in-store product demonstrations. Although the Target Company took several measures to acquire new customers, such as using third-party online shopping sites for mail order sales, the increase in mail order sales was limited to 1.2% year-on-year, partly because of the loss of existing customers. Conversely, the sales from wholesale and in-store demonstrations increased by 19.0% and 11.6% year-on-year, respectively, supported by demand from inbound tourists.

As stated above, the Target Company entered into agreements on collaboration, licensing and transfer with JJPL on July 11, 2016, and has vigorously conducted advertising and promotional activities, mainly targeting Asia, under JJPL’s initiative. As a result, awareness of the Target Company’s products has increased in overseas markets, which resulted in significant increase in shipping of Target Company’s products to markets outside of Japan in the financial year ended July 2018, which overseas shipping amounted to 170% compared to that of the financial year ended July 2017. That improved awareness has positively affected the demand from inbound tourists, and is starting to create a synergy effect. In the domestic markets, on the other hand, the number of online sales customers has been decreasing as the negative impact of loss of online sales customers still remains. In addition, recognizing that the seamless interaction between overseas business and domestic market is the key factor to enhance the Target Company’s brands to global brands amid the businesses globalization and the weakened notion of national borders, the Target Company has considered every possible solution to such challenges.

(ii) Background and purpose of the Tender Offer by the Offeror

Background of the Tender Offer:

J&J Consumer believes in blending heart, science and ingenuity to profoundly change the trajectory of health for humanity. It is this approach towards its Beauty Business which led it to pursue the Alliance with Target Company in July 2016 as described above.

J&J Consumer’s strategic plans for its Beauty Business identified expanding in the Asia Pacific region to better serve consumers in this region as a key priority for strategic growth in the future. The Alliance allowed J&J Consumer to build scale in the Asia Pacific region while aiding the Target Company’s global expansion

aspirations. The Alliance has been a successful collaboration for the parties and has led to the creation of a positive and mutually beneficial business relationship between management of J&J Consumer and the Target Company.

As a result of this positive business relationship between J&J Consumer and the Target Company, the Target Company reached out to the Offeror at the end of January 2018 to propose that the Offeror consider the acquisition of additional Target Company shares. The Offeror determined to enter into preliminary discussions with the Target Company and Dr. Shirono, in his capacity as a CIC Shareholder and a representative director of CIC (unless specifically noted otherwise, any reference to “Dr. Shirono” hereafter shall mean Dr. Shirono in his capacity as both as CIC Shareholder and a representative director of CIC), with respect to the possibility of the Transactions and started consultations with the Dr. Shirono and with the Target Company in the middle of March 2018. Beginning in April 2018, members of Target Company management provided the Offeror with access to due diligence materials and scheduled meetings with additional members of Target Company’s management to allow the Offeror to better understand the Target Company’s business. Members of J&J Consumer’s senior management also attended a formal management presentation organized by the Target Company on May 29, 2018.

To assist in due diligence and in evaluation of the Transactions, the Offeror retained Goldman Sachs & Co. LLC and PricewaterhouseCoopers Aarata LLC as its financial advisors and Mori Hamada & Mastumoto and Cravath, Swaine & Moore LLP as its legal advisors. With the help of its advisors, Offeror was able to substantially complete its due diligence investigation of the Target Company by the end of July 2018.

Based on the result of such due diligence investigation, the Offeror decided to start discussions regarding the specific terms of the potential Transactions and discussed and negotiated until the beginning of October 2018 with Dr. Shirono in which the Offeror received request from Dr. Shirono that the Offeror acquire all of the CIC Shares, rather than acquiring all of the Target Company Shares held by CIC through the Tender Offer, and discussed the topics such as structure of the Transaction, timing for the launch of the Tender Offer, whether to acquire the CIC shares and the mechanics around the purchase of the CIC Shares, the price to be assigned to the Target Shares in the Tender Offer, the recent performance of the Target Company, and Dr. Shirono’s future role with the Target Company upon consummation of the Tender Offer.

As a result of these ongoing discussions, (i) the Offeror determined that the Offeror and the Target Company would be able to achieve the goals as further described in “Purpose of the Tender Offer” below and increase their corporate value of both the Offeror and the Target Company by acquiring all shares in the Target Company and adding the Target Company to the Johnson & Johnson Family of Companies, and (ii) with respect to the Target Company Shares held by CIC, the Offeror and Dr. Shirono were able to agree to the CIC Shares Purchase Price to be the price that will not violate the equal price doctrine under Article

27-2, Paragraph 3 of the Act and Article 8, Paragraph 3 of the Enforcement Order, as stated in “(1) Outline of the Tender Offer”. The Offeror was then able to reach an agreement with Dr. Shirono on the terms and conditions for the purchase of the CIC Shares on October 12, 2018. The Offeror then provided a letter of intent to the Board of Directors of the Target Company detailing the proposed terms of the Transactions and the Tender Offer on October 12, 2018.

Purpose of the Tender Offer:

The addition of the Target Company to the Johnson & Johnson Family of Companies would substantially expand J&J Consumer’s business presence in Japan and the Asia Pacific region, enhance the Target Company’s business capabilities and resources and allow it to grow and geographically expand its business, and provide significant value to the Target Company’s shareholders by delivering a premium to the Target Company’s current stock price.

Consummation of the Transactions would help transform J&J Consumer into a leading player in the highly strategic, fast-growing, medically and clinically focused global Dermo-Cosmetic skincare category. The Target Company’s authentic doctor-founded heritage is expected to build J&J Consumer’s health-in-beauty point of difference, which is well aligned to J&J Consumer’s foundational Healthy Beauty approach.

Acquiring the Target Company would provide J&J Consumer with a proven business model, strong Dermo-Cosmetic presence and established customer base backed by Japanese Beauty credentials and efficacious products positioned at attractive premium prices. It would also deliver a portfolio of Asia-born skincare brands that are incremental to J&J Consumer’s existing portfolio, with strong brand equity and a reputation for quality and efficacy.

The Target Company would also provide J&J Consumer with a sizeable and profitable business that would deliver immediate scale to J&J Consumer in the Asia Pacific region with a stronghold in the Japanese market and high degree of relevance in China. This would strengthen J&J Consumer’s presence in the Asia Pacific region, substantially increase its existing presence in Japan and provide it with enhanced capabilities to grow existing J&J Consumer Beauty brands. It would also enhance J&J Consumer’s capabilities in mail order and counselling-type department store channel and in rapid product innovation.

In addition, consummation of the proposed Transactions would have the following benefits:

- Compelling, All-Cash Transaction for the Target Company’s Shareholders:
As detailed in “(i) Basis of Valuation” under “(4) Basis of Valuation of Price of Tender Offer” of “2. Summary of the Tender Offer and number of Share Certificates, Etc. to be purchased”, the Tender Offer would deliver a significant and immediate premium to the Target Company’s shareholders.

- Value-enhancing Transaction for the Offeror's Shareholders: The Transactions are expected to enhance long-term growth and value creation for J&J Consumer.
- Elevating the Offeror's Online E-Commerce Capabilities: The Transactions would allow J&J Consumer to build Asia Pacific and global online e-commerce capabilities by leveraging one of the largest customer relationship management databases for direct-to-consumer skincare in Japan.
- Expanding and Improving the Target Company's Distribution Through Well-Established Networks: The addition of the Target Company to the Johnson & Johnson Family of Companies would provide the opportunity to expand and improve the Target Company's pharmacy presence through the Offeror's consumer capabilities and well-established distribution networks.
- Strengthening the Target Company's International Innovation Pipeline: The Transactions would also provide the Target Company with a strong platform for premium-priced innovations and portfolio expansion by leveraging the Offeror's international pipeline.

Based on the above, the Offeror has determined to (1) launch the Tender Offer for the Target Company Shares and (2) purchase all of the CIC Shares, subject to the successful completion of the Tender Offer and certain other conditions. For the details of the purchase of the issued shares of CIC, please refer to "(3) Matters concerning the material agreements regarding the Tender Offer" below.

According to the Target Company's Press Release, as mentioned in "(i) Background of the Tender Offer" above, the Target Company recognizes that, in order to achieve increase in mid- to long-term profits and grow its business amid the expected long-term shrinkage of domestic markets for cosmetics due to the falling birthrate and aging population and depopulation, it must (i) increase sales in overseas markets, (ii) fully utilize customer databases developed by the Target Company group, (iii) enhance its product line-up, and (iv) increase sales via its e-commerce website. Therefore, the Target Company considers that realizing greater synergies through further enhancing cooperation with the Offeror group will be highly effective in addressing these anticipated managerial issues. The Target Company further believes that it is not necessary to continue its listing with relevant exchanges since it has already developed a certain level of publicity, social credibility and financial stability, and the Target Company contemplates that it can increase business efficiency by implementing measures such as mitigating costs to maintain its listed status as a result of the Transactions (e.g., costs to operate shareholders' meetings or maintain timely disclosure of securities reports or other required documents under the Act), while continuing to be able to

secure funding from diverse sources since the Offeror is a listed company on the New York Stock Exchange. The Target Company also believes it will further enhance its social credibility and financial stability by becoming a member of the Offeror group. In order to realize the abovementioned synergies and business efficiency, the Target Company realizes that it must cooperate more closely with the Offeror and advance the mutual utilization of business resources and related know-how through the Transactions, whereby the Target Company Shares will be delisted and privatized and the Target Company will become a wholly-owned subsidiary of the Offeror group.

After the Transactions, the Target Company anticipates the measures and effects of business synergy as follows:

- (a) utilization of the Offeror group's distribution channels in overseas markets, and increase in overseas sales through in-depth sharing of information with the Offeror group;
- (b) increase in sales through enhancement of mail order sales by utilizing the Offeror group's knowledge in customer management and analysis together with the Target Company group's customer database; and
- (c) acceleration of growth through flexible investment decisions.

For item (a), as mentioned in "(i) Background of the Tender Offer" above, the Target Company currently grants to JJPL the right to exclusively operate cosmetic businesses under its brands, namely "Dr. Ci:Labo®," "Labo Labo®," and "Genomer®," outside of Japan. As a result of the Target Company strengthening its relationship with the Offeror group, more in-depth information may be shared and overseas sales of the Target Company group would increase, by enabling it to better understand the needs in each country.

