



November 18, 2019

Name of company: Mitsubishi Tanabe Pharma Corporation  
Representative: Masayuki Mitsuka  
President & Representative Director  
(Code No.: 4508, TSE 1st Sec.)  
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**Announcement of Mitsubishi Tanabe Pharma Corporation’s Opinion Regarding  
Tender Offer for Shares in Mitsubishi Tanabe Pharma Corporation by  
the Controlling Shareholder Mitsubishi Chemical Holdings Corporation, and  
Recommendation to Tender Shares**

Mitsubishi Tanabe Pharma Corporation (“**MTPC**”) hereby announces that it has resolved as stated below at its board of directors meeting held today to express its opinion in support of the tender offer for MTPC’s common shares (“**MTPC Common Shares**”) to be conducted by Mitsubishi Chemical Holdings Corporation (the “**Tender Offeror**”), the controlling shareholder (parent company) of MTPC (the “**Tender Offer**”), and to recommend that the shareholders of MTPC tender MTPC Common Shares in the Tender Offer.

The resolution of the board of directors stated above was made on the assumption that the Tender Offeror intends to make MTPC its wholly-owned subsidiary by way of the Tender Offer and through a series of subsequent procedures and that MTPC Common Shares will be delisted.

**1. Outline of Tender Offeror**

(1)	Name	Mitsubishi Chemical Holdings Corporation
(2)	Location	1-1 Marunouchi 1-chome, Chiyoda-ku, Tokyo
(3)	Name and title of representative	Hitoshi Ochi, Representative Corporate Executive Officer, President & Chief Executive Officer
(4)	Description of business	Management of group companies (Development of the group strategies and allocation of financial resource)
(5)	Capital	50,000 million yen (as of June 25, 2019)
(6)	Date of incorporation	October 3, 2005
(7)	Major shareholders and shareholding ratios (as of March 31, 2019)	The Master Trust Bank of Japan, Ltd. (Trust Account) 7.27%
		Japan Trustee Services Bank, Ltd. (Trust Account) 5.78%
		Meiji Yasuda Life Insurance Company (Standing proxy: Trust & Custody Services Bank, Ltd.) 4.52%

	Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2.99%
	Japan Trustee Services Bank, Ltd. (Trust Account 4)	1.99%
	Japan Trustee Services Bank, Ltd. (Trust Account 5)	1.81%
	Japan Trustee Services Bank, Ltd. (Trust Account 7)	1.80%
	SSBTC Client Omnibus Account (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Department)	1.51%
	MUFG Bank, Ltd.	1.44%
	State Street Bank West Client – Treaty 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1.44%
(8)	Relationship between MTPC and the Tender Offeror	
	Capital relationship	The Tender Offeror holds 316,320,069 MTPC Common Shares (Share Holding Ratio (Note 1): 56.39%).
	Personnel relationship	Three of MTPC’s eight directors have worked at the Other Tender Offeror Group Companies (Note 2); one of those three directors currently holds a position as director at a wholly-owned subsidiary of the Tender Offeror, and one of the other five directors holds positions as executive officer at the Tender Offeror and director at a wholly-owned subsidiary of the Tender Offeror. Also, one statutory auditor of MTPC has worked at the Other Tender Offeror Group Companies. In addition to the above, 57 employees of the MTPC Group are seconded to the Other Tender Offeror Group Companies, and seven employees of the Other Tender Offeror Group Companies are seconded to the MTPC Group.
	Business relationship	MTPC deposits funds with the Tender Offeror and receives interest on those funds.
	Status as related party	The Tender Offeror is MTPC’s parent company, and therefore, a related party of MTPC.

(Note 1) “**Share Holding Ratio**” means any shareholding ratio relative to the total number of issued shares of MTPC as of September 30, 2019 (i.e., 561,417,916 shares), as set forth in the Second Quarterly Earnings Release for FY 2019 (IFRS) (Consolidated) disclosed by MTPC on October 30, 2019 (referred to as “**MTPC’s FY 2019 Second Quarterly Earnings Release**”), less the number of treasury shares (excluding the 200,279 shares that are held by the Officer Remuneration BIP (Board Inventive Plan) Trust (the “**BIP Trust**”) as of September 30, 2019) held by MTPC as set forth in MTPC’s FY 2019 Second Quarterly Earnings Release (i.e., 431,636 shares) (equating to 560,986,280 shares) (shareholding ratios are rounded up or down to three decimal places), and hereinafter the same

shall apply.

(Note 2) **“Other Tender Offeror Group Companies”** means companies which constitute the Tender Offeror Group excluding the companies which constitute the MTPC Group. **“Tender Offeror Group”** means the Tender Offeror, its 552 subsidiaries, and its 169 affiliated companies (as of the date of September 30, 2019); hereinafter the same) in which the Tender Offeror serves as its holding company, and the **“MTPC Group”** means MTPC and its 34 subsidiaries and its two equity-method affiliates (as of the date of September 30; hereinafter the same).

## 2. Price for Purchase, Etc.

2,010 yen per share of common share

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

### (1) Details of the Opinion on the Tender Offer

MTPC has resolved at its board of directors meeting held on November 18, 2019 to express its opinion in support of the Tender Offer and to recommend that the shareholders of MTPC tender MTPC Common Shares in the Tender Offer, based on the grounds and reasons stated in “(2) Grounds and Reasons for the Opinion on the Tender Offer” below.

The resolution of the board of directors stated above was made in the manner set out in “G. Unanimous Approval of All Non-interested Directors and the No Dissenting Opinion of All Non-interested Statutory Auditors at MTPC” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

### (2) Grounds and Reasons for the Opinion on the Tender Offer

The descriptions of the grounds and reasons for the opinion on the Tender Offer that relate to the Tender Offeror are based on explanations given by the Tender Offeror.

#### A. Outline of the Tender Offer

As of the date hereof, the Tender Offeror holds 316,320,069 shares (Share Holding Ratio: 56.39%) of MTPC Common Shares that are listed on the First Section of the Tokyo Stock Exchange Inc. (the “TSE”), and MTPC is a consolidated subsidiary of the Tender Offeror.

According to the Tender Offeror, the Tender Offeror determined, by way of written resolution in lieu of a board of directors meeting pursuant to Article 370 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same) and Article 27 of the Articles of Incorporation of the Tender Offeror, to conduct the Tender Offer on November 18, 2019 as part of the series of transactions for the purpose of acquiring all of the shares of MTPC (excluding MTPC Common Shares held by the Tender Offeror and the treasury stock held by MTPC) and making MTPC its wholly-owned subsidiary (the “**Transactions**”).

According to the Tender Offeror, in the Tender Offer, the Tender Offeror has set 57,670,731 shares (Note) as the minimum number of the shares to be purchased, and, thus, if the total number of the share, etc., tendered in the Tender Offer (“**Tendered Share, Etc.**”) is

less than such minimum number, the Tender Offeror will not purchase any of Tendered Share, Etc. However, the Tender Offeror plans to obtain all of the MTPC Common Shares through the Tender Offer as stated above, and therefore, has not set the maximum number of the shares to be purchased. Thus, if the total number of Tendered Share, Etc., is equal to or more than such minimum number, the Tender Offeror will purchase all of Tendered Share, Etc., and, accordingly, depending on the results of the Tender Offer, the MTPC Common Shares may be delisted after taking prescribed procedures in accordance with the TSE listing rules. Additionally, even in the event that the delisting criteria are not met upon completion of the Tender Offer, because the Tender Offeror plans to execute a series of procedures in order to acquire all MTPC Common Shares as stated in “(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-called “Two-step Acquisition”)” below after completion of the Tender Offer, the MTPC Common Share may be delisted after taking prescribed procedures in accordance with the TSE listing rules.

(Note) According to the Tender Offeror, the minimum number of the shares to be purchased (57,670,731 shares) is calculated as follows: (i) deduct (a) the number of treasury shares (excluding the MTPC Common Share possessed by BIP Trust as of September 30, 2019 (200,279 shares)) (431,636 shares) held by MTPC as of September 30, 2019, as set forth in MTPC’s FY 2019 Second Quarterly Earnings Release from (b) the total number of issued shares of MTPC as of September 30, 2019, as set forth in MTPC’s FY 2019 Second Quarterly Earnings Release (561,417,916 shares), which becomes 560,986,280 shares; (ii) calculate the number of voting rights of 560,986,280 shares, which becomes 5,609,862 voting rights; (iii) calculate the minimum figure which is two-thirds or more of 5,609,862 voting rights, which is 3,739,908 voting rights; (iv) multiply 3,739,908 by the number of shares which constitutes 1 unit (100 shares), which becomes 373,990,800 shares; and (v) deduct the number of shares (316,320,069 shares) held by the Tender Offeror from 373,990,800 shares, which becomes 57,670,731 shares.

## **B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer**

The Tender Offeror was established in October 2005 by means of a stock-for-stock exchange jointly conducted by the former Mitsubishi Chemical Corporation (“**Former Mitsubishi Chemical**”) and Mitsubishi Pharma Corporation (“**Mitsubishi Pharma**”), then a subsidiary of Former Mitsubishi Chemical, whereby the Tender Offeror became their parent company. According to the Tender Offeror, as of the date hereof, the Tender Offeror Group in which the Tender Offeror serves as its holding company, is conducting business activities in the three domains which are performance products, industrial materials and health care (these domains are further separated into four segments of performance products segments belonging to performance products, each of segments of chemicals and industrial gases belonging to industrial materials and health care segments belonging to health care, and other departments) with Mitsubishi Chemical Corporation; MTPC; Life Science Institute, Inc. and Taiyo Nippon Sanso Corporation serving as its four operating companies.

Additionally, according to the Tender Offeror, with “KAITEKI Value for Tomorrow” as its corporate slogan, the Tender Offeror Group pursues “KAITEKI Management” to enhance its corporate value, which is considered to be the sum of three values—improved capital efficiency; enhancement of innovative capacity in respect of creation of innovative products

and services; and provision of solutions which contribute to the enhanced sustainability of people, society and the Earth—in an effort to achieve the “sustainable well-being of people, society and our planet Earth,” in other words, KAITEKI, and formulated the Medium-Term Management Plan “APTSIS 20,” (Note 1) to be in effect for the five-year period from FY 2016 to FY 2020. Under the Medium-Term Management Plan, the Tender Offeror has engaged in various portfolio reforms with the basic policy of “aiming to remain a high growth/high profit-model company group through businesses in the areas of performance products, industrial materials and health care”, and has continued to work on strengthening its business base.

(Note 1) For details of the Medium-Term Management Plan “APTSIS 20,” please refer to the explanatory material named “Formulation of APTSIS 20 New Medium-Term Management Plan,” disclosed by the Tender Offeror on December 9, 2015, and the explanatory material named “Revision of Targets under Medium-Term Management Plan APTSIS 20,” disclosed on December 4, 2018. These explanatory materials are available on the Tender Offeror’s website.

[http://www.mitsubishichem-hd.co.jp/ir/library/analysts\\_meeting.html](http://www.mitsubishichem-hd.co.jp/ir/library/analysts_meeting.html)

On the other hand, MTPC was established through a merger of Tanabe Seiyaku Co., Ltd. (“**Tanabe Seiyaku**”) and Mitsubishi Pharma in October 2007. Through the merger of Tanabe Seiyaku and Mitsubishi Pharma, the Tender Offeror, which was the parent company of Mitsubishi Pharma, became the parent company that owns majority of the total number of issued shares of MTPC, and MTPC became a consolidated subsidiary while maintaining its listing. As of the date hereof, the MTPC Group mainly engages in the pharmaceutical business. The Tender Offeror has been owning 316,320,069 shares of MTPC Common Shares (Share Holding Ratio: 56.39%) which the Tender Offeror acquired as a result of the October 2007 merger without any increase or decrease.

Since October 2007, MTPC, as the core company of the Tender Offeror Group’s pharmaceutical business, has operated its business aiming to become a global research-driven pharmaceutical company. Under the “Medium-Term Management Plan 16-20: Open Up the Future,” since the FY 2016, the MTPC Group has worked on four challenges to open up the future medical treatment—“Maximizing Pipeline (Note 2) Value,” “Strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing,” “Accelerating U.S. Business Development,” and “Reforming Operational Productivity.” Specifically, the MTPC Group intends to accelerate drug discovery innovation by enhancing drug discovery capabilities in biologics (bio medicine) centered in therapeutic antibodies and nucleic acid drugs (Note 3) while affiliating with venture entities which engage in R&D of a plant-based VLP (Virus-Like Particle) vaccine and which have revolutionary development concept and technology combining existing medicines and medical devices. Furthermore, MTPC carries out its business following a policy to appropriately determine actions in response to diversification of drug discovery modalities (Note 4) (e.g. digital-health area centered in diabetes and kidney diseases, and regenerative medicine by use of genetic therapy) depending on the areas of treatments.

(Note 2) Pipeline means compounds which are ethical drug candidates and product groups thereof subject to clinical tests; hereinafter the same.

(Note 3) Nucleic acid drugs means drugs using nucleotide, which is constituents of deoxyribonucleic acid (DNA) or ribonucleic acid (RNA), etc. controlling matters concerning genetic information, and its derivative; hereinafter the same.

(Note 4) Drug discovery modalities means treatment methods, such as small molecule

compounds; peptide drugs; protein drugs including therapeutic antibodies; genetic therapy; nuclear acid drugs; cell therapy drugs; and regenerative medicine; hereinafter the same.

However, the pharmaceutical business environment surrounding MTPC is assumed to remain challenging due to the downward pressure on drug prices from the viewpoint of restraining the increase of social security costs domestically and internationally, whereas R&D expenses are escalating. Furthermore, under the situation that social security costs are required to be reduced as a social problem, the scope of the Tender Offeror's business needs to be expanded so as to satisfy the social needs, from the conventional "diagnosis and treatment" to health management reinforcement, the disease progression prevention, and regeneration and function recovery. In addition, the core operating profit (Note 5) of the MTPC Group has recently decreased due to the increase in its R&D expenses, and the ratio of R&D expenses to its core operating profit, which was around 1 to 1.6 in the fiscal year ended March 2016, decreased to around 1 to 0.6 in the fiscal year ended March 2019, resulting in a significant unbalance between its R&D expenses and core operating profit. In the fiscal year ended March 2020, in addition to the impact of the drug prices revision, MTPC estimated that its sales and profits will decrease due to the continuous impact related to the request for the arbitration by the Novartis Pharma AG in February 2019 on the issue as to whether or not MTPC is entitled to certain royalties for "Gilenya," the treatment for multiple sclerosis, and thus R&D expenses will likely to continue to exceed MTPC's core operating profit.

(Note5) With adoption of the International Financial Reporting Standard (IFRS), MTPC has introduced "core operating profit" as a major profit index to demonstrate its recurring profitability and positioned it as an important indicator of business management, etc. "Core operating profit" of MTPC is the profit excluding the income and loss recorded by non-recurring items specified by the MTPC Group (the "non-recurring items") from operating profit. As non-recurring items, gain or loss associated with a business transfer, restructuring loss, and impairment losses on intangible assets associated with products are assumed.

According to the Tender Offeror, after making MTPC a consolidated subsidiary of the Tender Offeror in October, 2007, the Tender Offeror enabled MTPC to obtain the merits as a listed company, such as enhancing degree of recognition and securing good human resources, by maintaining the listing of MTPC Common Shares and supported MTPC in further strengthening its capabilities of creating pharmaceuticals and accelerating overseas business growth. The Tender Offeror has continued engaging in realizing business synergies between Other Tender Offeror Group Companies and the MTPC Group, with an aim of achieving the goal set at the time of the merger which was to pursue business opportunities by positively responding to changes in the medical environment in the future.

However, according to the Tender Offeror, since the MTPC Group initially set its main theme as becoming a global research-driven pharmaceutical company upon its establishment in 2007 and the Other Tender Offeror Group Companies were focusing on restructuring the petrochemical business, the Other Tender Offeror Group Companies and the MTPC Group could not necessarily secure sufficient management resources for jointly pursuing synergies. Despite such situation, the MTPC Group and the Other Tender Offeror Group Companies have endeavored to create business synergies through mutual exchange of technology and human resources. Specifically, the MTPC Group and the Other Tender Offeror Group Companies took on a challenge of developing the field of pharmaceutical medicine combining

medicine and chemicals (industrial materials) and a challenge of creating drugs utilizing gases, and supported commercialization in the regenerative medicine field utilizing Muse cells (Note 6). However, while the Tender Offeror and MTPC have had their own independence as listed companies and avoided the risk of a conflict of interest as much as possible and each has conducted its business in compliance with its contractual obligations owed to third parties, cooperation on utilization of each other's intellectual property and human resources and investment in management resources between the Other Tender Offeror Group Companies and the MTPC Group have not been cultivated sufficiently and the realization of synergy has yet to be achieved.

(Note 6) Muse cells mean the non-neoplastic mesenchymal pluripotent cells in human bodies, which can be differentiated into various cells or tissues; hereinafter the same.

In addition, according to the Tender Offeror, in the Tender Offeror Group, the establishment of Mitsubishi Chemical Corporation as a result of the merger of Former Mitsubishi Chemical, Mitsubishi Plastics, Inc. and Mitsubishi Rayon Co., Ltd. which took place in April 2017, enhanced the science foundation and reinforced the technology platforms as well as streamlining and reinforcing the sales organization from a customer perspective in the area of chemical business including petrochemical business, and, thus, they now have some good prospect on the petrochemical business restructuring which they have been worked on. Therefore, the MTPC Group and the Other Tender Offeror Group Companies are now in a position to be able to secure management resources for synergy pursuit.

In such current situation, the health care technology area in which the MTPC Group has strength such as (i) collection, analysis and application of data related to health care, (ii) digitalization of prophylaxis and treatment, etc., utilizing IT techniques and (iii) biotechnologies, is expected to greatly overlap with the chemical technology area in which the Other Tender Offer Group Companies have strength. Such overlap is expected to create synergy between the MTPC Group and the Other Tender Offeror Group Companies and such synergy is expected to expand more than ever.

The Tender Offeror believes that, if the Tender Offeror Group, including the MTPC Group, can exchange, combine and utilize the intellectual property, know-how, technology, networks and human resources actively and flexibly in the four fields (i.e., pharmaceuticals, biotechnology, chemistry and digital) possessed by each company, the Tender Offeror Group can create new products and innovations requested by society in the future.

As a specific example of the aforementioned fields in the Tender Offeror's and MTPC's assumption, the field of regenerative medicine, which is a target of strong social expectations, can be listed first. The Tender Offeror and MTPC have made remarkable advances in the fields of cell medicine, genetic therapy, nuclear acid medicine and functionally alternative medical devices as the technologies that will meet social needs, such as a complete recovery from illness and recovery of organs and bodily functions, which cannot be achieved with traditional medicines. According to the Tender Offeror, the Tender Offeror Group is conducting clinical trials of regenerative medicine utilizing Muse cells, and a closer cooperation between the Other Tender Offeror Group Companies and the MTPC Group will be increasingly needed in clinical development. Research and development of genetic therapy and nuclear acid medicine have also been advanced in the MTPC Group, and it will be significantly meaningful for the future growth of the Tender Offeror Group if the Tender Offeror Group, including the MTPC Group, works together on the field of regenerative medicine.

Furthermore, the field of prevention (including prevention of progression) can be listed

as one of the specific fields. In terms of preventing the illness or loss of quality of life and economic value from becoming ill, the development of vaccines to prevent not only infectious diseases but also illness, the development of the management technologies of information on the individuals' health that will lead to the early detection of disease signs, and the advancement of sensing (Note 7) and diagnosis technologies are all important issues that the Tender Offeror believes.

Furthermore, it is expected that further refinement and individualization of health care will increasingly generate economic benefits in the field of medicine in the management of illness that will help the recovery of illness and prevent the progression of illness. In order to respond to these social issues, the Tender Offeror believes that the Tender Offeror Group, including the MTPC Group, will be able to integrate internal and external knowledge and technology and create, at a fast pace, new solutions, such as wearable devices, healthcare data platforms, and pharmaceuticals that are combined with IoT (Note 8), digital technology and medical devices.

(Note 7) Sensing means measurement and quantification of information concerning physiological change occurring inside and outside human body, health and exercise condition by using the sensor, etc.

(Note 8) IoT means the technology that enables materials derived from goods such as machines that were previously not connected to internet to be gathered through the network and analyzed comprehensively through the network.

According to the Tender Offeror, the development of materials used in functionally alternative medical devices is one of the strong fields of the Other Tender Offeror Group Companies. By utilizing the technologies and knowhow held by the MTPC Group in this field, revitalization of innovation in this field can be achieved within the Tender Offeror Group, including the MTPC Group. By utilizing MTPC's bio-technologies, human resources and know-hows, the Tender Offeror will be able to work on the construction of new solution business in medical-food-bio business (i.e. performance product business related to health, medicine, food and agriculture) of the Tender Offeror Group.

In the pharmaceutical business operated by the MTPC Group, the MTPC Group mainly made strategic investments and R&D investments centered on conventional type medicine development while attempting to expand drug discovery modality. However, by integrating the MTPC Group and the Other Tender Offeror Group Companies, they will be able to describe a portfolio that extends to all technological areas that contribute to the healthcare business development from conventional type medicine to digital medicine (Note 9), biotechnology and microbiomes (Note 10) and that may enable them to globally expand a business model that meets the needs of society and contributes to the healthcare under KAITEKI management, i.e., disease treatment, pre-symptomatic disease care, health maintenance and healthy activities.

Moreover, in addition to product development and innovation, the MTPC Group and the Other Tender Offeror Group Companies will be able to further streamline management processes by structuring wide collaborative organizations among all the business areas by (a) mutually taking advantage of the global human network and logistics network owned by the Other Tender Offeror Group Companies and MTPC Group, (b) making strategic and efficient investments jointly with investing companies (i.e., Diamond Edge Ventures/California, U.S. (which is owned by the Tender Offeror) and MP Healthcare Venture Management/Massachusetts, U.S. (which is owned by MTPC)) and (c) utilizing the Other Tender Offeror Group Companies' foreign operations of financial, general affair and human

resource function by the MTPC Group.

(Note 9) Digital medicine means tools to support lifestyle modifications, to treat diseases or to support treatments utilizing smartphone applications, etc. (e.g., applications to quit smoking) or tools that combine medical devices such as sensors and medicines (e.g., pills with integrated chips to improve drug adherence rates), etc.

(Note 10) Microbiomes are microorganism communities. Microorganism communities exist inside and outside the human body; for example, the microbiomes existing inside bowels and cuticles of human bodies are referred to as human microbiomes, which are subject to research in terms of possible effects on various diseases, etc.

According to the Tender Offeror, given such situation, considering that the volume of the synergies between the MTPC Group and the Other Tender Offeror Group Companies that are expected to be created through making MTPC a wholly-owned subsidiary of the Tender Offeror is remarkably large, even taking into account that MTPC will lose its merits that can be obtained as long as MTPC remains a listed company after the Transactions, now is the appropriate timing to invest the management resources in synergy creation, and that swiftly taking various actions and measures for synergy creation is the optimal choice to improve the medium-term and long-term corporate value development of the entire Tender Offeror Group. The actions and measures include (i) maintenance or expansion of R&D expenses targeted at development of pipelines, which are MTPC Group's future growth driver, (ii) making prior investments for synergy creation, (iii) promoting unrestricted technological exchange at a working level within the Tender Offeror Group, and (iv) establishing supporting communication foundations, by coordinating within the Tender Offeror Group, including the Tender Offeror and MTPC. Meanwhile, the Tender Offeror is of the view that, even though maintenance and expansion of R&D expenses targeted at pipeline development and prior investments for synergy creation will contribute to the corporate value improvement of the entire Tender Offeror Group, including the MTPC Group, in terms of medium-term and long-term growth, it might be difficult to obtain the general shareholders' understanding to these drastic actions while MTPC Common Shares continue to be listed, because doing so may cause an increase in MTPC's R&D expenses in proportion to core operating income in short-term, and be in conflict with the interests of MTPC's general shareholders.

Therefore, according to the Tender Offeror, the Tender Offeror has concluded that, for the improvement of the corporate value of the entire Tender Offeror Group, including the MTPC Group, it is necessary to create an environment amenable to drastic actions which might not directly contribute to the MTPC Group's short-term benefits but will contribute to the medium-term and long-term growth of the entire Tender Offeror Group, including the MTPC Group, and to establish a deeper alliance with the MTPC Group than ever (e.g., the Other Tender Offeror Group Companies prompting cross-sectional and active technology exchange and R&D together with the MTPC Group) by making MTPC a wholly-owned subsidiary of the Tender Offeror, while securing the interests of MTPC's general shareholders during drastic actions by providing MTPC's general shareholders with an appropriate and reasonable opportunity to sell their MTPC Common Shares.

According to the Tender Offeror, based on the understanding above, in late July 2019, the Tender Offeror decided that it is desirable to make MTPC a wholly-owned subsidiary and started considering the Transactions, and retained JPMorgan Securities Japan Co., Ltd. ("**J.P. Morgan**") as its financial adviser, as a third-party valuation institution independent from the Tender Offeror and MTPC and Nagashima Ohno and Tsunematsu as a legal advisor

independent from the Tender Offeror and MTPC. On July 30, 2019, the Tender Offeror made to MTPC an initial inquiry about commencing discussions to consider making MTPC a wholly-owned subsidiary of the Tender Offeror. Consequently, since early August 2019, the Tender Offeror examined the expected synergies and MTPC's future management organization, and on August 27, 2019, the Tender Offeror submitted to MTPC an initial proposal of the Transactions which describes matters including background of the Tender Offeror's proposal for the Transactions and the management policy after the Tender Offer (the "**Initial Written Proposal**") and commenced discussions with MTPC to consider a future management policy in respect of the Tender Offeror Group's health care business, including the MTPC Group. The Tender Offeror and MTPC discussed the future management plan to develop the health care business of the Tender Offeror Group, including MTPC Group, until late September 2019, and concluded that making MTPC a wholly-owned subsidiary of the Tender Offeror is indispensable to accelerate the growth of the health care business of the Tender Offeror Group centered on the MTPC Group.

According to the Tender Offeror, as a result of such discussions, the Tender Offeror further examined the terms and conditions of the Transactions in more details. On October 9, 2019, the Tender Offeror submitted to MTPC an official proposal including a tender offer price per MTPC Common Shares to be proposed in the Tender Offer (the "**Tender Offer Price**") of 1,800 yen. The Tender Offer Price included in the above proposal made by the Tender Offeror is what the Tender Offeror decided after comprehensively taking various factors into consideration, including the followings: (a) the possibility of approval at a board of directors' meeting of MTPC, (b) examples of premiums added in the past cases similar to the Tender Offer, in which a tender offer to shares, etc., was made by a person other than the issuer (i.e., tender offers made for the purpose of making a listed subsidiary a wholly-owned subsidiary by its parent company), (c) the market trend regarding the price performance of MTPC Common Shares, (d) the future outlook for the domestic and foreign business of MTPC, including the forecast of business results, and (e) the outlook for the tender to be made in the Tender Offer. Subsequently, the Tender Offeror continued the discussions and negotiations with MTPC regarding the terms and conditions of the Transactions, including the Tender Offer Price. Considering MTPC's request for re-examination of the proposed terms made during such discussions and negotiations by insisting that the Tender Offer Price proposed in the abovementioned proposal (1,800 yen) did not reach a reasonable price, the Tender Offeror proposed the Tender Offer Price of 1,850 yen on October 18, 2019 and the Tender Offer Price of 1,940 yen on October 29, 2019, but MTPC requested the Tender Offeror to re-examine both the proposed terms on the grounds that the proposed Tender Offer Prices were not considered to be reasonable. Given the above, the Tender Offeror submitted a revised proposal regarding the Transactions on October 31, 2019 (which included the Tender Offer Price of 2,010 yen; the "**Revised Proposal**"). Furthermore, on November 18, 2019, the Tender Offeror determined that the terms of the Revised Proposal do not need to be changed based on the results of the due diligence conducted on MTPC and a share valuation report regarding the stock value of MTPC Common Shares provided by J.P. Morgan on November 18, 2019 (the "**Share Valuation Report (JPM)**"). Consequently, the Tender Offeror maintained the terms and conditions of the Revised Proposal and decided that the Tender Offer Price per share would be 2,010 yen and decided to proceed with the Tender Offer.

### **C. Management Policy After the Tender Offer**

According to the Tender Offeror, the Tender Offeror Group is working on providing the

most appropriate solutions to social issues by globally concentrating innovative forces, and making an effort to achieve the “sustainable well-being of people, society and our planet Earth” or “KAITEKI.” The Tender Offeror Group has been emphasizing the three values (i.e., Sustainability, Health and Comfort) and has been concentrating its management resources on the creation of solutions by which these values can be accomplished since 2007.

According to the Tender Offeror, the Tender Offeror will continue to position the MTPC’s pharmaceutical business at the core of its healthcare business and basically intends to respect the current MTPC’s management system even after completion of the Transactions. Further, in accordance with the Tender Offeror’s group management rules, the Tender Offeror Group intends to support MTPC in implementing its Medium-Term Management Plan while respecting the independence of MTPC’s management.

Although detailed methods are still under consideration, after the Transactions, the Tender Offeror and MTPC intend to expand their business to preventive care and healthcare areas in addition to the pharmaceutical business that MTPC has been engaging in by coordinating within the Tender Offeror Group. Moreover, they will aim for the mid-to long-term growth of the Tender Offeror Group’s healthcare business by jointly utilizing chemistry, biotechnology and digital technology to establish a unique healthcare platform.

For such purpose, MTPC and the Tender Offeror plan to: (a) establish the “Synergy Creation Committee” (tentative name), which will involve both the Other Tender Offeror Group Companies and the MTPC Group and strive for the early creation of synergies and (b) accelerate the expansion of the healthcare business of the Tender Offeror Group, including the MTPC Group, by utilizing the Other Tender Offeror Group Companies’ management resources to develop the MTPC Group’s foreign operations.

Assuming that no event will occur which would cause MTPC and the Tender Offeror drastically change their business strategy due to a change in the business environment that they do not anticipate as of the date hereof (e.g., business integration with a major pharmaceutical company and drastic restructuring of pharmaceutical industries), MTPC and the Tender Offeror have confirmed that the MTPC Group’s management will be conducted as follows in the ten year period following the Transactions:

(i) Management Policy of the MTPC Group

Even after the Transactions, the Tender Offeror plans to (a) accept and support the implementation of the MTPC’s existing business plan and supplemental management actions, (b) respect the independence of the MTPC’s management and allow the MTPC Group to formulate its own management strategy while balancing it with the Medium-Term Management Plan of the Tender Offeror Group, including the MTPC Group, and (c) allow the MTPC Group to exercise its discretion in utilizing its management resources (e.g., funds for investment and personnel planning) when carrying out its management. In addition, the Tender Offeror, in accordance with the circumstances, will consider the possibility of M&A and business integration between the MTPC Group and third parties as one of the strategies to further expand the healthcare business of the Tender Offeror Group.

(ii) The MTPC Group’s Management Resources

After the completion of the Transactions, the Tender Offeror plans to maintain the MTPC’s strategic investment limits (300,000,000,000 yen in total until FY 2023) and research

and development investment level (80,000,000,000 yen per fiscal year until FY 2023), and if necessary to increase R&D expenses, the Tender Offeror intends to flexibly consult with MTPC in this connection. Furthermore, after the completion of the Transactions, the Tender Offeror will cause the MTPC Group to contribute their funds in hand with the exception of the funds required for the MTPC Group's business, to the cash management system administrated by the Tender Offeror Group and plans to utilize the funds efficiently and decrease financial costs as the Tender Offeror Group in its entirety, while the Tender Offeror will provide the MTPC Group with the funds satisfying capital needs in order to prevent any hindrance to the MTPC Group's business execution and financially support as necessary in the case that additional funds are needed in addition to its surplus funds.

In addition, the Tender Offeror ensures fair treatment between its subsidiaries, such as by not requesting only MTPC, among the Tender Offeror's subsidiaries, to pay a special dividend.

Furthermore, after the completion of the Transactions, the Other Tender Offeror Group Companies and the MTPC Group plan to mutually cooperate for securing human resources for marketing, research, development and digital technology in healthcare areas. The MTPC Group also plans to more effectively utilize the foreign human resources and the infrastructure of organization management of the Other Tender Offeror Group Companies.

(iii) Others

The Tender Offeror plans to maintain the current employment conditions of the MTPC Group for the time being.

The Tender Offeror believes that the MTPC Group's pharmaceutical business is centered on the Health (which responds to the person's medical needs and contributes to disease treatment of disease, non-disease care, health maintenance and healthy life) among the three values above and after completion of the Transactions, the Tender Offeror Group in unison plans to vigorously promote development and expansion of the MTPC Group's pharmaceutical business.

Incidentally, as of the filing date of this Statement, of the eight directors and the five auditors of MTPC, one director concurrently serves as a director of The KAITEKI Institute, Inc., a wholly-owned subsidiary of the Tender Offeror, and another director concurrently serves as a managing executive officer of the Tender Offeror and a director of Life Science Institute, Inc., however, at this stage, the Tender Offeror does not specifically plan to execute any changes for the management structure of MTPC after the Tender Offeror.

**D. Background of and Reasons for Decision-Making for Supporting the Tender Offer by MTPC**

Under the circumstances stated in "B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer" above, MTPC received an initial inquiry about commencing discussions to consider making MTPC a wholly-owned subsidiary of the Tender Offeror on July 30, 2019. Accordingly, given that MTPC is a consolidated subsidiary of the Tender Offeror and the Transactions constitute transactions that typically involve structural conflict of interest issues and information asymmetry issues, in order to address those issues and to ensure the fairness

of the Transactions, MTPC immediately started establishing a framework for evaluating and negotiating the Transactions in terms of increasing its corporate value and securing the interests of general shareholders of MTPC from a standpoint independent of the Tender Offeror, based on the advice of Mori Hamada & Matsumoto, which is a legal adviser of MTPC.

