Press Release

Shionogi Announces Commencement of Tender Offer for Certificates of Shares, Etc. in UMN Pharma Inc. (Securities Code: 8840)

OSAKA, Japan, October, 30, 2019 – Shionogi & Co., Ltd. (headquartered in Chuo-ku, Osaka City; Isao Teshirogi, President and CEO; the "Offeror") hereby announces that it has passed a resolution, at its Board of Directors meeting held on October 30, 2019, to acquire through a tender offer (the "Tender Offer") common shares ("Target Company Shares") and Share Options ("Share Options" and the names of relevant different series of share options are defined in "(3) Price of Tender Offer" under "2. Outline of the Tender Offer" below) in UMN Pharma Inc. (headquartered in Goshonoyumoto, Akita City, Akita; Tatsuyoshi Hirano, Chairman & CEO; the "Target Company"), with details as described below.

1. Purpose of Tender Offer

(1) Outline of the Tender Offer

As of today, the Offeror holds 5,500,000 Target Company Shares (ownership ratio [Note 1]:31.08%) listed on the Mothers market opened by Tokyo Stock Exchange, Inc. ("TSE") (Target Company Shares). The Offeror has acquired its Target Company Shares as a result of: (i) subscribing for 600,000 Target Company Shares and 49 1st Series of Unsecured Convertible Bond-Type Bonds with Share Options (corresponding to 4,900,000 potentially issued shares) on November 16, 2017 through a third-party allotment (the "2017 Third-Party Allotment"); and (ii) subsequently exercising all of the share options attached to the 1st Series of Unsecured Convertible Bond-Type Bonds with Share Options held by the Offeror. Consequently, the Offeror holds 5,500,000 Target Company Shares (ownership ratio: 31.08%) as of today.

Note 1: "Ownership ratio" means the percentage (rounded to two decimal places; the same applies hereinafter in the calculation of an ownership ratio) of Target Company Shares to: (i) the total number of issued Target Company Shares as of today (17,696,500 shares; the "Issued Target Company Shares as of Today"), which is calculated by adding the number of shares issued as a result of the Offeror's exercise of the share options attached to the 1st Series of Unsecured Convertible Bond-Type Bonds with Share Options held by the Offeror on October 3, 2019 (2,400,000 shares) to the total number of issued Target Company Shares as of September 30, 2019 stated in the Q3 Financial Statement (Japanese GAAP) (non-consolidated) for Y.E. December 2019 released on October 30, 2019 by the Target Company (the "Target Company's Financial Statement") (15,296,500 shares); less (ii) the number of treasury shares held by the Target Company as of September 30, 2019 as stated in the Target Company's Financial Statement (50 shares).

The Offeror has recently decided, at its Board of Directors meeting held on October 30, 2019, to conduct the Tender Offer as part of a transaction (the "Transaction") intended to make the Target Company a wholly-owned subsidiary of the Offeror by acquiring all Target Company Shares (including the Target Company

Shares to be issued upon exercise of the Share Options and excluding the Target Company Shares held by the Offeror and the treasury shares held by the Target Company) and all Share Options.