For item (b), the Target Company group has 12,580,000 domestic mail order registered members as at the end of fiscal year ended July 31, 2018. The Target Company recognizes that by utilizing the Offeror group's knowledge in customer management and analysis, it can effectively utilize its customer database and provide each customer with the products or services that it is looking for. This would result in greater customer satisfaction and thus further improve business efficiency. In addition, the Target Company believes that by linking the Offeror group's information on overseas customers with the domestic business, it will be able to provide products and services in line with the needs of each overseas customer who visits Japan to shop for its products. This would result in a further increase in sales from inbound tourists.

Moreover, for item (c), the Target Company, as a listed company, is required to run the company keeping its stock price in mind and one of its important business goals is to earn profits every year. As a result, it is difficult to fully make the necessary investments for mid- to long-term growth, such as those related to development of new products and information and communication

technology (ICT). Through the Transactions, however, the Target Company will be able to make speedy and active investment based on the flexible decisions in such fields or R&D that it could not have made before by using the Offeror group's business resources and planning and development capabilities. The Target Company believes that such active investment will enhance its product line-up and the usability of its e-commerce website, which will likely result in the acceleration of its mid- to long-term growth.

In line with the above, according to the Target Company's Press Release, the Target Company decided that (a) the Transactions are expected to contribute to further enhancement of the corporate value of the Target Company, (b) the Tender Offer Price and other terms and conditions of the Tender Offer are fair, and (c) the Tender Offer provides the shareholders of the Target Company with the opportunity to sell their shares at a reasonable price and on reasonable terms and conditions. The Target Company resolved at its board of directors meeting held on the October 23, 2018 to express its opinion of its support for the Tender Offer and recommend that the Target Company's shareholders tender their shares in the Tender Offer. Please see "(iii) Target Company's decision-making process at its board of directors meeting" below for details of the Target Company's deliberation and decision-making process with respect to the Transactions.

(iii) Target Company's decision-making process at its board of directors meeting

According to the Target Company's Press Release, the Target Company has built a good business relationship with the Offeror group which is in charge of the Target Company's overseas business since it entered into the Alliance with Cilag in July 2016. As stated in "(ii) Background and purpose of the Tender Offer by the Offeror" above, the Target Company determined that, in order to achieve increase in mid- to long-term profits and grow its business amid the expected long-term shrinkage of domestic markets for cosmetics due to the falling birthrate and aging population and depopulation, the Offeror group and the Target Company must cooperate more closely with each other and advance the mutual utilization of business resources and related know-how, and reached out to the Offeror in the end of January 2018 to propose that the Offeror consider the acquisition of additional Target Company shares and consultations with the Offeror started in the middle of March 2018. The Target Company appointed Nomura Securities Co., Ltd. ("Nomura Securities") as its financial advisor independent from the Target Company and the Offeror, and Nagashima Ohno & Tsunematsu as its legal advisor independent from the Target Company and the Offeror as stated in "(4) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest" below. Further, since conflicts of interest might arise between the Offeror and the Target Company's minority shareholders in connection with the Transactions, the Target Company requested its independent outside director to examine whether the decisions made by the Target Company with respect to the Transactions are disadvantageous to the Target Company's

minority shareholders so that the fairness of the Transactions will be ensured. Regarding the details of the Target Company's obtaining the independent director's opinion, please see "(iii) Obtaining opinion from a disinterested outside director of the Target Company" in "(4) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest" below.

Having received an interim valuation report on the Target Company Shares and financial advice from Nomura Securities, as well as legal advice from Nagashima Ohno & Tsunematsu, the Target Company carefully deliberated on the terms and conditions (including the Tender Offer Price) of the Tender Offer and had discussions with the Offeror from October 12, 2018, the date on which it received the letter of intent, to October 23, 2018. In such discussions, the Target Company received from the Offeror, and made deliberations relying on, the explanation that the aggregate amount of CIC Shares Purchase Price will be an amount equal to (i) the number of Target Company Shares held by CIC (13,600,000 shares) multiplied by the Tender Offer Price, which aggregate purchase price is 80,240,000,000 yen, (ii) reduced by CIC's indebtedness for borrowed money, accounts payable, income taxes payable or any other liabilities or obligations as of the CIC Shares Transfer Date, and (iii) increased by the amount of CIC's cash and deposits and corporate tax receivable as of the CIC Shares Transfer Date, and therefore will be equivalent to economic value that would be received by the CIC Shareholders for the case where CIC tenders the Target Company Shares in the Tender Offer.

In this process, the Target Company's board of directors paid the maximum respect to the content of the written report (the "Written Report"; for its details, please see "(iii) Obtaining opinion from a disinterested outside director of the Target Company" in "(4) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest") submitted by the independent director of the Target Company on October 23, 2018, taking into account the share valuation report on the Target Company Shares obtained from Nomura Securities on October 22, 2018 (the "Target Company Share Valuation Report") as well as legal advice from Nagashima Ohno & Tsunematsu.

As stated in "(ii) Background and purpose of the Tender Offer by the Offeror", the Target Company determined that, in order to achieve increase in mid- to long-term profits and grow its business, taking the measures mentioned in "(ii) Background and purpose of the Tender Offer by the Offeror" to realize the synergies by becoming a wholly-owned subsidiary of the Offeror through the Transactions will contribute to enhancing the corporate value of the Target Company.

Also, the Target Company determined that the Tender Offer Price in the Transactions provides the shareholders of the Target Company with reasonable opportunity to sell their shares based on following reasons: (i) the Tender Offer Price is a price determined after taking measures to ensure fairness of the Tender Offer and receiving advice and reports from Nomura Securities and Nagashima

Ohno & Tsunematsu, and based on prudent discussions and considerations; (ii) in the Written Report submitted by the independent director of the Target Company, the terms and conditions (including the Tender Offer Price) of the Tender Offer are considered appropriate; (iii) in accordance with the calculation results by Nomura Securities stated in “(i) Obtaining a share valuation report from an independent third-party appraiser of the Target Company” in “(4) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest” below, the Tender Offer Price is a price is above the range of the calculation results based on the market value method and comparable method, and is within the range of the calculation results based on discounted cash flow analysis (“DCF Method”); (iv) the Tender Offer Price represents a premium of 52.65% (rounded to two decimal place; the same applies to other calculations of premium in this section) on 3,865 yen, which was the closing price for the Target Company Shares quoted on the First Section of the Tokyo Stock Exchange on the evaluation reference date of October 22, 2018 (which was the business day immediately preceding the day when decision to commence the Tender Offer was made by the Target Company); a premium of 59.98% on 3,688 yen (rounded to the nearest yen; the same applies to all closing price averages in this section), which was the simple average closing price for the Target Company Shares over the one-week period ending on that date; a premium of 51.63% on 3,891 yen, which was the simple average closing price for the Target Company Shares over the one-month period ending on that date; a premium of 33.03% on 4,435 yen, which was the simple average closing price for the Target Company Shares over the three-month period ending on that date; and a premium of 18.93% on 4,961 yen, which was the simple average closing price over the six-month period ending on that date, and it is deemed within a reasonable range; (v) according to the Offeror, the CIC Shares Purchase Price will be set to be equivalent to economic value that would be received by the CIC Shareholders for the case where CIC tenders the Target Company Shares in the Tender Offer; and (vi) the measures to ensure the fairness of the Tender Offer stated in “(4) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest” below have been taken and consideration was given to minority shareholders’ interests.

Based on the above, the Target Company resolved at its board of directors meeting held on October 23, 2018 to express its opinion of its support for the Tender Offer and recommend that the Target Company’s shareholders tender their shares in the Tender Offer. The Target Company’s board of directors resolution is made by the manner described in “(iv) Unanimous approval of all disinterested directors of the Target Company and declaration of no objection by all disinterested audit and supervisory board members of the Target Company” under “(4) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest” below.

(iv) Management Policy after the Tender Offer

While Dr. Shirono intends to resign from his position as an officer and employee of the Target Company as of the completion of the acquisition of all shares in the Target Company by the Offeror, as stated in “(ii) Advisory Agreement between the Target Company, JJKK and Dr. Shirono” under “(1). Agreements between the Offeror and the Target Company or its directors or officers, and the contents thereof” in “4. Other Matters”, the Target Company, Johnson & Johnson K.K. (“JJKK”) which is indirectly wholly owned by the Offeror and engages in the Offeror group’s business in Japan, and Dr. Shirono agreed that Dr. Shirono shall, after his resignation from his position as an officer and employee of the Target Company, and after the date of completion of the acquisition of all shares in the Target Company by the Offeror group, act as Honorary Chairman and Senior Advisor to the Management Board of the Target Company and provide advisory services to the Target Company and JJKK in relation to the business, products and other matters of the Target Company and JJKK. While the Offeror also intends to have other current management and employees of the Target Company group continue to operate the business of the Target Company group, the Offeror will, with consultation with the Target Company, deliberate in more detail the establishment of the most appropriate structure to improve the corporate value of the Offeror group and the Target Company group as a whole.

(3) Material agreements regarding the Tender Offer

(i) Stock Purchase Agreement between the Offeror and the CIC Shareholders with respect to the transfer of CIC Shares

(a) Outline of Stock Purchase Agreement

The Offeror and the CIC Shareholders entered into the Stock Purchase Agreement on October 23, 2018 wherein the Offeror and the CIC Shareholders agreed that the CIC Shareholders shall sell to the Offeror, and the Offeror shall purchase from the CIC Shareholders, all of the CIC Shares as of the CIC Shares Transfer Date on the condition that the Tender Offer shall have been successfully completed and certain other conditions precedent shall have been satisfied.

For details of such conditions precedent, please refer to the item (c) below.

(b) Agreement not to tender in the Tender Offer

Under the Stock Purchase Agreement, the CIC Shareholders agreed that from the signing date of the Stock Purchase Agreement until the CIC Shares Transfer Date, the CIC Shareholders shall cause CIC not to sell, convey, transfer or subject to any encumbrance any Target Company Shares held by CIC, including by tendering any Target Company Shares in the Tender Offer.

In addition, under the Stock Purchase Agreement, if any event, change, occurrence or circumstance exists which has had or could reasonably be expected to have a material adverse effect on the business, assets, liabilities or financial condition of CIC itself, or if the CIC Shareholders are otherwise

in breach in any material respect of any of their representations, warranties or obligations under the Stock Purchase Agreement as described below, the Offeror has the option to require the CIC Shareholders to cause CIC to tender all of its Target Company Shares in the Tender Offer, in which case such tender shall be in lieu of the purchase of the CIC Shares.