Specifically, after preparation towards the establishment of a special committee as stated in “A. Establishing an Independent Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest”, by a resolution at an extraordinary meeting of the board of directors held on August 29, 2019, soon after the receipt of the Initial Written Proposal from the Tender Offeror on August 27, 2019, MTPC (i) established a special committee, which consisted of four members (three members after the resignation of Mr. Shigeki Iwane), namely Mr. Shigeki Iwane (MTPC’s former outside director (resigned on October 7, 2019); President and Director of The Kansai Electric Power Co., Inc.; Mr. Shigeki Iwane resigned as a member of the special committee due to personal reasons on September 30, 2019), Mr. Tsutomu Kamijo (outside director of MTPC and Chairman and Director of Sapporo Holdings Limited), Mr. Kazutoshi Murao (outside director of MTPC and Counselor to the president of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION), and Mr. Hiroshi Enoki (outside statutory auditor of MTPC and a representative of Hiroshi Enoki Certified Public Accountant Office) (for the process of establishment of that special committee, process of the review, and details of determinations made, please refer to “A. Establishing an Independent Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.) (ii) referred the following (the “**Consulted Matters**”) to the special committee and requested the special committee to submit its opinions on those matters to MTPC: (i) evaluate whether the board of directors of MTPC should express an opinion in support of the Tender Offer and whether it should recommend that the shareholders of MTPC tender MTPC Common Shares in the Tender Offer, after (a) evaluating and determining whether the Transactions should be implemented from the perspective of increasing the corporate value of MTPC and (b) evaluating and determining the reasonableness of the transaction terms and conditions and the fairness of the procedures from the view of securing the interests of the general shareholders of MTPC, and provide its recommendation to the board of directors of MTPC; and (ii) evaluate whether the decision on the Tender Offer by the board of directors of MTPC will be disadvantageous to the minority shareholders of MTPC, and provide its opinion to the board of directors of MTPC. The board of directors of MTPC also resolved that the contents of determinations by the special committee should be respected to the highest degree in relation to decision-making by the board of directors of MTPC for the Tender Offer (including the decision whether to support the Tender Offer) and that the board of directors of MTPC will not support the Tender Offer if the special committee determines that the terms and conditions of the transactions are not reasonable. The board of directors of MTPC further resolved to grant the special committee the authority (a) to negotiate the terms and conditions of the transactions with the Tender Offeror, (b) to appoint its own financial, legal or other advisors as necessary (fees are to be borne by MTPC) to prepare responses to the Consulted Matters, or to name or approve MTPC’s financial, legal or other advisors (including retrospective approval), and (c) to receive from the officers and employees of MTPC the information necessary to evaluate and make determinations regarding the Tender Offer. As stated in “A. Establishing an Independent Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid

Conflicts of Interest” below, the special committee appointed Nakamura, Tsunoda & Matsumoto as its own legal advisor and appointed KPMG FAS Co., Ltd. (“**KPMG**”) as its own financial advisor and third-party valuation institution based on the authorization described above.

In addition, as stated in “A. Establishing an Independent Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below, the special committee confirmed that there is no concern with respect to the independence and expertise of MTPC’s legal adviser Mori Hamada & Matsumoto and approved the appointment of Mori Hamada & Matsumoto. Also, MTPC followed the nomination made by the special committee after examining the independence, expertise, accomplishments, and other matters of multiple candidates for financial advisor, and appointed Merrill Lynch Japan Securities Co., Ltd. (“**Merrill Lynch Japan Securities**”) as a financial advisor of MTPC on September 3, 2019.

Further, as stated in “F. Building of an Independent Evaluation Framework” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below, MTPC established an internal framework for evaluating and negotiating and making determinations regarding the Transactions (including the scope of the officers and employees of MTPC involved in evaluating and negotiating and making determinations regarding the Transactions, and their duties) from a standpoint independent of the Tender Offeror, and obtained approval from the special committee that there is no concern with respect to that evaluation framework from the standpoint of independence.

Subsequently, MTPC received guidance and other legal advice, including on measures to secure the fairness of the procedures for the Transactions, from Mori Hamada & Matsumoto and advice from a financial point of view, including submission of the share valuation report on the result of calculation of the value of MTPC Common Shares, from Merrill Lynch Japan Securities and has carefully discussed and evaluated whether to implement the Transactions and the reasonableness of the transaction terms and conditions.

Also, MTPC received from the Tender Offeror an initial proposal including 1,800 yen for the Tender Offer Price on October 9, 2019, and subsequently continued to discuss and negotiate with the Tender Offeror the terms and conditions of the Transactions, including the Tender Offer Price. Specifically, MTPC received from the Tender Offeror a proposal that the Tender Offer Price should be 1,850 yen on October 18, 2019, and a proposal that the Tender Offer Price should be 1,940 yen on October 29, 2019. In response to each of these proposals, MTPC requested the Tender Offeror to reconsider its proposal because neither of the proposed prices were reasonable enough. After that negotiation, MTPC received from the Tender Offeror on October 31, 2019 the Revised Proposal including 2,010 yen for the Tender Offer Price.

In the process of the evaluation and negotiation stated above, MTPC made reports to the special committee from time to time regarding material aspects and obtained approval from the special committee when necessary. Specifically, MTPC provided to the special committee an explanation regarding the policy for negotiation of the Transactions in advance, and obtained approval from the special committee. Upon the preparation of the business plan to be presented to the Tender Offeror and the Consolidated Financial Forecast (defined in

“A. Procurement by MTPC of the Share Valuation Report from an Independent Third-Party Valuation Institution” in “(3) Matters Related to Valuation”; hereinafter the same) that constitutes the basis for the calculation of the value of MTPC Common Shares by Merrill Lynch Japan Securities and KPMG, MTPC explained to the special committee the preparation policy in advance, and in the process of that preparation, MTPC provided to the special committee several explanations regarding the details of the drafts of the business plan and the Consolidated Financial Forecast under preparation (including changes to be made from the revised medium-term management plan regarding “Notice Regarding Revision of Medium-Term Management Plan 16-20: Open Up the Future” that MTPC announced on November 19, 2018), material assumptions, and the progress of preparation, and obtained approval from the special committee after the special committee confirmed the rationality of the details, material assumptions, and the preparation process of the final business plan and the Consolidated Financial Forecast. In addition, upon the receipt of the proposed Tender Offer Price from the Tender Offeror, MTPC made reports to the special committee each time, and received from the special committee instructions and requests for the policy on how to react to the proposal and the strategy for negotiation with the Tender Offeror and took measures in accordance with those instructions and requests.

Following this, MTPC received a written report (the “**Report**”) from the special committee on November 18, 2019 stating that the special committee believes that (i) the board of directors of MTPC should resolve to express an opinion in support of the Tender Offer and to recommend that the shareholders of MTPC tender MTPC Common Shares in the Tender Offer and (ii) (a) resolving to express an opinion in support of the Tender Offer and to recommend that the shareholders of MTPC tender MTPC Common Shares in the Tender Offer at the board of directors of MTPC would not be disadvantageous to the minority shareholders of MTPC and (b) making MTPC a wholly-owned subsidiary of the Tender Offeror after the completion of the Tender Offer would not be disadvantageous to the minority shareholders of MTPC (for details of the Report, please refer to the section titled “A. Establishing an Independent Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest.”). In addition to the Report, MTPC received from the special committee a share valuation report on the result of calculation of the value of MTPC Common Shares (the “**Share Valuation Report (KPMG)**”) and an opinion (a fairness opinion) dated November 18, 2019 to the effect that 2,010 yen per share as the Tender Offer Price is fair to the general shareholders of MTPC from a financial point of view (the “**Fairness Opinion (KPMG)**”) received by the special committee from KPMG on November 18, 2019 (for details of the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG), please refer to the section titled “B. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution” in “(3) Matters Related to Valuation”).

In light of this background, MTPC carefully discussed and evaluated at its board of directors meeting held on November 18, 2019 whether the Transactions, including the Tender Offer, would contribute to increasing the corporate value of MTPC and whether the transaction terms and conditions of the Transactions, including the Tender Offer Price, are reasonable, based on legal advice from Mori Hamada & Matsumoto, advice from a financial point of view from Merrill Lynch Japan Securities, and a share valuation report on the result of the valuation of the value of MTPC Common Shares received from Merrill Lynch Japan Securities on November 18, 2019 (the “**Share Valuation Report (Merrill Lynch Japan Securities)**”), as well as the Share Valuation Report (KPMG) and the Fairness Opinion

(KPMG) received through the special committee, giving the highest degree of respect to the contents of determinations by the special committee presented in the Report.

As a result, as stated in “B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer” above, MTPC concluded that as a result of becoming a wholly owned subsidiary of the Tender Offeror, it becomes possible for MTPC Group to closely cooperate or collaborate with the Other Tender Offeror Group Companies and mutually utilize external networks in a smooth and efficient manner and to seek to accelerate and enhance the creation of innovation more than ever in a healthcare sector where business opportunities have significantly expanded, enabling both the MTPC Group and the entire Tender Offeror Group including the MTPC Group to further increase their corporate value.

MTPC also determined that 2,010 yen per share as Tender Offer Price is a reasonable price that secures interests that should be enjoyed by MTPC’s general shareholders, and that the Tender Offer would provide MTPC’s general shareholders with a reasonable opportunity to sell their MTPC Common Shares at a price inclusive of an appropriate premium, based on the following:

- (i) the fact that the price is a price agreed to with the Tender Offeror based on sufficient negotiations conducted on multiple occasions with the Tender Offeror, in which the special committee was substantially involved, and after taking sufficient measures to ensure the fairness of the terms and conditions of the Transactions, including the Tender Offer Price stated in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below;
- (ii) the fact that the price exceeds the upper bound of each of the valuation ranges evaluated using the market price analysis and the trading comparables analysis, and it is within the valuation range evaluated using DCF Analysis (defined in “A. Procurement by MTPC of the Share Valuation Report from an Independent Third-Party Valuation Institution” in (3) Matters Related to Valuation” below) according to the share valuation report of the evaluation of the value of MTPC Common Shares by Merrill Lynch Japan Securities based on the Share Valuation Report (Merrill Lynch Japan Securities) stated in “A. Procurement by MTPC of the Share Valuation Report from an Independent Third-Party Valuation Institution” in (3) Matters Related to Valuation” below;
- (iii) the fact that the price exceeds the upper bound of the valuation range evaluated using the market price method, and it also exceeds the median of each of the valuation ranges evaluated using the share price multiple method and DCF Method (defined in “B. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution” in (3) Matters Related to Valuation” below) according to the share valuation report of evaluation of the value of MTPC Common Shares by KPMG based on the Share Valuation Report (KPMG) stated in “B. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution” in (3) Matters Related to Valuation” below, and as stated in “B. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution” in (3) Matters Related to Valuation” below that

- KPMG issued the Fairness Opinion (KPMG) stating to the effect that 2,010 yen per share as Tender Offer Price is fair to the general shareholders of MTPC;
- (iv) the fact that the price is a price inclusive of a premium of (a) 53.08% (to be rounded to the second decimal place; the same applies to each percentage of a premium on a share price below) on 1,313 yen, the closing price on November 15, 2019, which is the business day immediately preceding the announcement date of the implementation of the Tender Offer, (b) 54.85% on 1,298 yen, the simple average closing price (to be rounded to the nearest one (1) yen; the same applies to each simple average closing price below) for the one-month period ending on November 15, 2019, (c) 62.88% on 1,234 yen, the simple average closing price for the three-month period ending on November 15, 2019, and (d) 63.02% on 1,233 yen, the simple average closing price for the six-month period ending on November 15, 2019 of MTPC Common Shares on the First Section of the TSE, and that MTPC considers the premium included in the price to be substantial when compared to the levels of premiums offered in other cases where a tender offer is conducted by a parent company aiming to convert its listed subsidiary into its wholly owned subsidiary; and
  - (v) the fact that, as stated in “A. Establishing an Independent Special Committee” in (6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest, the price is considered to be reasonable in the Report obtained from the special committee.

Based on the facts above, MTPC decided that the Transactions would contribute to increasing the corporate value of MTPC and that the transaction terms and conditions of the Transactions, including the Tender Offer Price, are reasonable. Therefore, the board of directors of MTPC resolved at its meeting held on November 18, 2019 to express its opinion in support of the Tender Offer and recommend that the shareholders of MTPC tender MTPC Common Shares in t the Tender Offer.

For details of the decision-making process at the meeting of MTPC’s board of directors described above, please refer to “G. Unanimous Approval of All Non-interested Directors and the No Dissenting Opinion of All Non-interested Statutory Auditors at MTPC” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest.”

### **(3) Matters Related to Valuation**

#### **A. Procurement by MTPC of the Share Valuation Report from an Independent Third-Party Valuation Institution**

- (i) Name of Valuation Institution and its Relationship with MTPC and the Tender Offeror

In arriving at our opinion regarding the Tender Offer, in order to ensure the fairness of the decision-making process concerning the Tender Offer Price presented by the Tender Offeror, MTPC requested Merrill Lynch Japan Securities, a financial advisor and third-party valuation institution independent from the Tender Offeror and MTPC, to evaluate the value of MTPC Common Shares and conduct financial analysis incidental thereto. MTPC obtained the Share Valuation Report (Merrill Lynch Japan Securities) dated November 18, 2019,

subject to the assumptions set forth below (Note 1) and certain other conditions. Merrill Lynch Japan Securities is not a related party of the Tender Offeror or MTPC, and does not have any material interest in the Transactions, including Tender Offer, needing to be disclosed. Further, MTPC has not obtained from Merrill Lynch Japan Securities any opinion concerning the fairness of the Tender Offer Price (a fairness opinion).

Also, compensation payable to Merrill Lynch Japan Securities in connection with the Transactions is contingency compensation that is payable subject to completion of the Tender Offer. MTPC has appointed Merrill Lynch Japan Securities as its financial advisor and third-party valuation institution based on the compensation system above after taking into consideration practices generally used in similar transactions, the propriety of a compensation system in which MTPC will bear a certain level of financial burden if the Transactions are not completed, and other factors.

(ii) Outline of Valuation

After considering the various valuation methods of the equity value of MTPC Common Shares, Merrill Lynch Japan Securities analyzed the equity value of MTPC Common Shares using (i) the market price analysis because MTPC Common Shares are listed on the First Section of the TSE, (ii) the trading comparables analysis because there are numerous listed companies that are considered to be relatively similar to MTPC and analogical inference of the share value of MTPC Common Shares is viable, and (iii) the discounted cash flow analysis (the “**DCF Analysis**”) so as to reflect in the evaluation the status of future business activities, subject to the condition precedent set forth below (Note 1) and other certain conditions, based on the premise that MTPC is a going concern and from the perspective that it would be appropriate to evaluate the share value of MTPC Common Shares in multiple ways.

According to Merrill Lynch Japan Securities, the methods used, and the corresponding ranges of per-share price of MTPC Common Shares evaluated by such methods, are as follows. For assumptions, points of attention, etc. in the preparation of the Share Valuation Report (Merrill Lynch Japan Securities) by Merrill Lynch Japan Securities and the underlying valuation analysis therefor, please refer to Note 1.

Market Price Analysis:	1,233 yen – 1,313 yen
Trading Comparables Analysis:	1,386 yen – 1,750 yen
DCF Analysis:	1,861 yen – 2,209 yen

Under the market price analysis, using November 15, 2019 as the valuation reference date, the per-value of MTPC Common Shares was evaluated to range from 1,233 yen to 1,313 yen, based on the closing price of the reference date (1,313 yen), the simple average closing price for the most recent one month (1,298 yen), the simple average closing price for the most recent three months (1,234 yen) and the simple average closing price for the most recent six months (1,233 yen) of MTPC Common Shares on the First Section of the TSE.

Under the trading comparables analysis, the share value of MTPC shares was analyzed via comparison with market share prices and financial indices indicating profitability, etc. of various listed companies engaged in relatively similar, albeit not completely identical, businesses to those of MTPC, picked out for the purpose of analysis. The per-value of MTPC Common Shares was evaluated to range from 1,386 yen to 1,750 yen, based on the ratio of EBITDA to the business value compared to Astellas Pharma Inc., Otsuka Holdings Co., Ltd., Eisai Co., Ltd., Shionogi & Co., Ltd., Kyowa Kirin Co., Ltd., Ono Pharmaceutical Co., Ltd., Santen Pharmaceutical Co., Ltd., Sumitomo Dainippon Pharma Co., Ltd., Nippon

Shinyaku Co., Ltd., Hisamitsu Pharmaceutical Co., Inc., Kaken Pharmaceutical Co., Ltd., Mochida Pharmaceutical Co., Ltd., Kissei Pharmaceutical Co., Ltd. and KYORIN Holdings, Inc., each of which is deemed to be a listed company having similarities to MTPC, and taking into consideration the market capitalization and the scale of corporate value, the current business scale and the status of business deployment within/outside Japan, the future domestic/international business deployment strategy, and the policy and status of the research and development activities toward the creation of new medicine (including the products developed by itself, and the activities for adoption or derivation) and other factors.

Under the DCF Analysis, the per-value of MTPC Common Shares has been evaluated to range from 1,861 yen to 2,209 yen, after analyzing the enterprise value and the equity value of MTPC based on the financial forecast for the 12 fiscal years from the fiscal year ending March 2020 to the fiscal year ending March 2031 (including the free cash flow) prepared by MTPC by discounting such free cash flow to the present value at a certain discount rate. The discount rate (weighted average cost of capital) adopted is 4.75% to 6.75% as to the domestic operation and 8.0% to 10.0% as to the overseas operation, which are analyzed based on the CAPM (capital asset pricing model) theory that is generally used in practice for share value evaluation. The exit multiple method and the perpetual growth rate method are adopted for the valuation of the going concern value, and 8.0 to 10.0 times and 8.0 to 10.0 times are adopted as the EBITDA multiple for the domestic business and the international business, respectively, under the exit multiple method, and the ratio of minus 2.0% to minus 1.0% and 1.0% to 2.0% are adopted as the perpetual growth rate as to the domestic business and the international business, respectively, under the perpetual growth rate method based on the guidance given by MTPC.

The consolidated financial forecast prepared based on the business plan provided by MTPC (the “**Consolidated Financial Forecast**”), used by Merrill Lynch Japan Securities as the basis of the DCF Analysis, is as follows. Details of the Consolidated Financial Forecast have been examined by Merrill Lynch Japan Securities, which has not independently assessed the accuracy or completeness of the Consolidated Financial Forecast and is not obligated to do so (please refer to (Note 1) below for assumptions, disclaimers, etc. based on which Merrill Lynch Japan Securities examined the Consolidated Financial Forecast). Details of the Consolidated Financial Forecast have also been confirmed by the special committee in terms of the reasonableness of their details, material assumptions, and the preparation process, as stated in “A. Establishing an Independent Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest.” The forecast also covers the fiscal years in which a substantial increase/decrease in profits is expected. Specifically, the expectation that the full-year operating income for the fiscal year ending March 2024 will be increased to 61.6 billion yen, which is 64% up from the previous year, and that the Adjusted EBITDA (Note 2) will be increased to 96.2 billion yen, which is 86% up from the previous year, is made mainly because the investment in research and development for existing late-stage products of MTPC will be completed and existing late-stage products of MTPC, such as ND0612 (Levodopa/Carbidopa, Continuous SC pump (Parkinson’s disease)) and MT-1186 (Edaravone, Free radical scavenger (Amyotrophic lateral sclerosis: ALS/Oral suspension)), are expected to fully contribute to MTPC’s profits. For the fiscal year ending March 2025, it is expected that the existing late-stage products of MTPC will continuously contribute to the profits, similar to the previous fiscal year, and the full-year operating income will be increased to 93.0 billion yen, which is 51% up from the previous year. In contrast, the expectation for the fiscal year ending March 2031 that the full-year operating income will be decreased to 90.5 billion yen, which is 31% down from the previous year, is made mainly because the sales amount and the items of other income will be decreased due to the completion of the existing

late-stage products of MTPC. However, the synergistic effect expected to be achieved by the execution of the Transactions is not reflected in the Consolidated Financial Forecast, as it is difficult to estimate any effect at this point. Please note that an arbitration procedure was commenced with Novartis Pharma AG in February 2019, and a part of the royalty for Gilenya payable by Novartis Pharma AG has not been recognized as sales revenue in accordance with IFRS. Although this accounting treatment is expected to be made going forward, so that such a recognition will not be made during the process of the arbitration procedure, the Consolidated Financial Forecast was prepared under the assumption that the application for the arbitration had not been made. Therefore, the Consolidated Financial Forecast is different from the financial forecast announced by MTPC in MTPC's FY 2019 Second Quarterly Earnings Release:

(In 100 million Yen)

	FY ending March 2020	FY ending March 2021	FY ending March 2022	FY ending March 2023	FY ending March 2024	FY ending March 2025
Sales	4,188	4,117	4,188	4,158	4,776	5,114
Operating Income	502	440	459	375	616	930
Adjusted EBITDA (Note 2)	626	485	610	517	962	1,201
Free Cash Flow	265	166	328	296	603	933

	FY ending March 2026	FY ending March 2027	FY ending March 2028	FY ending March 2029	FY ending March 2030	FY ending March 2031
Sales	5,227	5,390	5,733	5,756	5,555	4,956
Operating Income	1,081	1,170	1,463	1,498	1,318	905
Adjusted EBITDA (Note 2)	1,349	1,433	1,728	1,763	1,572	1,133
Free Cash Flow	1,007	1,068	1,281	1,366	1,210	968

(Note 1) The above-mentioned Share Valuation Report (Merrill Lynch Japan Securities) has been delivered solely for the use and benefit of the board of directors of MTPC in its capacity as such in connection with and for purposes of its evaluation of the Tender Offer Price from a financial point of view. The Share Valuation Report (Merrill Lynch Japan Securities) does not express any opinion or view with respect to any consideration received in connection with the Transactions by the holders of any class of securities, creditors or other constituencies of any party. The Share Valuation Report (Merrill Lynch Japan Securities) expresses no view or opinion as to any terms or other aspects of the Transactions, including, without limitation, the form or structure of the Transactions. Furthermore, the Share Valuation Report (Merrill Lynch Japan Securities) does not express any opinion or view as to the relative merits of the Transactions in comparison to other strategies or transactions that might be available to MTPC or in which MTPC might engage or as to the underlying business decision of MTPC to proceed with or effect the Transactions. In addition, the Share Valuation Report (Merrill Lynch Japan Securities) does not express any opinion or recommendation to any shareholder of MTPC as to whether to tender their MTPC shares in the Tender Offer or how to vote or act in connection with the Transactions or any related matter. Moreover,

the Share Valuation Report (Merrill Lynch Japan Securities) does not express any opinion or view with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Transactions, or class of such persons, relative to the Tender Offer Price. The Share Valuation Report (Merrill Lynch Japan Securities) does not express any opinion as to the prices at which MTPC Common Shares will be traded at any time, including following the announcement or consummation of the Transactions.

In preparing the Share Valuation Report (Merrill Lynch Japan Securities) and conducting its underlying valuation analysis, Merrill Lynch Japan Securities reviewed certain publicly available information concerning the business and financial matters of MTPC, as well as the business and financial information inside MTPC (including the Consolidated Financial Forecast) which was either provided by the management of MTPC to Merrill Lynch Japan Securities or with which Merrill Lynch Japan Securities discussed with the management of MTPC. Merrill Lynch Japan Securities has assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Merrill Lynch Japan Securities and has relied upon the assurances of the management of MTPC that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. Further, with respect to the Consolidated Financial Forecast, Merrill Lynch Japan Securities has been advised by MTPC, and has assumed, with the consent of MTPC, that it has been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of MTPC as to the future financial performance of MTPC. The Share Valuation Report (Merrill Lynch Japan Securities) is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to Merrill Lynch Japan Securities as of, the date of the report (except as otherwise stated in the analysis). It should be understood that subsequent developments may affect the Share Valuation Report (Merrill Lynch Japan Securities), and Merrill Lynch Japan Securities does not have any obligation to update, revise, or reaffirm such report.

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

The fact that any specific analysis has been referred to in the summary set out above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in such summary.

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

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

Merrill Lynch Japan Securities has not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of MTPC, nor has it made any physical inspection of the properties or assets of MTPC. Merrill Lynch Japan Securities has not evaluated the solvency or fair value of MTPC under any applicable laws or regulations relating to bankruptcy, insolvency or similar matters. Merrill Lynch Japan Securities has assumed, at the direction of MTPC, that the Tender Offer will be consummated in accordance with its terms currently contemplated, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Transactions, no delay, limitation, restriction or condition, including any divestiture requirements or amendments thereto, will be imposed that would have an adverse effect on the Tender Offeror or MTPC or the contemplated benefits of the Transactions.

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

Merrill Lynch Japan Securities and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives

trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of its businesses, Merrill Lynch Japan Securities and its affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of the Tender Offeror, MTPC and certain of their respective affiliates. Merrill Lynch Japan Securities and its affiliates in the past have provided and may be currently providing or may provide in the future, investment banking, commercial banking and other financial services to MTPC and its affiliates and have received or in the future may receive compensation for the rendering of such services. In addition, Merrill Lynch Japan Securities and its affiliates in the past have provided and may be currently providing or may provide in the future, investment banking, commercial banking and other financial services to the Tender Offeror and its affiliates and have received or in the future may receive compensation for the rendering of these services.

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

(Note 2) This refers to EBITDA after the adjustments of revenue or expenses temporarily generated.

**B. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution**

- (i) Name of Valuation Institution and its Relationship with MTPC and the Tender Offeror

In considering the Consulted Matters, in order to ensure the reasonableness of transaction terms and conditions of the Transactions, including the Tender Offer Price, the special committee requested KPMG, its own financial advisor and third-party valuation institution independent from the Tender Offeror and MTPC, to calculate the value of MTPC Common Shares and conduct financial analysis incidental thereto and also to express an opinion concerning the fairness of the Tender Offer Price (a fairness opinion). MTPC obtained the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG) on November 18, 2019.

As stated in “D. Background of and Reasons for Decision-Making for Supporting the Tender Offer by MTPC” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, the board of directors of MTPC received the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG) together with the Report that was submitted to it by the special committee on November 18, 2019, and, in light of the contents of the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG), the board of directors of MTPC passed the resolution stated in “G. Unanimous Approval of All Non-interested Directors and the No Dissenting Opinion of All Non-interested Statutory Auditors at MTPC” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below.

KPMG is not a related party of the Tender Offeror or MTPC, and does not have any material interest in connection with the Transactions, including the Tender Offer, needing to be disclosed. As stated in “A. Establishing an Independent Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” below, the special committee appointed KPMG as its own financial advisor and third-party valuation institution after considering several candidate financial advisors and third-party valuation institutions in terms of their independence, expertise, accomplishments, and other matters. Also, only a fixed-amount of compensation, which is payable regardless of whether the Transactions succeed, will be paid to KPMG in connection with the Transactions, and no contingency compensation, which is payable subject to completion of the Transactions, including the Tender Offer, and other conditions, will be paid.

(ii) Outline of Valuation

In order to collect and examine information required for calculating the value of MTPC Common Shares, KPMG obtained information on MTPC’s current business status and forecasted business outlook and received explanations about these matters from MTPC’s management, and calculated the value of MTPC Common Shares based on that information. After considering which methods should be applied to calculate the value of MTPC Common Shares among the various share value calculation methods available, KPMG calculated the value of MTPC shares using: (a) the market price method because MTPC Common Shares are listed on the First Section of the TSE and market prices exist; (b) the share price multiple method because there are multiple listed companies engaged in businesses similar to that of MTPC and analogical inference of the share value is viable; and (c) the discounted cash flow method (the “**DCF Method**”) so as to reflect in the evaluation the status of future business activities, based on the premise that MTPC is a going concern and from the perspective that it would be appropriate to assess the share value of MTPC Common Shares in multiple ways. The following are the ranges of values per MTPC Common Share that were calculated by KPMG based on each calculation method set out above.

Market Price Method:	1,233 yen – 1,313 yen
Share Price Multiple Method:	1,735 yen – 2,050 yen
DCF Method:	1,841 yen – 2,096 yen

Under the market price method, using November 15, 2019 as the valuation reference date, the per-value of MTPC Common Shares was evaluated to range from 1,233 yen to 1,313 yen, based on the closing price of the reference date (1,313 yen), the simple average closing price for the most recent one month (1,298 yen), the simple average closing price for the most recent three months (1,234 yen) and the simple average closing price for the most recent six months (1,233 yen) of MTPC Common Shares on the First Section of the TSE.

Under the share price multiple method, the per-value of MTPC shares was evaluated to range from 1,735 yen to 2,050 yen based on the ratio of EBITDA to the enterprise value compared to Astellas Pharma Inc., Daiichi Sankyo Company Limited, Eisai Co., Ltd., Chugai Pharmaceutical Co., Ltd., Sumitomo Dainippon Pharma Co., Ltd., Shionogi & Co., Ltd., and Kyowa Kirin Co., Ltd. as comparable listed companies, each of which is selected by KPMG, among listed companies in Japan that engage mainly in development, manufacture, and sale of ethical drugs as MTPC does, comprehensively taking into account their similarities to MTPC in terms of operating results, financial status, status of cash flow, scale of business, and other factors.

Under the DCF Method, the range of the per-value of MTPC Common Share is evaluated from 1,841 yen to 2,096 yen, which results from analyzing MTPC's corporate value and share value by discounting to the present value at a certain discount rate the free cash flow that MTPC is expected to generate in the second quarter of 2020 and onward based on MTPC's business plans for the period from the fiscal year ending March 2020 to the fiscal year ending March 2031 and trends in MTPC's operating results to date, after holding question-and-answer sessions with MTPC in order to confirm the reasonableness of those business plans. A sum-of-the-parts approach was used for the DCF Method, whereby corporate value and share value are calculated by aggregating values of each business segment or geographic segment analyzed separately. The discount rate (weighted-average cost of capital) adopted is 6.05% to 6.55% as to domestic operation and 9.55% to 11.45% for overseas operation, which are calculated based on the CAPM (capital asset pricing model) theory that is generally used in practice for share value evaluation. The perpetual assumption method was used in valuation of the going-concern value of the business segments and geographic segments that KPMG considers that evaluation as the going-concern are appropriate based on sustainable cash flows, and the perpetual growth rate was 0.0% to 2.35%, which was determined based on analysis conducted separately for businesses in Japan and overseas.

The Consolidated Financial Forecast used by KPMG as the basis of the DCF Method have been reviewed by KPMG after holding several question-and-answer sessions with MTPC and also confirmed by the special committee in terms of the reasonableness of their details, material assumptions, and the preparation process, as stated in "A. Establishing an Independent Special Committee" in "(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below. Specific figures in the Consolidated Financial Forecast used as the basis for calculation by the DCF Method by KPMG is as stated in "(ii) Outline of Valuation" in "A. Procurement by MTPC of the Share Valuation Report from an Independent Third-Party Valuation Institution" above.

In principle, when calculating the value of MTPC shares, KPMG has used, as-is, information provided to it by MTPC, information obtained through interviews, publicly available information, and other information based on the assumption that these materials and information are entirely accurate and complete and that there exist no circumstances that have not been disclosed to KPMG that would have a material impact upon the calculations of the value of MTPC shares. KPMG has not made an independent study of the accuracy or completeness of those materials and information. KPMG has not independently valued or appraised the assets or liabilities (including derivative transactions, off-balance-sheet assets or liabilities, and other contingent liabilities) of MTPC or any of its subsidiaries or affiliates and has not conducted any analysis or valuation of individual assets or liabilities. Also, KPMG has not requested any third-party institution to perform any such valuation, appraisal, or assessment. Moreover, KPMG assumed that MTPC's financial forecast, referenced in the relevant calculations, was reasonably prepared and produced pursuant to the best forecasts and judgments that could be obtained from MTPC this time, and that relevant calculations reflected the information and economic situation as of November 18, 2019.

(iii) Outline of the Fairness Opinion (KPMG)

The special committee also obtained the Fairness Opinion (KPMG) from KPMG, which states to the effect that 2,010 yen per share as the Tender Offer Price is fair to the general

shareholders of MTPC from a financial point of view. The Fairness Opinion (KPMG) expresses an opinion to the effect that, assuming the scheme of the Transactions is implemented, 2,010 yen per share as the Tender Offer Price will be a fair value to the general shareholders of MTPC (the “**Expression of Opinion**”) in light of the result of the share valuation conducted based on the Consolidated Financial Forecast that was prepared by MTPC as stand-alone basis and the result of analysis of premiums added in past tender offer cases that are similar to the Tender Offer. The Fairness Opinion (KPMG) was issued after several question-and-answer sessions were held with MTPC regarding the background and process that led to the conclusion to support the Tender Offer and review procedures conducted by the review committee of KPMG independently from the KPMG team engaging in the preparation of the Fairness Opinion, in addition to examination of the result of the MTPC share valuation conducted by KPMG through analysis and examination of financial information, including the Consolidated Financial Forecast, provided by MTPC and the holding of question-and-answer sessions with MTPC.

The Expression of Opinion is based on the assumption that the information provided by MTPC and publicly available information are entirely accurate and complete, and KPMG has not independently assessed their accuracy or completeness. KPMG has not independently valued, appraised, or assessed the individual assets or liabilities (including contingent liabilities) of MTPC or any of its subsidiaries and has not received any valuation report or appraisal report on those matters. KPMG has not conducted any audit or assessment procedures with respect to MTPC’s financial statements, including audit procedures in accordance with generally accepted auditing standards, and is not in a position to express an audit opinion on MTPC’s financial information. If there is a material error in the information disclosed to KPMG by MTPC, or if there is a fact undisclosed to KPMG as of the date of the Expression of Opinion that could materially affect the analysis of the value of MTPC Common Shares, then the result of analysis, which is the basis of KPMG’s opinion, might be materially different. Since the contents of the Expression of Opinion are based on economic conditions, the regulatory environment, the market environment, and other conditions as of the date of the Expression of Opinion, any subsequent change in those conditions or environment might cause a material impact on the analysis of MTPC Common Share value; however, KPMG is not obligated to update, amend, or reaffirm the contents of the Expression of Opinion.