Since the Offeror has set the minimum number of share certificates, etc. to be purchased in the Tender Offer at 6,322,000 shares (ownership ratio: 35.72%), if the total number of share certificates, etc. tendered to the Tender Offer ("Tendered Share Certificates, etc.") falls short of the minimum number of share certificates, etc. to be purchased (6,322,000 shares), the Offeror will purchase none of the Tendered Share Certificates, etc. On the other hand, since the Tender Offer intends to make the Target Company a wholly-owned subsidiary of the Offeror, the Offeror has set no maximum number of share certificates, etc. to be purchased in the Tender Offer, and if the total number of Tendered Share Certificates, etc. is at least the minimum number of share certificates, etc. to be purchased, the Offeror will purchase all of the Tendered Share Certificates, etc. The minimum number of share certificates, etc. to be purchased (6,322,000 shares) corresponds to the number of voting rights (63,200 voting rights) calculated as follows: (i) the number of voting rights (177,329 voting rights) represented by the number of Target Company Shares (17,732,950 shares) calculated as follows: (a) the Total Number of Issued Target Company Shares as of Today (17,696,500 shares), plus (b) the number of Target Company Shares to be issued upon exercise of all Share Options excluding the 21st Series of Share Options as of September 30, 2019 (36,500 shares), less (c) the number of treasury shares held by the Target Company as of September 30, 2019 as stated in the Target Company's Financial Statement (50 shares); multiplied by (ii) a factor of two-thirds (with the product being 118,220 voting shares, which is rounded up to the nearest whole number); less (iii) the number of voting rights (55,000 voting rights) represented by the number of Target Company Shares held by the Offeror as of today (5,500,000 shares). The minimum number of share certificates, etc. to be purchased exceeds the so-called "majority of the minority" Target Company Shares (6,116,500 shares), which corresponds to the number of voting rights (61,165 voting rights) constituting a majority of the number of voting rights (122,329 voting rights) represented by the number of Target Company Shares (12,232,950 shares) calculated as follows: (i) the Total Number of Issued Target Company Shares as of Today (17,696,500 shares); plus (ii) the number of Target Company Shares that may be issued upon exercise of the Share Options excluding the 21st Series of Share Options as of September 30, 2019 (36,500 shares); less (iii) the number of treasury shares held by the Target Company as of September 30, 2019 as stated in the Target Company's Financial Statement (50 shares) and the number of Target Company Shares held by the Offeror as of today (5,500,000 shares).

According to the "Announcement of Opinion Regarding the Tender Offer for Our Shares by Shionogi & Co., Ltd." dated October 30, 2019 published by the Target Company (the "Target Company's Press Release"), the Target Company, at its board of directors meeting held on October 30, 2019, adopted a resolution: (i) to express its support for the Tender Offer; (ii) to recommend that shareholders of the Target Company apply for the Tender Offer; (iii) to recommend that, of the holders of the Share Options ("Share Option Holders"), those holding the 21st Series of Share Options apply for the Tender Offer because the offer price for the 21st

Series of Share Options has been determined at the amount calculated by multiplying (a) the difference between the offer price per Target Company Share in the Tender Offer (the "Tender Offer Price") of 540 yen and the exercise price per Target Company Share to be issued upon exercise of these Share Options, by (b) the number of Target Company Shares to be issued upon exercise of one 21st Series of Share Option; and (iv) to leave to the discretion of Share Option Holders other than the Share Option Holders of 21st Series of Share Options the decision as to whether or not to tender their Share Options to the Tender Offer, because the offer price for these Share Options has been set at 1 yen. For details, please see "(E) Unanimous Approval of All Disinterested Directors and Unanimous No Objection from All Disinterested Auditors of the Target Company" under "(5) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest."

If the Offeror is unable to acquire all Target Company Shares (including the Target Company Shares to be issued upon exercise of the Share Options and excluding the Target Company Shares held by the Offeror and the treasury shares held by the Target Company) and all Share Options through the Tender Offer, the Offeror intends to follow the procedures stated in "(4) Policy for Organizational Restructuring after the Tender Offer (Matters Relating to the 'Two-Step Acquisition')" below to become the sole shareholder of the Target Company Shares.

(2) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer, and Management Policy after the Tender Offer

(A) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer

In March 1878, the Offeror's founder launched Shiono Gisaburo Shoten as a drug wholesaler. The Offeror was reorganized into a stock company in June 1919 (under the then-trade name of Kabushiki Kaisha Shionogi Shoten) and was renamed as Shionogi Seiyaku Kabushiki Kaisha in July 1943. In May 1949, the Offeror was listed on TSE and Osaka Stock Exchange Co., Ltd ("OSE"). As a result of the integration of TSE and OSE, among other things, the Offeror is currently listed in the First Section of TSE. The Offeror's basic policy is to "supply the best possible medicine to protect the health and wellbeing of the patients we serve." Under this policy, the Offeror is engaged in R&D, manufacturing, and marketing activities mainly for ethical drugs, as well as non-prescription and diagnostic drugs, in pursuit of its mission of providing medicines that bring higher satisfaction for patients in order to improve the QOL of patients and their families. In April 2014, the Offeror started the medium-term business plan "Shionogi Growth Strategy 2020 (SGS2020)," which is a growth strategy for 2020. This plan was updated in October 2016 to aim for higher goals. The updated SGS2020 upholds the vision to "grow sustainably as a drug discovery-based pharmaceutical company contributing to a more vigorous society through improved healthcare," as well as listing "infectious disease" and "pain/CNS" as the two core areas. Under the strategy, the Offeror has worked toward the resolution of certain social challenges. In the infectious disease area, the Offeror has thus far promoted the development of Cefiderocol, which is a candidate therapeutic drug for multidrug-resistant Gram-negative