(c) Conditions precedent for the transfer of CIC Shares

The obligation of the CIC Shareholders to sell the CIC Shares to the Offeror pursuant to the Stock Purchase Agreement shall be conditional upon each and all of the following conditions being satisfied:

- (i) the Tender Offer shall have been successfully completed;
- (ii) the representations and warranties of the Offeror under the Stock Purchase Agreement (see Note 1) shall be true and correct in all material respects; and
- (iii) the Offeror shall have performed or complied in all material respects with its obligations under the Stock Purchase Agreement (see Note 2).

Note 1: Under the Stock Purchase Agreement, the Offeror represents and warrants, as of the signing date of the Stock Purchase Agreement and the CIC Shares Transfer Date, that each and all of the following matters are true and correct: (i) due organization of the Offeror, (ii) full corporate power and authority of the Offeror and the legally binding effect and enforceability of the Stock Purchase Agreement, (iii) absence of any consents or approvals required for the execution and performance by the Offeror of the Stock Purchase Agreement, (iv) that the execution and delivery by the Offeror of the Stock Purchase Agreement does not conflict with laws or regulations or violating contracts of the Offeror, (v) the Offeror not being an anti-social group, and (vi) absence of any causes for any legal bankruptcy proceedings with respect to the Offeror.

Note 2: Under the Stock Purchase Agreement, the Offeror has the obligations (i) to purchase the CIC Shares, (ii) to indemnify the CIC Shareholders for their losses arising from or in relation to breach of the Offeror's obligations under the Stock Purchase Agreement or representations and warranties described in Note 1 above, and (iii) to comply with the confidentiality obligation and other obligations under the general provisions of the Stock Purchase Agreement.

Further, the Offeror's obligation to purchase the CIC Shares from the CIC Shareholders pursuant to the Stock Purchase Agreement shall be conditional upon each and all of the following conditions being satisfied:

- (i) the Tender Offer shall have been successfully completed;

- (ii) the representations and warranties of the CIC Shareholders under the Stock Purchase Agreement (see Note 3) shall be true and correct in all material respects;
- (iii) the CIC Shareholders shall have performed or complied in all material respects with their obligations under the Stock Purchase Agreement (see Note 4); and
- (iv) after the signing date of the Stock Purchase Agreement there shall not have occurred or exist any event, change, occurrence or circumstance that has had or could reasonably be expected to have a material adverse effect on the business, assets, liabilities or financial condition of CIC itself.

Note 3: Under the Stock Purchase Agreement, the CIC Shareholders represent and warrant as of the signing date of the Stock Purchase Agreement and the CIC Shares Transfer Date that each and all of the following matters are true and correct: (i) full power and authority of the CIC Shareholders and the legally binding effect and enforceability of the Stock Purchase Agreement, (ii) absence of any consents or approvals required for the execution and performance by the CIC Shareholders of the Stock Purchase Agreement, (iii) that the execution and delivery by the CIC Shareholders of the Stock Purchase Agreement does not conflict with laws or regulations or violate contracts of the CIC Shareholders or the Target Company, (iv) ownership of CIC Shares and absence of any encumbrances on CIC Shares, (v) none of the CIC Shareholders being an anti-social group, (vi) absence of any causes for any legal bankruptcy proceedings with respect to the CIC Shareholders, (vii) due organization and corporate power of each of CIC and the Target Company, (viii) the accuracy of the scheduled capitalization of each of CIC and the Target Company and absence of any restraints on the exercise of voting rights of CIC Shares, (ix) compliance by the Target Company with the listing rules, (x) the accuracy of the scheduled transactions between CIC Shareholders or their relatives and CIC, the Target Company or any of the Target Company Subsidiaries and such transactions being arms' length transactions, (xi) fair presentation of the CIC's financial statements and absence of CIC's liabilities or obligations not reflected in its financial statements, (xii) fair presentation of the Target Company's financial statements, and filing of required securities reports and compliance with the requirements of the applicable laws to such securities reports, (xiii) possession of due permits and compliance with laws by CIC, the Target Company and any of Target Company Subsidiaries, (xiv) absence of legal action pending or threatened against CIC, or the Target Company or its affiliates, (xv) absence of any legal bankruptcy proceedings with respect to CIC, the Target

Company or the Target Company Subsidiaries, (xvi) none of CIC, the Target Company or the Target Company Subsidiaries being an anti-social group, (xvii) compliance with laws in relation to anti-bribery or anti-corruption by CIC, the Target Company and its subsidiaries, (xviii) absence of owned assets and the past operation of CIC, (xix) absence of the insurance owned, held by or applicable to CIC, (xx) accuracy of tax returns and due tax payments relating to CIC and (xxi) absence of any obligations of CIC, the Target Company or its subsidiaries to pay advisory fees.

Note 4: Under the Stock Purchase Agreement, the CIC Shareholders have the obligations (i) to transfer the CIC Shares to the Offeror, (ii) to cause CIC, from the signing date of the Stock Purchase Agreement until the CIC Shares Transfer Date, to conduct no business other than the holding of the Target Company Shares and to maintain and preserve intact the existing assets and liabilities of CIC, (iii) to procure that the Offeror is given certain access to information regarding CIC from the signing date of the Stock Purchase Agreement until the CIC Shares Transfer Date, (iv) regarding the voting of the Target Company Shares as provided in item (e) below, (v) not to compete with the Target Company or any of the Target Company Subsidiaries during a certain term after the signing date of the Stock Purchase Agreement, and not to solicit employees of the Target Company or any of the Target Company Subsidiaries or other person who has a business relationship with the Target Company or any of the Target Company Subsidiaries, (vi) not to consider, solicit or negotiate with a third party any alternative proposal to the Tender Offer or the transfer of CIC Shares, (vii) to indemnify for losses incurred by the Offeror or its affiliates arising out of or related to any failure to perform or observe any obligations of the CIC Shareholders under the Stock Purchase Agreement or any breach of any representation or warranty of the CIC Shareholders under the Stock Purchase Agreement, and (viii) to comply with the confidentiality obligations or other obligations under general terms of the Stock Purchase Agreement.

(d) Purchase price for the CIC Shares under the Stock Purchase Agreement

The Offeror and the CIC Shareholders agreed that the CIC Shares Purchase Price shall be calculated based on the Tender Offer Price. Namely, under the Stock Purchase Agreement, it is agreed that the aggregate CIC Shares Purchase Price shall be an amount equal to (i) the number of Target Company Shares held by CIC (13,600,000 shares) multiplied by the Tender Offer Price (5,900 yen per share) (80,240,000,000 yen), (ii) reduced by CIC's indebtedness for borrowed money, accounts payable, income taxes payable or any other liabilities or obligations as of the CIC Shares Transfer Date, and (iii) increased by the amount of CIC's cash and deposits and

corporate tax receivable as of the CIC Shares Transfer Date (see Note 1), which is set to be substantially equivalent to the price for the Target Company Shares held by CIC if they are tendered in the Tender Offer.

In addition, the Offeror and the CIC Shareholders agreed in the Stock Purchase Agreement that the CIC Shareholders shall indemnify the Offeror for any and all losses incurred by the Offeror arising out of or relating to any failure to perform or observe any obligation of the CIC Shareholders (see Note 2) or any breach of any representation or warranty of the CIC Shareholders under the Stock Purchase Agreement (see Note 3). Namely, even in cases where the Offeror may incur losses arising out of or relating to the above concerning CIC or the CIC Shareholders, by allowing the CIC Shareholders to indemnify the Offeror, the CIC Shareholders will not be treated more advantageously than the other shareholders of the Target Company with respect to the economic benefits that are virtually received by the CIC Shareholders, compared to the case where CIC tenders the Target Company Shares held by CIC in the Tender Offer.

Note 1: CIC Shares Purchase Price will be paid as of the CIC Shares Transfer Date, which is the commencement date of the settlement of the Tender Offer. The Offeror will pay the amount calculated based on the estimated amount of the items (ii) and (iii) above as of the CIC Shares Transfer Date, which amount will be adjusted as necessary after the actual amount of the items (ii) and (iii) have been finally determined based on the balance sheet of CIC as of the CIC Shares Transfer Date.

Note 2: Under the Stock Purchase Agreement, the CIC Shareholders represent and warrant, as of the signing date of the Stock Purchase Agreement and the CIC Shares Transfer Date, that each and all of the following matters regarding CIC are true and correct: (i) ownership of CIC Shares and absence of encumbrances on CIC Shares, (ii) due organization and full corporate power of CIC, (iii) capitalization of CIC and absence of any restraints on the exercise of voting rights of CIC Shares (iv) the accuracy of the scheduled transactions between CIC Shareholders or their relatives and CIC and such transactions being arms' length transactions, (v) fair presentation of CIC's financial statements and absence of CIC's liabilities or obligations not reflected in its financial statements, (vi) possession of due permits and compliance with laws by CIC, (vii) absence of legal action against CIC, (viii) absence of any legal bankruptcy proceedings in relation to CIC, (ix) CIC not being an anti-social group, (x) CIC's compliance with laws with regard to anti-bribery or anti-corruption, (xi) absence of owned assets and the past operation of CIC, (xii) absence of the insurance owned, held by or applicable to CIC, (xiii) accuracy of tax returns and due tax

payments relating to CIC and (xiv) absence of any obligations of CIC to pay advisory fees.

Note 3: Under the Stock Purchase Agreement, CIC Shareholders are subject to the obligations described in Note 4 in item (c) above.

(e) Voting agreement under the Target Company Shares

Under the Stock Purchase Agreement, the CIC Shareholders agreed to cause CIC to exercise its voting rights associated with the Target Company Shares in accordance with instructions of the Offeror at any shareholders meeting of the Target Company that is held after the signing date of the Stock Purchase Agreement and for which CIC was a shareholder of the Target Company as of the relevant record date for such shareholders meeting.