The Expression of Opinion is made on the assumption that the estimated financial forecast provided by MTPC is the most reasonable and accountable financial forecast reasonably prepared by MTPC based on the best forecasts and judgments made by MTPC’s management as of the date of the Expression of Opinion. KPMG does not express any opinion regarding the assumptions underlying that financial forecast or its feasibility. Matters and the environment assumed in a financial forecast not materializing as expected is a common occurrence, and differences between the forecast and actual performance that would potentially arise in such a case might have a material impact on the value of the MTPC shares; however, the analysis by KPMG was not conducted for the purpose of examining the feasibility of the financial forecast. KPMG is not in a position to express an opinion on the appropriateness of the assumptions used in the financial forecast.

The Expression of Opinion is made for the sole purpose of providing a portion of the information that should be considered by the special committee when considering and submitting its opinion on the Consulted Matters and not for any other purpose. Also, the Expression of Opinion does not express KPMG’s opinion on decision-making by the special

committee or express any recommendation as to whether MTPC's general shareholders should tender their shares. In addition, KPMG has not been requested to calculate or forecast the purchase price of the MTPC shares in transactions other than the Tender Offer and is not in a position to express an opinion on those matters.

**C. Procurement by the Tender Offeror of the Share Valuation Report From an Independent Third-Party Valuation Institution**

(i) Name of Valuation Institution and its Relationship with MTPC and the Tender Offeror

According to the Tender Offeror, in connection with the determination of the Tender Offer Price, the Tender Offeror requested J.P. Morgan to provide the valuation of the share price of MTPC Common Shares. J.P. Morgan is not a related party to either the Tender Offeror or MTPC, nor does it have any material conflict of interest in this Tender Offer.

(ii) Outline of Valuation

According to the Tender Offeror, having considered a number of methods for the valuation of the share price of MTPC Common Shares, J.P. Morgan performed such valuation using an average share price analysis, a comparable company analysis and the DCF Analysis, and provided the Tender Offeror with the Share Valuation Report (JPM). The Share Valuation Report (JPM) was prepared solely for the purpose of providing information to assist the Tender Offeror's board of directors in its evaluation of the Tender Offer. According to the Share Valuation Report (JPM), the methods used in such valuation and the range of value per share of MTPC Common Shares calculated based thereon are as follows:

a) Average share price analysis: 1,233 yen~1,313 yen

In performing the average share price analysis based on publicly available information, J.P. Morgan used November 15, 2019 as the base date, and reviewed a closing price per share of MTPC Common Shares on such date (1,313 yen) and average daily closing share price of MTPC Common Shares on the TSE for each one month (1,298 yen), three month (1,234 yen) and six month (1,233 yen) period through such date (rounded to the nearest yen, and the same shall apply to any calculation of an average daily closing share price in this section)..

b) Comparable company analysis: 1,338 yen~1,659 yen

In performing the comparable company analysis, J.P. Morgan used November 15, 2019 as the base date, selected listed companies, Takeda Pharmaceutical Company Limited, Chugai Pharmaceutical Co., Ltd., Daiichi Sankyo Co., Ltd., Astellas Pharma Inc., Otsuka Holdings Co., Ltd., Eisai Co., Ltd., Shionogi & Co., Ltd., Kyowa Kirin Co., Ltd., ONO PHARMACEUTICAL CO., LTD., Santen Pharmaceutical Co., Ltd., and Sumitomo Dainippon Pharma Co., Ltd., that are comparable (but may not be identical) in the businesses they engage in to the business of MTPC for the purpose of analysis, and calculated the value of MTPC Common Shares in comparison with the items contained in the financial statements of such peer companies that are indicative of their market value, growth potential and profitability, among other things.

c) DCF Analysis: 1,799 yen~2,289 yen

In performing the DCF Analysis, J.P. Morgan used business plans, financial forecasts, projected earnings and investment plans of MTPC, interviews with the managements of the

Tender Offeror and MTPC, results of due diligence, and other publicly available information and various other factors, all of which have been approved by the Tender Offeror to be used by J.P. Morgan for the purpose of this analysis. J.P. Morgan calculated MTPC Common Share's value by discounting the free cash flows which MTPC is expected to generate in the fiscal period ending March 2020 and thereafter to the present value at a certain range of discount rates. It is to be noted that no significant changes to profit or loss are expected in the business plans and the financial forecasts of MTPC, which J.P. Morgan used as the basis of the DCF Analysis. The business plans and the financial forecasts of MTPC provided by the Tender Offeror to J.P. Morgan, which J.P. Morgan used as the basis of the DCF Analysis, have taken into account the impact of various measures to be implemented following the Tender Offer, assuming the Tender Offer is consummated.

(iii) Outline of Fairness Opinion (JPM)

According to the Tender Offeror, the Tender Offeror determined the Tender Offer Price as 2,010 yen, based on the analysis and results contained in the Share Valuation Report (JPM), and by considering the results of due diligence conducted with respect to MTPC, whether the board of directors of MTPC supports the Tender Offer, the trend of the market value of MTPC Common Shares, and the expected number of subscribers in the Tender Offer, among other factors, in a comprehensive manner, as well as in light of the discussions and negotiations with MTPC. Following the receipt of the fairness opinion from J.P. Morgan on November 18, 2019 to the effect that the Tender Offer Price of 2,010 yen thus determined was fair from a financial point of view to the Tender Offeror under certain conditions (the “**Fairness Opinion (JPM)**”), the Tender Offeror determined the Tender Offer Price to be 2,010 yen by the resolution of the board of directors on November 18, 2019..

(Note) According to the Tender Offeror, the following is a supplementary explanation of the Fairness Opinion (JPM) and the conditions for the valuation of share price of MTPC Common Shares as the basis therefor, as well as the matters considered therein and the limitations on the analyses.

In giving the Fairness Opinion (JPM) and conducting the valuation of share price of MTPC Common Shares which was the basis for such opinion (including the Share Valuation Report (JPM), and hereinafter the same shall apply), J.P. Morgan has relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by the Tender Offeror or MTPC or otherwise reviewed by or for J.P. Morgan, and J.P. Morgan has not independently verified (nor has it assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. J.P. Morgan has not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor has it evaluated the solvency of the Tender Offeror or MTPC under any applicable laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to J.P. Morgan by, or derived from, the Tender Offeror or MTPC, J.P. Morgan has assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management of the Tender Offeror and MTPC as of the date of the Fairness Opinion (JPM) as to the expected future results of operations and financial condition of the Tender Offeror and MTPC to which such analyses or forecasts relate. J.P. Morgan expresses no view as to such analyses or forecasts or the assumptions on which they were based. J.P. Morgan has also assumed that the

other transactions contemplated by the Tender Offer will have all the consequences described in discussions with, and materials furnished to J.P. Morgan by, the representatives of the Tender Offeror. J.P. Morgan is not a legal, regulatory, tax or accounting expert and has relied on the assessments made by advisors to the Tender Offeror with respect to such issues. J.P. Morgan further assumes that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Tender Offer would be obtained without any adverse effect on the Tender Offeror or MTPC or on the contemplated benefits of the Tender Offer.

The Fairness Opinion (JPM) and the result of the valuation of share price of MTPC Common Shares, which was the basis for such opinion, were necessarily based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan, as of the date of such opinion. It should be understood that subsequent developments may affect the Fairness Opinion (JPM) and that J.P. Morgan does not have any obligation to update, revise, or reaffirm its analyses and opinion therein. The Fairness Opinion (JPM) is limited to the opinion about the fairness, from a financial point of view, to the Tender Offeror of the Tender Offer Price to be paid by the Tender Offeror in the Tender Offer, and J.P. Morgan expresses no opinion as to the judgment made by the Tender Offeror to launch the Tender Offer. Furthermore, the Fairness Opinion (JPM) and the result of the valuation of share price of MTPC Common Shares, which was the basis for such opinion, are not intended to recommend a specific acquisition price to the Tender Offeror or its board of directors, nor are they intended to recommend a certain acquisition price as the only appropriate one.

J.P. Morgan has acted as the financial advisor to the Tender Offeror with respect to the Tender Offer and will receive a fee from the Tender Offeror for its services, a substantial portion of which will become payable only if the Tender Offer is consummated. In addition, the Tender Offeror has agreed to indemnify J.P. Morgan for certain liabilities arising out of such engagement. During the two years preceding the date of the Fairness Opinion (JPM), neither J.P. Morgan nor its affiliates has provided any other material financial advisory services, commercial banking services or investment banking services to the Tender Offeror or MTPC, except as set forth in this paragraph. In addition, J.P. Morgan and its affiliates hold, on a proprietary basis, less than 1% of the outstanding common stock of each of the Tender Offeror and MTPC. In the ordinary course of business, J.P. Morgan and its affiliates may actively trade the debt and equity securities of the Tender Offeror or MTPC for its own account or for the accounts of customers and, accordingly, J.P. Morgan and its affiliates may at any time hold long or short positions in such securities.

The financial forecasts of MTPC provided by the Tender Offeror to J.P. Morgan in connection with the valuation of share price of MTPC Common Shares and the Fairness Opinion (JPM) (the “**Financial Forecasts**”) were prepared by MTPC's management and adjusted by the Tender Offeror. The Tender Offeror does not publicly disclose the Financial Forecasts, which were not prepared with the view to be publicly disclosed. The Financial Forecasts are inherently uncertain, and are dependent on a number of variables and conditions (including, without

limitation, factors related to the general economy, competitive conditions and prevailing interest rates) that may be beyond the control of the Tender Offeror's or MTPC's management. Therefore, the actual performance may largely differ from those set forth in the Financial Forecasts.

The foregoing summary of the opinions as set forth in the Fairness Opinion (JPM), and the result of the valuation of share price of MTPC Common Shares, which was the basis for such Opinion, and the valuation method thereof do not purport to be a complete description of the analyses conducted by or data referred to by J.P. Morgan. The preparation of the Fairness Opinion (JPM) and the Share Valuation Report (JPM) is a complex process and, therefore, a partial description or a summary of the analyses does not reflect a complete and accurate representation thereof. J.P. Morgan believes that the results of its analyses must be considered as a whole and that reviewing only summaries or portions of such analyses, without considering all of such analyses as a whole, could lead to an incomplete view of the processes underlying the analyses and its opinion. In providing its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form a view as to whether or how any individual analysis or factor, considered in isolation, supported or failed to support its opinion, or to what extent. Rather, J.P. Morgan considered the totality of the factors and analyses performed in providing its opinion. None of the selected companies reviewed as described in the above analysis as a comparable company is identical to MTPC's operating units or subsidiaries. However, the companies selected were chosen because they are listed companies with businesses that, for purposes of J.P. Morgan's analysis, may be considered similar to those of MTPC. The analyses by J.P. Morgan necessarily involve complex considerations and judgments concerning differences in financial and business characteristics of the companies involved and other factors that could affect the companies compared to MTPC.

#### **(4) Possibility of Delisting and Reasons Therefor**

The MTPC Common Shares are presently listed on the First Section of the TSE, but the Tender Offeror has not set the maximum number of shares to be purchased through Tender Offer. Accordingly, depending on the results of the Tender Offer, the MTPC Common Shares may be delisted after the prescribed procedures are completed, in accordance with the TSE listing rules. According to the Tender Offeror, even if the requirements of the delisting rules are not met by the completion of the Tender Offer, the Tender Offeror plans to proceed to acquire all of the MTPC Common Shares (excluding the shares owned by the Tender Offeror and the treasury shares owned by MTPC) in the manner outlined in “(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-called “Two-step Acquisition”)” below. In such case, the MTPC Common Shares will be delisted in accordance with the TSE listing rules. The MTPC Common Shares cannot be traded at the First Section of the TSE if they are delisted.

#### **(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-called “Two-step Acquisition”)**

According to the Tender Offeror, as stated in “A. Outline of the Tender Offer” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, since the Tender Offeror

plans to make MTPC a wholly-owned subsidiary of the Tender Offeror, if the Tender Offeror cannot acquire all of the MTPC Common Shares (excluding the MTPC Common Shares held by the Tender Offeror and the treasury shares held by MTPC) in the Tender Offer, a series of following proceedings is planned to be taken after the completion of the Tender Offer so that the Tender Offeror will acquire all the MTPC Common Shares (excluding the MTPC Common Shares held by the Tender Offeror and the treasury shares held by MTPC).

a. Demand for Sale of Shares

According to the Tender Offeror, provided that upon completion of the Tender Offer the total number of voting rights of MTPC owned by the Tender Offeror amounts to 90% or more of the voting rights of all shareholders of MTPC, and the Tender Offeror becomes a special controlling shareholder as set forth in Article 179, Paragraph 1 of the Companies Act, the Tender Offeror plans to demand that all shareholders of MTPC (excluding MTPC and the Tender Offeror; hereinafter the same.) sell all of their MTPC Common Shares in accordance with the provisions of Part II, Chapter II, Section 4-2 of the Companies Act promptly after the completion of the settlement of the Tender Offer (the “**Demand for Sale of Shares**”).

According to the Tender Offeror, when exercising the Demand for Sale of Shares, the Tender Offeror will set a cash amount equal to the Tender Offer Price to be paid to the shareholders of MTPC as per-share consideration for the MTPC Common Shares. At the same time, the Tender Offeror will notify MTPC of such intention and ask MTPC to approve the Demand for Sale of Shares. Provided MTPC approves the Demand for Sale of Shares through a board of directors’ resolution, the Tender Offeror will purchase all of the MTPC Common Shares owned by all the shareholders of MTPC by following procedures set forth in the relevant laws and regulations, without obtaining the consent of individual shareholders of MTPC, as of the date specified in the Demand for Sale of Shares. The Tender Offeror then will pay cash to the shareholders in an amount equal to the Tender Offer Price as per-share consideration for the number of MTPC Common Shares they own. In the event that MTPC receives notification from the Tender Offeror concerning the matters prescribed in each Item of Paragraph 1 of Article 179-2 of the Companies Act, with the intention to the Demand for Sale of Shares, the board of directors of MTPC plans to approve such Demand for Sale of Shares.

The Companies Act has a provision which intends to protect the rights of minority shareholders relating to the Demand for Sale of Shares and Article 179-8 of the Companies Act and other relevant laws and regulations provide that the shareholders of MTPC who do not tender their shares in the Tender Offer may file a motion with the court to determine the sale/purchase price of MTPC Common Shares they own. In case this motion is filed, the sale/purchase price will be ultimately ruled by the court.

b. Share Consolidation

On the other hand, according to the Tender Offeror, if the total number of voting rights of MTPC owned by the Tender Offeror is less than 90% of the voting rights of all shareholders of MTPC after the Tender Offer is completed, the Tender Offeror intends to request that MTPC hold an extraordinary meeting of shareholders (the “**Extraordinary Shareholders’ Meeting**”) at which MTPC will present proposals to approve the consolidation of the MTPC Common Shares (the “**Share Consolidation**”) in accordance with Article 180 of the Companies Act and, subject to the Share Consolidation becoming effective, abolish the

article in the Articles of Incorporation concerning the number of shares per share unit, and the Tender Offeror will vote in favor of these proposals above at the Extraordinary Shareholders' Meeting. The Tender Offeror believes that, in order to enhance the corporate value of the Tender Offeror Group including the MTPC Group, it would be desirable to hold the Extraordinary Shareholders' Meeting as early as possible. Thus, the Tender Offeror plans to make a request that MTPC make a public notice of a base date for the Extraordinary Shareholders' Meeting to set the base date on a date after but close to the settlement commencement date of the Tender Offer (as of the date hereof, such public notice date is expected to be sometime mid-January 2020). As of the date hereof, the base date for the Extraordinary Shareholders' Meeting is expected to be set sometime in late January 2020 or early February 2020 and the Extraordinary Shareholders' Meeting is expected to be held sometime in mid-March 2020.

In the event that the proposed Share Consolidation is approved at the Extraordinary Shareholders' Meeting, as of the effective date of the Share Consolidation, the shareholders of MTPC will own a proportionate number of the MTPC Common Shares in accordance with the Share Consolidation ratio approved by the Extraordinary Shareholders' Meeting. The shareholders of MTPC will be paid for the fractional shares that they will be allocated as a result of the Share Consolidation, if any, with the cash to be paid for the sale of the MTPC Common Shares in a number equivalent to the total number of such fractional shares (any fractions of the total number will be rounded down; hereinafter the same.) to MTPC or the Tender Offeror, in accordance with the procedure prescribed in Article 235 of the Companies Act and other relevant laws and regulations. According to the Tender Offeror, with regard to the sale price of the MTPC Common Shares for a number equivalent to the total number of such fractional shares, the Tender Offeror plans to request that MTPC file a motion with the court to permit a voluntary sale, after calculating the amount to be paid to the shareholders of MTPC who do not tender their shares in the Tender Offer by multiplying the Tender Offer Price by the number of the MTPC Common Shares they own respectively. While the consolidation ratio of the Share Consolidation has not yet been determined as of the date hereof, the Tender Offeror will determine the number of the MTPC Common Shares to be owned by the shareholders who do not tender their shares in Tender Offer to be less than one share so that only the Tender Offeror will own the MTPC Common Shares (excluding the treasury shares owned by MTPC) after the Share Consolidation.

The Companies Act has a provision to protect the rights of minority shareholders relating to the Share Consolidation. In the event of the Share Consolidation, if there are any fractional shares resulting from the Share Consolidation, in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations, when the conditions prescribed therein are satisfied, the shareholders of MTPC (excluding the Tender Offeror and MTPC) may demand that MTPC purchase all of their fractional shares at fair prices and may file a motion with the court to determine the fair price of the MTPC Common Shares. According to the Tender Offeror, as stated above, the number of the MTPC Common Shares to be allocated to the shareholders of MTPC who do not tender their shares in the Tender Offer are intended to become fractions as a result of the Share Consolidation, and thus, the shareholders of MTPC who oppose to the Share Consolidation are expected to be able to file the motion above. If this motion is filed, the purchase price will be ultimately ruled by the court.

According to the Tender Offeror, the Tender Offer is not intended to persuade the shareholders of MTPC to agree to the proposal in the Extraordinary Shareholders' Meeting.

According to the Tender Offeror, the procedures stated in “a.” and “b.” above may take a longer time or may be changed depending upon the amendment or enforcement of the relevant laws, regulations or the interpretation by the authorities on the relevant laws and regulations. However, even in such cases, if the Tender Offer is completed, the Tender Offeror intends to take a measure to eventually pay cash to shareholders of MTPC who do not tender their shares in the Tender Offer. According to the Tender Offeror, the amount of cash to be paid to the respective shareholders in that event is planned to be equal to an amount calculated by multiplying the Tender Offer Price by the number of the MTPC Common Shares that each shareholder owns. Specific procedures and the schedule thereof in such cases will be announced by MTPC as soon as they have been determined through mutual discussions between the Tender Offeror and MTPC.

In addition, regarding the treatment of the Tender Offer or any of the above procedures under tax rules, please consult with your experts including tax accountants if as necessary.

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

Considering that MTPC is a consolidated subsidiary of the Tender Offeror and that the Transactions (including the Tender Offer) constitute transactions that typically involve structural conflict of interest issues and information asymmetry issues, MTPC implemented the following measures to address these issues and to ensure the fairness of the terms and conditions of the Transactions (including the Tender Offer).

In addition, according to the Tender Offeror, since the Tender Offeror, as stated in “A. Outline of the Tender Offer” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, holds 316,320,069 shares (Share Holding Ratio: 56.39%) of the MTPC Common Shares as of the date hereof, and if the Tender Offeror sets the minimum number of shares to be purchased with a lower limit of so-called “Majority of Minority” in the Tender Offer, it makes the completion of the Tender Offer more incertitude and may not contribute to the interest of all of the general shareholders who desire to tender their shares through the Tender Offer, the Tender Offeror does not set the minimum number of shares to be purchased with a lower limit of so-called “Majority of Minority” in the Tender Offer. However, given that the Tender Offeror and MTPC have implemented the following measures, the Tender Offeror believes that the interests of all of the general shareholders of MTPC have been given ample consideration.

The measures implemented by the Tender Offeror described below are based on explanations given by the Tender Offeror.

**A. Establishing an Independent Special Committee**

**(i) Process of the Establishment of an Independent Special Committee**

As described in “D. Background of and Reasons for Decision-Making for Supporting the Tender Offer by MTPC” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, MTPC established a special committee by a resolution at an extraordinary meeting of the board of directors held on August 29, 2019. Prior to the establishment of the special committee, MTPC received an initial inquiry about commencing discussions to

consider making MTPC a wholly-owned subsidiary of the Tender Offeror from the Tender Offeror on July 30, 2019; immediately after receiving that inquiry, for the purpose of establishing a framework for evaluating and negotiating the Transactions in terms of increasing the corporate value of MTPC and securing the interests of general shareholders of MTPC from a standpoint independent of the Tender Offeror, MTPC, while receiving advice from Mori Hamada & Matsumoto, individually explained to all of MTPC's independent outside directors at that time, as well as Mr. Hiroshi Enoki, a certified public accountant, and Mr. Tadashi Fukuda, an attorney-at-law, who are independent outside statutory auditors of MTPC with extensive experience and expertise, that (i) MTPC received the inquiry from the Tender Offeror, and (ii) since the Transactions constitute transactions that typically involve structural conflict of interest issues and information asymmetry issues, MTPC needs to take sufficient measures to ensure the fairness of the terms and conditions of the Transactions (including the Tender Offer Price), such as the establishment of a special committee, when evaluating and negotiating the Transactions. MTPC held a meeting with all of MTPC's independent outside directors at that time and independent outside statutory auditors Mr. Hiroshi Enoki and Mr. Tadashi Fukuda on August 19. At the meeting, MTPC once again explained to the effect that the inquiry had been received from the Tender Offeror, and Mori Hamada & Matsumoto explained (a) to the effect that MTPC needs to sufficiently ensure the fairness of procedures to address the structural conflict of interest issues and information asymmetry issues in the Transactions and (b) the roles of the special committee, followed by a question-and-answer session. At the same time, MTPC confirmed the independence and competence of MTPC's independent outside directors and independent outside statutory auditors who will be candidates for the members of the special committee, while receiving advice from Mori Hamada & Matsumoto. Subsequently, after confirming (i) independence from the Tender Offeror (despite there being certain business relationships between each member's company (including Mr. Hiroshi Enoki's company, Deloitte Touche Tohmatsu LLC) and the Tender Offeror or MTPC, the volume of those transactions accounts for less than 1% of consolidated profit in each case, and it has also been confirmed that there are no other material interests) and (ii) absence of material interest in the results of the Transactions that differs from that of the general shareholders, MTPC held discussions with MTPC's independent outside directors at that time and independent outside statutory auditors present at the meeting and appointed four members, namely Mr. Shigeki Iwane (MTPC's former outside director (resigned on October 7, 2019); President and Director of The Kansai Electric Power Co., Inc.; Mr. Shigeki Iwane resigned as a member of the special committee due to personal reasons on September 30, 2019), Mr. Tsutomu Kamijo (outside director of MTPC and Chairman and Director of Sapporo Holdings Limited), Mr. Kazutoshi Murao (outside director of MTPC and Counselor to the president of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION), and Mr. Hiroshi Enoki (outside statutory auditor of MTPC and a representative accountant of Hiroshi Enoki Certified Public Accountant Office) as candidates for members of the special committee, while receiving advice from Mori Hamada & Matsumoto (there has been no change in the members of the special committee apart from the resignation of Mr. Shigeki Iwane).

Subsequently, as stated in "D. Background of and Reasons for Decision-Making for Supporting the Tender Offer by MTPC" in "(2) Grounds and Reasons for the Opinion on the Tender Offer" above, by a resolution at an extraordinary meeting of the board of directors held on August 29, 2019, soon after the receipt of the Initial Written Proposal from the Tender Offeror on August 27, 2019, MTPC established the special committee, referred the Consulted Matters to the special committee, and requested the special committee to submit its opinion on the Consulted Matters to MTPC. The board of directors of MTPC also resolved that the

contents of determinations by the special committee should be respected to the highest degree in relation to decision-making by the board of directors of MTPC for the Tender Offer (including the decision whether to support the Tender Offer) and that the board of directors of MTPC will not support the Tender Offer if the special committee determines that the terms and conditions of the transactions are not reasonable. The board of directors of MTPC further resolved to grant the special committee the authority (a) to negotiate the terms and conditions of the transactions with the Tender Offeror, (b) to appoint its own financial, legal or other advisors as necessary (fees are to be borne by MTPC) to prepare responses to the Consulted Matters, or to name or approve MTPC's financial, legal or other advisors (including retrospective approval), and (c) to receive from the officers and employees of MTPC the information necessary to evaluate and make determinations regarding the Tender Offer.

Each member of the special committee will be paid a fixed amount of remuneration irrespective of the contents of responses as remuneration for his duties.

(ii) Process of Review

From August 29, 2019 to November 18, 2019, the special committee carefully discussed and evaluated the Consulted Matters by holding 16 meetings in total for around 26 hours in total and frequently exchanged emails between meetings to report or share information, to conduct deliberations, and to make decisions.

Specifically, upon firstly examining the independence, expertise, and accomplishments, and other matters of multiple candidates for legal advisor and financial advisor and third-party valuation institution, the special committee appointed Nakamura, Tsunoda & Matsumoto as its own legal advisor independent from the Tender Offeror and MTPC and KPMG as its own financial advisor and third-party valuation institution independent from the Tender Offeror and MTPC. The special committee confirmed that there has been no business relationship between Nakamura, Tsunoda & Matsumoto and the Tender Offeror or MTPC for the past three years. Although one of the employees of KPMG has been seconded to the Tender Offeror and KPMG receives a certain amount of consideration related to such secondment, the special committee determined that, taking into account the size of KPMG's business, the existence of that relationship does not affect the independence of KPMG from the Tender Offeror in the Transactions. The special committee also confirmed that there have been no other business relationships between KPMG and the Tender Offeror or MTPC for the past three years.

In addition, the special committee approved the appointment of Mori Hamada & Matsumoto, MTPC's legal advisor, after confirming that there is no concern with respect to its independence and expertise. After considering the independence, expertise, and achievements, and other matters of multiple candidates for financial advisor, the special committee nominated Merrill Lynch Japan Securities as MTPC's financial advisor, and, following the nomination, MTPC appointed Merrill Lynch Japan Securities as MTPC's financial advisor. Furthermore, the special committee approved the internal framework for evaluating the Transactions (including the scope of officers and employees of MTPC involved in the evaluation, negotiation and decision the Transactions, and their duties) established by MTPC after confirming that there is no concern with respect to that evaluation framework from the standpoint of independence.

Subsequently, the special committee has discussed and evaluated measures to be taken to ensure the fairness of the procedures in the Transactions, taking into account legal advice received from Nakamura, Tsunoda & Matsumoto and the opinions of Mori Hamada & Matsumoto.

The special committee submitted written questions to the Tender Offeror regarding (a) the Tender Offeror's positioning of the health care business and its future vision, (b) the role of MTPC in the future vision, (c) the synergies anticipated as a result of the Transactions and the reason why making a wholly-owned subsidiary is necessary rather than retaining the current capital structure, (d) the Tender Offeror's thoughts on MTPC's management policy and the mid-term management plan after the Transactions, (e) the reason why the Tender Offeror chose to conduct the Tender Offer at this timing and the Tender Offeror's thoughts on the Tender Offer Price, (f) the Tender Offeror's thoughts on personnel policy and corporate governance after the Transactions, (g) the Tender Offeror's thoughts on the disadvantages of delisting and (h) procedures, terms and conditions of the Transactions. The Tender Offeror responded to the special committee, and Hitoshi Ochi, Director and Representative Corporate Executive Officer, President & CEO of the Tender Offeror, provided the special committee in person with an explanation regarding these matters and held a question-and-answer session.

The special committee requested MTPC President & Representative Director Masayuki Mitsuka, MTPC Representative Director Takashi Kobayashi, MTPC Director Eizo Tabaru, MTPC Director Hiroaki Ueno, and MTPC Director Yoshihiro Kobayashi to attend meetings of the special committee and asked their opinions as the management of MTPC and for relevant information regarding (a) the relationship between the future vision for the healthcare business in the MTPC Group and the Transactions, (b) the reason why making a wholly-owned subsidiary is necessary rather than retaining the current capital structure and the synergies anticipated as a result of the Transactions, (c) their thoughts on the timing of the Transactions, (d) disadvantages of delisting, and (e) availability of other options other than the Transactions, and then held a question-and-answer session, deliberation, and discussions on these matters.

The special committee received, in advance, an explanation from MTPC regarding the policy for preparing the business plan upon the preparation of the business plan (including the Consolidated Financial Forecast) for the Transactions by MTPC, received explanations during the preparation process regarding the details, material assumptions, and the preparation progress of the draft of the business plan at several occasions, and approved the details, material assumptions, and the preparation process of the final business plan after confirming the rationality of those elements, taking into account the advice from a financial point of view received from KPMG. As stated in "A. Procurement by MTPC of the Share Valuation Report from an Independent Third-Party Valuation Institution" and "B. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution" in "(3) Matters Related to Valuation" above, KPMG and Merrill Lynch Japan Securities conducted the valuation of MTPC Common Shares based on the Consolidated Financial Forecast, and the special committee (a) received explanations from KPMG regarding the valuation method for MTPC Common Shares used by KPMG, the reason why KPMG used the valuation method, the details of valuation by using each method and material assumptions for the valuation of MTPC Common Shares (including the basis for calculating the discount rate under the DCF Analysis and DCF Method and the reason for selecting comparable companies under trading comparables analysis and share price multiple method) (collectively, the "**Evaluation Methods**") implemented by KPMG, (b)

considered the explanations from Merrill Lynch Japan Securities regarding the Evaluation Methods implemented by Merrill Lynch Japan Securities for the valuation of MTPC Common Shares in accordance with instructions from MTPC which had received a request from the special committee to provide those instructions, and (c) confirmed the rationality of these matters after question-and-answer sessions, deliberation, and discussions. As stated in “B. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution” in “(3) Matters Related to Valuation” above, the special committee received the Fairness Opinion (KPMG) on November 18, 2019, together with the explanation from KPMG regarding the details and material assumptions for the Fairness Opinion (KPMG), and the special committee confirmed such details and material assumptions.

The special committee received, in advance, an explanation from MTPC regarding the negotiation policy for the Transactions that MTPC had decided on after taking into account the advice from a financial point of view received from Merrill Lynch Japan Securities, including the implementation of adequate negotiation in accordance with general negotiation processes for M&A conducted between independent parties to obtain more favorable terms and conditions of the transactions to the extent possible from the Tender Offeror, and approved the negotiation policy after deliberation and discussion based on the advice from a financial point of view received from KPMG. Since receiving on October 9, 2019, the initial proposal from the Tender Offeror that the Tender Offer Price should be 1,800 yen per share, each time MTPC has received from the Tender Offeror a price proposal, MTPC has made a report to the special committee in a timely manner. The special committee evaluated and discussed the contents of the proposal based on the advice from a financial point of view received from KPMG, as well as MTPC’s view based on the advice from a financial point of view received from Merrill Lynch Japan Securities by MTPC, and was actively involved in the discussion and negotiation process regarding the Tender Offer Price between MTPC and the Tender Offeror, including giving instructions and making requests to MTPC (a) to request the Tender Offeror to increase the Tender Offer Price and (b) to suggest a price that sufficiently reflects the synergies anticipated from the Transactions. As a result, MTPC received the Revised Proposal on October 31, 2019 from the Tender Offeror stating 2,010 yen per share as the Tender Offer Price.

The special committee received explanations regarding details on the following from Mori Hamada & Matsumoto on several occasions and, while receiving advice from Nakamura, Tsunoda & Matsumoto, confirmed that sufficient information disclosure would be provided: (a) drafts of this press release and an opinion statement for the Tender Offer to be disclosed or filed by MTPC and (b) drafts of the press release tender offer registration statement for the Tender Offer to be disclosed or filed by the Tender Offeror.

### (iii) Determinations

Based on the background provided above and in light of the legal advice from Nakamura, Tsunoda & Matsumoto and advice from a financial point of view from KPMG, and the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG) submitted as of November 18, 2019 from KPMG, the special committee carefully discussed and evaluated the Consulted Matters and, as of November 18, 2019, submitted to the board of directors of MTPC the Report with the unanimous approval of the members. An outline of the Report is as follows.

(a) Opinion

- i The special committee believes that the board of directors of MTPC should resolve to express an opinion in support of the Tender Offer and to recommend that the shareholders of MTPC tender MTPC Common Shares in the Tender Offer.
- ii The special committee believes that resolving to express an opinion in support of the Tender Offer and to recommend that the shareholders of MTPC tender MTPC Common Shares in the Tender Offer would not be disadvantageous to the minority shareholders of MTPC. The special committee also believes that making MTPC a wholly-owned subsidiary of the Tender Offeror after the completion of the Tender Offer would not be disadvantageous to the minority shareholders of MTPC.