bacterial infection (i.e., infection caused by Gram-negative bacteria resistant to multiple drugs), and the improvement of the HIV franchise (HIV products), including Tivicay and Triumeq, using the Offeror's technology platforms for low molecular drug discovery (discovery of drugs whose molecular weight is between several dozens and several hundreds), which is the company's strength. In addition, the Offeror launched a novel anti-influenza viral agent "Xofluza" in the fiscal period ended March 2018. In the future, the Offeror aims to expand new drug discovery platforms through further improving its infectious disease pipelines (candidate compounds for infectious disease drugs) (Note 1) for prevention, diagnosis, and treatment.

Note 1: "Pipeline" means a group of candidate drugs under development as new drugs.

On the other hand, the Target Company was established in April 2004 as a company whose purpose was to engage in the R&D, manufacture, and marketing of novel ethical drugs which meet unmet medical needs (UMN) (Note 2). The Target Company has worked mainly on two projects: the "next-generation biopharmaceuticals in-house development project" and the "biopharmaceuticals contract manufacture project." The "next-generation biopharmaceuticals in-house development project" is a project in which biopharmaceuticals are developed by utilizing knowledge, know-how, and technologies on biopharmaceutical platforms (i.e., standardized technology systems for discovery of biopharmaceuticals) that have been developed by the Target Company thus far. The "biopharmaceuticals contract manufacture project" is a project which specializes in the CMC (Note 3) development of, and the consideration of commercialization of, biopharmaceuticals out of the biopharmaceutical development process, and in which the Target Company provides services on a contract basis for: manufacturing biopharmaceuticals and other drug substances in early development phases; developing manufacturing processes for these drug substances; standardizing analytical tests for quality control purposes, such as process specification tests; and considering commercialization of these drug substances for increased production.

Note 2: "Unmet medical needs (UMN)" means medical needs yet to be met due to a lack of effective therapy or drugs.

Note 3: "CMC" stands for Chemistry, Manufacturing and Control, and means comprehensive research supporting drug manufacture and quality, such as research on manufacturing methods or formulation of drug substances or research on analytical methods for evaluating the quality of drug substances and drug products.

The Offeror and the Target Company entered into a capital and business alliance agreement on October 31, 2017 (the "Capital and Business Alliance Agreement"; the capital and business alliance under this agreement is hereinafter referred to as the "Capital and Business Alliance"), and have continued a good relationship with each other. In the business alliance, the two companies aim to improve their corporate value by jointly achieving R&D, the filing of applications for approval, and marketing of drugs for human use, including human infectious disease vaccines, using the Target Company's knowledge, know-how, and technologies on

vaccines against infectious diseases. In the capital alliance, the Target Company issued Target Company Shares and the 1st Series of Unsecured Convertible Bond-Type Bonds with Share Options to the Offeror as described in "(1) Outline of the Tender Offer" above, as a means for the Offeror to provide financial support to the Target Company, including R&D funds necessary to achieve the business alliance and working capital for the maintenance of the Target Company's business, with the intention of further strengthening both companies' medium- and long-term strategic commitment to the business alliance.

Specifically, the Capital and Business Alliance consists of two phases, namely, the Phase 1 (Note 4) and Phase 2 (Note 5). With the goal of completing Phase 1 by the end of 2020, the companies are promoting basic technology improvement for, and basic research on development candidates for, drug discovery including human infectious disease vaccines, using the Target Company's knowledge, know-how, and technologies on vaccines against infectious diseases. At the same time, the Offeror subscribed, as a means of capital alliance, for 600,000 Target Company Shares and 49 1st Series of Unsecured Convertible Bond-Type Bonds with Share Options (corresponding to 4,900,000 potentially issued shares) through the 2017 Third-Party Allotment. Subsequently, the Offeror acquired 2,500,000 and 2,400,000 Target Company Shares by exercising, on October 31, 2018 and October 3, 2019, respectively, the share options attached to the 1st Series of Unsecured Convertible Bond-Type Bonds with Share Options held by the Offeror. As of today, the Offeror holds 5,500,000 Target Company Shares (ownership ratio: 31.08%), thereby maintaining a stronger cooperative relationship with the Target Company in terms of capital as well.