(ii) Others

In connection with the Transactions, the Target Company, JJKK and Dr. Shirono have agreed that Dr. Shirono as licensor grants to the Target Company as licensee, an exclusive, perpetual, royalty-free, sub-licensable license to use, publish, distribute, display, sub-license and otherwise exploit his name, likeness, voice, personality and other similar items. Also, the Target Company, JJKK and Dr. Shirono have agreed that Dr. Shirono shall, after his resignation from his position as an officer and employee of the Target Company, and after the date of completion of the acquisition of all shares in the Target Company by the Offeror group to act as Honorary Chairman and Senior Advisor to the Management Board of the Target Company and provide advisory services to the Target Company and JJKK relation to the business, products and other matters of the Target Company and JJKK. For details of these agreements, please refer to “(1). Agreements between the Offeror and the Target Company or its directors or officers, and the contents thereof” in “4. Other Matters”

(4) Measures to ensure fairness of the Tender Offer, including measures to ensure fairness of the Tender Offer Price and avoid conflicts of interest

As of the date hereof, the Target Company is not a subsidiary of the Offeror and the Tender Offer is not a tender offer conducted by a controlling shareholder. However, given that the Offeror and Cilag, a wholly-owned subsidiary of Cilag Holding AG, which is indirectly wholly-owned by the Offeror, owns 9,679,400 Target Company Shares in total (ownership ratio: 19.90%) and that Dr. Shirono, the Chairman and Chief Executive Officer of the Target Company, and his relatives agreed to transfer to the Offeror all outstanding shares in CIC, the largest shareholder of the Target Company pursuant to the Share Purchase Agreement, the Offeror and the Target Company took following measures in light of ensuring the fairness of the Tender Offer and avoiding conflicts of interest. The measures taken by the Target Company are based on the explanation given by the Target Company.

Although the Offeror does not set the minimum number of Share Certificates, Etc. to be purchased to the number of shares upon which the so-called “Majority of Minority” is

achieved, the Offeror believes sufficient consideration is given to the interest of minority shareholders of the Target Company because following measures were taken by the Offeror and the Target Company.

- (i) Obtaining a share valuation report from an independent third-party appraiser of the Target Company

According to the Target Company's Press Release, the Target Company, in expressing its opinion on the Tender Offer, requested Nomura Securities, a financial adviser, as a third party appraiser, independent from the Target Company group and the Offeror group to evaluate of the value of the Target Company Shares, and obtained the Target Company Share Valuation Report on October 22, 2018 from Nomura Securities. It is stated that Nomura Securities does not constitute a related party of the Target Company or the Offeror and does not have any material conflicts of interest with the Target Company or the Offeror.

In addition, the Target Company did not receive an opinion letter regarding the fairness of the price of the Tender Offer (a fairness opinion) from Nomura Securities.

After considering the methods that should be utilized to calculate the value of the Target Company Shares among various share value calculation methods available, and assuming that the Target Company is a going concern and based on the notion that it is appropriate to evaluate the value of the Target Company Shares using multiple methods, Nomura Securities decided to calculate the value of the Target Company Shares using (i) the market value method, because the Target Company Shares are listed on the First Section of the Tokyo Stock Exchange, (ii) comparable method, because there are listed companies that are comparable with the Target Company and it is possible to make an analogical inference of the value of the Target Company Shares by comparing similar companies, and (iii) DCF Method, in order to reflect the status of future business activities to the valuation.

The following are the ranges of values per Target Company Share that were calculated by Nomura Securities based on each calculation method set out above.

Market value method: From 3,688 yen to 4,961 yen

Comparable method: From 2,905 yen to 4,131 yen

DCF Method: From 4,811 yen to 6,567 yen

For the market value method, the range of value per Target Company Share of 3,688 yen to 4,961 yen was delivered based on the following prices for the Target Company Shares quoted on the First Section of the Tokyo Stock Exchange as of the evaluation reference date of October 22, 2018 (which was the business day immediately before October 23, 2018, the announcement date of the Tender Offer): 3,865 yen, the closing price on the reference date, and 3,688 yen, 3,891 yen, 4,435 yen, and 4,961 yen, the simple average closing prices over the

preceding one-week, one-month, three-month, and six-month periods, respectively.

For the comparable method, the range of value per Target Company Share of 2,905 yen to 4,131 yen was derived by calculation of such value through comparison of market value and financial indicators indicating the profitability of the Target Company with those of multiple listed companies that engage in relatively similar businesses.

For the DCF Method, the range of value per Target Company Share of 4,811 yen to 6,567 yen was derived by evaluating the Target Company's corporate value and share value, calculated by discounting to the present value at a certain discount rate the free cash flow that the Target Company is expected to generate after the fiscal year ending July 2019 based on the Target Company's estimated future earnings and investment plan in its business plan for the period from the fiscal year ending July 2019 to the fiscal year ending July 2023 prepared by the Target Company, publicly disclosed information, and the like. The business plan prepared by the Target Company that Nomura Securities used for its calculation by the DCF Method was not prepared on the assumption of occurrence of the Transactions, and there is no fiscal year in this business plan when significant increase or decrease in profit is expected. Further, synergies anticipated as a result of the Transactions are not considered in this business plan.

(ii) Advice from a law firm independent from the Target Company

According to the Target Company's Press Release, the Target Company retained Nagashima Ohno & Tsunematsu as its legal adviser and received legal advice from that law firm on the decision-making methods by, and processes of, the board of directors and other matters relating thereto, including procedures for the Transactions. It is stated that Nagashima Ohno & Tsunematsu is independent from the Target Company group, Dr. Shirono and the Offeror group and does not have any material conflicts of interest with the Target Company group, Dr. Shirono or the Offeror group.

(iii) Obtaining opinion from a disinterested outside director of the Target Company

According to the Target Company's Press Release, although the Tender Offer does not constitute a tender offer by the controlling shareholder, in order to ensure the fairness of the Transactions including the Tender Offer and to have the basis for consideration of the opinion to be expressed by the Target Company, the Target Company consulted regarding the following matters with Mr. Katsuaki Tanaka, who is an outside director of the Target Company and is filed as an independent director with the Tokyo Stock Exchange: (i) whether the Transactions are justifiable as contributing to the enhancement of its corporate value; (ii) whether or not the fairness of the conditions of the Tender Offer (including the Tender Offer Price) is ensured; (iii) whether or not the negotiation process and other procedures for the Transactions are appropriate; and (iv) based on the

examination in items (i) through (iii), whether the Transactions including the Tender Offer are not disadvantageous to the minority shareholders of the Target Company (items (i) through (iv) are hereinafter referred to as “Consulted Matters”), and commissioned Mr. Katsuaki Tanaka to submit his opinion on these matters to the Target Company’s board of directors.

After receiving explanation of matters necessary for the examination of the Consulted Matters from the representatives of Nomura Securities, a financial advisor of the Target Company, and Nagashima Ohno & Tsunematsu, a legal advisor, Mr. Katsuaki Tanaka confirmed and examined the details of the Offeror’s letter of intent dated October 12, 2018, and received explanation of the rationale of the Transactions, the terms and conditions of the Tender Offer, the negotiation process, and the like from officers and employees of the Target Company, asked questions as necessary, and examined the results of the valuation of Target Company Shares reported to the Target Company from Nomura Securities, an independent third party appraiser, and other related materials received.

Having gone through this process, Mr. Katsuaki Tanaka submitted a written report to the Target Company’s board of directors on October 23, 2018 as follows:

- (a) It is determined that the Transactions will contribute to the enhancement of the Target Company’s corporate value given that (A) the synergies that the Target Company envisages arising from the Transactions will be consistent with the Target Company’s current understanding and allow it to address all material business challenges going forward, (B) no significant problems are apparent arising from the delisting of the Target Company, and the delisting will accelerate the enhancement of the Target Company’s corporate value, and (C) the synergies that the Offeror envisages do not appear to differ significantly from the business directions of the Target Company.
- (b) It is determined that the Tender Offer Price and other terms and conditions of the Transactions are fair given that (A) the Tender Offer Price exceeds or falls within the range of values per Target Company Share stated in the share valuation report obtained from Nomura Securities, (B) the Tender Offer Price includes a sufficient premium, (C) the Tender Offer Period is set at a relatively long period and if a counter offeror emerges, there are no agreements to limit the counter offeror’s contact with the Target Company or similar measures in place, (D) the CIC Shares Purchase Price will be set to be equivalent to economic value that would be received by the CIC Shareholders for the case where CIC tenders the Target Company Shares in the Tender Offer, and (E) the shareholders who do not tender their shares in the Tender Offer will eventually be paid an amount equivalent to the Tender Offer Price in the process of the Transactions.
- (c) It is considered that the opportunity for the shareholders of the Target Company to make an appropriate decision has been secured, given that (A) the Target Company plans to make sufficient disclosures regarding the Tender Offer, including the process that led to the commencement of the Transactions

in its disclosure documents relating to the Tender Offer, (B) the Target Company's directors and statutory auditors have not executed any agreement with the Offeror with respect to maintaining the status of the Target Company's directors and statutory auditors after the completion of the Tender Offer, (C) such scheme as preventing shareholders who oppose the Target Company becoming a wholly owned subsidiary through the Tender Offer from exercising their rights to demand share purchase or right to demand price determination is not adopted, and (D) after the successful completion of the Tender Offer, the Target Company is expected to become a wholly owned subsidiary based on the same price as the Tender Offer Price. Furthermore, it is considered that arbitrariness was eliminated from the decision-making process given that (A) the Target Company received a share valuation report from a third-party appraiser independent from any of the Target Company group, Dr. Shirono or the Offeror group, (B) the Target Company retained Nagashima Ohno & Tsunematsu, a legal advisor independent from any of the Target Company group, Dr. Shirono or the Offeror group, (C) the Target Company consulted with a disinterested outside director, and (D) the Target Company's disinterested directors intend to vote unanimously in favor of a board of directors resolution to conduct the Transactions. Moreover, It is considered that due negotiation process with the Offeror has been taken given that (A) having received an interim valuation report on the Target Company Shares and financial advice from Nomura Securities, as well as legal advice from Nagashima Ohno & Tsunematsu, the Target Company carefully deliberated on the terms and conditions (including the Tender Offer Price) of the Tender Offer and had discussions with the Offeror from October 12, 2018, the date on which it received the letter of intent, to October 23, 2018, and (B) neither Dr. Shirono, Ms. Ikuko Ebihara nor Mr. Hiroshi Kojima attended discussions and negotiations on the specific terms of the Transactions on behalf of the Target Company. In addition, it is determined that, although the Offeror owns 100 shares of the Target Company (ownership ratio: 0.00%), Cilag owns 9,679,300 shares of the Target Company (ownership ratio: 19.90%), and Ms. Ikuko Ebihara, who is an outside director of the Target Company, concurrently serves as president and representative director of JJKK which is indirectly wholly owned by the Offeror, the Target Company is not an equity-method subsidiary of the Offeror and the Offeror's influence on the Target material Company's decision-making is limited considering the size of the Target Company's board of directors. Taking all of these factors into account, it is determined that the negotiations and other processes that led to the Transactions are appropriate.