(b) Evaluation

- i Based on the following aspects, the special committee has determined that the Transactions and subsequent actions will contribute to increasing the corporate value of MTPC.
  - The special committee agrees with the current understanding of MTPC and the Tender Offeror regarding the business environment surrounding MTPC and MTPC's business issues as stated in "B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer" in "(2) Grounds and Reasons for the Opinion on the Tender Offer" above, and considers it necessary and reasonable to conduct the Transactions between MTPC and the Tender Offeror at this time to promote the creation and realization of further synergies.
  - Based on the business environment and business issues stated above, according to the management of MTPC, it is important to maintain the sustainability of pharmaceuticals in the context of a declining birthrate and aging society and rapid technological evolution in the healthcare field in order to maintain and increase MTPC's corporate value in the medium to long term, and continuous investment in technology and access to growing technological domains are essential business strategies, and the special committee believes that the Transactions are an effective choice to pursue such business strategies. Under the current capital structure in which both parent and subsidiary companies are listed, synergy effects have not been fully realized because there are certain restrictions due to necessity of establishing a firewall between MTPC and the Tender Offeror and protecting the interests of the general shareholders of both parties; however, making MTPC a wholly-owned subsidiary of the Tender Offeror through the Transactions will remove these restrictions, and thus satisfy the conditions to realize the synergy effects stated in "B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer" in "(2) Grounds and Reasons for the Opinion on the Tender Offer" above.
  - The synergy effects stated above will not be achieved solely by making MTPC a wholly-owned subsidiary of the Tender Offeror; continuous investments for the purpose of maintaining the speed of the R&D pipelines and access to new

technology in the regenerative medicine and digital areas are also considered necessary. In order to realize the synergy effects stated above to the fullest extent through such continuous investment, it is considered necessary for MTPC to remain in a core position in the healthcare business in the Tender Offeror Group and to ensure a structure in which MTPC and the Tender Offeror may actively be involved in realizing such synergy effects. As stated in “C. Management Policy After the Tender Offer” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, MTPC and the Tender Offeror plan to continue to position MTPC’s pharmaceutical business at the core of the healthcare business in the Tender Offeror Group and to disclose, after mutual confirmation, the details of business strategies and policies regarding management resources in order for MTPC and the Tender Offeror to actively promote synergy effects; therefore, it is reasonably expected that the structure to realize synergy effects by the Transactions will be ensured.

- Some disadvantages are also expected from MTPC’s delisting, however, it is considered possible to mitigate these disadvantages sufficiently, and the special committee has determined that the advantages of strengthening the attractive features of MTPC’s products and its pipelines through the Transactions will be greater than the disadvantages.
  - The special committee believes that none of the possible transactions other than the Transactions would be more effective than the Transactions in increasing MTPC’s corporate value due to the following reasons: the fact that the Tender Offeror has no apparent intention of selling the MTPC Common Shares held by the Tender Offeror to other third parties; the fact that a merger with a major overseas pharmaceutical company would be unlikely to utilize the strengths of MTPC; and the fact that significant restructuring would be required if MTPC were to merge with a major overseas pharmaceutical company or a medium-sized pharmaceutical company in Japan.
- ii From the perspective of (a) ensuring a situation substantially equivalent to an arm’s length transaction in the process of formulating the transaction terms and (b) ensuring that general shareholders have an opportunity to make an appropriate decision based on sufficient information, it is confirmed that fair procedures to protect the interests of general shareholders have been taken in the Transactions based on following points.
- It is confirmed that the independent special committee established by MTPC worked effectively in the Tender Offer.
  - It is confirmed that the special committee obtained independent professional advice from Nakamura, Tsunoda & Matsumoto and KPMG, its external experts, and that MTPC obtained independent professional advice from Mori Hamada & Matsumoto and Merrill Lynch Japan Securities, its external experts.
  - It is confirmed that the special committee obtained a share valuation report from KPMG, an expert independent third-party valuation institution as a basis for its decision, and MTPC obtained a share valuation report from Merrill Lynch Japan Securities, an expert independent third-party valuation institution as a basis for its

decision.

- The special committee obtained the Fairness Opinion (KPMG) from KPMG, and KPMG stated in its opinion that 2,010 yen per share as the Tender Offer Price is fair to the general shareholders of MTPC from a financial point of view.
  - MTPC made a report to the special committee to the effect that MTPC has built an internal framework under which MTPC's officers and employees involved in the evaluation, negotiation, and decision-making regarding the Transactions are able to perform their duties from a position independent from the Tender Offeror, and the special committee has confirmed and approved that there is no concern with respect to that framework from the standpoint of independence.
  - All directors and statutory auditors who have conflict of interest are excluded from the deliberation or resolution of the board of directors meeting and evaluation and negotiation regarding the Transactions.
  - It is confirmed that MTPC conducted so-called "indirect market checks" where an M&A transaction is executed in a manner that allows other prospective acquiring parties to make competing proposals after the proposed M&A transaction is announced. Although MTPC did not conduct so-called "active market checks" to investigate and evaluate prospective acquiring parties in the market, considering the fact that (a) the purchaser is the controlling shareholder in the Transactions and (b) the Tender Offeror is unlikely to sell the MTPC Common Shares held by the Tender Offeror to any third party, it would be pointless to conduct the active market check and the fact that MTPC did not conduct so-called "active market checks" would be unlikely to reduce the fairness of procedures in the Transactions.
  - According to the Tender Offeror, the Tender Offeror has not included a "Majority of Minority" condition because the inclusion of a "Majority of Minority" condition in the Tender Offer may make the completion of the Tender Offer more uncertainty and may not contribute to the interest of all of the general shareholders who desire to tender their shares through the Tender Offer. The special committee believes that the Tender Offer's decision is not unreasonable. Furthermore, the special committee believes that the fact that the Tender Offeror did not include a "Majority of Minority" condition does not reduce the fairness of procedures in the Transactions because (a) the Transactions would contribute to increasing the corporate value of MTPC and the transaction terms and conditions for the Transactions are appropriate and (b) MTPC has taken sufficient measures to ensure the fairness of the Transactions.
  - It is confirmed that the Tender Offer intends to ensure that general shareholders have an opportunity to make an appropriate decision based on sufficient information.
  - It is confirmed that coerciveness is eliminated in the Transactions.
- iii It is confirmed that transaction terms and conditions for the Transactions are reasonable based on following reasons.

- The acquisition method used in the Transactions is believed to be reasonable because the method by which an offeror conducts a tender offer as a first step, and then conducts a demand for sale of shares or a share consolidation as a second step is generally used in transactions conducted in order to make a company a wholly-owned subsidiary like the Transactions. Also, the type of consideration for the acquisition is believed to be reasonable because (i) a tender offer in which consideration is paid in cash is believed to be more reasonable to MTPC's general shareholders than a one-step acquisition in which shares of the offeror are delivered as consideration, since the business of the Tender Offeror is different from that of MTPC, and (ii) the type of consideration for acquisition in the second step transaction is deemed reasonable because MTPC's general shareholders who do not tender their shares will be able to avoid the risk of a decrease in the price of the Tender Offeror's shares which they would have borne if the Tender Offeror's shares were to be delivered as consideration in exchange for MTPC's shares, and will be able to receive an amount of cash determined based on the same price as the Tender Offer Price.
- 2,010 yen per share as the Tender Offer Price is confirmed to be reasonable because (a) no particular unreasonable points have been found with respect to the purpose, preparation, or content of the Consolidated Financial Forecast that is the basis of the share valuation by the DCF Method and DCF Analysis in the Share Valuation Report (KPMG) and the Share Valuation Report (Merrill Lynch Japan Securities), (b) the Share Valuation Report (KPMG) is determined to be credible since no particular unreasonable points have been found with respect to the method and details of valuation stated therein, and 2,010 yen per share as the Tender Offer Price exceeds the upper bound of the valuation range evaluated using the market price method, and it also exceeds the median of each of the valuation ranges evaluated using share price multiple method and DCF Method, in the Share Valuation Report (KPMG) (c) the Share Valuation Report (Merrill Lynch Japan Securities) is determined to be credible since no particular unreasonable points have been found with respect to the method and details of valuation stated therein, and 2,010 yen per share as the Tender Offer Price exceeds the upper bound of each of the valuation ranges evaluated using the market price analysis and the trading comparables analysis, and it is within the valuation range evaluated using DCF Analysis, in the Share Valuation Report (Merrill Lynch Japan Securities), (d) the premium included in 2,010 yen per share as the Tender Offer Price exceeds the average and median of premiums added in similar transactions, therefore it is confirmed that a substantial premium is added, (e) the Tender Offer Price is the price agreed to after sincere negotiations, in which the special committee was substantially involved and played a central role, between MTPC and the Tender Offeror, and (f) the Tender Offer Price is judged to be fair to the general shareholders of MTPC from a financial point of view in the Fairness Opinion (KPMG) obtained from KPMG.
- iv Based on above, the board of directors of MTPC believes that it should resolve to express its opinion in support of the Tender Offer and recommend that the shareholders of MTPC accept the Tender Offer.
- v Furthermore, the board of directors of MTPC believes that resolving to express an

opinion in support of the Tender Offer and to recommend that the shareholders of MTPC accept the Tender Offer would not be disadvantageous to the minority shareholders of MTPC. The board of directors of MTPC also believes that making MTPC a wholly-owned subsidiary of the Tender Offeror after the completion of the Tender Offer would not be disadvantageous to the minority shareholders of MTPC.

**B. Procurement by the Special Committee of Advice from an Independent Legal Advisor**

As stated in “A. Establishing an Independent Special Committee” above, for the purpose of obtaining expert advice regarding the fairness of procedures, the special committee appointed Nakamura, Tsunoda & Matsumoto as its own legal advisor independent from the Tender Offeror and MTPC and received legal advice, including advice regarding measures to be taken to ensure the fairness of the procedures of the Transactions, various procedures for the Transactions, and the method and process of deliberation of the special committee for the Transactions.

Nakamura, Tsunoda & Matsumoto is not a related party of the Tender Offeror or MTPC and does not have any material interest in the Transactions (including the Tender Offer). For other information regarding the independence of Nakamura, Tsunoda & Matsumoto, please see “A. Establishing an Independent Special Committee” above.

**C. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from Independent Financial Advisor and Third-Party Valuation Institution**

As stated in “A. Establishing an Independent Special Committee” above, for the purpose of obtaining expert advice and assistance regarding measuring the value of companies and price negotiations, etc., the special committee appointed KPMG as its own financial advisor and a third-party valuation institution independent from the Tender Offeror and MTPC and obtained the Share Valuation Report (KPMG) dated November 18, 2019 while receiving advice from a financial point of view, including negotiation policy with the Tender Offeror. The special committee also received from KPMG the Fairness Opinion (KPMG) stating to the effect that 2,010 yen per share as the Tender Offer Price is fair to the general shareholders of MTPC from a financial point of view. For an outline of the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG), please see “(3) Matters Related to Valuation” above.

KPMG is not a related party of the Tender Offeror or MTPC and does not have any material interest in the Transactions (including the Tender Offer). For other information regarding the independence of KPMG, please see “A. Establishing an Independent Special Committee” above.

**D. Procurement by MTPC of Advice from an Independent Legal Advisor**

As stated in “A. Establishing an Independent Special Committee” above, for the purpose of obtaining expert advice on the fairness of procedures, MTPC appointed Mori Hamada & Matsumoto as a legal advisor independent from the Tender Offeror and MTPC and received legal advice, including advice regarding measures to be taken to ensure the fairness

of the procedures of the Transactions, various procedures for the Transactions, and the method and process of decision-making by MTPC for the Transactions.

Mori Hamada & Matsumoto is not a related party of the Tender Offeror or MTPC and does not have any material interest in the Transactions (including the Tender Offer).

#### **E. Procurement by MTPC of the Share Valuation Report from Independent Financial Advisor and Third-Party Valuation Institution**

As stated in “A. Establishing an Independent Special Committee” above, for the purpose of obtaining expert advice and assistance regarding measuring the value of companies and price negotiations, etc., MTPC appointed Merrill Lynch Japan Securities as a financial advisor and a third-party valuation institution independent from the Tender Offeror and MTPC and obtained the Share Valuation Report (Merrill Lynch Japan) dated November 18, 2019 while receiving advice from a financial point of view. For an outline of the Share Valuation Report (Merrill Lynch Japan), please see “(3) Matters Related to Valuation” above.

Merrill Lynch Japan Securities is not a related party of the Tender Offeror or MTPC and does not have any material interest in the Transactions (including the Tender Offer).

#### **F. Building of an Independent Evaluation Framework**

As stated in “D. Background of and Reasons for Decision-Making for Supporting the Tender Offer by MTPC” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, MTPC has built an internal framework for evaluating and negotiating and making determinations regarding the Transactions from a standpoint independent of the Tender Offeror. Specifically, immediately after MTPC received an initial inquiry about commencing discussions to consider making MTPC a wholly-owned subsidiary of the Tender Offeror from the Tender Offeror on July 30, 2019, in light of avoiding any possible impact of structural conflict of interest issues, MTPC has refrained, and continues to refrain, from involving not only MTPC’s officers and employees who concurrently serve as officers or employees of the Other Tender Offeror Group Companies, but also each of MTPC’s officers and employees who were officers or employees of the Other Tender Offeror Companies in the past, in the negotiation process regarding the terms and conditions of the Transactions, including the Tender Offer Price, between MTPC and the Tender Offeror or in the preparation process for the Consolidated Financial Forecast on which the valuation of MTPC Common Shares have been based. The special committee has approved that there is no concern from the standpoint of independence with respect to the internal framework for evaluating the Transactions built within MTPC (including the scope of MTPC’s officers and employees involved in the evaluation negotiation, and decision of the Transactions, and their duties), including the exclusion of MTPC’s officers and employees as stated above.

Mr. Hiroaki Ueno, one of MTPC’s directors, belonged to Mitsubishi Pharma until MTPC was established by a merger between Tanabe Pharma and Mitsubishi Pharma in 2007. Mr. Hiroaki Ueno joined MTPC as a result of the establishment of MTPC by the merger, and MTPC determined that Mr. Ueno has little conflict of interest in relation to the Tender Offeror because a significant time has passed since Mr. Ueno joined MTPC. In addition, considering the fact that Mr. Hiroaki Ueno has comprehensive knowledge of technical aspects related to pharmaceuticals, biotechnology and chemistry and his knowledge and expertise are required for the deliberation of the Transactions, Mr. Hiroaki Ueno participated in the deliberation of

the Transactions only with respect to the matters of which structural conflict of interest issues would not likely affect the interests of general shareholders, such as participation in evaluation of the expected synergies to be realized through the Transactions.

**G. Unanimous Approval of All Non-interested Directors and the No Dissenting Opinion of All Non-interested Statutory Auditors at MTPC**

As stated in “D. Background of and Reasons for Decision-Making for Supporting the Tender Offer by MTPC” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, the board of directors of MTPC carefully discussed and evaluated whether the Transactions (including the Tender Offer) would contribute to increasing the corporate value of MTPC and whether the transaction terms and conditions of the Transactions (including the Tender Offer Price) are reasonable, based on the legal advice received from Mori Hamada & Matsumoto, advice from a financial point of view and the Share Valuation Report (Merrill Lynch Japan Securities) received from Merrill Lynch Japan Securities, as well as the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG) received through the special committee, giving the highest degree of respect to the contents of determinations by the special committee presented in the Report.

As a result, as stated in “D. Background of and Reasons for Decision-Making for Supporting the Tender Offer by MTPC” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” above, MTPC determined that (i) the Transactions (including the Tender Offer) would contribute to increasing the corporate value of MTPC and (ii) the transaction terms and conditions of the Transactions (including the Tender Offer Price) is reasonable, securing interests that should be enjoyed by MTPC’s general shareholders, and the Tender Offer would provide MTPC’s general shareholders with a reasonable opportunity to sell their MTPC Common Shares at a price inclusive of an appropriate premium. Therefore, MTPC resolved at its board of directors meeting held today by unanimous approval of the directors who participated in the deliberation and resolution to express an opinion in support of the Tender Offer and to recommend that the shareholders of MTPC tender MTPC Common Shares in the Tender Offer.

Of the eight directors of MTPC, Mr. Masayuki Mitsuka concurrently serves as a director of The KAITEKI Institute, Inc., a wholly-owned subsidiary of the Tender Offeror; Mr. Takeshi Matsumoto concurrently serves as a managing executive officer of the Tender Offeror and a director of Life Science Institute, Inc.; Mr. Eizo Tabaru has served as an executive officer at major business entities within the Tender Offeror Group in the past; and Mr. Hiroaki Ueno was once an employee at major business entities within the Tender Offeror Group. Thus, from the standpoint of avoiding to the extent possible any possible impact of structural conflict of interest issues in the Transactions, the board of directors meeting held today was two-tiered: first, (i) the four directors other than Mr. Masayuki Mitsuka, Mr. Eizo Tabaru, Mr. Takeshi Matsumoto, and Mr. Hiroaki Ueno participated in deliberation and passed a resolution as stated above by unanimous approval ; and further, in light of ensuring the quorum for the board of directors meeting of MTPC was met, (ii) five directors (those four directors participating in (i) above and Mr. Hiroaki Ueno) participated in the deliberation and once again passed a resolution as stated above by unanimous approval.

All of the statutory auditors present at the board of directors (four statutory auditors (of whom three are outside statutory auditors) out of five statutory auditors) expressed the opinion that they had no objections with respect to the resolution.

Of the directors of MTPC, three directors (Mr. Masayuki Mitsuka, Mr. Eizo Tabaru, and Mr. Takeshi Matsumoto) did not participate in the deliberation or resolution of the board of directors meeting of MTPC for the Transactions, including the aforementioned board of directors meeting held today, in light of avoiding any possible impact of structural conflict of interest issues in the Transactions, and they did not participate in the deliberation of the Transactions or the discussion or negotiation of the Transactions with the Tender Offeror on behalf of MTPC.

On the other hand, as stated in “F. Building of an Independent Evaluation Framework” above, Mr. Hiroaki Ueno belonged to Mitsubishi Pharma until 2007 and joined MTPC in the same year. Given that a significant time has passed since Mr. Hiroaki Ueno joined MTPC, MTPC determined that this causes little conflict of interest in relation to the Tender Offeror. In addition, considering the fact that Mr. Hiroaki Ueno has comprehensive knowledge of technical aspects related to pharmaceuticals, biotechnology, and chemistry and his knowledge and expertise are required for the deliberation of the Transactions, Mr. Hiroaki Ueno participated in the deliberation and resolution in the second stage of the board of directors meeting of MTPC held today in light of ensuring the quorum for the board of directors meeting was met, and participated in the deliberation of the Transactions only with respect to the matters of which structural conflict of interest issues would not likely affect the interests of general shareholders, such as participation in evaluation of the expected synergies to be realized through the Transactions.

Mr. Koji Kudo, a statutory auditor of MTPC who is originally from major business entities within the Tender Offeror Group, did not participate in any of the deliberations at the board of directors meeting and refrained from expressing his opinion regarding the resolution of the board of directors.

#### **H. No Transaction Protection Clause**

In order to secure an opportunity for persons other than the Tender Offeror to make competing offers, etc., and thereby contribute to ensuring the fairness of the Tender Offer Price, the Tender Offeror and MTPC have not entered into any agreement that restricts MTPC from contacting persons making competing offers, including any agreement providing a transaction protection clause that may forbid MTPC from contacting persons making competing offers.

#### **I. Measures to Ensure Opportunities for MTPC’s Shareholders to Decide Whether to Tender Their Shares in the Tender Offer**

According to the Tender Offeror, as mentioned in “(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-called “Two-step Acquisition”) above, the Tender Offeror secures an opportunity for the shareholders of MTPC to appropriately decide whether to tender their shares in the Tender Offer and thereby care to ensure that the Tender Offer is not coercive, because (a) the Tender Offeror takes an approach to ensure an opportunity for all shareholders of MTPC to exercise the right under the Companies Act to require MTPC to purchase shares constituting less than a whole unit or the right to file a motion with the court to determine the fair price of MTPC Common Shares, i.e., promptly after the completion of the settlement of the Tender Offer and depending on the amount of the MTPC Common Shares acquired by the Tender Offeror at completion of the

Tender Offer, the Tender Offeror plans to exercise the Demand for Sale of Shares with respect to all of the MTPC Common Shares (excluding the MTPC Common Shares owned by the Tender Offeror and the treasury shares owned by MTPC), or alternatively, the Tender Offeror intends to request that the MTPC hold an extraordinary meeting of shareholders at which MTPC will present proposals to approve the Share Consolidation and, subject to the Share Consolidation becoming effective, to abolish the article in the Articles of Incorporation concerning the number of shares per share unit; and (b) the Tender Offeror has indicated that, in the event of exercising the Demand for Sale of Shares or conducting the Share Consolidation, the amount of cash to be paid to the respective shareholders is planned to be equal to an amount calculated by multiplying the Tender Offer Price by the number of the MTPC Common Shares each shareholder owns.

In addition, according to the Tender Offeror, the Tender Offeror has set the tender offer period of the Tender Offer as 31 business days, while the statutory minimum period stipulated in the Act is 20 business days. The Tender Offeror has set a relatively long tender offer period and secured an appropriate opportunity for the shareholders of MTPC to decide whether to tender their shares in the Tender Offer.

**4. Details of Material Agreements Between the Tender Offeror and the Shareholders of MTPC Concerning Tendering Shares**

None.

**5. Details of Benefits Received from the Tender Offeror or any of its Specially Related Parties**

None.

**6. Response Policy with Respect to Basic Policies Relating to the Control of MTPC**

None.

**7. Questions to the Tender Offeror**

None.

**8. Requests for Extension of the Tender Offer Period**

None.

**9. Future Prospects**

Please refer to the sections titled “B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer”, “C. Management Policy After the Tender Offer”, and “D. Background of and Reasons for Decision-Making for Supporting the Tender Offer by MTPC” in “(2) Grounds and Reasons for the Opinion on the Tender Offer” in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” and “(4) Possibility of Delisting and Reasons Therefor” and “(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-called “Two-step Acquisition”)” above.

## **10. Details of Transactions, Etc. with Controlling Shareholder**

### **(1) Transactions, Etc. with Controlling Shareholder and Status of Conformity with Policy on Measures to Protect Minority Shareholders**

Since the Tender Offeror is the controlling shareholder (the parent company) of MTPC, expressing an opinion regarding the Tender Offer constitutes a transaction, etc. with a controlling shareholder. As a “Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder” in the Corporate Governance Report disclosed on October 11, 2019, MTPC stated that in regard to transactions between MTPC and the controlling shareholder, the highest priority is given in the decision-making to increase the enterprise value of the MTPC Group in order to maximize the benefits to all of MTPC’s shareholders, and MTPC verifies the adequacy and economic rationality such as whether the terms and conditions are equivalent to those of general transactions; significant transactions are subject to sufficient deliberations and approval by the board of directors, which includes two or more independent outside board directors, from the perspective of ensuring the interests of the MTPC Group and/or MTPC’s shareholders.

With respect to the Transactions, including the Tender Offer, MTPC has implemented measures to address structural conflict of interest issues and information asymmetry issues and to ensure the fairness of the terms and conditions of the Transactions, including the Tender Offer Price, as stated in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” above. MTPC believes these measures are consistent with the policy stated above.

### **(2) Details of Measures to Ensure Fairness and Measures to Avoid Conflicts of Interest**

Please refer to “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” above.

### **(3) Outline of Opinion Stating that the Transactions Would Not be Disadvantageous to the Minority Shareholders, Obtained from a Party who has No Interest in the Controlling Shareholder**

MTPC received the Report from the special committee on November 18, 2019, which includes contents to the effect that the special committee believes that resolving to express an opinion in support of the Tender Offer and to recommend that the shareholders of MTPC tender MTPC Common Shares in the Tender Offer at the board of directors meeting of MTPC would not be disadvantageous to the minority shareholders of MTPC. For details, please refer to “A. Establishing an Independent Special Committee” in “(6) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest” in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” above. The Report also includes the opinion that making MTPC a wholly-owned subsidiary of the Tender Offeror as stated in “(5) Policy for Organizational Restructuring, Etc. After the Tender Offer (Matters Relating to So-called

“Two-step Acquisition”)” in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer” above after the completion of the Tender Offer would not be disadvantageous to the minority shareholders of MTPC.

## **11. Other Matters**

MTPC decided at its board of directors meeting held today to revise its dividend forecast for FY 2019 announced on October 30, 2019 and not to declare a year-end dividend for FY 2019, on the condition that the Tender Offer is completed. For details, please refer to “Notice of Revision of Dividend Forecast (No Declaration) For FY 2019” announced today.

End.

Reference: Tender Offeror’s announcement titled “Announcement of Commencement of Tender Offer for Shares of Mitsubishi Tanabe Pharma Corporation (Securities Code: 4508)” dated as of November 18, 2019 (as attached).



November 18, 2019

Company name: Mitsubishi Chemical Holdings Corporation  
Representative: Hitoshi Ochi  
Representative Corporate Executive Officer, President & Chief Executive Officer  
TSE code no.:4188, 1st section  
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**Announcement of Commencement of Tender Offer for Shares**  
**of Mitsubishi Tanabe Pharma Corporation (Securities Code: 4508)**

Mitsubishi Chemical Holdings Corporation (the “Company” or the “Tender Offeror”) announces that it has decided to acquire common stock (the “Target Company Common Stock”) of Mitsubishi Tanabe Pharma Corporation (Tokyo Stock Exchange, Inc. (“TSE”) code no.: 4508; 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; “Act”).

**1. Purpose of Tender Offer**

**(1) Overview of the Tender Offer**

As of today, the Tender Offeror holds 316,320,069 shares (Share Holding Ratio (Note 1): 56.39%) of the Target Company common stock that are listed on the First Section of the TSE, and the Target Company is a consolidated subsidiary of the Tender Offeror.

(Note 1) “Share Holding Ratio” means any shareholding ratio relative to the total number of issued shares of the Target Company as of September 30, 2019 (i.e., 561,417,916 shares), as set forth in the Second Quarterly Earnings Release for FY 2019 (IFRS) (Consolidated) disclosed by the Target Company on October 30, 2019 (referred to as the “Target Company’s FY 2019 Second Quarterly Earnings Release”), less the number of treasury shares (excluding the 200,279 shares that are held by the Officer Remuneration BIP (Board Incentive Plan) Trust (the “BIP Trust”) as of September 30, 2019) held by the Target Company as set forth in the Target Company’s FY 2019 Second Quarterly Earnings Release (i.e., 431,636

shares) (equating to 560,986,280 shares) (shareholding ratios are rounded up or down to three decimal places), and hereinafter the same shall apply.

The Tender Offeror determined, by way of written resolution in lieu of a board of directors meeting pursuant to Article 370 of the Companies Act (Act No. 86 of 2005, as amended, hereinafter the same) and Article 27 of the Articles of Incorporation of the Tender Offeror, to conduct the Tender Offer today as part of the series of transactions for the purpose of acquiring all of the shares of the Target Company (excluding the Target Company Common Stock held by the Tender Offeror and the treasury stock held by the Target Company) and making the Target Company its wholly-owned subsidiary (the “Transactions”).

In the Tender Offer, the Tender Offeror has set 57,670,731 shares (Note 2) as the minimum number of the shares to be purchased, and, thus, if the total number of the share, etc., tendered in the Tender Offer (“Tendered Share, Etc.”) is less than such minimum number, the Tender Offeror will not purchase any of Tendered Share, Etc. However, the Tender Offeror plans to obtain all of the Target Company Common Stock through the Tender Offer as stated above, and, therefore, has not set the maximum number of the shares to be purchased. Thus, if the total number of Tendered Share, Etc., is equal to or more than such minimum number, the Tender Offeror will purchase all of Tendered Share, Etc., and, accordingly, depending on the results of the Tender Offer, the Target Company Common Stock may be delisted after taking prescribed procedures in accordance with the TSE listing rules. Additionally, even in the event that the delisting criteria are not met upon completion of the Tender Offer, because the Tender Offeror plans to execute a series of procedures in order to acquire all the Target Company Common Stock as stated in “(4) Policy on Reorganization etc. after the Tender Offer (Matters Relating to the So-Called Two-Stage Takeover)” below after completion of the Tender Offer, the Target Company Common Stock may be delisted after taking prescribed procedures in accordance with the TSE listing rules.

(Note 2) The minimum number of the shares to be purchased (57,670,731 shares) is calculated as follows: (i) deduct (a) the number of treasury shares (excluding the Target Company Common Stock possessed by BIP Trust as of September 30, 2019 (200,279 shares)) (431,636 shares) held by the Target Company as of September 30, 2019, as set forth in the Target Company’s FY 2019 Second Quarterly Earnings Release from (b) the total number of issued shares of the Target Company as of September 30, 2019, as set forth in the Target Company’s FY 2019 Second Quarterly Earnings Release (561,417,916 shares), which becomes 560,986,280 shares; (ii) calculate the number of voting rights of 560,986,280 shares, which becomes 5,609,862 voting rights; (iii) calculate the minimum figure which is two third or more of 5,609,862 voting rights, which is 3,739,908 voting

rights; (iv) multiply 3,739,908 by the number of shares which constitutes 1 unit (100 shares), which becomes 373,990,800 shares; and (v) deduct the number of shares (316,320,069 shares) held by the Tender Offeror from 373,990,800 shares, which becomes 57,670,731 shares.

According to the Target Company's press release, "Announcement of Mitsubishi Tanabe Pharma Corporation's Opinion Regarding Tender Offer for Shares in Mitsubishi Tanabe Pharma Corporation by the Controlling Shareholder Mitsubishi Chemical Holdings Corporation, and Recommendation to Tender Shares" dated November 18, 2019 (the "Target Company's Press Release"), the Target Company resolved at its board of directors' meeting today that the Target Company would issue an opinion in support of the Tender Offer and recommend that the shareholders of the Target Company accept the Tender Offer. For details of the Target Company's decision making process, please refer to "2. Description of the Tender Offer," "(4) Basis of Calculation of Tender Offer Price," "(B) Background of Calculation," "Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest," "h. Unanimous Approval of All Non-interested Directors and the No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company" below.

## **(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer**

### **a. Background and Purpose of the Tender Offer**

The Tender Offeror was established in October 2005 by means of a stock-for-stock exchange jointly conducted by the former Mitsubishi Chemical Corporation ("Former Mitsubishi Chemical") and Mitsubishi Pharma Corporation ("Mitsubishi Pharma"), then a subsidiary of Former Mitsubishi Chemical, whereby the Tender Offeror became their parent company. As of today, the Tender Offeror Group (the Tender Offeror, its 552 subsidiaries, and its 169 affiliated companies (as of the date of September 30, 2019), hereinafter the same.) in which the Tender Offeror serves as its holding company, is conducting business activities in the three domains which are performance products, industrial materials and health care (these domains are further separated into four segments of performance products segments belonging to performance products, each of segments of chemicals and industrial gases belonging to industrial materials and health care segments belonging to health care, and other departments) with Mitsubishi Chemical Corporation; the Target Company; Life Science Institute, Inc. and Taiyo Nippon Sanso Corporation serving as its four operating

companies.

Additionally, with “KAITEKI Value for Tomorrow” as its corporate slogan, the Tender Offeror Group pursues “KAITEKI Management” to enhance its corporate value, which is considered to be the sum of three values—improved capital efficiency; enhancement of innovative capacity in respect of creation of innovative products and services; and provision of solutions which contribute to the enhanced sustainability of people, society and the Earth—in an effort to achieve the “sustainable well-being of people, society and our planet Earth,” in other words, KAITEKI, and formulated the Medium-Term Management Plan “APTSIS 20,” (Note 3) to be in effect for the five-year period from FY 2016 to FY 2020. Under the Medium-Term Management Plan, the Tender Offeror has engaged in various portfolio reforms with the basic policy of “aiming to remain a high growth/high profit-model company group through businesses in the areas of performance products, industrial materials and health care”, and has continued to work on strengthening its business base.

(Note 3) For details of the Medium-Term Management Plan “APTSIS 20,” please refer to the explanatory material named “Formulation of APTSIS 20 New Medium-Term Management Plan,” disclosed by the Tender Offeror on December 9, 2015, and the explanatory material named “Revision of Targets under Medium-Term Management Plan APTSIS 20,” disclosed on December 4, 2018. You may review these explanatory materials on the Tender Offeror’s website.

Website: [http://www.mitsubishichem-hd.co.jp/ir/library/analysts\\_meeting.html](http://www.mitsubishichem-hd.co.jp/ir/library/analysts_meeting.html)

On the other hand, the Target Company was established in October 2007 through a merger of Tanabe Seiyaku Co., Ltd (“Tanabe Seiyaku”) and Mitsubishi Pharma. Through the merger of Tanabe Seiyaku and Mitsubishi Pharma, the Tender Offeror, which was the parent company of Mitsubishi Pharma, became the parent company that owns majority of the total number of issued shares of the Target Company, and the Target Company became a consolidated subsidiary while maintaining its listing. As of today, the Target Company Group (the Target Company, its 34 subsidiaries and its 2 affiliated companies (as of the date of September 30, 2019), hereinafter the same.) mainly engages in the pharmaceutical business. The Tender Offeror has been owning 316,320,069 shares of the Target Company Common Stock (Share Holding Ratio: 56.39%) which the Tender Offeror acquired as a result of the October 2007 merger without any increase or decrease.

Since October, 2007, the Target Company, as the core company of the Tender Offeror Group’s pharmaceutical business, has operated its business aiming to become a global research-driven pharmaceutical company. Under the “the Medium-Term Management Plan 16-20: Open Up the Future” since the FY 2016, the Target Company Group has worked on four challenges to open up the future medical treatment—”Maximizing Pipeline (Note 4)

Value”, “Strengthening IKUYAKU (Drug Fostering and Evolution) and Marketing”, “Accelerating U.S. Business Development”, and “Reforming Operational Productivity”. Specifically, the Target Company Group intends to accelerate drug discovery innovation by enhancing drug discovery capabilities in biologics (bio medicine) centered in therapeutic antibodies and nucleic acid drugs (Note 5) while affiliating with venture entities which engage in R&D of a plant-based VLP (Virus-Like Particle) vaccine and which have revolutionary development concept and technology combining existing medicines and medical devices. Furthermore, the Target Company carries out its business following a policy to appropriately determine actions in response to diversification of drug discovery modalities (Note 6) (e.g. digital-health area centered in diabetes and kidney diseases, and regenerative medicine by use of genetic therapy) depending on the areas of treatments.

(Note 4) Pipeline means compounds which are ethical drug candidates and product groups thereof subject to clinical tests. Hereinafter the same.

(Note 5) Nucleic acid drugs means drugs using nucleotide, which is constituents of deoxyribonucleic acid (DNA) or ribonucleic acid (RNA), etc. controlling matters concerning genetic information, and its derivative. Hereinafter the same.