Note 4: "Phase 1" means the promotion of basic technology improvement for, and basic research on development candidates for, drug discovery including human infectious disease vaccines.

Note 5: "Phase 2" means the promotion of R&D, manufacturing, marketing and other activities to ensure the application of technologies used in the development candidates for human infectious disease vaccines. Since the companies intended to discuss to move on to Phase 2 when both companies determined that Phase 1 achieved some positive results, from late July 2019, the companies have started discussion to select the development products from the development candidates and start further development and business after non-clinical study.

The Offeror is also required to pay, for a period of two years from the business alliance start date, the prescribed milestone fees after checking the satisfaction of certain milestone (Note 6) requirements set on a semiannual basis. The Offeror has checked that the Target Company has met milestone requirements a total of three times so far, and the Offeror has paid to the Target Company the respective milestone fees corresponding to the achieved milestones. Furthermore, the Offeror has confirmed that the Target Company achieved the fourth milestone as of October 1, 2019. The Offeror thus understands that the Capital and Business Alliance is in progress with some successful results.

Note 6: "Milestones" means performance indicators set in a stepwise manner under the alliance agreement.

As described above, the Offeror and the Target Company have built a good relationship through the development of R&D activities in the Capital and Business Alliance. Based on this good relationship, the original goals concerning basic technology improvement set for Phase 1 have almost been achieved. The basic technology established jointly with the Target Company is a technology platform utilizing genetic recombination technology for manufacturing proteins to be drug substances for biopharmaceuticals, including human infectious disease vaccines, which are the purpose of the Capital and Business Alliance. The basic research on development candidates is also in smooth progress toward the selection of products for development, with one of the development candidates exhibiting certain effects in non-clinical studies, among other things. Since it had been agreed that the two companies would discuss a transition to Phase 2 upon their determination that Phase 1 had produced certain successful results, the Offeror and the Target Company started talks from late July 2019 with the intention of selecting, from the development candidates, products for development to be fully developed and commercialized through phases after non-clinical studies.

Recent years have seen drastic changes in the environment surrounding the pharmaceutical industry, such as: the containment of medical and pharmaceutical expenses; the increasing need for the extension of healthy life expectancy and the escalating hurdles to the creation of innovative drugs in the super-aging society; and the diversification of healthcare businesses. The Offeror and the Target Company are aware that it has become more important to flexibly deal with these changes from more global perspectives.

Amid this business environment, the Offeror is aware that in the infectious disease area, there is a need for realizing a world free from suffering from infectious diseases, through: creating new drugs against emerging and re-emerging infectious diseases cure for which is yet to be established (i.e., emerging infectious diseases that have never been seen before, such as Ebola hemorrhagic fever, and re-emerging infectious diseases that seem to have once been contained but are becoming epidemics again, such as tuberculosis); promoting the proper use of drugs to prevent the occurrence of new resistant bacteria and viruses as well as treating patients; and responding to a range of medical needs from prevention to treatment. As part of these efforts, the Offeror hopes to acquire new drug discovery platforms that are necessary to enter the vaccine business, by developing the alliance with the Target Company.

Similarly, the Target Company intends to respond to the changes in the environment described above, by working on the two main projects – the “next-generation biopharmaceuticals in-house development project,” which aims to create the “next-generation logical vaccine” with high added value in that it has higher efficacy and allows efficient production, and the “biopharmaceuticals contract manufacture project,” which aims to realize the securing of stable revenues. However, the Target Company suffered a net loss of 728 million yen and a negative operating cash flow of 578 million yen in the financial results for the fiscal period ended December 2018. As for the Target Company’s expected financial condition at the end of December 2019, the company’s debts are expected not to exceed the assets owing to the Offeror’s exercise, on October 3,

2019, of all share options attached to the 1st Series of Unsecured Convertible Bond-Type Bonds with Share Options held by the Offeror. Nevertheless, the Offeror understands that the Target Company continues to face events and circumstances that raise significant doubts about its going concern assumption, and that these circumstances will prevent the Target Company from steadily continuing its active R&D activities toward the prompt acquisition of approval for, and prompt commencement of the marketing of, its pipeline products.