- (d) In light of the above considerations, it is determined that the decision to conduct the Transactions is not disadvantageous to the Target Company's minority shareholders, given that (A) the purpose of the Transactions is legitimate as it will contribute to enhancement of the Target Company's corporate value, (B) the price of the Tender Offer and other terms and

conditions of the Transactions are fair, and (C) the negotiations and other processes that led to the Transactions are appropriate.

- (iv) Unanimous approval of all disinterested directors of the Target Company and opinion of no objection by all disinterested statutory auditors of the Target Company

According to the Target Company's Press Release, the Target Company prudently discussed and examined the Transactions including the Tender Offer, taking into account the Target Company Share Valuation Report obtained from Nomura Securities, the Written Report submitted by the disinterested outside director, and legal advice from Nagashima Ohno & Tsunematsu, as well as other related materials.

Based on the above, the Target Company resolved at its board of directors meeting held on October 23, 2018 to the effect that it expresses its opinion of its support for the Tender Offer and recommends that the Target Company's shareholders tender their shares in the Tender Offer, as stated in "(iii) Obtaining opinion from disinterested outside director of the Target Company" in "(2) Background, purpose, and decision-making process with respect to conducting the Tender Offer, and management policy after the Tender Offer" above.

Since Dr. Shirono, who serves as director, Chairman and Chief Executive Officer of the Target Company, is a shareholder of CIC and entered into the Share Purchase Agreement with the Offeror, Ms. Ikuko Ebihara, who is an outside director of the Target Company, concurrently serves as president and representative director of JJKK which is indirectly wholly-owned by the Offeror, and Mr. Hiroshi Kojima, who is an outside director of the Target Company, were elected after being nominated by Cilag, it was possible for them to be considered persons with special interests in connection with the Transactions. Therefore, the following two-step procedures were taken at the above mentioned board of director's meeting: (i) three out of six directors of the Target Company excluding Dr. Shirono, Ms. Ikuko Ebihara and Mr. Hiroshi Kojima discussed and passed the resolution by the unanimous vote of all such three directors; and then, to ensure the quorum of the meeting of board of directors, (ii) four directors including Mr. Hiroshi Kojima discussed again and passed the same resolution by unanimous vote of all three directors (excluding Mr. Hiroshi Kojima, who abstained from voting). Dr. Shirono participated in discussions regarding the specific terms of the Transactions only in his capacity as a CIC Shareholder and a representative director of CIC as mentioned in "(ii) Background and purpose of the Tender Offer by the Offeror" in "(2) Background, purpose, and decision-making process with respect to conducting the Tender Offer, and management policy after the Tender Offer" above, and neither Dr. Shirono, Ms. Ikuko Ebihara nor Mr. Hiroshi Kojima attended discussions and negotiations on the specific terms of the Transactions on behalf of the Target Company.

The Target Company's four auditors attended such Target Company's board of directors meeting and expressed unanimously that they had no objection for the Target Company to express its opinion of its support for the Tender Offer and recommend that the Target Company's shareholders tender their shares in the Tender Offer.

(v) Measures to ensure an opportunity for other offerors to carry out a tender offer

While the shortest period of a tender offer under law is 20 Business Days, the Offeror has set the tender offer period in the Tender Offer (the "Tender Offer Period") to 48 Business Days. By setting the Tender Offer Period to a relatively long period, the Offeror intends to ensure that the Target Company's shareholders are provided with an opportunity to make an appropriate decision on whether or not to accept the Tender Offer and parties other than the Offeror are provided with an opportunity to carry out a counter tender offer, thereby giving consideration to ensuring the appropriateness of the Tender Offer.

Further, the Offeror and the Target Company have not agreed to any deal protection provisions that prohibit the Target Company from contacting a counter offeror or other provisions that restrict the counter offeror from contacting the Target Company. By allowing for an opportunity for a counter tender offer through the absence of such provisions and through the setting a relatively long Tender Offer Period, the Offeror intends to ensure the fairness of the Tender Offer.

(5) Policy for organizational restructuring after the Tender Offer (matters relating to the so-called "Two-Step Acquisition")

As stated in the section above titled "(1) Outline of the Tender Offer," the objective of the Tender Offer is to take the Target Company private, and in the event that the Offeror is unable to obtain all of the Target Company Shares (excluding the Excluded Shares) through the Tender Offer, then, after the successful completion of the Tender Offer, the Offeror intends to take either of the following actions to obtain all of the Target Company Shares (excluding the Excluded Shares).

(i) Demand for the sale of shares

If the total number of voting rights represented by shares held by the Offeror, Cilag and CIC, is equal to or more than 90% of the total number of voting rights of all shareholders of the Target Company after the successful completion of the Tender Offer and the transfer of CIC Shares pursuant to the Stock Purchase Agreement and the Target Company has become a special controlling shareholder of the Target Company as stipulated in Article 179, Paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended), the Offeror intends, promptly following the settlement of the Tender Offer, to require all shareholders of the Target Company (excluding the Offeror, Cilag, CIC and the Target Company (collectively, the "Offeror Related Shareholders") to sell all of their Target Company Shares to the Offeror (the "Demand for the Sale of Shares"), as

stipulated in Part II, Chapter 2, Section 4-2 of the Companies Act. In the event of a Demand for the Sale of Shares, each of the Target Company Shares held by each shareholder of the Target Company (excluding the Offeror Related Shareholders) will be exchanged for cash consideration equal to the Tender Offer Price. In such an event, the Offeror will notify the Target Company of the Demand for the Sale of Shares and seek the Target Company's approval thereof. If the Target Company approves the Demand for the Sale of Shares by a resolution of the board of directors, then, in accordance with the procedures provided for in applicable laws and regulations and without requiring the consent of the individual shareholders of the Target Company, on the day stipulated by the Demand for the Sale of Shares, the Offeror will acquire all Target Company Shares held by shareholders of the Target Company (excluding the Offeror Related Shareholders). Consequently, the Offeror will deliver to each such shareholder monetary consideration equal to the Tender Offer Price for each Target Company Share held by that shareholder. According to the Target Company's Press Release, if the Target Company receives a notice from the Offeror of its intention to conduct a Demand for the Sale of Shares with respect to matters set out in items under Article 179-2, Paragraph 1 of the Companies Act, the Target Company's board of directors intends to approve the Offeror's Demand for the Sale of Shares. If the Offeror conducts a Demand for the Sale of Shares, according to the provisions of Article 179-8 of the Companies Act and other applicable laws and regulations, shareholders of the Target Company that did not tender into the Tender Offer will be able to file a petition with the court for a determination of the sale price for their Target Company Shares. In such a case, the purchase price will be finally determined by a court.

(ii) Share consolidation

On the other hand, if the total number of voting rights represented by shares held by the Offeror, Cilag and CIC is less than 90% of the total number of voting rights of all shareholders of the Target Company after the completion of the Tender Offer, the Offeror intend to request the Target Company to hold an extraordinary shareholders' meeting (the "Extraordinary Shareholders' Meeting") at which the following proposals will be submitted promptly following the settlement of the Tender Offer: (i) to conduct a consolidation of the Target Company Shares (the "Share Consolidation") pursuant to Article 180 of the Companies Act, and (ii) to make an amendment to the Target Company's Articles of Incorporation that would abolish the share unit number provisions. The Offeror, Cilag and CIC intend to approve such proposals at the Extraordinary Shareholders' Meeting.

If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Target Company will, on the effective date of the Share Consolidation, hold the number of Target Company Shares proportionate to the ratio of the Share Consolidation that is approved at the Extraordinary Shareholders' Meeting. In the case where any fractional share less than one share arises as a result of the Share Consolidation, the amount of cash to

be obtained by selling the Target Company Shares in the amount equivalent to the aggregate of such fractional shares (any fractional shares less than one share in the aggregate will be rounded off, hereinafter the same) to the Target Company or the Offeror will be delivered to the shareholders of the Target Company pursuant to Article 235 of the Companies Act and other applicable laws and regulations. With respect to the sale price of the Target Company Shares in the amount equivalent to the aggregate of such fractional shares, the Offeror intends to request the Target Company to determine such price so that the amount of money to be delivered to each of the Target Company's shareholders who did not tender their shares in the Tender Offer (excluding the Offeror Related Shareholders) as a result of such sale will be equal to the amount obtained by multiplying (a) the Tender Offer Price by (b) the number of the Target Company Shares held by such shareholder, and to file a petition to the court for permission for such sale at such determined price.

Although the ratio of the Share Consolidation of the Target Company Shares has not been determined as of the date hereof, it is intended that shareholders (excluding the Offeror Related Shareholders) who held shares in the Target Company and did not tender in the Tender Offer would have their shares classified as shares less than one unit in order for only the Offeror, Cilag and CIC to become the owners of all of the Target Company Shares (excluding treasury shares held by the Target Company).

It is provided for that if the Share Consolidation has been conducted and there is a fraction of one share of the Target Company Shares as a result of the Share Consolidation, each shareholder of the Target Company (excluding the Offeror Related Shareholders) may request the Target Company to purchase all of the shares held by it that are fractions of one share at a fair price and may file a petition to a court to determine the price of the Target Company Shares in accordance with Articles 182-4 and 182-5 of the Companies Act and other provisions of relevant laws and regulations. As stated above, it is intended that any shareholders of the Target Company who do not tender their Target Company Shares in the Tender Offer (excluding the Offeror Related Shareholders) will hold shares less than one unit, and any shareholders of the Target Company who oppose the Share Consolidation will be able to file the above petition. In the event that holders of shares less than one unit file the above petition with the court, the acquisition price will be finally determined by the court.

It is further noted that shareholders of the Target Company will not be solicited to agree to the Tender Offer at the Extraordinary Shareholders' Meeting.

With regard to the procedures in (i) and (ii) above, it is possible that, depending on amendments to the relevant laws and regulations, the interpretation of the relevant laws and regulations by authorities, the shareholding percentage of the Offeror after the Tender Offer, and the ownership of Target Company Shares by shareholders other than the Offeror, more time may be required or alternative methods may be utilized to

implement the Transaction. However, even in such a case, it is intended that a method will be used whereby the shareholders of the Target Company who do not tender their shares in the Tender Offer (excluding the Offeror Related Shareholders) will ultimately receive cash consideration equal to the number of Target Company Shares held by such shareholder multiplied by the Tender Offer Price in exchange for their shares.

In each case described above, the Target Company will announce specific procedures and the schedule for implementation thereof promptly once determined through consultation with the Target Company.

All shareholders of the Target Company are solely responsible for seeking their own specialist tax advice with regard to the tax consequences of tendering their Target Company Shares in the Tender Offer or participating in the procedures outlined above.