(Note 6) Drug discovery modalities means treatment methods, such as small molecule compounds; peptide drugs; protein drugs including therapeutic antibodies; genetic therapy; nuclear acid drugs; cell therapy drugs; and regenerative medicine. Hereinafter the same.

However, the pharmaceutical business environment surrounding the Target Company is assumed to remain challenging due to the downward pressure on drug prices from the viewpoint of restraining the increase of social security costs domestically and internationally, whereas R&D expenses are escalating. Furthermore, under the situation that social security costs are required to be reduced as a social problem, the scope of the Tender Offeror’s business needs to be expanded so as to satisfy the social needs, from the conventional “diagnosis and treatment” to health management reinforcement, the disease progression prevention, and regeneration and function recovery. In addition, the core operating profit (Note 7) of the Target Company Group has recently decreased due to the increase in its R&D expenses, and the ratio of R&D expenses to its core operating profit, which was around 1 to 1.6 in the fiscal year ended March 2016, decreased to around 1 to 0.6 in the fiscal year ended March 2019, resulting in a significant unbalance between its R&D expenses and core operating profit. In the fiscal year ended March 2020, in addition to the impact of the drug prices revision, the Target Company estimated that its sales and profits will decrease due to the continuous impact related to the request for the arbitration by the Novartis Pharma AG in February 2019 on the issue as to whether or not the Target Company

is entitled to certain royalties for “Gilenya,” the treatment for multiple sclerosis, and thus R&D expenses will likely to continue to exceed the Target Company's core operating profit.

(Note7) According to the Target Company, with adoption of the International Financial Reporting Standard (IFRS), the Target Company has introduced “core operating profit” as a major profit index to demonstrate its recurring profitability and positioned it as an important indicator of business management, etc. “Core operating profit” of the Target Company is the profit excluding the income and loss recorded by non-recurring items specified by the Target Company Group (the “non-recurring items”) from operating profit. As non-recurring items, gain or loss associated with a business transfer, restructuring loss, and impairment losses on intangible assets associated with products are assumed.

After making the Target Company a consolidated subsidiary of the Tender Offeror in October, 2007, the Tender Offeror enabled the Target Company to obtain the merits as a listed company, such as enhancing degree of recognition and securing good human resources, by maintaining the listing of the Target Company Common Stock and supported the Target Company in further strengthening its capabilities of creating pharmaceuticals and accelerating overseas business growth. The Tender Offeror has continued engaging in realizing business synergies between companies which constitute the Tender Offeror Group excluding the companies which constitute the Target Company Group (collectively the “Other Tender Offeror Group Companies”) and the Target Company Group, with an aim of achieving the goal set at the time of the merger which was to pursue business opportunities by positively responding to changes in the medical environment in the future.

However, since the Target Company Group initially set its main theme as becoming a global research-driven pharmaceutical company upon its establishment in 2007 and the Other Tender Offeror Group Companies were focusing on restructuring the petrochemical business, the Other Tender Offeror Group Companies and the Target Company Group could not necessarily secure sufficient management resources for jointly pursuing synergies. Despite such situation, the Other Tender Offeror Group Companies and the Target Company Group have endeavored to create business synergies through mutual exchange of technology and human resources. Specifically, the Target Company Group and the Other Tender Offeror Group Companies took on a challenge of developing the field of pharmaceutical medicine combining medicine and chemicals (industrial materials) and a challenge of creating drugs utilizing gases, and supported commercialization in the regenerative medicine field utilizing Muse cells (Note 8). However, while the Tender Offeror and the Target Company have had their own independence as listed companies and avoided the risk of a conflict of interest as much as possible and each has conducted its business in compliance with its contractual

obligations owed to third parties, cooperation on utilization of each other's intellectual property and human resources and investment in management resources between the Other Tender Offeror Group Companies and the Target Company Group have not been cultivated sufficiently and the realization of synergy has yet to be achieved.

(Note 8) Muse cells mean the non-neoplastic mesenchymal pluripotent cells in human bodies, which can be differentiated into various cells or tissues. Hereinafter the same.

In addition, in the Tender Offeror Group, the establishment of Mitsubishi Chemical Corporation as a result of the merger of Former Mitsubishi Chemical, Mitsubishi Plastics, Inc. and Mitsubishi Rayon Co., Ltd. which took place in April, 2017, enhanced the science foundation and reinforced the technology platforms as well as streamlining and reinforcing the sales organization from a customer perspective in the area of chemical business including petrochemical business, and, thus, they now have some good prospect on the petrochemical business restructuring which they have been worked on. Therefore, the Target Company Group and the Other Tender Offeror Group Companies are now in a position to be able to secure management resources for synergy pursuit.

In such current situation, the health care technology area in which the Target Company Group has strength such as (i) collection, analysis and application of data related to health care, (ii) digitalization of prophylaxis and treatment, etc., utilizing IT techniques and (iii) biotechnologies, is expected to greatly overlap with the chemical technology area in which the Other Tender Offer Group Companies have strength. Such overlap is expected to create synergy between the Target Company Group and the Other Tender Offeror Group Companies and such synergy is expected to expand more than ever.

The Tender Offeror believes that, if the Tender Offeror Group, including the Target Company Group, can exchange, combine and utilize the intellectual property, know-how, technology, networks and human resources actively and flexibly in the four fields (i.e., pharmaceuticals, biotechnology, chemistry and digital) possessed by each company, the Tender Offeror Group can create new products and innovations requested by society in the future.

As a specific example of the aforementioned fields in the Tender Offeror's and the Target Company's assumption, the field of regenerative medicine, which is a target of strong social expectations, can be listed first. The Tender Offeror and the Target Company have made remarkable advances in the fields of cell medicine, genetic therapy, nuclear acid medicine and functionally alternative medical devices as the technologies that will meet social needs, such as a complete recovery from illness and recovery of organs and bodily functions, which cannot be achieved with traditional medicines. The Tender Offeror Group is conducting

clinical trials of regenerative medicine utilizing Muse cells, and a closer cooperation between the Other Tender Offeror Group Companies and the Target Company Group will be increasingly needed in clinical development. Research and development of genetic therapy and nuclear acid medicine have also been advanced in the Target Company Group, and it will be significantly meaningful for the future growth of the Tender Offeror Group if the Tender Offeror Group, including the Target Company Group, works together on the field of regenerative medicine. Furthermore, the field of prevention (including prevention of progression) can be listed as one of the specific fields. In terms of preventing the illness or loss of quality of life and economic value from becoming ill, the development of vaccines to prevent not only infectious diseases but also illness, the development of the management technologies of information on the individuals' health that will lead to the early detection of disease signs, and the advancement of sensing (Note 9) and diagnosis technologies are all important issues that the Tender Offeror believes.

Furthermore, it is expected that further refinement and individualization of health care will increasingly generate economic benefits in the field of medicine in the management of illness that will help the recovery of illness and prevent the progression of illness. In order to respond to these social issues, the Tender Offeror believes that the Tender Offeror Group, including the Target Company Group, will be able to integrate internal and external knowledge and technology and create, at a fast pace, new solutions, such as wearable devices, healthcare data platforms, and pharmaceuticals that are combined with IoT (Note 10), digital technology and medical devices.

(Note 9) Sensing means measurement and quantification of information concerning physiological change occurring inside and outside human body, health and exercise condition by using the sensor, etc.

(Note 10) IoT means the technology that enables materials derived from goods such as machines that were previously not connected to internet to be gathered through the network and analyzed comprehensively through the network.

The development of materials used in functionally alternative medical devices is one of the strong fields of the Other Tender Offeror Group Companies. By utilizing the technologies and knowhow held by the Target Company Group in this field, revitalization of innovation in this field can be achieved within the Tender Offeror Group, including the Target Company Group. By utilizing the Target Company's bio-technologies, human resources and know-hows, the Tender Offeror will be able to work on the construction of new solution business in medical-food-bio business (i.e. performance product business related to health, medicine, food and agriculture) of the Tender Offeror Group.

In the pharmaceutical business operated by the Target Company Group, the Target Company Group mainly made strategic investments and R&D investments centered on conventional type medicine development while attempting to expand drug discovery modality. However, by integrating the Target Company Group and the Other Tender Offeror Group Companies, they will be able to describe a portfolio that extends to all technological areas that contribute to the healthcare business development from conventional type medicine to digital medicine (Note 11), biotechnology and microbiomes (Note 12) and that may enable them to globally expand a business model that meets the needs of society and contributes to the healthcare under KAITEKI management, i.e., disease treatment, pre-symptomatic disease care, health maintenance and healthy activities.

Moreover, in addition to product development and innovation, the Other Tender Offeror Group Companies and the Target Company Group will be able to further streamline management processes by structuring wide collaborative organizations among all the business areas by (a) mutually taking advantage of the global human network and logistics network owned by the Other Tender Offeror Group Companies and the Target Company Group, (b) making strategic and efficient investments jointly with investing companies (i.e., Diamond Edge Ventures/California, U.S. (which is owned by the Tender Offeror) and M P Healthcare Venture Management/Massachusetts, U.S. (which is owned by the Target Company)) and (c) utilizing the Other Tender Offeror Group Companies' foreign operations of financial, general affair and human resource function by the Target Company Group.

(Note 11) Digital medicine means tools to support lifestyle modifications, to treat diseases or to support treatments utilizing smartphone applications, etc. (e.g., applications to quit smoking) or tools that combine medical devices such as sensors and medicines (e.g., pills with integrated chips to improve drug adherence rates), etc.

(Note 12) Microbiomes are microorganism communities. Microorganism communities exist inside and outside the human body; for example, the microbiomes existing inside bowels and cuticles of human bodies are referred to as human microbiomes, which are subject to research in terms of possible effects on various diseases, etc.

Given such situation, the Tender Offeror believes that, considering that the volume of the synergies between the Target Company Group and the Other Tender Offeror Group Companies that are expected to be created through making the Target Company a wholly-owned subsidiary of the Tender Offeror is remarkably large, even taking into account that the Target Company will lose its aforementioned merits that can be obtained as long as the Target Company remains a listed company after the Transactions, now is the appropriate timing to invest the management resources in synergy creation, and that swiftly taking

various actions and measures for synergy creation is the optimal choice to improve the medium-term and long-term corporate value development of the entire Tender Offeror Group. The actions and measures include (i) maintenance or expansion of R&D expenses targeted at development of pipelines, which are Target Company Group's future growth driver, (ii) making prior investments for synergy creation, (iii) promoting unrestricted technological exchange at a working level within the Tender Offeror Group and (iv) establishing supporting communication foundations, by coordinating within the Tender Offeror Group, including the Tender Offeror and the Target Company. Meanwhile, the Tender Offeror is of the view that, even though maintenance and expansion of R&D expenses targeted at pipeline development and prior investments for synergy creation will contribute to the corporate value improvement of the entire Tender Offeror Group, including the Target Company Group, in terms of medium-term and long-term growth, it might be difficult to obtain the general shareholders' understanding to these drastic actions while the Target Company Common Stock continue to be listed, because doing so may cause an increase in the Target Company's R&D expenses in proportion to core operating income in short-term, and be in conflict with the interests of the Target Company's general shareholders.

Therefore, the Tender Offeror has concluded that, for the improvement of the corporate value of the entire Tender Offeror Group, including the Target Company Group, it is necessary to create an environment amenable to drastic actions which might not directly contribute to the Target Company Group's short-term benefits but will contribute to the medium-term and long-term growth of the entire Tender Offeror Group, including the Target Company Group, and to establish a deeper alliance with the Target Company Group than ever (e.g., the Other Tender Offeror Group Companies prompting cross-sectional and active technology exchange and R&D together with the Target Company Group) by making the Target Company a wholly-owned subsidiary of the Tender Offeror, while securing the interests of the Target Company's general shareholders during drastic actions by providing the Target Company's general shareholders with an appropriate and reasonable opportunity to sell their Target Company Common Stock.

In late July 2019, the Tender Offeror decided that it is desirable to make the Target Company a wholly-owned subsidiary and started considering the Transactions, and retained JPMorgan Securities Japan Co., Ltd. (hereinafter, "J.P. Morgan") as its financial advisor, as a third-party valuation institution independent from the Tender Offeror and the Target Company and Nagashima Ohno and Tsunematsu as a legal advisor independent from the Tender Offeror and the Target Company. On July 30, 2019, the Tender Offeror made a preliminary approach to the Target Company requesting for a start of a discussion on a transaction

contemplating to make the Target Company a wholly-owned company of the Tender Offeror. Consequently, since early August 2019, the Tender Offeror examined the expected synergies and the Target Company's future management organization and, on August 27, 2019, the Tender Offeror submitted to the Target Company an initial proposal of the Transactions which describes matters including background of the Tender Offeror's proposal for the Transactions and the management policy after the Tender Offer (hereinafter, the "Initial Written Proposal") and commenced discussions with the Target Company to consider a future management policy in respect of the Tender Offeror Group's health care business, including the Target Company Group. The Tender Offeror and the Target Company discussed the future management plan to develop the health care business of the Tender Offeror Group, including the Target Company Group, until late September, 2019, and concluded that making the Target Company a wholly-owned subsidiary of the Tender Offeror is indispensable to accelerate the growth of the health care business of the Tender Offeror Group centered on the Target Company Group.

As a result of such discussions, the Tender Offeror further examined the terms and conditions of the Transactions in more details. On October 9, 2019, the Tender Offeror submitted to the Target Company an official proposal including a tender offer price per the Target Company Common Stock to be proposed in the Tender Offer (the "Tender Offer Price") of 1,800 yen. The Tender Offer Price included in the above proposal made by the Tender Offeror is what the Tender Offeror decided after comprehensively taking various factors into consideration, including the followings: (a) the possibility of approval at a board of directors' meeting of the Target Company, (b) examples of premiums added in the past cases similar to the Tender Offer, in which a tender offer to shares, etc., was made by a person other than the issuer (i.e., tender offers made for the purpose of making a listed subsidiary a wholly-owned subsidiary by its parent company), (c) the market trend regarding the price performance of the Target Company Common Stock, (d) the future outlook for the domestic and foreign business of the Target Company, including the forecast of business results and (e) the outlook for the tender to be made in the Tender Offer. Subsequently, the Tender Offeror continued the discussions and negotiations with the Target Company regarding the terms and conditions of the Transactions, including the Tender Offer Price. Considering the Target Company's request for re-examination of the proposed terms made during such discussions and negotiations by insisting that the Tender Offer Price proposed in the abovementioned proposal (1,800 yen) did not reach a reasonable price, the Tender Offeror proposed the Tender Offer Price of 1,850 yen on October 18, 2019 and the Tender Offer Price of 1,940 yen on October 29, 2019 but the Target Company requested the Tender Offeror to re-examine both the proposed terms on the grounds that the proposed Tender

Offer Prices were not considered to be reasonable. Given the above, the Tender Offeror submitted a revised proposal regarding the Transactions on October 31, 2019 (which included the Tender Offer Price of 2,010 yen; hereinafter, the “Revised Proposal”). Furthermore, today, the Tender Offeror determined that the terms of the Revised Proposal does not need to be changed based on the results of the due diligence conducted on the Target Company and a share valuation report regarding the stock value of the Target Company Common Stock provided by J.P. Morgan today (hereinafter, the “Share Valuation Report (JPM)”). Consequently, the Tender Offeror maintained the terms and conditions of the Revised Proposal and decided that the Tender Offer Price per share would be 2,010 yen and decided to proceed with the Tender Offer.

b. Process and Reason of the Target Company’s Determination

According to the Target Company’s Press Release, the Target Company received an initial inquiry from the Tender Offeror on July 30, 2019, about commencing discussions to consider making the Target Company a wholly-owned subsidiary of the Tender Offeror. Accordingly, given that Target Company is a consolidated subsidiary of the Tender Offeror and the Transactions constitute transactions that typically involve structural conflict of interest issues and information asymmetry issues, in order to address those issues and to ensure the fairness of the Transactions, the Target Company immediately started establishing a framework for evaluating and negotiating the Transactions in terms of increasing its corporate value and securing the interests of general shareholders of the Target Company from a standpoint independent of the Tender Offeror, based on the advice of Mori Hamada & Matsumoto, which is a legal advisor of the Target Company.

Specifically, after preparation towards the establishment of a special committee as stated in “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “b. Establishment of an Independent Special Committee by the Target Company” below, by a resolution at an extraordinary meeting of the board of directors held on August 29, 2019, soon after the receipt of the Initial Written Proposal from the Tender Offeror on August 27, 2019, the Target Company (i) established a special committee, which consisted of four members (three members after the resignation of Mr. Shigeki Iwane), namely Mr. Shigeki Iwane (the Target Company’s former outside director (resigned on October 7, 2019); President and Director of The Kansai Electric Power Co., Inc.; Mr. Shigeki Iwane resigned as a member of the special committee due to personal reasons on September 30, 2019), Mr. Tsutomu Kamijo (outside director of the Target Company and Chairman and Director of

Sapporo Holdings Limited), Mr. Kazutoshi Murao (outside director of the Target Company and Counselor to the president of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION), and Mr. Hiroshi Enoki (outside statutory auditor of the Target Company and a representative of Hiroshi Enoki Certified Public Accountant Office) (for the process of establishment of that special committee, process of the review, and details of determinations made, please refer to “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “b. Establishment of an Independent Special Committee by the Target Company” below.) (ii) referred the following (the “Consulted Matters”) to the special committee and requested the special committee to submit its opinions on those matters to the Target Company: (i) evaluate whether the board of directors of the Target Company should express an opinion in support of the Tender Offer and whether it should recommend that the shareholders of the Target Company tender the Target Company Common Stock in the Tender Offer, after (a) evaluating and determining whether the Transactions should be implemented from the perspective of increasing the corporate value of the Target Company and (b) evaluating and determining the reasonableness of the transaction terms and conditions and the fairness of the procedures from the view of securing the interests of the general shareholders of the Target Company, and provide its recommendation to the board of directors of the Target Company; and (ii) evaluate whether the decision on the Tender Offer by the board of directors of the Target Company will be disadvantageous to the minority shareholders of the Target Company, and provide its opinion to the board of directors of the Target Company. The board of directors of the Target Company also resolved that the contents of determinations by the special committee should be respected to the highest degree in relation to decision-making by the board of directors of the Target Company for the Tender Offer (including the decision whether to support the Tender Offer) and that the board of directors of the Target Company will not support the Tender Offer if the special committee determines that the terms and conditions of the transactions are not reasonable. The board of directors of the Target Company further resolved to grant the special committee the authority (a) to negotiate the terms and conditions of the transactions with the Tender Offeror, (b) to appoint its own financial, legal or other advisors as necessary (fees are to be borne by the Target Company) to prepare responses to the Consulted Matters, or to name or approve the Target Company’s financial, legal or other advisors (including retrospective approval), and (c) to receive from the officers and employees of the Target Company the information necessary to evaluate and make determinations regarding the Tender Offer. As stated in “2. Description of the Tender

Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “b. Establishment of an Independent Special Committee by the Target Company” below, the special committee appointed Nakamura, Tsunoda & Matsumoto as its own legal advisor and appointed KPMG FAS Co., Ltd. (“KPMG”) as its own financial advisor and third-party valuation institution based on the authorization described above.

In addition, as stated in “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “b. Establishment of an Independent Special Committee by the Target Company” below, the special committee confirmed that there is no concern with respect to the independence and expertise of the Target Company’s legal advisor Mori Hamada & Matsumoto and approved the appointment of Mori Hamada & Matsumoto. Also, the Target Company followed the nomination made by the special committee after examining the independence, expertise, accomplishments, and other matters of multiple candidates for financial advisor, and appointed Merrill Lynch Japan Securities Co., Ltd. (“Merrill Lynch Japan Securities”) as a financial advisor of the Target Company on September 3, 2019.

Further, as stated in “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “g. Building of an Independent Evaluation Framework” below, the Target Company established an internal framework for evaluating and negotiating and making determinations regarding the Transactions (including the scope of the officers and employees of the Target Company involved in evaluating and negotiating and making determinations regarding the Transactions, and their duties) from a standpoint independent of the Tender Offeror, and obtained approval from the special committee that there is no concern with respect to that evaluation framework from the standpoint of independence.

Subsequently, the Target Company received guidance and other legal advice, including on measures to secure the fairness of the procedures for the Transactions, from Mori Hamada & Matsumoto and advice from a financial point of view, including submission of the share valuation report on the result of calculation of the value of the Target Company Common Stock, from Merrill Lynch Japan Securities and has carefully discussed and evaluated whether to implement the Transactions and the reasonableness of the transaction terms and

conditions.

Also, the Target Company received from the Tender Offeror an initial proposal including 1,800 yen for the Tender Offer Price on October 9, 2019, and subsequently continued to discuss and negotiate with the Tender Offeror the terms and conditions of the Transactions, including the Tender Offer Price. Specifically, the Target Company received from the Tender Offeror a proposal that the Tender Offer Price should be 1,850 yen on October 18, 2019, and a proposal that the Tender Offer Price should be 1,940 yen on October 29, 2019. In response to each of these proposals, the Target Company requested the Tender Offeror to reconsider its proposal because neither of the proposed prices were reasonable enough. After that negotiation, the Target Company received from the Tender Offeror on October 31, 2019 the Revised Proposal including 2,010 yen for the Tender Offer Price.

In the process of the evaluation and negotiation stated above, the Target Company made reports to the special committee from time to time regarding material aspects and obtained approval from the special committee when necessary. Specifically, the Target Company provided to the special committee an explanation regarding the policy for negotiation of the Transactions in advance, and obtained approval from the special committee. Upon the preparation of the business plan to be presented to the Tender Offeror and the Consolidated Financial Forecast (defined in “2. Description of the Tender Offeror,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “f. Procurement by the Target Company of the Share Valuation Report from an Independent Financial Advisor and Third-Party Valuation Institution” below; hereinafter the same) that constitutes the basis for the calculation of the value of the Target Company Common Stock by Merrill Lynch Japan Securities and KPMG, the Target Company explained to the special committee the preparation policy in advance, and in the process of that preparation, the Target Company provided to the special committee several explanations regarding the details of the drafts of the business plan and the Consolidated Financial Forecast under preparation (including changes to be made from the revised medium-term management plan regarding “Notice Regarding Revision of Medium-Term Management Plan 16-20: Open Up the Future” that the Target Company announced on November 19, 2018), material assumptions, and the progress of preparation, and obtained approval from the special committee after the special committee confirmed the rationality of the details, material assumptions, and the preparation process of the final business plan and the Consolidated Financial Forecast. In addition, upon the receipt of the proposed Tender Offer Price from the Tender Offeror, the Target Company made reports to the special committee each time, and received from the special

committee instructions and requests for the policy on how to react to the proposal and the strategy for negotiation with the Tender Offeror and took measures in accordance with those instructions and requests.

Following this, the Target Company received a written report (the “Report”) from the special committee on November 18, 2019 stating that the special committee believes that (i) the board of directors of the Target Company should resolve to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Target Company tender the Target Company Common Stock in the Tender Offer and (ii) (a) resolving to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Target Company tender the Target Company Common Stock in the Tender Offer at the board of directors of the Target Company would not be disadvantageous to the minority shareholders of the Target Company and (b) making the Target Company a wholly-owned subsidiary of the Tender Offeror after the completion of the Tender Offer would not be disadvantageous to the minority shareholders of the Target Company (for details of the Report, please refer to the section titled “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “b. Establishment of an Independent Special Committee by the Target Company” below). In addition to the Report, the Target Company received from the special committee a share valuation report on the result of calculation of the value of the Target Company Common Stock (the “Share Valuation Report (KPMG)”) and an opinion (a fairness opinion) dated November 18, 2019 to the effect that 2,010 yen per share as the Tender Offer Price is fair to the general shareholders of the Target Company from a financial point of view (the “Fairness Opinion (KPMG)”) received by the special committee from KPMG on November 18, 2019 (for details of the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG), please refer to the section titled “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “d. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Financial Advisor and Third-Party Valuation Institution” below).

In light of this background, the Target Company carefully discussed and evaluated at its board of directors meeting held on today whether the Transactions, including the Tender Offer, would contribute to increasing the corporate value of the Target Company and whether the transaction terms and conditions of the Transactions, including the Tender Offer

Price, are reasonable, based on legal advice from Mori Hamada & Matsumoto, advice from a financial point of view from Merrill Lynch Japan Securities, and a share valuation report on the result of the valuation of the value of the Target Company Common Stock received from Merrill Lynch Japan Securities on November 18, 2019 (the “Share Valuation Report (Merrill Lynch Japan Securities)”), as well as the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG) received through the special committee, giving the highest degree of respect to the contents of determinations by the special committee presented in the Report.

The Target Company concluded that as a result of becoming a wholly owned subsidiary of the Tender Offeror, it becomes possible for the Target Company Group to closely cooperate or collaborate with the Other Tender Offeror Group Companies and mutually utilize external networks in a smooth and efficient manner and to seek to accelerate and enhance the creation of innovation more than ever in a healthcare sector where business opportunities have significantly expanded, enabling both the Target Company Group and the entire Tender Offeror Group including the Target Company Group to further increase their corporate value. The Target Company also determined that the Tender Offer Price of 2,010 yen per share is a reasonable price that secures interests that should be enjoyed by the Target Company’s general shareholders, and that the Tender Offer would provide the Target Company’s general shareholders with a reasonable opportunity to sell the Target Company Common Stock at a price inclusive of an appropriate premium, based on the following

- (i) the fact that the price is a price agreed to with the Tender Offeror based on sufficient negotiations conducted on multiple occasions with the Tender Offeror, in which the special committee was substantially involved, and after taking sufficient measures to ensure the fairness of the terms and conditions of the Transactions, including the Tender Offer Price stated in “2. Description of the Tender Offeror,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” below;
- (ii) the fact that the price exceeds the upper bound of each of the valuation ranges evaluated using the market price analysis and the comparable company analysis, and it is within the valuation range evaluated using the DCF Analysis (defined in “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “f. Procurement by the Target Company of the Share Valuation Report from an Independent Third-Party Valuation Institution” below) according to the

share valuation report of the evaluation of the value of the Target Company Common Stock by Merrill Lynch Japan Securities based on the Share Valuation Report (Merrill Lynch Japan Securities) stated in “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “f. Procurement by the Target Company of the Share Valuation Report from an Independent Third-Party Valuation Institution” below;

- (iii) the fact that the price exceeds the upper bound of the valuation range evaluated using the market price method, and it also exceeds the median of each of the valuation ranges evaluated using the share price multiple method and DCF Method (defined in “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “d. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution” below) according to the share valuation report of evaluation of the value of the Target Company Common Stock by KPMG based on the Share Valuation Report (KPMG) stated in “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “d. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution” below, that KPMG issued the Fairness Opinion (KPMG) stating to the effect that the 2,010 yen per share as Tender Offer Price is fair to the general shareholders of the Target Company;
- (iv) the fact that the price is a price inclusive of a premium of (a) 53.08 % (to be rounded to the second decimal place; the same applies to each percentage of a premium on a share price below) on 1,313 yen, the closing price on November 15, 2019, which is the business day immediately preceding the announcement date of the implementation of the Tender Offer, (b) 54.85% on 1,298 yen, the simple average closing price (to be rounded to the nearest one (1) yen; the same applies to each simple average closing price below) for the one-month period ending on November 15, 2019, (c) 62.88% on 1,234 yen, the simple average closing price for the three-month period ending on November 15, 2019, and (d) 63.02 % on 1,233 yen, the simple average closing price for the six-month period ending on November 15, 2019 of the Target Company

Common Stock on the First Section of the TSE, and that the Target Company considers the premium included in the price to be substantial when compared to the levels of premiums offered in other cases where a tender offer is conducted by a parent company aiming to convert its listed subsidiary into its wholly owned subsidiary; and (v) the fact, as stated in “2. Description of the Tender Offer,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “b. Establishment of an Independent Special Committee by the Target Company”, that the price is considered to be reasonable in the Report obtained from the special committee.

Based on the facts above, the Target Company decided that the Transactions would contribute to increasing the corporate value of the Target Company and that the transaction terms and conditions of the Transactions, including the Tender Offer Price, are reasonable. Therefore, the board of directors of the Target Company resolved at its meeting held today to express its opinion in support of the Tender Offer and recommend that the shareholders of the Target Company tender the Target Company Common Stock in the Tender Offer.

For details of the decision-making process at the meeting of the Target Company’s board of directors described above, please refer to “2. Description of the Tender Offeror,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation,” “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest,” “h. Unanimous Approval of All Non-interested Directors and the No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company” below.

b. Management Policy after the Tender Offer

The Tender Offeror Group is working on providing the most appropriate solutions to social issues by globally concentrating innovative forces, and making an effort to achieve the “sustainable well-being of people, society and our planet Earth” or “KAITEKI”. The Tender Offeror Group has been emphasizing the three values (i.e., Sustainability, Health and Comfort) and has been concentrating its management resources on the creation of solutions by which these values can be accomplished since 2007.

The Tender Offeror will continue to position the Target Company’s pharmaceutical business at the core of its healthcare business and basically intends to respect the current Target Company’s management system even after completion of the Transactions. Further, in accordance with the Tender Offeror’s group management rules, the Tender Offeror Group intends to support the Target Company in implementing its Medium-Term Management Plan

while respecting the independence of the Target Company's management.

Although detailed methods are still under consideration, after the Transactions, the Tender Offeror and the Target Company intend to expand their business to preventive care and healthcare areas in addition to the pharmaceutical business that the Target Company has been engaging in by coordinating within the Tender Offeror Group. Moreover, they will aim for the mid-to long-term growth of the Tender Offeror Group's healthcare business by jointly utilizing chemistry, biotechnology and digital technology to establish a unique healthcare platform.

For such purpose, the Tender Offeror and the Target Company plan to: (a) establish the "Synergy Creation Committee" (tentative name), which will involve both the Other Tender Offeror Group Companies and the Target Company Group and strive for the early creation of synergies and (b) accelerate the expansion of the healthcare business of the Tender Offeror Group, including the Target Company Group, by utilizing the Other Tender Offeror Group Companies' management resources to develop the Target Company Group's foreign operations.

Assuming that no event will occur which would cause the Tender Offeror and the Target Company drastically change their business strategy due to a change in the business environment that they do not anticipate as of today (e.g., business integration with a major pharmaceutical company and drastic restructuring of pharmaceutical industries), the Tender Offeror and the Target Company have confirmed that the Target Company Group's management will be conducted as follows in the ten year period following the Transactions:

(i) Management Policy of the Target Company Group

Even after the Transactions, the Tender Offeror plans to (a) accept and support the implementation of the Target Company's existing business plan and supplemental management actions, (b) respect the independence of the Target Company's management and allow the Target Company to formulate its own management strategy while balancing it with the Medium-Term Management Plan of the Tender Offeror Group, including the Target Company Group, and (c) allow the Target Company Group to exercise its discretion in utilizing its management resources (e.g., funds for investment and personnel planning) when carrying out its management. In addition, the Tender Offeror, in accordance with the circumstances, will consider the possibility of M&A and business integration between the Target Company Group and third parties as one of the strategies to further expand the healthcare business of the Tender Offeror Group.

(ii) The Target Company Group's Management Resources

After the completion of the Transactions, the Tender Offeror plans to maintain the Target Company's strategic investment limits (300,000,000,000 yen in total until FY 2023) and research and development investment level (80,000,000,000 yen per fiscal year until FY 2023), and if necessary to increase R&D expenses, the Tender Offeror intends to flexibly consult with the Target Company in this connection. Furthermore, after the completion of the Transactions, the Tender Offeror will cause the Target Company Group to contribute their funds in hand with the exception of the funds required for the Target Company Group's business, to the cash management system administrated by the Tender Offeror Group and plans to utilize the funds efficiently and decrease financial costs as the Tender Offeror Group in its entirety, while the Tender Offeror will provide the Target Group Company Group with the funds satisfying capital needs in order to prevent any hindrance to the Target Company Group's business execution and financially support as necessary in the case that additional funds are needed in addition to its surplus funds.

In addition, the Tender Offeror ensures fair treatment between its subsidiaries, such as by not requesting only the Target Company, among the Tender Offeror's subsidiaries, to pay a special dividend.

Furthermore, after the completion of the Transactions, the Other Tender Offeror Group Companies and the Target Company Group plan to mutually cooperate for securing human resources for marketing, research, development and digital technology in healthcare areas. The Target Company Group also plans to more effectively utilize the foreign human resources and the infrastructure of organization management of the Other Tender Offeror Group Companies.

### (iii) Others

The Tender Offeror plans to maintain the current employment conditions of the Target Company Group for the time being.

The Tender Offeror believes that the Target Company Group's pharmaceutical business is centered on the Health (which responds to the person's medical needs and contributes to disease treatment of disease, non-disease care, health maintenance and healthy life) among the three values above and after completion of the Transactions, the Tender Offeror Group in unison plans to vigorously promote development and expansion of the Target Company Group's pharmaceutical business.

Incidentally, as of today, of the eight directors and the five auditors of the Target Company, one director concurrently serves as a director of The KAITEKI Institute, Inc., a wholly-owned subsidiary of the Tender Offeror, and another director concurrently serves as a

managing executive officer of the Tender Offeror and a director of Life Science Institute, Inc., however, at this stage, the Tender Offeror does not specifically plan to execute any changes for the management structure of the Target Company after the Tender Offeror.

**(3) Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid a Conflict of Interest**

Considering that the Tender Offeror holds 316,320,069 shares of Target Company Common Stock (Share Holding Ratio: 56.39%), making the Target Company a consolidated subsidiary of the Tender Offeror, and is a controlling shareholder of the Target Company, and that Mr. Masayuki Mitsuka, one of eight directors of the Target Company, is concurrently taking the office of a director of the KAITEKI Institute, Inc., which is a wholly-owned subsidiary of the Tender Offeror, Mr. Takeshi Matsumoto, one of eight directors of the Target Company, is concurrently taking the office of a Managing Executive Officer of the Tender Offeror and a director of Life Science Institute, Inc., which is a wholly-owned subsidiary of the Tender Offeror, Mr. Eizo Tabaru, one of eight directors of the Target Company, held the position of an Executive Officer of one of the main operating companies in the Tender Offeror Group in the past, and Mr. Hiroaki Ueno, one of eight directors of the Target Company, held the position of an employee of one of the main operating companies in the Tender Offeror Group in the past, the Tender Offeror and the Target Company have implemented the following measures respectively in order to ensure the fairness of the Tender Offer and avoid the conflicts of interests from the perspective of avoiding the risk that the Tender Offer is affected by structural conflicts of interests as far as they can.

