This is a translation of the original Japanese release. The Japanese text shall prevail in case of any variance between this version and the Japanese text.

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BEENOS Inc. to make Defactostandard, Ltd. a Wholly Owned Subsidiary through Simple Share Exchange (Abbreviated)

※The fully translated version of this release will be available in the near future.

BEENOS Inc. (BEENOS) and Defactostandard, Ltd. (Defacto) have both resolved in their respective board meetings that BEENOS will make Defacto a wholly owned subsidiary through a simple share exchange (the exchange) and have entered a share exchange agreement (the agreement) today (21 November 2019).

The exchange does not need to go through BEENOS's general shareholders meeting pursuant to Article 796 Section 2 of the Companies Act. Defacto will receive approval during its annual general shareholders meeting scheduled on 19 December 2019 and will take effect on 14 January 2020.

Prior to the date of entry into force (the date of entry) for the exchange, Defacto's shares that are currently listed on the first section of the Tokyo Stock Exchange (TSE) will be delisted on 9 January 2020 (the last day to trade will be 8 January 2020).

Details

1. Purpose of the Exchange

BEENOS acquired Defacto as a subsidiary in 2006 in its efforts to diversify its business. As BEENOS forecasted the further growth of the Defacto, it also foresaw the need to have a large amount of working capital on hand to purchase items in advance as well as the trust needed from users to send their items in for appraisal. The decision to list Defacto onto TSE Mothers in August 2016 allowed Defacto to not have to rely on the BEENOS Group's distribution of funds and attain the trust that comes from being a publicly listed company which would in turn increase the value of the BEENOS Group.

Defacto then advanced to be listed on TSE First Section in September 2018 and established their business model to go against the trend of brick and mortar stores to purchasing via mail-order. It went on to become an internet exclusive reuse business purchasing and reselling fashion items (handbags, clothes, watches, accessories, wallets, etc.) on the internet in a growing reuse market.

Currently the reuse market has seen an even larger influx due to the emergence of flea market apps that allow CtoC selling and purchasing. Unfortunately, as these flea market apps and sharing trends have stimulated the reuse market, the choices of services have also increased which has made the market even more competitive.

The business strategies for 2019 fiscal year, the year following Defacto's switch to TSE First Section in September 2018, did not result in the expected outcome. As performance was worsening, BEENOS came to the conclusion that in order for Defacto's business to grow, or even sustain, the current business strategy would not suffice and that it would need the full assistance of the BEENOS Group's resources on the Global Platform Frontier to create new opportunities such as globalization and new purchasing strategies in addition to the current domestic internet based Brandear model. Furthermore, BEENOS intends to valiantly challenge new business opportunities to differentiate Defacto from its competitors and provide users with a solution with an added value.

However, as Defacto is currently publicly listed and operates independently, it is difficult to integrate BEENOS Group's resources and expertise, in its current business environment, that would be efficient and mutually beneficial.

BEENOS has considered, as of September 2019, the delisting and wholly owning of Defacto so that the BEENOS Group could maximize is synergy to quickly adapt to the changing reuse market and create a business scheme that would yield continual growth.

The BEENOS Group considers the following to be the benefits of wholly owning Defacto:
1. The acceleration of growth strategies using the BEENOS Group's business resources

2. The realization of operating business as a unified Group

3. The implementation of low-cost operations within the BEENOS Group

BEENOS is concerned of Defacto's current financial outlook as well as its forecast for this fiscal year and does not believe that the market is properly valuating the forecast. As it is likely that Defacto will not reach its forecasted goals to increase in sales and profits, now is the time that BEENOS needs to make Defacto a wholly owned subsidiary and make changes in the imminent future or else it would devalue the Brandear brand that Defacto had spent so much in advertising which would subsequently hurt the stock prices of Defacto and be disadvantageous to its shareholders.

As a result of the aforementioned conditions and concerns, BEENOS has decided that the best option to decrease the risk for Defacto's minority shareholders, to eliminate all conflict of interests between BEENOS and Defacto both being publicly listed, to optimize the BEENOS Group's business resources and to maximize the BEENOS Group's and Defacto's corporate value in the mid-long term is to make Defacto a wholly owned subsidiary. BEENOS formally submitted the offer to Defacto of the exchange in mid-October 2019.

2. Overview of the Exchange

(1) Exchange Schedule

Effective date for the Annual General Shareholders Meeting (Defacto)	30 September 2019
Extraordinary Board Meeting regarding the signing of the contract for the exchange (both companies)	21 November 2019 (today)
Signing the contract for the exchange (both	21 November 2019 (today)

companies)	
Annual General Shareholders Meeting to approve the contract for the exchange (Defacto)	19 December 2019 (scheduled)
Last trading day for Defacto (Defacto)	8 January 2020 (scheduled)
Defacto delisting date (Defacto)	9 January 2020 (scheduled)
Entry into force date	14 January 2020 (scheduled)

*1 The schedule above is subject to change upon the agreement of both parties for reasons including procedural and administrative developments regarding the exchange

*2 BEENOS does not need approval from the General Shareholders Meeting pursuant to Article 796 Section 2 of the Companies Act

（2） Exchange Method

BEENOS will hold 100% ownership in Defacto and become the wholly owning parent company with Defacto as the wholly owned subsidiary. BEENOS will conduct a simple share exchange pursuant to Article 796 Section 2 of the Companies Act and will not receive approval from the General Shareholders Meeting. Defacto will receive approval for the exchange in its Annual General Shareholders Meeting scheduled 19 December 2019 and will entry into force on 14 January 2020.

（3） Details of allotment of shares under the exchange

	BEENOS (Wholly owning parent of all exchanged shares)	Defacto (Wholly owned subsidiary with all shares exchanged)
Share exchange ratio for allotment of shares under the exchange	1	0.29
Allotted shares from the exchange	BEENOS Common Stock: 1,133,895 shares (tentative)	

7． Outlook

As Defacto is already a subsidiary of BEENOS, the effect of the exchange to BEENOS and Defacto's forecast is minor

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