(6) Prospects and reasons for delisting

The Target Company Shares are currently listed on the First Section of the Tokyo Stock Exchange as of the date hereof. However, since the Offeror has not set a maximum limit on the number of shares to be purchased in the Tender Offer, the Target Company Shares may be delisted through prescribed procedures in accordance with the stock delisting criteria stipulated by the Tokyo Stock Exchange, depending on the results of the Tender Offer.

Also, even in the event that the stock delisting criteria are not met upon completion of the Tender Offer, the Target Company Shares will be delisted through the prescribed procedures in accordance with the stock delisting criteria of the Tokyo Stock Exchange if the procedures stated above in the section titled “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the so-called “Two-Step Acquisition”)” are to be taken after the completion of the Tender Offer. After delisting, the Target Company Shares will be unable to be traded on the Tokyo Stock Exchange.

2. Summary of the Tender Offer

(1) Outline of the Target Company

(1)	Name	Ci:z Holdings Co., Ltd.
(2)	Address	1-1-39 Hiroo, Shibuya-ku, Tokyo
(3)	Title and Name of Representative	Tomomi Ishihara, President and COO
(4)	Description of Business	Holding company; management of group companies
(5)	Capital	2,959,350,000 yen (as of July 31, 2018)
(6)	Date of Establishment	February 26, 1999
(7)	Major Shareholders and Shareholding Ratios (as of July 31, 2018)	CIC Corporation 27.96%
		Cilag GmbH International 19.90%
		Oppenheimer Global Opportunities Fund 3.70%
		The Master Trust Bank of Japan (Trust Account) 3.06%
		Japan Trustee Services Bank (Trust Account 9) 2.52%
		Japan Trustee Services Bank (Trust Account) 2.14%
		J.P. Morgan Bank Luxembourg S.A. 385576 1.97%

	Tomomi Ishihara	1.27%
	Japan Trustee Services Bank (Trust Account 5)	0.96%
	The Bank Of New York Mellon (International) Limited 131800	0.85%
(8) Relationship between the Target Company and the Offeror		
Capital Relationship	The Offeror holds 100 Target Company Shares (ownership ratio: 0.00%), and Cilag GmbH International, a wholly-owned subsidiary of Cilag Holding AG, which is indirectly wholly-owned by the Offeror, owns 9,679,300 Target Company Shares (ownership ratio: 19.90%).	
Personnel Relationship	Ms. Ikuko Ebihara, president and representative director of JKKK (a wholly-owned subsidiary of the Offeror), concurrently serves as an outside director of the Target Company.	
Business Relationship	Not applicable. JJPL, a group company of the Offeror, acquired exclusive right to market and commercialize the Target Company's cosmetics brands outside of Japan in exchange for paying the Target Company royalties on the sales of such products.	
Status as a Related Party	Not applicable. Cilag GmbH International, a wholly-owned subsidiary of Cilag Holding AG, which is indirectly wholly-owned by the Offeror, is a major shareholder holding 9,679,300 Target Company Shares (ownership ratio: 19.90%) as of today, and constitutes a related party.	

Note: “(7) Major Shareholders and Shareholding Ratios (as of July 31, 2018)” above is taken from the “Business Report” in the Target Company’s “Notice of Convocation of the 20th Ordinary General Meeting of Shareholders” dated October 11, 2018.

(2) Schedule

(i) Schedule

Determination Date	October 23, 2018 (Wednesday)
Date of public notice	October 29, 2018 (Monday) Public notice will be made electronically via the Internet, and a notice to that effect will be published in the Nikkei. (URL of the electronic notice: http://disclosure.edinet-fsa.go.jp/)
Registration date of tender offer registration statement	October 29, 2018 (Monday)

(ii) Tender offer period as of initial period as of registration

From Monday, October 29, 2018 through Thursday, January 10, 2019 (48 business days)

(iii) Possibility of extension by request of the Target Company

Not applicable

(3) Price of Tender Offer

5,900 yen per share of common stock

(4) Basis of Valuation of Price of Tender Offer

(i) Basis of Valuation

In deciding the Tender Offer Price, the Offeror made a comprehensive analysis of the business and financial condition of the Target Company based on materials such as financial information disclosed by the Target Company, the results of due diligence on the Target Company and other information. In light of the fact that the Target Company Shares are traded through a financial instruments exchange, the Offeror referred to the closing price of the Target Company Shares on the first section of the Tokyo Stock Exchange on October 22, 2018, which was the Business Day immediately preceding October 23, 2018, which was the date of announcement the Tender Offer (3,865 yen), and the simple average closing price of the Target Company Shares over the one-month, three-month, and six-month periods (3,891 yen, 4,435 yen, and 4,961 yen respectively; rounded to whole unit and the same applies in calculation of simple average closing prices) ending on that day.

Furthermore, the Offeror took all elements stated above into consideration, and after the discussion and negotiation with Dr. Shirono and discussion with the Target Company, the Offeror comprehensively considered examples of the premiums added in deciding the purchase price of tender offers similar to the Tender Offer conducted in the past for shares by a party other than an issuer, the support for the Tender Offer by the Target Company's board of directors, and the estimated number of shares to be tendered in the Tender Offer, and decided on the Tender Offer Price of 5,900 yen per share on October 23, 2018.

The Offeror did not obtain a share price valuation report from an independent third-party appraiser since it decided the Tender Offer Price based on discussion and negotiation with Dr. Shirono and discussion with the Target Company as stated above.

The Tender Offer Price of 5,900 yen represents (i) a premium of 52.65 % (rounded to two decimal places; the same applies for calculations of premium rates hereinafter) on 3,865 yen, the closing price of the Target Company Shares on the first section of the Tokyo Stock Exchange as of October 22, 2018, which is the Business Day immediately preceding the announcement date of the implementation of the Tender Offer, (ii) a premium of 51.63% on 3,891 yen, the simple average closing price for the most recent one-month period, (iii) a premium of 33.03% on 4,435 yen, the simple average closing price for the most recent three-month period, and (iv) a premium of 18.93% on 4,961 yen, the simple average closing price for the most recent six-month period.

The Offeror purchased 100 Target Company Shares as of October 16, 2018 directly from Cilag for 3,590 yen per share, which is the closing price of the Target Company Shares on the first section of the Tokyo Stock Exchange on the business day immediately prior to the date of such purchase. The difference (2,310 yen) between the Tender Offer Price (5,900 yen) and such purchase price (3,590 yen) is because of the trend of the Target Company's market price after the date of such purchase and that the Tender Offer Price includes premiums as described above.

Furthermore, Dr. Shirono requested the Offeror that the Offeror acquires all of the CIC Shares, rather than acquiring all of the Target Company Shares held by CIC through the Tender Offer, in the Transactions. After continuous discussions between the Offeror and Dr. Shirono, the Offeror concluded that the CIC Shares Purchase Price that has been agreed as described below will be equivalent to economic value that would be received by the CIC Shareholders for the case where CIC tenders the Target Company Shares in the Tender Offer and thus the purchase price of the CIC Shares will not violate the equal price doctrine under Article 27-2, Paragraph 3 of the Act and Article 8, Paragraph 3 of the Enforcement Order. As a result, the Offeror and the CIC Shareholders entered into the Stock Purchase Agreement on October 23, 2018, pursuant to which the CIC Shareholders have agreed not to cause or permit CIC to tender all of its Target Company Shares into the Tender Offer, and on the CIC Shares Transfer Date the CIC Shareholders have agreed to sell to the Offeror, and the Offeror will purchase from the CIC Shareholders, all of the CIC Shares held by the CIC Shareholders, on the condition that, among other things, the Tender Offer shall have been successfully completed. The CIC Shares Purchase Price will be an amount equal to (i) the number of Target Company Shares held by CIC (13,600,000 shares) multiplied by the Tender Offer Price, which aggregate purchase price is 80,240,000,000 yen, (ii) reduced by CIC's indebtedness for borrowed money, accounts payable, income taxes payable or any other liabilities or obligations of CIC as of the CIC Shares Transfer Date, and (iii) increased by the amount of CIC's cash and deposits and corporate tax receivable as of the CIC Shares Transfer Date.

For the details of the purchase of the issued shares of CIC, please refer to "(3) Matters concerning the material agreements regarding the Tender Offer" in "1. Purpose of the Tender Offer".

(ii) Background of Valuation

J&J Consumer believes in blending heart, science and ingenuity to profoundly change the trajectory of health for humanity. It is this approach towards its Beauty Business which led it to pursue the Alliance with Target Company in July 2016.

J&J Consumer's strategic plans for its Beauty Business identified expanding in the Asia Pacific region to better serve consumers in this region as a key priority for strategic growth in the future. The Alliance allowed J&J Consumer to build scale

in the Asia Pacific region while aiding the Target Company's global expansion aspirations. The Alliance has been a successful collaboration for the parties and has led to the creation of a positive and mutually beneficial business relationship between management of J&J Consumer and the Target Company.

As a result of this positive business relationship between J&J Consumer and the Target Company, the Target Company reached out to the Offeror at the end of January 2018 to propose that the Offeror consider the acquisition of additional Target Company shares. The Offeror determined to enter into preliminary discussions with the Target Company and Dr. Shirono, in his capacity as a CIC Shareholder and a representative director of CIC, with respect to the possibility of the Transactions and started consultations with the Target Company and with Dr. Shirono in the middle of March 2018. Beginning in April 2018, members of Target Company management provided the Offeror with access to due diligence materials and scheduled meetings with additional members of Target Company's management to allow the Offeror to better understand the Target Company's business. Members of J&J Consumer's senior management also attended a formal management presentation organized by the Target Company on May 29, 2018.

To assist in due diligence and in evaluation of the Transactions, the Offeror retained Goldman Sachs & Co. LLC and PricewaterhouseCoopers Aarata LLC as its financial advisors and Mori Hamada & Mastumoto and Cravath, Swaine & Moore LLP as its legal advisors. With the help of its advisors, Offeror was able to substantially complete its due diligence investigation of the Target Company by the end of July 2018.

Based on the result of such due diligence investigation, the Offeror decided to start discussions regarding the specific terms of the potential Transactions and discussed and negotiated until the beginning of October 2018 with Dr. Shirono in which the Offeror received request from Dr. Shirono that the Offeror acquire all of the CIC Shares, rather than acquiring all of the Target Company Shares held by CIC through the Tender Offer, and discussed the topics such as structure of the Transaction, timing for the launch of the Tender Offer, whether to acquire the CIC Shares and the mechanics around the purchase of the CIC Shares, the price to be assigned to the Target Shares in the Tender Offer, the recent performance of the Target Company, and Dr. Shirono's future role with the Target Company upon consummation of the Tender Offer.