In addition, since the Tender Offeror, as stated in “(1) Overview of the Tender Offer” above, as of today, holds 316,320,069 shares (Share Holding Ratio: 56.39%) of the Target Company Common Stock, and if the Tender Offeror sets the minimum number of shares to be purchased with a lower limit of so-called “Majority of Minority” in the Tender Offer, it makes the completion of the Tender Offer more uncertainty and may not contribute to the interest of all of the general shareholders who desire to tender their shares through the Tender Offer, the Tender Offeror does not set the minimum number of shares to be purchased with a lower limit of so-called “Majority of Minority” in the Tender Offer. However, given that the Tender Offeror and the Target Company have implemented the following measures, the Tender Offeror believes that the interests of all of the general shareholders of the Target Company have been given ample consideration.

Of the matters listed below, the measures implemented by the Target Company are described below based on explanations received from the Target Company.

- a. Procurement by the Tender Offeror of the Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Institution
- b. Establishment of an Independent Special Committee by the Target Company
- c. Procurement by the Special Committee of Advice from an Independent Legal Advisor
- d. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Financial Advisor and Third-Party Valuation Institution
- e. Procurement by the Target Company of Advice from an Independent Legal Advisor
- f. Procurement by the Target Company of the Share Valuation Report from an Independent Financial Advisor and Third-Party Valuation Institution
- g. Building of an Independent Evaluation Framework
- h. Unanimous Approval of All Non-interested Directors and the No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company
- i. Nonexistence of Transaction Protection Clause
- j. Measures to Secure an Appropriate Opportunity for all Shareholder of the Target Company to decide whether to tender their shares in the Tender Offer

For details of the items above, please refer to “2. Description of the Tender Offeror,” “(4) Basis of Calculation of Tender Offer Price,” “(B) Background of Calculation”, and “Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid a Conflict of Interest” below.

**(4) Policy on Reorganization etc. after the Tender Offer (Matters Relating to the So-Called Two-Stage Takeover)**

As stated in “(1) Overview of the Tender Offer” above, since the Tender Offeror plans to make the Target Company a wholly-owned subsidiary of the Tender Offeror, if the Tender Offeror cannot acquire all of the Target Company Common Stock (excluding the Target Company Common Stock held by the Tender Offeror and the treasury shares held by the Target Company) in the Tender Offer, a series of following proceedings is planned to be taken after the completion of the Tender Offer so that the Tender Offeror will acquire all the Target Company Common Stock (excluding the Target Company Common Stock held by the Tender Offeror and the treasury shares held by the Target Company).

a. Demand for Sale of Shares

Provided that upon completion of the Tender Offer the total number of voting rights of the Target Company owned by the Tender Offeror amounts to 90% or more of the voting rights of all shareholders of the Target Company, and the Tender Offeror becomes a special controlling shareholder as set forth in Article 179, Paragraph 1 of the Companies Act, the Tender Offeror plans to demand that all shareholders of the Target Company (excluding the Target Company and the Tender Offeror; hereinafter the same.) sell all of their Target Company Common Stock in accordance with the provisions of Part II, Chapter II, Section 4-2 of the Companies Act promptly after the completion of the settlement of the Tender Offer (the “Demand for Sale of Shares”).

When exercising the Demand for Sale of Shares, the Tender Offeror will set a cash amount equal to the Tender Offer Price to be paid to the shareholders of the Target Company as per-share consideration for the Target Company Shares. At the same time, the Tender Offeror will notify the Target Company of such intention and ask the Target Company to approve the Demand for Sale of Shares. Provided the Target Company approves the Demand for Sale of Shares through a board of directors’ resolution, the Tender Offeror will purchase all of the Target Company Common Stock owned by all the shareholders of the Target Company by following procedures set forth in the relevant laws and regulations, without obtaining the consent of individual shareholders of the Target Company, as of the date specified in the Demand for Sale of Shares. The Tender Offeror then will pay cash to the shareholders in an amount equal to the Tender Offer Price as per-share consideration for the number of Target Company Common Stock they own. According to the Target Company’s Press Release, in the event that it receives notification from the Tender Offeror concerning the matters prescribed in each Item of Paragraph 1 of Article 179-2 of the Companies Act, with the intention to the Demand for Sale of Shares, the board of directors of the Target Company plans to approve such Demand for Sale of Shares.

The Companies Act has a provision which intends to protect the rights of minority shareholders relating to the Demand for Sale of Shares and Article 179-8 of the Companies Act and other relevant laws and regulations provide that the shareholders of the Target Company who do not tender their shares in the Tender Offer may file a motion with the court to determine the sale/purchase price of the Target Company Common Stock they own. In case this motion is filed, the sale/purchase price will be ultimately ruled by the court.

b. Share Consolidation

On the other hand, if the total number of voting rights of the Target Company owned by the Tender Offeror is less than 90% of the voting rights of all shareholders of the Target

Company after the Tender Offer is completed, the Tender Offeror intends to request that the Target Company hold an extraordinary meeting of shareholders (the “Extraordinary Shareholders’ Meeting”) at which the Target Company will present proposals to approve the consolidation of the Target Company Shares (the “Share Consolidation”) in accordance with Article 180 of the Companies Act and, subject to the Share Consolidation becoming effective, abolish the article in the Articles of Incorporation concerning the number of shares per share unit, and the Tender Offeror will vote in favor of these proposals above at the Extraordinary Shareholders’ Meeting. The Tender Offeror believes that, in order to enhance the corporate value of the Tender Offeror Group including the Target Company Group, it would be desirable to hold the Extraordinary Shareholders’ Meeting early. Thus, the Tender Offeror plans to make a request that the Target Company make a public notice of a base date for the Extraordinary Shareholders’ Meeting to set the base date on a date after but close to the settlement commencement date of the Tender Offer (as of today, such public notice date is expected to be sometime mid-January 2020). As of today, the base date for the Extraordinary Shareholders’ Meeting is expected to be set sometime in late January 2020 or early February 2020 and the Extraordinary Shareholders’ Meeting is expected to be held sometime in mid-March 2020.

In the event that the proposed Share Consolidation is approved at the Extraordinary Shareholders’ Meeting, as of the effective date of the Share Consolidation, the shareholders of the Target Company will own a proportionate number of the Target Company Common Stock in accordance with the Share Consolidation ratio approved by the Extraordinary Shareholders’ Meeting. The shareholders of the Target Company will be paid for the fractional shares that they will be allocated as a result of the Share Consolidation, if any, with the cash to be paid for the sale of the Target Company Common Stock in a number equivalent to the total number of such fractional shares (any fractions of the total number will be rounded down; hereinafter the same.) to the Target Company or the Tender Offeror, in accordance with the procedure prescribed in Article 235 of the Companies Act and other relevant laws and regulations. With regard to the sale price of the Target Company Common Stock for a number equivalent to the total number of such fractional shares, the Tender Offeror plans to request that the Target Company file a motion with the court to permit a voluntary sale, after calculating the amount to be paid to the shareholders of the Target Company who do not tender their shares in the Tender Offer by multiplying the Tender Offer Price by the number of the Target Company Common Stock they own respectively. While the consolidation ratio of the Share Consolidation has not yet been determined as of today, the Tender Offeror will determine the number of the Target Company Common Stock to be owned by the shareholders who do not tender their shares in Tender

Offer (excluding the Target Company and the Tender Offeror) to be less than one share so that only the Tender Offeror will own the Target Company Common Stock (excluding the treasury shares owned by the Target Company) after the Share Consolidation.

The Companies Act has a provision to protect the rights of minority shareholders relating to the Share Consolidation. In the event of the Share Consolidation, if there are any fractional shares resulting from the Share Consolidation, in accordance with Articles 182-4 and 182-5 of the Companies Act and other relevant laws and regulations, when the conditions prescribed therein are satisfied, the shareholders of the Target Company (excluding the Tender Offeror and the Target Company) may demand that the Target Company purchase all of their fractional shares at fair prices and may file a motion with the court to determine the fair price of the Target Company Common Stock. As stated above, the number of the Target Company Common Stock to be allocated to the shareholders of the Target Company who do not tender their shares in the Tender Offer are intended to become fractions as a result of the Share Consolidation, and thus, the shareholders of the Target Company who oppose to the Share Consolidation are expected to be able to file the motion above. If this motion is filed, the purchase price will be ultimately ruled by the court.

Please note that the Tender Offer is not intended to persuade the shareholders of the Target Company to agree to the proposal in the Extraordinary Shareholders' Meeting.

The procedures stated in "a." and "b." above may take a longer time or may be changed depending upon the amendment or enforcement of the relevant laws, regulations or the interpretation by the authorities on the relevant laws and regulations. However, even in such cases, if the Tender Offer is completed, the Tender Offeror intends to take a measure to eventually pay cash to shareholders of the Target Company who do not tender their shares in the Tender Offer. The amount of cash to be paid to the respective shareholders in that event is planned to be equal to an amount calculated by multiplying the Tender Offer Price by the number of the Target Company Common Stock that each shareholder owns. Specific procedures and the schedule thereof in such cases will be announced by the Target Company as soon as they have been determined through mutual discussions between the Tender Offeror and the Target Company.

In addition, regarding the treatment of the Tender Offer or any of the above procedures under tax rules, please consult with your experts including tax accountants if as necessary.

##### **(5) Possibility of and Reasons for Delisting**

The Target Company Common Stock are presently listed on the First Section of the TSE, but the Tender Offeror has not set the maximum number of shares to be purchased through Tender Offer. Accordingly, depending on the results of the Tender Offer, the Target Company Common Stock may be delisted after the prescribed procedures are completed, in accordance with the TSE listing rules. Even if the requirements of the delisting rules are not met by the completion of the Tender Offer, the Tender Offeror plans to proceed to acquire all of the Target Company Common Stock (excluding the shares owned by the Tender Offeror and the treasury shares owned by the Target Company) in the manner outlined in “(4) Policy on Reorganization etc. after the Tender Offer (Matters Relating to the So-Called Two-Stage Takeover)” above. In such case, the Target Company Common Stock will be delisted in accordance with the TSE listing rules. The Target Company Common Stock cannot be traded at the First Section of the TSE if they are delisted.

**(6) Matters relating to Important Agreements between Tender Offeror and the shareholders of the Target Company with respect to the Tender Offer**

N/A

**2. Description of the Tender Offer**

**(1) Description of the Target Company**

(1) Name	Mitsubishi Tanabe Pharma Corporation
(2) Location	2-10, Doshomachi 3-chome, Chuo-ku, Osaka City, Osaka
(3) Name and title of representative	Masayuki Mitsuka, President and Representative Director
(4) Description of business	Manufacturing and sale of pharmaceuticals with a focus on ethical pharmaceuticals
(5) Capital	50,000 million yen
(6) Date of Incorporation	December 15, 1933

(7) Major Shareholders and shareholding ratios (as of September 30, 2019)	Mitsubishi Chemical Holdings Corporation	56.39%
	The Master Trust Bank of Japan, Ltd. (trust account)	4.67%
	Japan Trustee Services Bank, Ltd. (trust account)	2.36%
	Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	2.15%
	STATE STREET BANK WEST CLIENT -TREATY 505234 (standing proxy: Mizuho Bank, Ltd.)	1.18%
	JPMorgan Securities Japan Co., Ltd.	1.05%
	Japan Trustee Services Bank, Ltd. (trust account 9)	1.01%
	STATE STREET BANK AND TRUST COMPANY 505103 (standing proxy: Mizuho Bank, Ltd.)	0.84%
	Japan Trustee Services Bank, Ltd. (trust account 5)	0.83%
	STREET BANK AND TRUST COMPANY 505225 (standing proxy: Mizuho Bank, Ltd.)	0.71%
(8) Relationship between the Tender Offeror and the Target Company		
Capital relationship	The Tender Offeror holds 316,320,069 shares of the Target Company Common Stock (shareholding ratio: 56.39 %) as of today (the total number of issued shares of the Target Company: 561,417,916).	
Personnel relationship	As of today, the Target Company has eight directors. Three of them were transferred from the Tender Offeror and one of them currently holds a position as an executive officer of the Tender Offeror.	
Transactional Business relationship	The Target Company deposits its funds with the Tender Offeror as a part of the Tender Offeror's group finance and receives interests with respect to such deposited funds.	
Status as related party	The Target Company is a consolidated subsidiary of the Tender Offeror and, therefore, is a related party of the Tender Offeror.	

(Note) The description of shareholding ratios in “Major Shareholders and Shareholding Ratios (as of September 30, 2019)” is prepared based on the figures included in “Status of Major Shareholders” in FY2019 Second Quarterly Report submitted by the Target Company on November 6, 2019.

## (2) Schedule, Etc.

### a. Schedule

Date of Board of Directors' Resolution	November 18, 2019 (Monday)
Scheduled Date of Public Notice of Commencement of the Tender Offer	November 19, 2019 (Tuesday) Public disclosure will be made electronically, and a notice of such disclosure will be published in the <i>Nihon Keizai Shimbun</i> . EDINET (electronic disclosure for investors' network): ( <a href="http://disclosure.edinet-fsa.go.jp/">http://disclosure.edinet-fsa.go.jp/</a> )
Scheduled Date of Submission of the Tender Offer Registration Statement	November 19, 2019 (Tuesday)

b. Tender Offer Period as of the time of filing of the Tender Offer Registration Statement

From November 19, 2019 (Tuesday) to January 7, 2020 (Tuesday) (31 business days)

c. Possible extension of the Tender Offer Period based on the Target Company's request

N/A

### (3) Tender Offer Price

2,010 yen per share of common stock

### (4) Basis of Calculation of Tender Offer Price

#### (A) Basis of Calculation

In connection with the determination of the Tender Offer Price, the Tender Offeror requested J.P. Morgan to provide the valuation of share price of the Target Company Common Stock. J.P. Morgan is not a related party to either the Tender Offeror or the Target Company, nor does it have any material conflict of interest in this Tender Offer.

Having considered a number of methods for the valuation of share price of the Target Company Common Stock, J.P. Morgan performed such valuation using an average share price analysis, a comparable company analysis and a discounted cash flow analysis (the "DCF Method"), and provided the Tender Offeror with the Share Valuation Report (JPM). The Share Valuation Report (JPM) was prepared solely for the purpose of providing information to assist the Tender Offeror's board of directors in its evaluation of the Tender Offer. According to the Share Valuation Report (JPM), the methods used in such valuation and the range of value per share of the Target Company Common Stock calculated based thereon are as follows:

a) Average share price analysis: 1,233 yen~1,313 yen

In performing the average share price analysis based on publicly available information, J.P. Morgan used November 15, 2019 as the base date, and reviewed a closing price per share of the Target Company Common Stock on such date (1,313 yen) and average daily closing share price of the Target Company Common Stock on the TSE for each one month (1,298 yen), three month (1,234 yen) and six month (1,233 yen) period through such date (rounded to the nearest yen, and the same shall apply to any calculation of an average daily closing share price hereinafter in this section).

b) Comparable company analysis: 1,338 yen~1,659 yen

In performing the comparable company analysis, J.P. Morgan used November 15, 2019 as the base date, selected listed companies, Takeda Pharmaceutical Company Limited, Chugai Pharmaceutical Co., Ltd., Daiichi Sankyo Co., Ltd., Astellas Pharma Inc., Otsuka Holdings Co., Ltd., Eisai Co., Ltd., Shionogi & Co., Ltd., Kyowa Kirin Co., Ltd., ONO PHARMACEUTICAL CO., LTD., Santen Pharmaceutical Co., Ltd., and Sumitomo Dainippon Pharma Co., Ltd., that are comparable (but may not be identical) in the businesses they engage in to the business of the Target Company for the purpose of analysis, and calculated the value of the Target Company Common Stock in comparison with the items contained in the financial statements of such peer companies that are indicative of their market value, growth potential and profitability, among other things.

c) DCF Method: 1,799 yen~2,289 yen

In performing the DCF Method, J.P. Morgan used business plans, financial forecasts, projected earnings and investment plans of the Target Company, interviews with the managements of the Tender Offeror and the Target Company, results of due diligence, and other publicly available information and various other factors, all of which have been approved by the Tender Offeror to be used by J.P. Morgan for the purpose of this analysis. J.P. Morgan calculated the Target Company Common Stock's value by discounting the free cash flows which the Target Company is expected to generate in the fiscal period ending March 2020 and thereafter to the present value at a certain range of discount rates. It is to be noted that no significant changes to profit or loss are expected in the business plans and the financial forecasts of the Target Company, which J.P. Morgan used as the basis of the DCF Method. The business plans and the financial forecasts of the Target Company provided by the Tender Offeror to J.P. Morgan, which J.P. Morgan used as the basis of the DCF Method, have taken into account the impact of various measures to be implemented following the Tender Offer, assuming the Tender Offer is consummated.

The Tender Offeror determined the Tender Offer Price as 2,010 yen, based on the analysis and results contained in the Share Valuation Report (JPM), and by considering the results of due diligence conducted with respect to the Target Company, whether the board of directors of the Target Company supports the Tender Offer, the trend of the market value of the Target Company Common Stock, and the expected number of subscribers in the Tender Offer, among other factors, in a comprehensive manner, as well as in light of the discussions and negotiations with the Target Company. Following the receipt of the fairness opinion from J.P. Morgan today to the effect that the Tender Offer Price of 2,010 yen thus determined was fair from a financial point of view to the Tender Offeror under certain conditions (the “Fairness Opinion (JPM)”), the Tender Offeror determined the Tender Offer Price to be 2,010 yen by the resolution of the board of directors today.

The Tender Offer Price per share of 2,010 yen represents the amount adding a premium of 53.08% on the closing price of the Target Company Common Stock on the TSE as of November 15, 2019, which is the business day immediately preceding the date of the public announcement of the Tender Offer (1,313 yen), 54.85% on the average daily closing share price of the Target Company on the TSE for the one month period up to such date (1,298 yen), 62.88% on the average daily closing share price of the Target Company on the TSE for the three month period up to such date (1,234 yen), and 63.02% on the average daily closing share price of the Target Company on the TSE for the six month period up to such date (1,233 yen).

(Note) The following is a supplementary explanation of the Fairness Opinion (JPM) and the conditions for the valuation of share price of the Target Company Common Stock as the basis therefor, as well as the matters considered therein and the limitations on the analyses.

In giving the Fairness Opinion (JPM) and conducting the valuation of share price of the Target Company Common Stock which was the basis for such opinion (including the Share Valuation Report (JPM), and hereinafter the same shall apply), J.P. Morgan has relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by the Tender Offeror or the Target Company or otherwise reviewed by or for J.P. Morgan, and J.P. Morgan has not independently verified (nor has it assumed responsibility or liability for independently verifying) any such information or its accuracy or completeness. J.P. Morgan has not conducted or been provided with any valuation or appraisal of any assets or liabilities, nor has it evaluated the solvency of the Tender Offeror or the Target Company under any applicable laws relating to bankruptcy, insolvency or similar matters. In relying on financial

analyses and forecasts provided to J.P. Morgan by, or derived from, the Tender Offeror or the Target Company, J.P. Morgan has assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management of the Tender Offeror and the Target Company as of the date of the Fairness Opinion (JPM) as to the expected future results of operations and financial condition of the Tender Offeror and Target Company to which such analyses or forecasts relate. J.P. Morgan expresses no view as to such analyses or forecasts or the assumptions on which they were based. J.P. Morgan has also assumed that the other transactions contemplated by the Tender Offer will have all the consequences described in discussions with, and materials furnished to J.P. Morgan by, the representatives of the Tender Offeror. J.P. Morgan is not a legal, regulatory, tax or accounting expert and has relied on the assessments made by advisors to the Tender Offeror with respect to such issues. J.P. Morgan further assumes that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Tender Offer would be obtained without any adverse effect on the Tender Offeror or the Target Company or on the contemplated benefits of the Tender Offer.

The Fairness Opinion (JPM) and the result of the valuation of share price of the Target Company Common Stock, which was the basis for such opinion, were necessarily based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan, as of the date of such opinion. It should be understood that subsequent developments may affect the Fairness Opinion (JPM) and that J.P. Morgan does not have any obligation to update, revise, or reaffirm its analyses and opinion therein. The Fairness Opinion (JPM) is limited to the opinion about the fairness, from a financial point of view, to the Tender Offeror of the Tender Offer Price to be paid by the Tender Offeror in the Tender Offer, and J.P. Morgan expresses no opinion as to the judgment made by the Tender Offeror to launch the Tender Offer. Furthermore, the Fairness Opinion (JPM) and the result of the valuation of share price of the Target Company Common Stock, which was the basis for such opinion, are not intended to recommend a specific acquisition price to the Tender Offeror or its board of directors, nor are they intended to recommend a certain acquisition price as the only appropriate one.

J.P. Morgan has acted as the financial advisor to the Tender Offeror with respect to the Tender Offer and will receive a fee from the Tender Offeror for its services, a substantial portion of which will become payable only if the Tender Offer is

consummated. In addition, the Tender Offeror has agreed to indemnify J.P. Morgan for certain liabilities arising out of such engagement. During the two years preceding the date of the Fairness Opinion (JPM), neither J.P. Morgan nor its affiliates has provided any other material financial advisory services, commercial banking services or investment banking services to the Tender Offeror or the Target Company, except as set forth in this paragraph. In addition, J.P. Morgan and its affiliates hold, on a proprietary basis, less than 1% of the outstanding common stock of each of the Tender Offeror and the Target Company. In the ordinary course of business, J.P. Morgan and its affiliates may actively trade the debt and equity securities of the Tender Offeror or the Target Company for its own account or for the accounts of customers and, accordingly, J.P. Morgan and its affiliates may at any time hold long or short positions in such securities.

The financial forecasts of the Target Company provided by the Tender Offeror to J.P. Morgan in connection with the valuation of share price of the Target Company Common Stock and the Fairness Opinion (JPM) (the “Financial Forecasts”) were prepared by the Target Company’s management and adjusted by the Tender Offeror. The Tender Offeror does not publicly disclose the Financial Forecasts, which were not prepared with the view to be publicly disclosed. The Financial Forecasts are inherently uncertain, and are dependent on a number of variables and conditions (including, without limitation, factors related to the general economy, competitive conditions and prevailing interest rates) that may be beyond the control of the Tender Offeror’s or the Target Company’s management. Therefore, the actual performance may largely differ from those set forth in the Financial Forecasts.

The foregoing summary of the opinions as set forth in the Fairness Opinion (JPM), and the result of the valuation of share price of the Target Company Common Stock, which was the basis for such Opinion, and the valuation method thereof do not purport to be a complete description of the analyses conducted by or data referred to by J.P. Morgan. The preparation of the Fairness Opinion (JPM) and the Share Valuation Report (JPM) is a complex process and, therefore, a partial description or a summary of the analyses does not reflect a complete and accurate representation thereof. J.P. Morgan believes that the results of its analyses must be considered as a whole and that reviewing only summaries or portions of such analyses, without considering all of such analyses as a whole, could lead to an incomplete view of the processes underlying the analyses and its opinion. In providing its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form a view as to whether or how

any individual analysis or factor, considered in isolation, supported or failed to support its opinion, or to what extent. Rather, J.P. Morgan considered the totality of the factors and analyses performed in providing its opinion. None of the selected companies reviewed as described in the above analysis as a comparable company is identical to the Target Company's operating units or subsidiaries. However, the companies selected were chosen because they are listed companies with businesses that, for purposes of J.P. Morgan's analysis, may be considered similar to those of the Target Company. The analyses by J.P. Morgan necessarily involve complex considerations and judgments concerning differences in financial and business characteristics of the companies involved and other factors that could affect the companies compared to the Target Company.

#### (B) Background of Calculation

##### (Background of the determination of the Tender Offer Price)

In late July 2019, the Tender Offeror decided that it is desirable to make the Target Company a wholly-owned subsidiary and started considering the Transactions. Also, the Tender Offeror created an environment amenable to discussions and negotiations with respect to the Transactions by retaining J.P.Morgan, a financial advisor, as a third-party organization independent from the Tender Offeror and the Target Company, and Nagashima Ohno and Tsunematsu as a legal advisor independent from the Tender Offeror and the Target Company, and on July 30, 2019, the Tender Offeror primarily approached to the Target Company regarding the Transactions. Consequently, since early August, 2019, the Tender Offeror and the Target Company started specific discussion and examination regarding the terms and conditions of the Transactions including whether and how the Transactions should be executed and the Tender Offer Price. The Tender Offeror examined the expected synergies and the Target Company's management organization after the Transactions and submitted the Initial Written Proposal on August 27, 2019. Furthermore, the Tender Offeror submitted the Revised Proposal (which includes the Tender Offer Price of 2,010 yen) to the Target Company. In addition, the Tender Offeror obtained the Target Company's consent and conducted due diligence on the Target Company from late September to mid-November 2019.

On the other hand, after the Target Company received an initial inquiry about commencing discussions to consider making the Target Company a wholly-owned subsidiary of the Tender Offeror from the Tender Offeror on July 30, 2019, considering that that the Target Company is a consolidated subsidiary of the Tender Offeror and that the Transactions (including the Tender Offer) constitute transactions that typically involve structural conflict of interest issues and information asymmetry issues, the Tender Offeror established a framework for evaluating and

negotiating the Transactions in terms of increasing the corporate value of the Target Company and securing the interests of general shareholders of the Target Company from a standpoint independent of the Tender Offer, the Target Company by various measures such as establishing a special committee by a resolution at an extraordinary meeting of the board of directors held on August 29, 2019, while receiving advice from Mori Hamada & Matsumoto, a legal advisor of the Target Company.

Consequently, since early August 2019, the Tender Offeror and the Target Company started specific discussion and examination regarding the terms and conditions of the Transactions including whether and how the Transactions should be executed and the Tender Offer Price, and thereafter continuously discussed and negotiated.

As a result, today, the Tender Offeror, based on the results of the due diligence conducted on the Target Company and the Share Valuation Report (JPM), has concluded that, for the improvement of the corporate value of the entire Tender Offeror Group, including the Target Company Group, it is necessary to create an environment amenable to drastic actions directed at not the Target Company Group's short-term benefits but targeted at the medium-term and long-term growth of the entire Tender Offeror Group, including the Target Company Group by making the Target Company a wholly-owned subsidiary of the Tender Offeror through the Transactions, while providing the Target Company's general shareholders with an appropriate and reasonable opportunity to sell their Target Company Common Stock, and the Tender Offeror decided to conduct the Transactions including the Tender Offer and determined the Tender Offer Price through following process. For details of the Tender Offeror's decision making process for the Tender Offer, please refer to "1. Purpose of Tender Offer", "(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer" above.

a. Name of third-party that provided an opinion regarding the calculation

To ensure the fairness of the Tender Offer Price, the Tender Offeror consulted the calculation result in the Share Valuation Report (JPM) provided by J.P. Morgan, a third-party valuation institution independent from the Tender Offeror. J.P.Morgan, the financial advisor of the Tender Offeror, is not an affiliated party of the Tender Offeror or the Target Company, and does not have a material interest in respect of the Tender Offer.

b. Summary of the opinion

According to the Share Valuation Report (JPM), the methods used for calculation and the per share value ranges of the Target Company Common Stock calculated under each of the methods are as follows:

Average share price analysis: 1,233 yen – 1,313 yen

Comparable company analysis: 1,338 yen – 1,659 yen

DCF Analysis: 1,799 yen – 2,289 yen

c. Background of the determination of the Tender Offer Price based on the opinion

The Tender Offeror submitted the Revised Proposal that includes a proposed Tender Offer Price of 2,010 yen taking into consideration (a) the Share Valuation Report (JPM), (b) the possibility of approval at a board of directors' meeting of the Target Company, (c) actual examples of premiums decided in past cases similar to the Tender Offer, in which the tender offer to shares, etc., was made by a person other than the issuer (i.e., tender offers made for the purpose of making a subsidiary being listed a wholly-owned subsidiary by its parent company), (d) the market trend regarding the price performance of the Target Company Common Stock, (e) the future outlook for the domestic and foreign business of the Target Company, including the financial forecasts, (f) the outlook for the tender in the Tender Offer and (g) the result of discussions and negotiations with the Target Company, etc. Furthermore, the Tender Offeror determined that the Revised Proposal does not need to be further revised in light of the results of the due diligence conducted on the Target Company by the Tender Offeror from late September to mid-November 2019 and the Share Valuation Report (JPM). Consequently, the Tender Offeror maintained the Revised Proposal and decided that the Tender Offer Price per share would be 2,010 yen today.

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

a. Procurement by the Tender Offeror of a Share Valuation Report and a Fairness Opinion from an Independent Third-Party Valuation Institution

The Tender Offeror obtained the Share Valuation Report (JPM) and the Fairness Opinion (JPM) by J.P. Morgan as of Today. For details of the Share Valuation Report (JPM) and the Fairness Opinion, please refer to “(B) Background of Calculation” above.

b. Establishment of an Independent Special Committee by the Target Company

(i) Process of the Establishment of an Independent Special Committee

As stated in “1. Purpose of Tender Offer,” “(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer,” “b. Process and Reason of the Target Company’s Determination,” the Target Company established a special committee by a resolution at an extraordinary meeting of the board of directors held on August 29, 2019. Prior to the establishment of the special committee, the Target Company received an initial inquiry from the Tender Offeror on July 30, 2019, about

commencing discussions to consider making the Target Company a wholly-owned subsidiary of the Tender Offeror; immediately after receiving that inquiry, for the purpose of establishing a framework for evaluating and negotiating the Transactions in terms of increasing the corporate value of the Target Company and securing the interests of general shareholders of the Target Company from a standpoint independent of the Tender Offer, the Target Company, while receiving advice from Mori Hamada & Matsumoto, individually explained to all of the Target Company's independent outside directors at that time, as well as Mr. Hiroshi Enoki, a certified public accountant, and Mr. Tadashi Fukuda, an attorney-at-law, who are independent outside statutory auditors of the Target Company with extensive experience and expertise, that (i) the Target Company received the inquiry from the Tender Offeror, and (ii) since the Transactions constitute transactions that typically involve structural conflict of interest issues and information asymmetry issues, the Target Company needs to take sufficient measures to ensure the fairness of the terms and conditions of the Transactions (including the Tender Offer Price), such as the establishment of a special committee, when evaluating and negotiating the Transactions. The Target Company held a meeting with all of the Target Company's independent outside directors at that time and independent outside statutory auditors Mr. Hiroshi Enoki and Mr. Tadashi Fukuda on August 19. At the meeting, the Target Company once again explained to the effect that the inquiry had been received from the Tender Offeror, and Mori Hamada & Matsumoto explained (a) to the effect that the Target Company needs to sufficiently ensure the fairness of procedures to address the structural conflict of interest issues and information asymmetry issues in the Transactions and (b) the roles of the special committee, followed by a question-and-answer session. At the same time, the Target Company confirmed the independence and competence of the Target Company's independent outside directors and independent outside statutory auditors who will be candidates for the members of the special committee, while receiving advice from Mori Hamada & Matsumoto. Subsequently, after confirming (i) independence from the Tender Offeror (despite there being certain business relationships between each member's company (including Mr. Hiroshi Enoki's company, Deloitte Touche Tohmatsu LLC) and the Tender Offeror or the Target Company, the volume of those transactions accounts for less than 1% of consolidated profit in each case, and it has also been confirmed that there are no other material interests) and (ii) absence of material interest in the results of the Transactions that differs from that of the general shareholders, the Target Company held discussions with the Target Company's independent outside directors at that time and independent outside statutory auditors present at the meeting and appointed four members, namely Mr. Shigeki Iwane (the Target Company's former outside director (resigned on October 7, 2019); President and Director of The Kansai Electric Power

Co., Inc.; Mr. Shigeki Iwane resigned as a member of the special committee due to personal reasons on September 30, 2019), Mr. Tsutomu Kamijo (outside director of the Target Company and Chairman and Director of Sapporo Holdings Limited), Mr. Kazutoshi Muraio (outside director of the Target Company and Counselor to the president of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION), and Mr. Hiroshi Enoki (outside statutory auditor of the Target Company and a representative accountant of Hiroshi Enoki Certified Public Accountant Office) as candidates for members of the special committee, while receiving advice from Mori Hamada & Matsumoto (there has been no change in the members of the special committee apart from the resignation of Mr. Shigeki Iwane).

Subsequently, as stated in “1. Purpose of Tender Offer,” “(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer,” “b. Process and Reason of the Target Company’s Determination,” above, by a resolution at an extraordinary meeting of the board of directors held on August 29, 2019, soon after the receipt of the Initial Written Proposal from the Tender Offeror on August 27, 2019, the Target Company established the special committee, referred the Consulted Matters to the special committee, and requested the special committee to submit its opinion on the Consulted Matters to the Target Company. The board of directors of the Target Company also resolved that the contents of determinations by the special committee should be respected to the highest degree in relation to decision-making by the board of directors of the Target Company for the Tender Offer (including the decision whether to support the Tender Offer) and that the board of directors of the Target Company will not support the Tender Offer if the special committee determines that the terms and conditions of the transactions are not reasonable. The board of directors of the Target Company further resolved to grant the special committee the authority (a) to negotiate the terms and conditions of the transactions with the Tender Offeror, (b) to appoint its own financial, legal or other advisors as necessary (fees are to be borne by the Target Company) to prepare responses to the Consulted Matters, or to name or approve the Target Company’s financial, legal or other advisors (including retrospective approval), and (c) to receive from the officers and employees of the Target Company the information necessary to evaluate and make determinations regarding the Tender Offer.