As a result of these ongoing discussions, (i) the Offeror determined that the Offeror and the Target Company would be achieve the goals as described in "Purpose of the Tender Offer" in "(ii) Background and purpose of the Tender Offer by the Offeror" in "(2) Background, purpose, and decision making process with respect to conducting the Tender Offer, and management policy after the Tender Offer" in "1. Purpose of the Tender Offer" above and increase their corporate value of the Offeror and the Target Company by acquiring all shares in the Target Company and adding the Target Company to Johnson & Johnson Family of Companies, and (ii) with respect to the Target Company Shares held by

CIC, the Offeror and Dr. Shirono were able to agree to the CIC Shares Purchase Price to be the price that will not violate the equal price doctrine under Article 27-2, Paragraph 3 of the Act and Article 8, Paragraph 3 of the Enforcement Order, as stated in “(i) Basis of Valuation” above. The Offeror was then able to reach an agreement with Dr. Shirono on the terms and conditions for the purchase of the CIC Shares on October 12, 2018. The Offeror then provided a letter of intent to the Board of Directors of the Target Company detailing the proposed terms of the Transactions and the Tender Offer on October 12, 2018.

Based on the above, the Offeror has determined to (1) launch the Tender Offer and (2) purchase all of the CIC Shares, subject to the successful completion of the Tender Offer and certain other conditions.

After taking into consideration the business and financial condition of the Target Company, and the closing price of the Target Company Shares on the first section of the Tokyo Stock Exchange on October 22, 2018, which was the Business Day immediately preceding October 23, 2018, which was the date of announcement of the Tender Offer, and the simple average closing price of the Target Company Shares over the one-month, three-month, and six-month periods ending on that day and after the discussion and negotiation with Dr. Shirono and discussion with the Target Company, the Offeror comprehensively considered examples of the premiums added in deciding the purchase price of tender offers similar to the Tender Offer conducted in the past for shares by a party other than an issuer, the support for the Tender Offer by the Target Company’s board of directors, and the estimated number of shares to be tendered in the Tender Offer, and decided on the Tender Offer Price of 5,900 yen per share on October 23, 2018.

The Offeror did not obtain a share price valuation report from an independent third-party appraiser since it decided the Tender Offer Price based on discussion and negotiation with Dr. Shirono and discussion with the Target Company as stated above.

(iii) Relationships with the valuation firm

Not applicable, as the Offeror did not obtain a share price valuation report or an opinion regarding the fairness of the Tender Offer Price (fairness opinion) from an independent third party appraiser.

(5) Number of Share Certificates, Etc. to be purchased

Number of Share Certificates, Etc. to be purchased	Minimum number of Share Certificates, Etc. to be purchased	Maximum number of Share Certificates, Etc. to be purchased
25,355,704 shares	9,144,100 shares	- shares

Note 1: If the total number of Tendered Share Certificates, Etc. is less than the minimum number of Share Certificates, Etc. to be purchased (9,144,100 shares), the Offeror

will not conduct purchase of any of the Tendered Share Certificates, Etc. If the total number of Tendered Share Certificates, Etc. is equal to or more than the minimum number of Share Certificates, Etc. to be purchased (9,144,100 shares), the Offeror will purchase all of the Tendered Share Certificates, Etc.

Note 2: Shares less than one unit are also subject to the Tender Offer. If a right to request a purchase of shares less than one unit is exercised by shareholders in accordance with the Companies Act, the Target Company may purchase its own shares less than one unit during the Tender Offer Period in accordance with procedures required by laws and regulations.

Note 3: The Offeror does not intend to acquire the treasury shares held by the Target Company through the Tender Offer.

Note 4: In the Tender Offer, the Offeror has not set a maximum number of Share Certificates, Etc. to be purchased, and thus the number of Share Certificates, Etc. to be purchased is stated as the maximum number of the Target Company Shares to be acquired by the Offeror through the Tender Offer (25,355,704 shares). The maximum number of Share Certificates, Etc. to be purchased is 25,355,704 shares which is the number of all issued shares stated in the Target Company's Financial Results (48,635,255 shares) as of July 31, 2018 less the sum of (i) treasury shares (151 shares) held by the Target Company as of the same date stated in the Target Company's Annual Securities Report, (ii) Target Company Shares held by the Offeror (100 shares) and (iii) the sum of the Target Company Shares held by Cilag (9,679,300 shares) and CIC (13,600,000 shares) who both agreed with the Offeror on not tendering into the Tender Offer.

(6) Changes in Ownership ratio of Share Certificates, Etc. after tender offer

Number of voting rights represented by Share Certificates, Etc. held by the Offeror prior to tender offer	1	(Ownership Ratio of Share Certificates, Etc. prior to tender offer 0.00%)
Number of voting rights represented by the Share Certificates, Etc. held by special related parties prior to tender offer	232,793	(Ownership Ratio of Share Certificates, Etc. prior to tender offer 47.87%)
Number of voting rights represented by Share Certificates, Etc. after tender offer	253,558	(Ownership ratio of Share Certificates, Etc. after tender offer 52.13%)
Ownership ratio of Share Certificates, Etc. held by special related parties after tender offer	232,793	(Ownership ratio of Share Certificates, Etc. after tender offer 47.87%)
Total number of voting rights of all the shareholders of the Target Company	486,306	

Note 1: The "Total number of voting rights of all shareholders of the Target Company" is the number of voting rights of all shareholders as of January 31, 2018 stated in the

Quarterly Securities Report for the third quarter of the 20th financial year submitted by the Target Company on June 12, 2018 according to the shareholder registry based on the record date (January 31, 2018) as immediately prior to such report. However, since shares less than one unit are subject to the Tender Offer, when calculating “Ownership ratio of Share Certificates, Etc. prior to tender offer ” and “Ownership ratio of Share Certificates, Etc. after tender offer,” the number of voting rights (486,351) represented by 48,635,104 shares, which is the total number of issued shares (48,635,255 shares) of the Target Company as of July 31, 2018 stated in the Target Company’s Financial Results less the number of treasury shares held by the Target Company (151 shares) which are not to be acquired through the Tender Offer, is used as the “total number of voting rights of all the shareholders of the Target Company”.

Note 2: “Ownership Ratio of Share Certificates, Etc. prior to tender offer” and “Ownership ratio of Share Certificates, Etc. after the Tender Offer” have been rounded to two decimal places.

(7) Purchase Price

149,598,653,600 yen

Note : “Purchase price” is the amount obtained by multiplying the number of shares to be purchased in the Tender Offer (25,355,704 shares) by the Tender Offer Price per share (5,900 yen).

(8) Method of settlement

- (i) Name and address of head office of financial instruments firm/bank, in charge of settlement of tender offer

SMBC Nikko Securities Inc.

3-3-1 Marunouchi, Chiyoda-ku, Tokyo

- (ii) Commencement date of settlement

January 17, 2019 (Thursday)

- (iii) Method of settlement

A notice regarding the purchase as a result of the Tender Offer will be mailed to the address or location of Tendering Shareholders (or the Standing Proxy in the case of Non-Resident Shareholders) without delay after the expiration of the Tender Offer period. If Tendering Shareholders tendered their shares through an online trading system (“Nikko Easy Trade”) (<https://trade.smbcnikko.co.jp/>), the notice will be delivered by electronic means.

The purchase shall be settled in cash. The Tender Offer Agent (as defined in (11) “Tender Offer Agent” below) will, in accordance with the instructions given by the Tendering Shareholders (or the Standing Proxy in the case of Non-Resident Shareholders) and without delay on or after the commencement date of settlement, remit the purchase price to the address designated by the Tendering Shareholders (or the Standing Proxy in the case of Non-Resident Shareholders).

(iv) Method of returning Share Certificates, Etc.

In the event that all of the Tendered Share Certificates, Etc. will not be purchased under the terms set forth in “(i) Conditions set forth in each item of Article 27-13, Paragraph 4 of the Act and the details thereof” or “(ii) Conditions of withdrawal of the tender offer, details thereof and method of disclosure of withdrawal” in “(9). Other conditions and methods of purchase” below, the Tender Offer Agent will return the relevant Share Certificates, Etc. to the securities accounts held by the relevant Tendering Shareholders with the Tender Offer Agent and revert the relevant Share Certificates, Etc. to their original condition at the time of the tender (“the original condition at the time of the tender” means the condition where the execution of the order to tender in the Tender Offer has been cancelled) on the date two Business Days after the last day of the Tender Offer Period (or the date of withdrawal of the Tender Offer if the Offeror withdraws the Tender Offer).

(9) Other conditions and methods of purchase

(i) Conditions set forth in each item of Article 27-13, Paragraph 4 of the Act and the details thereof

If the total number of Tendered Share Certificates, Etc. is less than the minimum number of Share Certificates, Etc. to be purchased (9,144,100 shares), the Offeror will not purchase any of the Tendered Share Certificates, Etc. If the total number of Tendered Share Certificates, Etc. is equal to or more than the minimum number of Share Certificates, Etc. to be purchased (9,144,100 shares), the Offeror will purchase all of the Tendered Share Certificates, Etc.

(ii) Conditions of withdrawal of the tender offer, details thereof and method of disclosure of withdrawal

If any event listed in Article 14, Paragraph 1, Items (1)1 through (1)9 and Items (1)12 through (1)18, Items (3)1 through (3)8 and (3)10, Item (4) as well as Article 14, Paragraph 2, Items (iii) through (6) of the Enforcement Order occurs, the Offeror may withdraw the Tender Offer.

In the Tender Offer, the “facts which are equivalent to those listed in Items (3)1 through (3)9” set out in Article 14, Paragraph 1, Item (3)10 of the Enforcement Order shall refer to:

- (a) the case where any of the statutory disclosure documents submitted by the Target Company in the past is found to contain a false statement on a material fact, or omit a statement on a material fact that should have been stated, and
- (b) the case where any of the facts listed in Article 14, Paragraph 1, Items (3)1 through (3)7 of the Enforcement Order occurs in respect of a material subsidiary of the Target Company.

In addition, in relation to the Offeror’s prior notification to the Japan Fair Trade Commission (the “JFTC”) under Article 10, Paragraph 2 of the Act on Prohibition

of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended; the “Antimonopoly Act”), if (i) the Offeror receives the prior notice of cease and desist order, which orders the disposal all or part of Target Company Shares, the transfer the part of its business and other similar disposal, from the JFTC, (ii) the cease and desist period during which the prior notice of cease and desist order must be made under the Antimonopoly Act does not expire or (iii) the Offeror is subject to a petition for a court order for emergency suspension as a person who is suspected of violating the provisions of Article 10, Paragraph 1 of the Antimonopoly Act by the day immediately preceding the expiration date of the Tender Offer Period (including in any case where this period is extended), the Offeror may withdraw the Tender Offer on the basis that the Tender Offeror was not able to obtain “permits” set out in Article 14, Paragraph 1, Item (4) of the Enforcement Order.

If the Offeror intends to withdraw the Tender Offer, the Offeror will give an electronic public notice and publish a notice to that effect in the Nikkei. However, if it is deemed difficult to give the public notice by the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set out in Article 20 of the Cabinet Ordinance with respect to Disclosure of a Tender Offer for Share Certificates, Etc. by an Offeror other than the Issuing Company (Ministry of Finance Ordinance No. 38 of 1990, as amended; hereinafter the same) and give a public notice immediately after the announcement.

(iii) Conditions to reduce purchase price, details thereof and method of disclosure of reduction

Under Article 27-6, Paragraph 1, Item (1) of the Act, if the Target Company conducts any act set out in Article 13, Paragraph 1 of the Enforcement Order during the Tender Offer Period, the Offeror may reduce the purchase price in accordance with the standards set out in Article 19, Paragraph 1 of the Cabinet Ordinance.

If the Offeror intends to reduce the purchase price, the Offeror will give an electronic public notice and publish a notice to that effect in the Nikkei. However, if it is deemed difficult to give the public notice by the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set out in Article 20 of the Cabinet Ordinance and give a public notice immediately after the announcement.

If the purchase price is reduced, the Offeror will also purchase the Share Certificates, Etc. tendered on or before the date of the public notice at the reduced purchase price.

(iv) Matters concerning Tendering Shareholders’ right to cancel tender

Tendering Shareholders may, at any time during the Tender Offer Period, cancel their agreement under the Tender Offer. Tendering Shareholders must cancel their agreement for the Tender Offer in accordance with the method described in

the sections titled “(2) Method of cancellation of agreement” of “7. Method of tendering shares for the tender offer and cancellation thereof” above.

The Offeror will not make any claim for damages or penalty payment due to a Tendering Shareholder’s cancellation of an agreement. Further, the cost of returning Tendered Share Certificates, Etc. to the Tendering Shareholders will be borne by the Offeror.

(v) Method of disclosure if the conditions of the Tender Offer are changed

The Offeror may change the conditions of the Tender Offer during the Tender Offer Period unless such change is prohibited under Article 27-6, Paragraph 1 of the Act or Article 13 of the Enforcement Order.

If the Offeror intends to change any conditions of the Tender Offer, the Offeror will give an electronic public notice and publish a notice to that effect in the Nikkei Newspaper. However, if it is deemed difficult to give the public notice by the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set out in Article 20 of the Cabinet Ordinance and give a public notice immediately after the announcement.

If the conditions of the Tender Offer are changed, the Offeror will also purchase the Share Certificates, Etc. tendered on or before the date of the public notice in accordance with the changed conditions of the Tender Offer.

(vi) Method of disclosure if amendment statement is filed

If the Offeror submits an amendment statement to the Director-General of the Kanto Local Finance Bureau (excluding the cases provided for in the proviso in Article 27-8, Paragraph 11 of the Act), the Offeror will immediately make a public announcement of the content of such amendment statement that is relevant to the content of the public notice of the commencement of the Tender Offer in the manner set out in Article 20 of the Cabinet Ordinance. The Offeror will also immediately amend the explanatory statement of the Tender Offer and deliver the amended explanatory statement to the Tendering Shareholders who have already received the previous explanatory statement. However, if the amendments are limited in scope, the Offeror may instead prepare and deliver to Tendering Shareholders a document stating the reason for the amendments, the matters amended, and the details thereof.

(vii) Method of disclosure of results of the Tender Offer

The results of the Tender Offer will be made public on the day following the last day of the Tender Offer Period in the manner set out in Article 9-4 of the Enforcement Order and Article 30-2 of the Cabinet Ordinance.

(10) Date of public announcement of Tender Offer

October 29, 2018 (Monday)

(11) Tender Offer Agent

SMBC Nikko Securities Inc.

3-3-1 Marunouchi, Chiyoda-ku, Tokyo

3. Policy After the Tender Offer and Future Outlook

See “(2) Background, purpose, and decision-making process with respect to conducting the Tender Offer, and management policy after the Tender Offer,” “(5) Policy for organizational restructuring after the Tender Offer (matters relating to the so-called “Two-Step Acquisition”),” and “(6) Prospects and reasons for delisting” in “1. Purpose of the Tender Offer” above.

4. Other Matters

(1) Agreements between the Offeror and the Target Company or its directors or officers, and the contents thereof

(i) Name and Likeness Agreement between the Target Company, JKKK and Dr. Shirono

The Target Company, JKKK and Dr. Shirono entered into the Name and Likeness Agreement on October 23, 2018 wherein Dr. Shirono as licensor grants to the Target Company as licensee, an exclusive, perpetual, royalty-free, sub-licensable license to use, publish, distribute, display, sub-license and otherwise exploit his name, likeness, voice, personality and other similar items.

(ii) Advisory Agreement between the Target Company, JKKK and Dr. Shirono

The Target Company, JKKK and Dr. Shirono entered into the Advisory Agreement on October 23, 2018 wherein Dr. Shirono shall, after his resignation from his position as an officer and employee of the Target Company, and after the date of completion of the acquisition of all shares in the Target Company by the Offeror group, to act as Honorary Chairman and Senior Advisor to the Management Board of the Target Company and provide advisory services to the Target Company relation to the business, products and other matters of the Target Company.

(2) Other Information that is considered to be necessary when investors determine whether to tender an offer to purchase

(i) Revision of Dividends Forecast and Abolishment of Shareholder Incentive

The Target Company released “Notice Regarding Revision of Dividends Forecast for the Financial Year Ending July 2019 (the 21st Financial Year) and Abolishment of Shareholder Incentive” on October 23, 2018. According to that release, the Target Company resolved at the board of directors meeting held on the same day to amend the dividends forecast for the financial year ending July 2019 announced as of September 11, 2018 and not to pay dividends at the end of the financial year ending July 2019 and to abolish the shareholder incentive from the

financial year ending July 2019 conditional upon the successful completion of the Tender Offer. Please refer to announcement concerned for further details.

End

This press release is a press statement intended for the announcement of the Tender Offer to the general public and is not intended for soliciting an offer to sell the shares or offering to buy in connection with the Tender Offer. If anyone desires to sell his or her shares, a shareholder should review the tender offer explanatory statement for the Tender Offer and accept the Tender Offer at his or her own responsibility. This press release is not considered as an offer or solicitation of sales of securities or solicitation of offer of purchase of securities and does not constitute any such part. This press release (or any part of it) or the fact of its distribution does not provide a basis for any kind of agreement pertaining to the Tender Offer, and it may not be relied upon when executing any such agreement.

This press release contains “forward-looking statements” as defined in the U.S. Private Securities Litigation Reform Act of 1995 regarding the potential transaction between the Offeror and the Target Company. The reader is cautioned not to rely on these forward-looking statements. These statements are based on current expectations of future events. If underlying assumptions prove inaccurate or known or unknown risks or uncertainties materialize, actual results could vary materially from the expectations and projections of the Offeror and the Target Company. Risks and uncertainties include, but are not limited to: the receipt of regulatory approvals for the transaction; the tender of the requisite amount of the outstanding shares of the Target Company; the possibility that the transaction will not be completed in the expected timeframe or at all; the potential that the expected benefits and opportunities of the transaction, if completed, may not be realized or may take longer to realize than expected; uncertainty of commercial success for new and existing products; manufacturing difficulties and delays; economic conditions, including currency exchange and interest rate fluctuations; competition, including technological advances, new products and patents attained by competitors; changes to applicable laws and regulations, including tax laws and domestic and foreign health care reforms; adverse litigation or government action; changes in behavior and spending patterns or financial distress of purchasers of health care products and services; and trends toward health care cost containment. In addition, if and when the transaction is consummated, there will be risks and uncertainties related to the ability of the Johnson & Johnson Family of Companies to successfully integrate the products, employees and operations of the Target Company, as well as the ability to ensure continued performance or market growth of the Target Company’s products. A further list and description of these risks, uncertainties and other factors can be found in the Offeror’s publicly available filings with the U.S. Securities and Exchange Commission. Copies of these filings, as well as subsequent filings, are available online at www.sec.gov, www.jnj.com or on request from the Offeror. The Offeror does not undertake to update any forward-looking statement as a result of new information or future events or developments.

The Tender Offer will be conducted in accordance with the procedures and information disclosure standards prescribed by Japanese financial instruments and exchange law, which may differ from those of the United States. In particular, Sections 13 (e) and 14 (d) of the U.S. Securities Exchange Act of 1934 (as amended; the same applies hereinafter), and the regulations prescribed thereunder, do not apply to the Tender Offer, and the Tender Offer does not conform to those procedures and standards. Unless otherwise specified, all procedures relating to the Tender Offer are to be conducted entirely in Japanese. If all or any portion of the documentation relating to the Tender Offer is prepared in English and there is any inconsistency between the English documentation and the Japanese documentation, the Japanese documentation will prevail.

The respective financial advisors of the Offeror and the Target Company, and the Tender Offer Agent (including their affiliates) may, in the ordinary course of their business, engage in the purchase of the Target Company Shares, or act in preparation for such purchase, for their own account or for their customers’ account before or during the Tender Offer Period in accordance with the requirements of Rule 14e-5(b) under the U.S. Securities Exchange Act of 1934 and to the extent permitted under Japanese financial instruments and exchange regulations and other applicable laws and ordinances. Such purchase might be conducted at the market price through a market transaction or decided through off-market negotiation. If any information concerning such purchase is disclosed in Japan, the relevant financial adviser or Tender Offer Agent who conducted such purchase will disclose such information on their English website (or by any other means of public disclosure).

In certain countries or regions, the announcement, issue or distribution of this press release may be restricted by laws or regulations. In such cases, you are required to be aware of such restrictions and comply with the laws and regulations of such countries or regions. This press release does not constitute any solicitation of an offer to sell or offer to purchase shares in relation to the Tender Offer, and shall be considered as a mere distribution of informative materials.