Each member of the special committee will be paid a fixed amount of remuneration irrespective of the contents of responses as remuneration for his duties.

(ii) Process of Review

From August 29, 2019 to November 18, 2019, the special committee carefully discussed and evaluated the Consulted Matters by holding 16 meetings in total for around 26 hours in

total and frequently exchanged emails between meetings to report or share information, to conduct deliberations, and to make decisions.

Specifically, upon firstly examining the independence, expertise, and accomplishments, and other matters of multiple candidates for legal advisor and financial advisor and third-party valuation institution, the special committee appointed Nakamura, Tsunoda & Matsumoto as its own legal advisor independent from the Tender Offeror and the Target Company and KPMG as its own financial advisor and third-party valuation institution independent from the Tender Offeror and the Target Company. The special committee confirmed that there has been no business relationship between Nakamura, Tsunoda & Matsumoto and the Tender Offeror or the Target Company for the past three years. Although one of the employees of KPMG has been seconded to the Tender Offeror and KPMG receives a certain amount of consideration related to such secondment, the special committee determined that, taking into account the size of KPMG's business, the existence of that relationship does not affect the independence of KPMG from the Tender Offeror in the Transactions. The special committee also confirmed that there has been no other business relationships between KPMG and the Tender Offeror or the Target Company for the past three years.

In addition, the special committee approved the appointment of Mori Hamada & Matsumoto, the Target Company's legal advisor, after confirming that there is no concern with respect to its independence and expertise. After considering the independence, expertise, and achievements, and other matters of multiple candidates for financial advisor, the special committee nominated Merrill Lynch Japan Securities as the Target Company's financial advisor, and, following the nomination, the Target Company appointed Merrill Lynch Japan Securities as the Target Company's financial advisor. Furthermore, the special committee approved the internal framework for evaluating the Transactions (including the scope of officers and employees of the Target Company involved in the evaluation, negotiation and decision the Transactions, and their duties) established by the Target Company after confirming that there is no concern with respect to that evaluation framework from the standpoint of independence.

Subsequently, the special committee has discussed and evaluated measures to be taken to ensure the fairness of the procedures in the Transactions, taking into account legal advice received from Nakamura, Tsunoda & Matsumoto and the opinions of Mori Hamada & Matsumoto.

The special committee submitted written questions to the Tender Offeror regarding (a) the Tender Offeror's positioning of the health care business and its future vision, (b) the role of the Target Company in the future vision, (c) the synergies anticipated as a result of the Transactions and the reason why making a wholly-owned subsidiary is necessary rather than

retaining the current capital structure, (d) the Tender Offeror's thoughts on the Target Company's management policy and the mid-term management plan after the Transactions, (e) the reason why the Tender Offeror chose to conduct the Tender Offer at this timing and the Tender Offeror's thoughts on the Tender Offer Price, (f) the Tender Offeror's thoughts on personnel policy and corporate governance after the Transactions, (g) the Tender Offeror's thoughts on the disadvantages of delisting and (h) procedures, terms and conditions of the Transactions. The Tender Offeror responded to the special committee, and Hitoshi Ochi, Director and Representative Corporate Executive Officer, President & CEO of the Tender Offeror, provided the special committee in person with an explanation regarding these matters and held a question-and-answer session.

The special committee requested the Target Company's President & Representative Director Masayuki Mitsuka, the Target Company's Representative Director Takashi Kobayashi, the Target Company's Director Eizo Tabaru, the Target Company's Director Hiroaki Ueno, and the Target Company's Director Yoshihiro Kobayashi to attend a meeting of the special committee and asked their opinions as the management of the Target Company and for relevant information regarding (a) the relationship between the future vision for the healthcare business in the Target Company Group and the Transactions, (b) the reason why making a wholly-owned subsidiary is necessary rather than retaining the current capital structure and the synergies anticipated as a result of the Transactions, (c) their thoughts on the timing of the Transactions, (d) disadvantages of delisting, and (e) availability of other options other than the Transactions, and then held a question-and-answer session, deliberation, and discussions on these matters.

The special committee received, in advance, an explanation from the Target Company regarding the policy for preparing the business plan upon the preparation of the business plan (including the Consolidated Financial Forecast) for the Transactions by the Target Company, received explanations during the preparation process regarding the details, material assumptions, and the preparation progress of the draft of the business plan at several occasions, and approved the details, material assumptions, and the preparation process of the final business plan after confirming the rationality of those elements, taking into account the advice from a financial point of view received from KPMG. As stated in "d. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Financial Advisor and Third-Party Valuation Institution" and "f. Procurement by the Target Company of the Share Valuation Report from an Independent Financial Advisor and Third-Party Valuation Institution" below, KPMG and Merrill Lynch Japan Securities conducted the valuation of the Target Company Common Stock based on the Consolidated Financial Forecast, and the special committee (a) received explanations

from KPMG regarding the valuation method for the Target Company Common Stock used by KPMG, the reason why KPMG used the valuation method, the details of valuation by using each method and material assumptions for the valuation of the Target Company Common Stock (including the basis for calculating the discount rate under the DCF Analysis or DCF Method and the reason for selecting comparable companies under comparable company method and share price multiple method) (collectively, the “Evaluation Methods”) implemented by KPMG, (b) considered the explanations and from Merrill Lynch Japan Securities regarding the Evaluation Methods implemented by Merrill Lynch Japan Securities for the valuation of the Target Company Common Stock in accordance with instructions from the Target Company which had received a request from the special committee to provide those instructions and (b) confirmed the rationality of these matters after question-and-answer sessions, deliberation, and discussions. As stated in “d. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Third-Party Valuation Institution” below, the special committee received the Fairness Opinion (KPMG) on November 18, 2019, together with the explanation from KPMG regarding the details and material assumptions for the Fairness Opinion (KPMG), and the special committee confirmed such details and material assumptions.

The special committee received, in advance, an explanation from the Target Company regarding the negotiation policy for the Transactions that the Target Company had decided on after taking into account the advice from a financial point of view received from Merrill Lynch Japan Securities, including the implementation of adequate negotiation in accordance with general negotiation processes for M&A conducted between independent parties to obtain more favorable terms and conditions of the transactions to the extent possible from the Tender Offeror, and approved the negotiation policy after deliberation and discussion based on the advice from a financial point of view received from KPMG. Since receiving on October 9, 2019 the initial proposal from the Tender Offeror that the Tender Offer Price should be 1,800 yen per share, each time the Target Company has received from the Tender Offeror a price proposal, the Target Company has made a report to the special committee in a timely manner. The special committee evaluated and discussed the contents of the proposal based on the advice from a financial point of view received from KPMG, as well as the Target Company’s view based on the advice from a financial point of view received from Merrill Lynch Japan Securities by the Target Company, and was actively involved in the discussion and negotiation process regarding the Tender Offer Price between the Target Company and the Tender Offeror, including giving instructions and making requests to the Target Company (a) to request the Tender Offeror to increase the Tender Offer Price and (b)

to suggest a price that sufficiently reflects the synergies anticipated from the Transactions. As a result, the Target Company received the Revised Proposal on October 31, 2019 from the Tender Offeror stating 2,010 yen per share as the Tender Offer Price.

The special committee received explanations regarding details on the following from Mori Hamada & Matsumoto on several occasions and, while receiving advice from Nakamura, Tsunoda & Matsumoto, confirmed that sufficient information disclosure would be provided (a) drafts of this press release and an opinion statement for the Tender Offer to be disclosed or filed by the Target Company and (b) drafts of the press release and tender offer registration statement for the Tender Offer to be disclosed or filed by the Tender Offeror.

(iii) Determinations

Based on the background provided above and in light of the legal advice from Nakamura, Tsunoda & Matsumoto and advice from a financial point of view from KPMG, and the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG) submitted as of November 18, 2019 from KPMG, the special committee carefully discussed and evaluated the Consulted Matters and, as of November 18, 2019, submitted to the board of directors of the Target Company the Report with the unanimous approval of the members. An outline of the Report is as follows.

(a) Opinion

a-i The special committee believes that the board of directors of the Target Company should resolve to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Target Company tender the Target Company Common Stock in the Tender Offer.

a-ii The special committee believes that resolving to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Target Company tender the Target Company Common Stock in the Tender Offer would not be disadvantageous to the minority shareholders of the Target Company. The special committee also believes that making the Target Company a wholly-owned subsidiary of the Tender Offeror after the completion of the Tender Offer would not be disadvantageous to the minority shareholders of the Target Company.

(b) Evaluation

b-i Based on the following aspects, the special committee has determined that the Transactions and subsequent actions will contribute to increasing the corporate value of the Target Company.

- The special committee agrees with the current understanding of the Target Company and the Tender Offeror regarding the business environment surrounding the Target Company and the Target Company's business issues as stated in "3.

Details of and Grounds and Reasons for the Opinion on the Tender Offer,” “(2) Grounds and Reasons for the Opinion on the Tender Offer,” “B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer” in the Target Company’s Press Release, and considers it necessary and reasonable to conduct the Transactions between the Target Company and the Tender Offeror at this time to promote the creation and realization of further synergies.

- Based on the business environment and business issues stated above, according to the management of the Target Company, it is important to maintain the sustainability of pharmaceuticals in the context of a declining birthrate and aging society and rapid technological evolution in the healthcare field in order to maintain and increase the Target Company’s corporate value in the medium to long term, and continuous investment in technology and access to growing technological domains are essential business strategies, and the special committee believes that the Transactions are an effective choice to pursue such business strategies. Under the current capital structure in which both parent and subsidiary companies are listed, synergy effects have not been fully realized because there are certain restrictions due to necessity of establishing a firewall between the Target Company and the Tender Offeror and protecting the interests of the general shareholders of both parties; however, making the Target Company a wholly-owned subsidiary of the Tender Offeror through the Transactions will remove these restrictions, and thus satisfy the conditions to realize the synergy effects stated in “3. Details of and Grounds and Reasons for the Opinion on the Tender Offer,” “(2) Grounds and Reasons for the Opinion on the Tender Offer,” “B. Background and Purpose of and Decision-Making Process for the Tender Offeror Leading to the Decision to Conduct the Tender Offer” in the Target Company’s Press Release.
- The synergy effects stated above will not be achieved solely by making the Target Company a wholly-owned subsidiary of the Tender Offeror; continuous investments for the purpose of maintaining the speed of the R&D pipelines and access to new technology in the regenerative medicine and digital areas are also considered necessary. In order to realize the synergy effects stated above to the fullest extent through such continuous investment, it is considered necessary for the Target Company to remain in a core position in the healthcare business in the Tender Offeror Group and to ensure a structure in which the Target Company and the Tender Offeror may actively be involved in realizing such synergy effects. As stated in “3. Details of and Grounds and Reasons for the Opinion on the Tender

Offer,” “(2) Grounds and Reasons for the Opinion on the Tender Offer,” “C. Management Policy After the Tender Offer” in the Target Company’s Press Release, the Target Company and the Tender Offeror plan to continue to position the Target Company’s pharmaceutical business at the core of the healthcare business in the Tender Offeror Group and to disclose, after mutual confirmation, the details of business strategies and policies regarding management resources in order for the Target Company and the Tender Offeror to actively promote synergy effects; therefore, it is reasonably expected that the structure to realize synergy effects by the Transactions will be ensured.

- Some disadvantages are also expected from the Target Company’s delisting, however, it is considered possible to mitigate these disadvantages sufficiently, and the special committee has determined that the advantages of strengthening the attractive features of the Target Company’s products and its pipelines through the Transactions will be greater than the disadvantages.
  - The special committee believes that none of the possible transactions other than the Transactions would be more effective than the Transactions in increasing the Target Company’s corporate value due to the following reasons: the fact that the Tender Offeror has no apparent intention of selling the Target Company Common Stock held by the Tender Offeror to other third parties; the fact that a merger with a major overseas pharmaceutical company would be unlikely to utilize the strengths of the Target Company; and the fact that significant restructuring would be required if the Target Company were to merge with a major overseas pharmaceutical company or a medium-sized pharmaceutical company in Japan.
- b-ii From the perspective of (a) ensuring a situation substantially equivalent to an arm’s length transaction in the process of formulating the transaction terms and (b) ensuring that general shareholders have an opportunity to make an appropriate decision based on sufficient information, it is confirmed that fair procedures to protect the interests of general shareholders have been taken in the Transactions based on following points.
- It is confirmed that the independent special committee established by the Target Company worked effectively in the Tender Offer.
  - It is confirmed that the special committee obtained independent professional advice from Nakamura, Tsunoda & Matsumoto and KPMG, its external experts, and that the Target Company obtained independent professional advice from Mori Hamada & Matsumoto and Merrill Lynch Japan Securities, its external experts.
  - It is confirmed that the special committee obtained a share valuation report from

KPMG, expert independent third-party valuation institution as a basis for its decision, and the Target Company obtained a share valuation report from Merrill Lynch Japan Securities, expert independent third-party valuation institution as a basis for its decision.

- The special committee obtained the Fairness Opinion (KPMG) from KPMG, and KPMG stated in its opinion that 2,010 yen per share as the Tender Offer Price is fair to the general shareholders of the Target Company from a financial point of view.
- the Target Company made a report to the special committee to the effect that the Target Company has built an internal framework under which the Target Company's officers and employees involved in the evaluation, negotiation, and decision-making regarding the Transactions are able to perform their duties from a position independent from the Tender Offeror, and the special committee has confirmed and approved that there is not concern with respect to that framework from the standpoint of independence.
- All directors and statutory auditors who have conflict of interest are excluded from the deliberation or resolution of the board of directors meeting and evaluation and negotiation regarding the Transactions.
- It is confirmed that the Target Company conducted so-called "indirect market checks" where an M&A transaction is executed in a manner that allows other prospective acquiring parties to make competing proposals after the proposed M&A transaction is announced. Although the Target Company did not conduct so-called "active market checks" to investigate and evaluate prospective acquiring parties in the market, considering the fact that (a) the purchaser is the controlling shareholder in the Transactions and (b) the Tender Offeror is unlikely to sell the Target Company Common Stock held by the Tender Offeror to any third party, it would be pointless to conduct the active market check and the fact that the Target Company did not conduct so-called "active market checks" would be unlikely to reduce the fairness of procedures in the Transactions.
- According to the Tender Offeror, the Tender Offeror has not included a "Majority of the Minority" condition because the inclusion of a "Majority of the Minority" condition in the Tender Offer may make the completion of the Tender Offer more uncertainty and may not contribute to the interest of all of the general shareholders who desire to tender their shares through the Tender Offer. The special committee believes that the Tender Offeror's decision is not unreasonable. Furthermore, the special committee believes that the fact that the Tender Offeror did not include a "Majority of the Minority" condition does not reduce the fairness of procedures in

the Transactions because (a) the Transactions would contribute to increasing the corporate value of the Target Company and the transaction terms and conditions for the Transactions are appropriate and (b) the Target Company has taken sufficient measures to ensure the fairness of the Transactions.

- It is confirmed that the Tender Offer intends to ensure that general shareholders have an opportunity to make an appropriate decision based on sufficient information.
- It is confirmed that coerciveness is eliminated in the Transactions.

b-iii It is confirmed that transaction terms and conditions for the Transactions are reasonable based on following reasons.

- The acquisition method used in the Transactions is believed to be reasonable because the method by which an offeror conducts a tender offer as a first step, and then conducts a demand for sale of shares or a share consolidation as a second step is generally used in transactions conducted in order to make a company a wholly-owned subsidiary like the Transactions. Also, the type of consideration for the acquisition is believed to be reasonable because (i) a tender offer in which consideration is paid in cash is believed to be more reasonable to the Target Company's general shareholders than a one-step acquisition in which shares of the offeror are delivered as consideration, since the business of the Tender Offeror is different from that of the Target Company, and (ii) the type of consideration for acquisition in the second step transaction is deemed reasonable because the Target Company's general shareholders who do not tender their shares will be able to avoid the risk of a decrease in the price of the Tender Offeror's shares which they would have borne if the Tender Offeror's shares were to be delivered as consideration in exchange for the Target Company's shares, and will be able to receive an amount of cash determined based on the same price as the Tender Offer Price.
- 2,010 yen per share as the Tender Offer Price is confirmed to be reasonable because (a) no particular unreasonable points have been found with respect to the purpose, preparation, or content of the Consolidated Financial Forecast that is the basis of the share valuation by the DCF Method and the DCF Analysis in the Share Valuation Report (KPMG) and the Share Valuation Report (Merrill Lynch Japan Securities), (b) the Share Valuation Report (KPMG) is determined to be credible since no particular unreasonable points have been found with respect to the method and details of valuation stated therein, and 2,010 yen per share as the Tender Offer Price exceeds the upper bound of the valuation range evaluated using the market price method, and it also exceeds the median of each of the valuation ranges evaluated using share price multiple method and the DCF Method, in the Share

Valuation Report (KPMG) (c) the Share Valuation Report (Merrill Lynch Japan Securities) is determined to be credible since no particular unreasonable points have been found with respect to the method and details of valuation stated therein, and 2,010 yen per share as the Tender Offer Price exceeds the upper bound of each of the valuation ranges evaluated using the market price method and the comparable company method, and it is within the valuation range evaluated using DCF Analysis, in the Share Valuation Report (Merrill Lynch Japan Securities), (d) the premium included in 2,010 yen per share as the Tender Offer Price exceeds the average and median of premiums added in similar transactions, therefore it is confirmed that a substantial premium is added, (e) the Tender Offer Price is the price agreed to after sincere negotiations, in which the special committee was substantially involved and played a central role, between the Target Company and the Tender Offeror, and (f) the Tender Offer Price is judged to be fair to the general shareholders of the Target Company from a financial point of view in the Fairness Opinion (KPMG) obtained from KPMG.

- b-iv Based on above, the board of directors of the Target Company believes that it should resolve to express its opinion in support of the Tender Offer and recommend that the shareholders of the Target Company accept the Tender Offer.
- b-v Furthermore, the board of directors of the Target Company believes that resolving to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Target Company accept the Tender Offer would not be disadvantageous to the minority shareholders of the Target Company. The board of directors of the Target Company also believe that making the Target Company a wholly-owned subsidiary of the Tender Offeror after the completion of the Tender Offer would not be disadvantageous to the minority shareholders of the Target Company.

c. Procurement by the Special Committee of Advice from an Independent Legal Advisor

As stated in “b. Establishment of an Independent Special Committee by the Target Company” above, for the purpose of obtaining expert advice regarding the fairness of procedures, the special committee appointed Nakamura, Tsunoda & Matsumoto as its own legal advisor independent from the Tender Offeror and the Target Company and received legal advice, including advice regarding measures to be taken to ensure the fairness of the procedures of the Transactions, various procedures for the Transactions, and the method and process of deliberation of the special committee for the Transactions.

Nakamura, Tsunoda & Matsumoto is not a related party of the Tender Offeror or the Target

Company and does not have any material interest in the Transactions (including the Tender Offer). For other information regarding the independence of Nakamura, Tsunoda & Matsumoto, please see “b. Establishment of an Independent Special Committee by the Target Company” above.

d. Procurement by the Special Committee of the Share Valuation Report and the Fairness Opinion from an Independent Financial Advisor and Third-Party Valuation Institution

(i) Name of Valuation Institution and its Relationship with the Target Company and the Tender Offeror

In considering the Consulted Matters, in order to ensure the reasonableness of transaction terms and conditions of the Transactions, including the Tender Offer Price, the special committee requested KPMG, its own financial advisor and third-party valuation institution independent from the Tender Offeror and the Target Company, to calculate the value of the Target Company Common Stock and conduct financial analysis incidental thereto and also to express an opinion concerning the fairness of the Tender Offer Price (a fairness opinion). The Target Company obtained the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG) on November 18, 2019.

As stated in “1. Purpose of Tender Offer,” “(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer,” “b. Process and Reason of the Target Company’s Determination,” above, the board of directors of the Target Company received the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG) together with the Report that was submitted to it by the special committee on November 18, 2019, and, in light of the contents of the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG), the board of directors of the Target Company passed the resolution stated in “h. Unanimous Approval of All Non-interested Directors and the No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company” below.

KPMG is not a related party of the Tender Offeror or the Target Company, and does not have any material interest in connection with the Transactions, including the Tender Offer, needing to be disclosed. As stated in “b. Establishment of an Independent Special Committee by the Target Company” above, the special committee appointed KPMG as its own financial advisor and third-party valuation institution after considering several candidate financial advisors and third-party valuation institutions in terms of their independence, expertise, accomplishments, and other matters. Also, only a fixed-amount of compensation, which is payable regardless of whether the Transactions succeed, will be paid to KPMG in connection with the Transactions, and no contingency

compensation, which is payable subject to completion of the Transactions, including the Tender Offer, and other conditions, will be paid.

(ii) Outline of Valuation

In order to collect and examine information required for calculating the value of the Target Company Common Stock, KPMG obtained information on the Target Company's current business status and forecasted business outlook and received explanations about these matters from the Target Company's management, and calculated the value of the Target Company Common Stock based on that information. After considering which methods should be applied to calculate the value of the Target Company Common Stock among the various share value calculation methods available KPMG calculated the value of the Target Company shares using: (a) the market price method because the Target Company Common Stock are listed on the First Section of the TSE and market prices exist; (b) the share price multiple method because there are multiple listed companies engaged in businesses similar to that of the Target Company and analogical inference of the share value is viable; and (c) the discounted cash flow method (the "DCF Method") so as to reflect in the evaluation the status of future business activities, based on the premise that the Target Company is a going concern and from the perspective that it would be appropriate to assess the share value of the Target Company Common Stock in multiple ways. The following are the ranges of values per the Target Company Common Stock that were calculated by KPMG based on each calculation method set out above.

Market Price Method:	1,233 yen – 1,313 yen
Share Price Multiple Method:	1,735 yen – 2,050 yen
DCF Method:	1,841 yen – 2,096 yen

Under the market price method, using November 15, 2019 as the evaluation reference date, the per-value of the Target Company Common Stock was evaluated to range from 1,233 yen to 1,313 yen, based on the closing price of the reference date (1,313 yen), the simple average closing price for the most recent one month (1,298 yen), the simple average closing price for the most recent three months (1,234 yen) and the simple average closing price for the most recent six months (1,233 yen) of the Target Company Common Stock on the First Section of the TSE. Under the share price multiple method, the per-value of the Target Company shares was assessed to range from 1,735 yen to 2,050 yen based on the ratio of EBITDA to the enterprise value compared to Astellas Pharma Inc., Daiichi Sankyo Company Limited, Eisai Co., Ltd., Chugai Pharmaceutical Co., Ltd., Sumitomo Dainippon Pharma Co., Ltd., Shionogi & Co., Ltd., and Kyowa Kirin Co., Ltd. as comparable listed companies, each of which is selected by KPMG,

among listed companies in Japan that engage mainly in development, manufacture, and sale of ethical drugs as the Target Company does, comprehensively taking into account their similarities to the Target Company in terms of operating results, financial status, status of cash flow, scale of business, and other factors.

Under the DCF Method, the range of the per-value of the Target Company Common Stock is evaluated from 1,841 yen to 2,096 yen, which results from analyzing the Target Company's corporate value and share value by discounting to the present value at a certain discount rate the free cash flow that the Target Company is expected to generate in the second quarter of 2020 and onward based on the Target Company's business plans for the period from the fiscal year ending March 2020 to the fiscal year ending March 2031 and trends in the Target Company's operating results to date, after holding question-and-answer sessions with the Target Company in order to confirm the reasonableness of those business plans. A sum-of-the-parts approach was used for the DCF Method, whereby corporate value and share value are calculated by aggregating values of each business segment or geographic segment analyzed separately. The discount rate (weighted-average cost of capital) adopted is 6.05% to 6.55% as to domestic operation and 9.55% to 11.45% for overseas operation, which are calculated based on the CAPM (capital asset pricing model) theory that is generally used in practice for share value evaluation. The perpetual assumption method was used in evaluating the going-concern value of the business segments and geographic segments that KPMG considers that evaluation as the going-concern are appropriate based on sustainable cash flows, and the perpetual growth rate was 0.0% to 2.35%, which was determined based on analysis conducted separately for businesses in Japan and overseas.

The Consolidated Financial Forecast used by KPMG as the basis of the DCF Method have been reviewed by KPMG after holding several question-and-answer sessions with the Target Company and also confirmed by the special committee in terms of the reasonableness of their details, material assumptions, and the preparation process, as stated in "b. Establishment of an Independent Special Committee by the Target Company" above. Specific figures in the Consolidated Financial Forecast used as the basis for calculation by the DCF Method by KPMG is as stated in "f. Procurement by the Target Company of the Share Valuation Report from an Independent Financial Advisor and Third-Party Valuation Institution," "(ii) Outline of Valuation" below.

In principle, when calculating the value of the Target Company shares, KPMG has used, as-is, information provided to it by the Target Company, information obtained through interviews, publicly available information, and other information based on the assumption that these materials and information are entirely accurate and complete and

that there exist no circumstances that have not been disclosed to KPMG that would have a material impact upon the calculations of the value of the Target Company shares. KPMG has not made an independent study of the accuracy or completeness of those materials and information. KPMG has not independently valued or appraised the assets or liabilities (including derivative transactions, off-balance-sheet assets or liabilities, and other contingent liabilities) of the Target Company or any of its subsidiaries or affiliates and has not conducted any analysis or valuation of individual assets or liabilities. Also, KPMG has not requested any third-party institution to perform any such valuation, appraisal, or assessment. Moreover, KPMG assumed that the Target Company's financial forecast, referenced in the relevant calculations, was reasonably prepared and produced pursuant to the best forecasts and judgments that could be obtained from the Target Company this time, and that relevant calculations reflected the information and economic situation as of November 18, 2019.

(iii) Outline of the Fairness Opinion (KPMG)

The special committee also obtained the Fairness Opinion (KPMG) from KPMG, which states to the effect that 2,010 yen per share as the Tender Offer Price is fair to the general shareholders of the Target Company from a financial point of view. The Fairness Opinion (KPMG) expresses an opinion to the effect that, assuming the scheme of the Transactions is implemented, 2,010 yen per share as the Tender Offer Price will be a fair value to the general shareholders of the Target Company (the "Expression of Opinion") in light of the result of the share valuation conducted based on the Consolidated Financial Forecast that was prepared by the Target Company as stand-alone basis and the result of analysis of premiums added in past tender offer cases that are similar to the Tender Offer. The Fairness Opinion (KPMG) was issued after several question-and-answer sessions were held with the Target Company regarding the background and process that led to the conclusion to support the Tender Offer and review procedures conducted by the review committee of KPMG independently from the KPMG team engaging in the preparation of the Fairness Opinion, in addition to examination of the result of the Target Company share valuation conducted by KPMG through analysis and examination of financial information, including the Consolidated Financial Forecast, provided by the Target Company and the holding of question-and-answer sessions with the Target Company. The Expression of Opinion is based on the assumption that the information provided by the Target Company and publicly available information are entirely accurate and complete, and KPMG has not independently assessed their accuracy or completeness. KPMG has not independently valued, appraised, or assessed the individual assets or liabilities (including contingent liabilities) of the Target Company or any of its

subsidiaries and has not received any valuation report or appraisal report on those matters. KPMG has not conducted any audit or assessment procedures with respect to the Target Company's financial statements, including audit procedures in accordance with generally accepted auditing standards, and is not in a position to express an audit opinion on the Target Company's financial information. If there is a material error in the information disclosed to KPMG by the Target Company, or if there is a fact undisclosed to KPMG as of the date of the Expression of Opinion that could materially affect the analysis of the value of the Target Company Common Stock, then the result of analysis, which is the basis of KPMG's opinion, might be materially different. Since the contents of the Expression of Opinion are based on economic conditions, the regulatory environment, the market environment, and other conditions as of the date of the Expression of Opinion, any subsequent change in those conditions or environment might cause a material impact on the analysis of the Target Company Common Stock value; however, KPMG is not obligated to update, amend, or reaffirm the contents of the Expression of Opinion.

The Expression of Opinion is made on the assumption that the estimated financial forecast provided by the Target Company is the most reasonable and accountable financial forecast reasonably prepared by the Target Company based on the best forecasts and judgments made by the Target Company's management as of the date of the Expression of Opinion. KPMG does not express any opinion regarding the assumptions underlying that financial forecast or its feasibility. Matters and the environment assumed in a financial forecast not materializing as expected is a common occurrence, and differences between the forecast and actual performance that would potentially arise in such a case might have a material impact on the value of the Target Company shares; however, the analysis by KPMG was not conducted for the purpose of examining the feasibility of the financial forecast. KPMG is not in a position to express an opinion on the appropriateness of the assumptions used in the financial forecast.

The Expression of Opinion is made for the sole purpose of providing a portion of the information that should be considered by the special committee when considering and submitting its opinion on the Consulted Matters and not for any other purpose. Also, the Expression of Opinion does not express KPMG's opinion on decision-making by the special committee or express any recommendation as to whether the Target Company's general shareholders should tender their shares. In addition, KPMG has not been requested to calculate or forecast the purchase price of the Target Company shares in transactions other than the Tender Offer and is not in a position to express an opinion on those matters.

e. Procurement by the Target Company of Advice from an Independent Legal Advisor

As stated in “b. Establishment of an Independent Special Committee by the Target Company” above, for the purpose of obtaining expert advice on the fairness of procedures, the Target Company appointed Mori Hamada & Matsumoto as a legal advisor independent from the Tender Offeror and the Target Company and received legal advice, including advice regarding measures to be taken to ensure the fairness of the procedures of the Transactions, various procedures for the Transactions, and the method and process of decision-making by the Target Company for the Transactions.

Mori Hamada & Matsumoto is not a related party of the Tender Offeror or the Target Company and does not have any material interest in the Transactions (including the Tender Offer).

f. Procurement by the Target Company of the Share Valuation Report from an Independent Financial Advisor and Third-Party Valuation Institution

As stated in “b. Establishment of an Independent Special Committee by the Target Company” below, for the purpose of obtaining expert advice and assistance regarding measuring the value of companies and price negotiations, etc., the Target Company appointed Merrill Lynch Japan Securities as a financial advisor and a third-party valuation institution independent from the Tender Offeror and the Target Company and obtained the Share Valuation Report (Merrill Lynch Japan) dated November 18, 2019 while receiving advice from a financial point of view. For an outline of the Share Valuation Report (Merrill Lynch Japan), please see “1. Purpose of Tender Offer,” “(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer,” “b. Process and Reason of the Target Company’s Determination,” above.

Merrill Lynch Japan Securities is not a related party of the Tender Offeror or the Target Company and does not have any material interest in the Transactions (including the Tender Offer).

(i) Name of Valuation Institution and its Relationship with the Target Company and the Tender Offeror

In arriving at our opinion regarding the Tender Offer, in order to ensure the fairness of the decision-making process concerning the Tender Offer Price presented by the Tender Offeror, the Target Company requested Merrill Lynch Japan Securities, a financial advisor and third-party valuation institution independent from the Tender Offeror and the Target Company, to evaluate the value of the Target Company Common Stock and conduct financial analysis incidental thereto. The Target Company obtained the Share Valuation Report (Merrill Lynch Japan Securities) dated November 18, 2019, subject to

the assumptions set forth below (Note 1) and certain other conditions. Merrill Lynch Japan Securities is not a related party of the Tender Offeror or the Target Company, and does not have any material interest in the Transactions, including Tender Offer, needing to be disclosed. Further, the Target Company has not obtained from Merrill Lynch Japan Securities any opinion concerning the fairness of the Tender Offer Price (a fairness opinion).

Also, compensation payable to Merrill Lynch Japan Securities in connection with the Transactions is contingency compensation that is payable subject to completion of the Tender Offer. The Target Company has appointed Merrill Lynch Japan Securities as its financial advisor and third-party valuation institution based on the compensation system above after taking into consideration practices generally used in similar transactions, the propriety of a compensation system in which the Target Company will bear a certain level of financial burden if the Transactions are not completed, and other factors.

(ii) Outline of Valuation

After considering the various valuation methods of the equity value of the Target Company Common Stock, Merrill Lynch Japan Securities analyzed the equity value of the Target Company Common Stock using (i) market price method because the Target Company Common Stock are listed on the First Section of the TSE, (ii) comparable company method because there are numerous listed companies that are considered to be relatively similar to the Target Company and analogical inference of the share value of the Target Company Common Stock is viable, and (iii) the DCF Analysis so as to reflect in the evaluation the status of future business activities, subject to the condition precedent set forth below (Note 1) and other certain conditions, based on the premise that the Target Company is a going concern and from the perspective that it would be appropriate to evaluate the share value of the Target Company Common Stock in multiple ways.

According to Merrill Lynch Japan Securities, the methods used, and the corresponding ranges of per-share price of the Target Company Common Stock evaluated by such methods, are as follows. For assumptions, points of attention, etc. in the preparation of the Share Valuation Report (Merrill Lynch Japan Securities) by Merrill Lynch Japan Securities and the underlying valuation analysis therefor, please refer to Note 1.

Market price method:	1,233 yen – 1,313 yen
Comparable company method:	1,386 yen – 1,750 yen
DCF Analysis:	1,861 yen – 2,209 yen

Under market price method, using November 15, 2019 as the evaluation reference date, the per-value of the Target Company Common Stock was evaluated to range from 1,233 yen to 1,313 yen, based on the closing price of the reference date (1,313 yen), the simple

average closing price for the most recent one month (1,298 yen), the simple average closing price for the most recent three months (1,234 yen) and the simple average closing price for the most recent six months (1,233 yen) of the Target Company Common Stock on the First Section of the TSE.

Under comparable company method, the share value of the Target Company shares was analyzed via comparison with market share prices and financial indices indicating profitability, etc. of various listed companies engaged in relatively similar, albeit not completely identical, businesses to those of the Target Company, picked out for the purpose of analysis. The per-value of the Target Company Common Stock was evaluated to range from 1,386 yen to 1,750 yen, based on the ratio of EBITDA to the business value compared to Astellas Pharma Inc., Otsuka Holdings Co., Ltd., Eisai Co., Ltd., Shionogi & Co., Ltd., Kyowa Kirin Co., Ltd., Ono Pharmaceutical Co., Ltd., Santen Pharmaceutical Co., Ltd., Sumitomo Dainippon Pharma Co., Ltd., Nippon Shinyaku Co., Hisamitsu Pharmaceutical Co., Inc., Kaken Pharmaceutical Co., Ltd., Mochida Pharmaceutical Co., Ltd., Kissei Pharmaceutical Co., Ltd. and KYORIN Holdings, Inc., each of which is deemed to be a listed company having similarities to the Target Company, and taking into consideration the market capitalization and the scale of corporate value, the current business scale and the status of business deployment within/outside Japan, the future domestic/international business deployment strategy, and the policy and status of the research and development activities toward the creation of new medicine (including the products developed by itself, and the activities for adoption or derivation) and other factors.

Under the DCF Analysis, the per-value of the Target Company Common Stock has been evaluated to range from 1,861 yen to 2,209 yen, after analyzing the enterprise value and the equity value of the Target Company based on the financial forecast for the 12 fiscal years from the fiscal year ending March 2020 to the fiscal year ending March 2031 (including the free cash flow) prepared by the Target Company by discounting such free cash flow to the present value at a certain discount rate. The discount rate (weighted average cost of capital) adopted is 4.75% to 6.75% as to the domestic operation and 8.0% to 10.0% as to the overseas operation, which are analyzed based on the CAPM (capital asset pricing model) theory that is generally used in practice for share value evaluation. The exit multiple method and the perpetual growth rate method are adopted for the valuation of the going concern value, and 8.0 to 10.0 times and 8.0 to 10.0 times are adopted as the EBITDA multiple for the domestic business and the international business, respectively, under the exit multiple method, and the ratio of minus 2.0% to minus 1.0% and 1.0% to 2.0% are adopted as the perpetual growth rate as to the domestic business

and the international business, respectively, under the perpetual growth rate method based on the guidance given by the Target Company.

The consolidated financial forecast prepared based on the business plan provided by the Target Company (the “Consolidated Financial Forecast”), used by Merrill Lynch Japan Securities as the basis of the DCF Method, is as follows. Details of the Consolidated Financial Forecast have been examined by Merrill Lynch Japan Securities, which has not independently assessed the accuracy or completeness of the Consolidated Financial Forecast and is not obligated to do so (please refer to (Note 1) below for assumptions, disclaimers, etc. based on which Merrill Lynch Japan Securities examined the Consolidated Financial Forecast). Details of the Consolidated Financial Forecast have also been confirmed by the special committee in terms of the reasonableness of their details, material assumptions, and the preparation process, as stated in “b. Establishment of an Independent Special Committee by the Target Company” above. The forecast also covers the fiscal years in which a substantial increase/decrease in profits is expected. Specifically, the expectation that the full-year operating income for the fiscal year ending March 2024 will be increased to 61.6 billion yen, which is 64% up from the previous year, and that the Adjusted EBITDA (Note 2) will be increased to 96.2 billion yen, which is 86% up from the previous year, is made mainly because the investment in research and development for existing late-stage products of the Target Company will be completed and existing late-stage products of the Target Company, such as ND0612 (Levodopa/Carbidopa, Continuous SC pump (Parkinson’s disease)) and MT-1186 (Edaravone, Free radical scavenger (Amyotrophic lateral sclerosis: ALS/Oral suspension)), are expected to fully contribute to the Target Company’s profits. For the fiscal year ending March 2025, it is expected that the existing late-stage products of the Target Company will continuously contribute to the profits, similar to the previous fiscal year, and the full-year operating income will be increased to 93.0 billion yen, which is 51% up from the previous year. In contrast, the expectation for the fiscal year ending March 2031 that the full-year operating income will be decreased to 90.5 billion yen, which is 31% down from the previous year, is made mainly because the sales amount and the items of other income will be decreased due to the completion of the existing late-stage products of the Target Company. However, the synergistic effect expected to be achieved by the execution of the Transactions is not reflected in the Consolidated Financial Forecast, as it is difficult to estimate any effect at this point. Please note that an arbitration procedure was commenced with Novartis Pharma AG in February 2019, and a part of the royalty for Gilenya payable by Novartis Pharma AG has not been recognized as sales revenue in accordance with IFRS. Although this accounting

treatment is expected to be made going forward, so that such a recognition will not be made during the process of the arbitration procedure, the Consolidated Financial Forecast was prepared under the assumption that the application for the arbitration had not been made. Therefore, the Consolidated Financial Forecast is different from the financial forecast announced by the Target Company in the Second Quarterly Earnings Release for FY 2019 (IFRS) (Consolidated) disclosed by the Target Company on October 30, 2019:

(In 100 million Yen)

	FY ending March 2020	FY ending March 2021	FY ending March 2022	FY ending March 2023	FY ending March 2024	FY ending March 2025
Sales	4,188	4,117	4,188	4,158	4,776	5,114
Operating Income	502	440	459	375	616	930
Adjusted EBITDA (Note 2)	626	485	610	517	962	1,201
Free Cash Flow	265	166	328	296	603	933

	FY ending March 2026	FY ending March 2027	FY ending March 2028	FY ending March 2029	FY ending March 2030	FY ending March 2031
Sales	5,227	5,390	5,733	5,756	5,555	4,956
Operating Income	1,081	1,170	1,463	1,498	1,318	905
Adjusted EBITDA (Note 2)	1,349	1,433	1,728	1,763	1,572	1,133
Free Cash Flow	1,007	1,068	1,281	1,366	1,210	968

(Note 1) The above-mentioned Share Valuation Report (Merrill Lynch Japan Securities) has been delivered solely for the use and benefit of the board of directors of the Target Company in its capacity as such in connection with and for purposes of its evaluation of the Tender Offer Price from a financial point of view. The Share Valuation Report (Merrill Lynch Japan Securities) does not express any opinion or view with respect to any consideration received in connection with the Transactions by the holders of any class of securities, creditors or other constituencies of any party. The

Share Valuation Report (Merrill Lynch Japan Securities) expresses no view or opinion as to any terms or other aspects of the Transactions, including, without limitation, the form or structure of the Transactions. Furthermore, the Share Valuation Report (Merrill Lynch Japan Securities) does not express any opinion or view as to the relative merits of the Transactions in comparison to other strategies or transactions that might be available to the Target Company or in which the Target Company might engage or as to the underlying business decision of the Target Company to proceed with or effect the Transactions. In addition, the Share Valuation Report (Merrill Lynch Japan Securities) does not express any opinion or recommendation to any shareholder of the Target Company as to whether to tender their the Target Company shares in the Tender Offer or how to vote or act in connection with the Transactions or any related matter. Moreover, the Share Valuation Report (Merrill Lynch Japan Securities) does not express any opinion or view with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Transactions, or class of such persons, relative to the Tender Offer Price. The Share Valuation Report (Merrill Lynch Japan Securities) does not express any opinion as to the prices at which the Target Company Common Stock will be traded at any time, including following the announcement or consummation of the Transactions.

In preparing the Share Valuation Report (Merrill Lynch Japan Securities) and conducting its underlying valuation analysis, Merrill Lynch Japan Securities reviewed certain publicly available information concerning the business and financial matters of the Target Company, as well as the business and financial information inside the Target Company (including the Consolidated Financial Forecast) which was either provided by the management of the Target Company to Merrill Lynch Japan Securities or with which Merrill Lynch Japan Securities discussed with the management of the Target Company. Merrill Lynch Japan Securities has assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with Merrill Lynch Japan Securities and has relied upon the assurances of the management of the Target Company that they are not aware of any facts or circumstances that would make such

information or data inaccurate or misleading in any material respect. Further, with respect to the Consolidated Financial Forecast, Merrill Lynch Japan Securities has been advised by the Target Company, and has assumed, with the consent of the Target Company, that it has been reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of the Target Company as to the future financial performance of the Target Company. The Share Valuation Report (Merrill Lynch Japan Securities) is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to Merrill Lynch Japan Securities as of, the date of the report (except as otherwise stated in the analysis). It should be understood that subsequent developments may affect the Share Valuation Report (Merrill Lynch Japan Securities), and Merrill Lynch Japan Securities does not have any obligation to update, revise, or reaffirm such report.

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

In performing its analyses, Merrill Lynch Japan Securities considered industry

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

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

Merrill Lynch Japan Securities has not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Target Company, nor has it made any physical inspection of the properties or assets of the Target Company. Merrill Lynch Japan Securities has not evaluated the solvency or fair value of the Target Company under any applicable laws or regulations relating to bankruptcy, insolvency or similar matters. Merrill Lynch Japan Securities has assumed, at the direction of the Target Company, that the Tender Offer will be consummated in accordance with its terms currently contemplated, without waiver, modification or amendment

of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Transactions, no delay, limitation, restriction or condition, including any divestiture requirements or amendments thereto, will be imposed that would have an adverse effect on the Tender Offeror or the Target Company or the contemplated benefits of the Transactions.

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

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

Merrill Lynch Japan Securities and its affiliates in the past have provided and may be currently providing or may provide in the future, investment banking, commercial banking and other financial services to the Target Company and its affiliates and have received or in the future may receive compensation for the rendering of such services. In addition, Merrill Lynch Japan Securities and its affiliates in the past have provided and may be currently providing or may provide in the future, investment banking, commercial banking and other financial services to the Tender Offeror and its affiliates and have received or in the future may receive compensation for the rendering of these services.

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

(Note 2) This refers to EBITDA after the adjustments of revenue or expenses temporarily generated.

g. Building of an Independent Evaluation Framework

As stated in “1. Purpose of Tender Offer,” “(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer,” “b. Process and Reason of the Target Company’s Determination,” above, the Target Company has built an internal framework for evaluating and negotiating and making determinations regarding the Transactions from a standpoint independent of the Tender Offeror. Specifically, immediately after the Target Company received an initial inquiry from the Tender Offeror on July 30, 2019, about commencing discussions to consider making the Target Company a wholly-owned subsidiary of the Tender Offeror in light of avoiding any possible impact of structural conflict of interest issues, the Target Company has refrained, and continues to refrain, from involving not only the Target Company’s officers and employees who concurrently serve as officers or employees of the Other Tender Offeror Group Companies, but also each of the Target Company’s officers and employees who were officers or employees of the Other Tender Offeror Companies in the past, in the negotiation process regarding the terms and conditions of the Transactions, including the Tender Offer Price, between the Target Company and the Tender Offeror or in the preparation process for the Consolidated Financial Forecast on which the valuation of the Target Company Common Stock have been based. The special committee has approved that there is no concern from the standpoint of independence with respect to the internal framework for evaluating the Transactions built within the Target Company (including the scope of the Target Company’s officers and employees involved in the evaluation negotiation, and decision of the Transactions, and their duties), including the exclusion of the Target Company’s officers and employees as stated above.

Mr. Hiroaki Ueno, one of the Target Company’s directors, belonged to Mitsubishi Pharma until the Target Company was established by a merger between Tanabe Pharma and Mitsubishi Pharma in 2007. Mr. Hiroaki Ueno joined the Target Company as a result of the establishment of the Target Company by the merger, and the Target Company determined that Mr. Ueno has little conflict of interest in relation to the Tender Offeror because a significant time has passed since Mr. Hiroaki Ueno joined the Target Company. In addition, considering the fact that Mr. Hiroaki Ueno has comprehensive knowledge of technical aspects related to pharmaceuticals, biotechnology and chemistry and his knowledge and expertise are required for the deliberation of the Transactions, Mr. Hiroaki Ueno participated in the deliberation of the Transactions only with respect to the matters of which structural conflict of interest issues would not likely affect the interests of general shareholders, such as participation in evaluation of the expected

synergies to be realized through the Transactions.

h. Unanimous Approval of All Non-interested Directors and the No Dissenting Opinion of All Non-interested Statutory Auditors at the Target Company

As stated in “1. Purpose of Tender Offer,” “(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer,” “b. Process and Reason of the Target Company’s Determination,” above, the board of directors of the Target Company carefully discussed and evaluated whether the Transactions (including the Tender Offer) would contribute to increasing the corporate value of the Target Company and whether the transaction terms and conditions of the Transactions (including the Tender Offer Price) are reasonable, based on the legal advice received from Mori Hamada & Matsumoto, advice from a financial point of view and the Share Valuation Report (Merrill Lynch Japan Securities) received from Merrill Lynch Japan Securities, as well as the Share Valuation Report (KPMG) and the Fairness Opinion (KPMG) received through the special committee, giving the highest degree of respect to the contents of determinations by the special committee presented in the Report.

As a result, as stated in “1. Purpose of Tender Offer,” “(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer,” “b. Process and Reason of the Target Company’s Determination,” above, the Target Company determined that (i) the Transactions (including the Tender Offer) would contribute to increasing the corporate value of the Target Company and (ii) the transaction terms and conditions of the Transactions (including the Tender Offer Price) is reasonable, securing interests that should be enjoyed by the Target Company’s general shareholders, and the Tender Offer would provide the Target Company’s general shareholders with a reasonable opportunity to sell their the Target Company Common Stock at a price inclusive of an appropriate premium. Therefore, the Target Company resolved at its board of directors meeting held today, by unanimous approval of the directors who participated in the deliberation and resolution to express an opinion in support of the Tender Offer and to recommend that the shareholders of the Target Company tender the Target Company Common Stock in the Tender Offer.

Of the eight directors of the Target Company, Mr. Masayuki Mitsuka concurrently serves as a director of The KAITEKI Institute, Inc., a wholly-owned subsidiary of the Tender Offeror; Mr. Takeshi Matsumoto concurrently serves as a managing executive officer of the Tender Offeror and a director of Life Science Institute, Inc.; Mr. Eizo Tabaru has served as an executive officer at major business entities within the Tender Offeror Group in the past; and Mr. Hiroaki Ueno was once an employee at major business entities within the Tender Offeror Group. Thus, from the standpoint of avoiding to the extent possible any possible impact of structural conflict of interest issues in the Transactions, the board of directors meeting held today, was two-tiered:

first, (i) the four directors other than Mr. Masayuki Mitsuka, Mr. Eizo Tabaru, Mr. Takeshi Matsumoto, and Mr. Hiroaki Ueno participated in deliberation and passed a resolution as stated above by unanimous approval ; and further, in light of ensuring the quorum for the board of directors meeting of the Target Company was met, (ii) five directors (those four directors participating in (i) above and Mr. Hiroaki Ueno) participated in the deliberation and once again passed a resolution as stated above by unanimous approval.

All of the statutory auditors present at the board of directors (four statutory auditors (of whom three are outside statutory auditors) out of five statutory auditors) expressed the opinion that they had no objections with respect to the resolution.

Of the directors of the Target Company, three directors (Mr. Masayuki Mitsuka, Mr. Eizo Tabaru, and Mr. Takeshi Matsumoto) did not participate in the deliberation or resolution of the board of directors meeting of the Target Company for the Transactions, including the aforementioned board of directors meeting held today,, in light of avoiding any possible impact of structural conflict of interest issues in the Transactions, and they did not participate in the deliberation of the Transactions or the discussion or negotiation of the Transactions with the Tender Offeror on behalf of the Target Company.

On the other hand, as stated in “g. Building of an Independent Evaluation Framework” above, Mr. Hiroaki Ueno belonged to Mitsubishi Pharma until 2007 and joined the Target Company in the same year. Given that a significant time has passed since Mr. Hiroaki Ueno joined the Target Company, the Target Company determined that this causes little conflict of interest in relation to the Tender Offeror. In addition, considering the fact that Mr. Hiroaki Ueno has comprehensive knowledge of technical aspects related to pharmaceuticals, biotechnology, and chemistry and his knowledge and expertise are required for the deliberation of the Transactions, Mr. Hiroaki Ueno participated in the deliberation and resolution in the second stage of the board of directors meeting held today, in light of ensuring the quorum for the board of directors meeting of the Target Company was met, and participated in the deliberation of the Transactions only with respect to the matters of which structural conflict of interest issues would not likely affect the interests of general shareholders, such as participation in evaluation of the expected synergies to be realized through the Transactions.

Mr. Koji Kudo, a statutory auditor of the Target Company who is originally from major business entities within the Tender Offeror Group, did not participate in any of the deliberations at the board of directors meeting and refrained from expressing his opinion regarding the resolution of the board of directors.

#### i. Nonexistence of a Transaction Protection Clause

In order to secure an opportunity for persons other than the Tender Offeror to make competing

offers, etc., and thereby contribute to ensuring the fairness of the Tender Offer Price, the Tender Offeror and the Target Company have not entered into any agreement that restricts the Target Company from contacting persons making competing offers, including any agreement providing a transaction protection clause that may forbid the Target Company from contacting persons making competing offers.

j. Measures to Secure an Appropriate Opportunity for all Shareholders of the Target Company to decide whether to tender their shares in the Tender Offer

As mentioned in “1. Purpose of Tender Offer,” “(4) Policy on Reorganization etc. after the Tender Offer (Matters Relating to the So-Called Two-Stage Takeover” above, the Tender Offeror secures an opportunity for the shareholders of the Target Company to appropriately decide whether to tender their shares in the Tender Offer and thereby care to ensure that the Tender Offer is not coercive, because (a) the Tender Offeror takes an approach to ensure an opportunity for all shareholders of the Target Company to exercise the right under the Companies Act to require the Target Company to purchase shares constituting less than a whole unit or the right to file a motion with the court to determine the fair price of the Target Company Shares, i.e., promptly after the completion of the settlement of the Tender Offer and depending on the amount of the Target Company Common Stock acquired by the Tender Offeror at completion of the Tender Offer, the Tender Offeror plans to exercise the Demand for Sale for Shares with respect to all of the Target Company Common Stock (excluding the Target Company Common Stock owned by the Tender Offeror and the treasury shares owned by the Target Company), or alternatively, the Tender Offeror intends to request that the Target Company hold an extraordinary meeting of shareholders at which the Target Company will present proposals to approve the Share Consolidation and, subject to the Share Consolidation becoming effective, to abolish the article in the Articles of Incorporation concerning the number of shares per share unit; and (b) the Tender offeror has indicated that, in the event of exercising the Demand for Sale of Shares or conducting the Share Consolidation, the amount of cash to be paid to the respective shareholders is planned to be equal to an amount calculated by multiplying the Tender Offer Price by the number of the Target Company Common Stock each shareholder owns.

In addition, the Tender Offeror has set the tender offer period of the Tender Offer as 31 business days, while the statutory minimum period stipulated in the Act is 20 business days. The Tender Offeror has set a relatively long tender offer period and secured an appropriate opportunity for the shareholders of the Target Company to decide whether to tender their shares in the Tender Offer.

**(5) Number of Shares, Etc., to be Purchased in the Tender Offer**

Number of shares intended to be purchased	Minimum number of shares intended to be purchased	Maximum number of shares intended to be purchased
244,666,211 (shares)	57,670,731 (shares)	– (shares)

(Note 1) If the total number of the Tendered Shares, Etc., is less than the minimum number of the shares to be purchased (57,670,731 shares), the Tender Offeror will not purchase any of Tendered Shares, Etc. If the total number of Tendered Share, Etc., is equal to or more than such minimum number (57,670,731 shares), the Tender Offeror will purchase all of the Tendered Shares, Etc.

(Note 2) Since the maximum number of shares to be purchased through the Tender Offer is not established, the number of shares intended to be purchased that is stated in the relevant column is the maximum number of the Target Company Shares to be acquired by the Tender Offeror through the Tender Offer (244,666,211 shares). Such maximum number of shares is obtained by (a) deducting (i) the number of the treasury shares (excluding the 200,279 shares that are held by the BIP Trust as of September 30, 2019) held by the Target Company as of September 30, 2019 (431,636 shares), as set forth in the Target Company's FY 2019 Second Quarterly Earnings Release and (ii) the number of shares held by The Tender Offeror (316,320,069 shares) from (b) the total number of issued shares of the Target Company as of September 30, 2019 (561,417,916 shares), as set forth in the Target Company's FY 2019 Second Quarterly Earnings Release.

(Note 3) Shares constituting less than a whole unit will also be subject to purchase through the Tender Offer. The Target Company may purchase its own shares in accordance with legal procedures during the Tender Offer Period from any shareholder who exercises the right under the Companies Act to require the Target Company to purchase shares constituting less than a whole unit.

(Note 4) There is no plan to purchase the treasury shares held by the Target Company through the Tender Offer.

**(6) Change in Ownership Percentage of Shares , Etc. after the Tender Offer**

Number of Voting Rights Represented by Shares, Etc. Owned by Tender Offeror prior to	3,163,200 units	(Ownership Percentage of Shares, Etc. prior to the Tender Offer: 56.39%)
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the Tender Offer		
Number of Voting Rights Represented by Shares, Etc. Owned by Specially Related Parties prior to the Tender Offer	0 unit	(Ownership Percentage of Shares, Etc. prior to the Tender Offer: 0%)
Number of Voting Rights Represented by Shares, Etc. Owned by Tender Offeror after the Tender Offer	5,609,862 units	(Ownership Percentage of Shares, Etc. after the Tender Offer: 100 %)
Number of Voting Rights Represented by Shares, Etc. Owned by Specially Related Parties after the Tender Offer	0 unit	(Ownership Percentage of Shares, Etc. after the Tender Offer: 0 %)
Total Number of Voting Rights of All Shareholders of the Target Company	5,608,720 units	

(Note 1) The “Number of Voting Rights Represented by Shares, Etc. Owned by Specially Related Parties prior to the Tender Offer” is the total number of voting rights represented by shares, etc. held by Specially Related Parties (excluding those who will be excluded from the Specially Related Parties in calculating the shareholding ratio prescribed in each Item of Article 27-2, Paragraph 1 of the Act pursuant to Article 3, Paragraph 2, Item 1 of the Cabinet Ordinance Concerning the Disclosure of Tender Offers for Shares, Etc., by Persons Other Than Issuers (Ministry of Finance Ordinance No. 38 of 1990, as amended; the “TOB Order”).

(Note 2) The “Total Number of Voting Rights of All Shareholders of the Target Company” represents the total number of voting rights of all shareholders of the Target Company as of September 30, 2019, as stated in the Target Company’s FY2019 Second Quarterly Report submitted by the Target Company on November 6, 2019 (described on the assumption that 1 unit is 100 shares). However, since the shares constituting less than a whole unit shall also be subject to the purchase through the Tender Offer, in the calculation of the “Ownership Percentage of Shares, Etc. prior to the Tender Offer” and “Ownership Percentage of Shares, Etc. after the Tender Offer”, the number of the voting rights (5,609,862 voting rights) represented by the number of shares (560,986,280 shares) that is obtained by

deducting (a) the number of treasury shares (excluding the Target Company Common Stock possessed by BIP Trust as of September 30, 2019 (200,279 shares)) (431,636 shares) held by the Target Company as of September 30, 2019, as set forth in the Target Company's FY 2019 Second Quarterly Earnings Release, from (b) the total number of issued shares of the Target Company as of September 30, 2019, as set forth in the Target Company's FY 2019 Second Quarterly Earnings Release (561,417,916 shares), is used as the denominator.

(Note 3) The "Ownership Percentage of Shares, Etc. prior to the Tender Offer" and the "Ownership Percentage of Shares, Etc. after the Tender Offer" are rounded to the second decimal places.

#### **(7) Aggregate Tender Offer Price**

491,779,084,110 yen

(Note 1) The "Aggregate Tender Offer Price" above is calculated by multiplying the number of shares intended to be purchased (244,666,211 shares) by the Tender Offer Price per share (2,010 yen).

(Note 2) the Tender Offeror plans to procure funds for all the aggregate tender offer price by borrowing from MUFG Bank Ltd.

#### **(8) Method of Settlement**

##### **a. Name and Address of the Head Office of the Financial Instrument Firm in Charge of Settlement**

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo

kabu.com Securities Co., Ltd. (the Sub-Agent) (Note)

3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo

(Note) The Sub-Agent plans to change its trade name to "au Kabucom Securities Co., Ltd." and such change may be implemented during the Tender Offer Period.

##### **b. Settlement Commencement Date**

January 15, 2020 (Wednesday)

##### **c. Method of Settlement**

A notice of purchase will be mailed to the address of each Tendering Shareholder (or the standing proxy in the case of Foreign Shareholders) promptly after the end of the Tender Offer Period.

Payment of the purchase, etc., price will be made in cash. The Tender Offer Agent will, in accordance with the instructions of the Tendering Shareholders (or the standing proxy in the case of Foreign Shareholders), remit the purchase price promptly after the commencement date of settlement to the account designated by the Tendering Shareholder (or the standing proxy in the case of Foreign Shareholders).

**d. Method of Returning Shares**

If all of the Tendered Shares, Etc. are not purchased in accordance with the terms described in “a. Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act” or “b. Conditions of Withdrawal, etc. of Tender Offer, Details thereof and Method of Disclosure of Withdrawal, etc.” in “(9) Other Conditions and Methods of Purchase, Etc.,” below, the shares which have to be returned will be returned to the Tendering Shareholders by restoring the record of such shares to the original record as of immediately before the application promptly in two business days after the last day of the Tender Offer Period (in the case of withdrawal of the Tender Offer, the date that the Tender Offer was withdrawn.).

**(9) Other Conditions and Methods of Purchase, Etc.**

**a. Conditions set forth in each Item of Article 27-13, Paragraph 4 of the Act**

If the total number of the Tendered Shares, Etc., is less than the minimum number of the shares to be purchased (57,670,731 shares), the Tender Offeror will not purchase any of Tendered Shares, Etc. If the total number of Tendered Share, Etc., is equal to or more than such minimum number (57,670,731 shares), the Tender Offeror will purchase all of the Tendered Shares, Etc.

**b. Conditions of Withdrawal, etc. of Tender Offer, Details thereof and Method of Disclosure of Withdrawal, etc.**

Upon the occurrence of 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, as well as Article 14, Paragraph 2, Items 3 through 6 of the Enforcement Order, the Tender Offer may be withdrawn.

“Matters equivalent to the matters listed in Items 3.1 through 3.9” in Article 14, Paragraph 1, Item 3.10 of the Enforcement Order in the Tender Offer means (i) the case where it is found that there is a false statement regarding, or an omission of, a material matter to be stated, in the

statutory disclosure documents which the Target Company submitted in the past, and where the Tender Offeror was not aware of the false statement or the omission and, despite using due care, the Tender Offeror was unable to be aware of the false statement or the omission and (ii) the case where the matters listed in Items 3.1 through 3.7 occur to the important subsidiaries of the Target Company.

Should the Tender Offeror intend to withdraw the Tender Offer, they will give notice through electronic disclosure and give notice of such disclosure in the *Nihon Keizai Shimbun*; provided, however, that if it is deemed difficult to give the notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Order and forthwith give public notice.

**c. Conditions of Reduction of Purchase Price, Details thereof and Method of Disclosure of Reduction**

Pursuant to Article 27-6, Paragraph 1, Item 1 of the Act, if the Target Company takes any action enumerated in Article 13, Paragraph 1 of the Enforcement Order during the Tender Offer Period, the Tender Offeror may reduce the Tender Offer Price pursuant to standards set forth in Article 19, Paragraph 1 of the TOB Order. Should the Tender Offeror intend to reduce the Tender Offer Price, they will give notice through electronic disclosure and give notice of such disclosure in the *Nihon Keizai Shimbun*; provided, however, that if it is deemed difficult to give the notice within the Tender Offer Period, the Tender Offeror will make an official announcement pursuant to Article 20 of the TOB Order and forthwith give public notice. If the Tender Offer Price is reduced, the Tender Offeror will purchase any Tendered Shares, Etc. tendered prior to the announcement of such reduction at the amended Tender Offer Price.

**d. Matters Concerning Tendering Shareholders' Right of Cancellation of Application**

Tendering Shareholders may, at any time during the Tender Offer Period, cancel an application for the Tender Offer. In the event of such cancellation, the Tendering Shareholders must deliver or mail a written request to cancel the application for the Tender Offer (the "Written Request for Cancellation"), with the Receipt of Application for the Tender Offer enclosed, to the head office or any branch offices in Japan of the Tender Offer Agent who has accepted the application by 4:00 p.m. on the last day of the Tender Offer Period. Cancellation of application shall become effective when the Written Request for Cancellation is delivered to or received by the Tender Offer Agent defined below. If by mail, the cancellation of the acceptance of the Tender Offer will not be effective unless the Written Request for Cancellation is received by the Tender Offer Agent by 4:00 p.m. on the last day of the Tender Offer Period. In the event of the cancellation of application tendered through kabu.com Securities Co., Ltd., as the Sub-Agent, Tendering Shareholders must follow the procedures for the cancellation of application

by 4:00 p.m. on the last day of the Tender Offer Period through the website after logging in in the way described in “Share Tender Offer (TOB)” (<http://kabu.com/item/tob/>) at its website (<http://kabu.com/>).

Entities authorized to receive the Written Request for Cancellation:

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo

(and other branch offices of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. in Japan)

No compensation for damages or penalty will be demanded of any Tendering Shareholder by the Tender Offeror associated with the cancellation of the application by the Tendering Shareholder. The cost of returning the Tendered Shares, Etc. will be borne by the Tender Offeror. If the Tendering Shareholders give notice of the cancellation, the Tendered Shares, Etc. will be returned immediately following the completion of the cancellation procedures by the method indicated in “(8) Method of Settlement”, “d. Method of Returning Shares” above.

**e. Method of Disclosure if the Terms and Conditions of Tender Offer are Changed**

Except where such change is prohibited pursuant to Paragraph 1 of Article 27-6 of the Act and Paragraph 2 of Article 13 of the Enforcement Order, the Tender Offeror may change the terms and conditions of the Tender Offer during the Tender Offer Period.

Should any terms and conditions of the Tender Offer be changed, the Tender Offeror will give public notice thereof through electronic disclosure and give notice of such disclosure in the *Nihon Keizai Shimbun*; provided, however, that if it is deemed difficult to make the notice within the Tender Offer Period, the Tender Offeror will make an official announcement in accordance with Article 20 of the TOB Order, and forthwith give public notice. If the terms of the Tender Offer are changed, the purchase of the Tendered Shares, Etc. tendered prior to such public notice will also be made in accordance with the terms and conditions as changed.

**f. Method of Disclosure if Amendment to Registration Statement is Submitted**

If the Tender Offeror submits an amendment to the Tender Offer Registration Statement to the Director-General of the Kanto Local Finance Bureau (except in circumstances provided for under the proviso in Article 27-8, Paragraph 11 of the Act), the Tender Offeror will promptly make an official announcement of the contents of such amended statement to the extent relevant to the contents of the public notice of the Tender Offer, pursuant to Article 20 of the TOB Order. The Tender Offeror will also promptly amend the tender offer explanatory statement and provide an amended tender offer explanatory statement to the Tendering Shareholders who have received the original tender offer explanatory statement. If the amendments are limited to

some extent, however, the Tender Offeror will amend the tender offer explanatory statement by preparing and delivering a document stating the reason for the amendments, the matters amended and the details thereof to the Tendering Shareholders.

**g. Method of Disclosure of Results of Tender Offer**

The Tender Offeror will announce the results of the Tender Offer in accordance with methods stipulated in Article 9-4 of the Enforcement Order and Article 30-2 of the TOB Order on the day following the last day of the Tender Offer Period.

**(10) Date of Public Notice of Commencement of the Tender Offer**

November 19, 2019 (Tuesday)

**(11) Tender Offer Agent**

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.

5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo

kabu.com Securities Co., Ltd. (the Sub-Agent)

3-2, Otemachi 1-chome, Chiyoda-ku, Tokyo

**3. Policy, Etc. after the Tender Offer and Future Outlook**

**(1) Policy, Etc. after the Tender Offer**

As to the policy, etc. after the Tender Offer, please refer to “(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer,” “(4) Policy on Reorganization etc. after the Tender Offer (Matters Relating to the So-Called Two-Stage Takeover)” and “(5) Possibility of and Reasons for Delisting” of “1. Purpose of Tender Offer” above.

**(2) Outlook**

As to the the effect of the Tender Offer to the Tender Offeror, the Tender Offeror will make an announcement if any event which needs to be announced occurs in the future.

**4. Others**

**(1) Agreements between Tender Offeror and Target Company or its Directors and Officers, and Details Thereof**

**a. Agreements between Tender Offeror and Target Company and Details Thereof**

According to the Target Company’s Press Release, at a board of directors’ meeting of the Target Company held today, it has been resolved that the Target Company expresses its opinion in support of the Tender Offer and recommend that the shareholders of the Target Company tender

their shares in the Tender Offer. For details of the Target Company's decision making process, please refer to the Target Company's Press Release and "2. Description of the Tender Offer," "(4) Basis of Calculation of Tender Offer Price," " b. Background of Calculation," "Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest," "h. Unanimous Approval by all of the Non-Interested Directors and No Dissenting Opinion by all of the Non-Interested Statutory Auditors at the Target Company" above.

**b. Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer**

Please refer to "1. Purpose of Tender Offer," "(2) Background, Purpose and Determination Process for the Tender Offer, and Management Policy after the Tender Offer" above.

**c. Measures to Ensure the Fairness of the Tender Offer such as Measures to Ensure the Fairness of the Tender Offer Price and to Avoid a Conflict of Interest**

Please refer to "2. Description of the Tender Offer," "(4) Basis of Calculation of Tender Offer Price," "(B) Background of Calculation," "Measures to Ensure the Fairness of the Tender Offer, such as Measures to Ensure the Fairness of the Tender Offer Price and Measures to Avoid a Conflict of Interest," above.

**(2) Other Relevant Information Investors May Need in Evaluating the Tender Offer**

**a. Revision to the Dividend Forecast for the FY Ending in March 2020**

According to the Target Company, the Target Company decided at its board of directors meeting held today to revise its dividend forecast for FY 2019 announced on October 30, 2019 and not to declare a year-end dividend for FY 2019, on the condition that the Tender Offer is completed. For details thereof, please refer to "Notice of Revision of Dividend Forecast (No Declaration) For FY 2019" announced by the Target Company as of today.

(End of the document)