Amid the increasingly severe market environment due to such factors as the pursuit for cost-effectiveness resulting from the deteriorating financial condition of the health insurance system in many countries, the increasing pricing pressure on drugs, and the rapid spread of generic drugs, the Offeror believes that it is essential to further develop the infectious disease area as the Offeror's focus area, in order to deal with the rapid changes in the environment described above, to win in the global new drug development race, and to achieve medium- and long-term growth. By taking the Transaction as an opportunity to promote R&D of the development candidates which have been worked on in the Capital and Business Affiliation, the Offeror aims to acquire new drug discovery platforms for fully entering the vaccine business and to contribute to the improvement of public health in Japan and the rest of the world. The Offeror is also aware that the Target Company needs to promptly construct a system for continuously developing its "next-generation logical vaccine" project, including human infectious disease vaccines, and to promptly obtain approval for, and start the marketing of, its pipeline products, as well as strengthening its profit-making system. After seeing the smooth progress of the basic technology improvement and the basic research on development candidates under the Capital and Business Alliance, the Offeror and the Target Company started talks from late July 2019 toward the transition to Phase 2, which intends to promote R&D, manufacturing, marketing and other activities to ensure the application of technologies used in the development candidates for human infectious disease vaccines, and discussed a collaboration agreement in the form of an exclusive license agreement or other potential forms. While the Offeror has provided the Target Company with R&D funds as well as personnel resources, technology, know-how and other management resources in the infectious disease area, the Offeror has felt challenged, in promoting the alliance, by the fact that the Offeror's current ownership ratio restricts management resources that can be shared with the Target Company to the scope permitted under the Capital and Business Alliance Agreement. In the course of these talks, the Offeror thought that commercializing the development candidates by acquiring all vaccine-related assets of the Target Company would allow the Offeror to consider more active and flexible investments of its management resources in the Target Company than before, making prompt decision-making possible in this project. Believing that it was essential for the Offeror and the Target Company to revitalize the Target Company's project and improve its efficiency by consolidating both companies' R&D, manufacture and marketing systems instead of forming a business alliance for each development candidate, the Offeror made a proposal to the Target Company for the Transaction in early August 2019.

The Offeror expects the following specific measures and business synergies after the Transaction:

(i) The Transaction is expected to produce mutually complementary effects on the Offeror and the Target Company by integrating knowledge, technologies, materials, know-how, etc. owned independently by the two companies in the infectious disease area and increasing the variety and depth of these assets. The Transaction is also expected to maximize the product value of R&D products and to increase the probability of success of R&D by maximizing the opportunities to use these assets.

(ii) The Transaction will allow the Target Company to accelerate its R&D activities by obtaining R&D funds and other resources necessary for the relevant project from the Offeror. In addition, the Target Company's productive and efficient R&D activities are expected to generate medium- and long-term cash flows and to lead to healthier balance sheets.

(iii) The Transaction is expected to allow the Target Company to create new business opportunities and to enjoy a further increase in opportunities to expand its business through utilizing the Offeror's know-how in network and partnering strategy and securing high-quality employees as a result of an enhanced visibility of the Target Company.

The Offeror believes that it is important to promptly make bold and flexible decisions under an agile management system in order to realize the measures and achieve the synergies described above. In light of the Target Company's current financial condition, the Offeror also considers that the possibility cannot be excluded that the costs required to maintain the listed status of its shares (i.e., costs incurred in the operation of the general meeting of shareholders, in the outsourcing of services to its stock transfer agent, and in the continued disclosure of securities reports, etc. required under the Financial instruments and Exchange Act) will be a burden on its management. In addition, while the Offeror has provided the Target Company with R&D funds as well as personnel resources, technology, know-how and other management resources in the infectious disease area, the Offeror's current ownership ratio restricts management resources that can be shared with the Target Company to the scope permitted under the Capital and Business Alliance Agreement. By contrast, making the Target Company a wholly-owned subsidiary of the Offeror will allow the Offeror to invest management resources in the Target Company in a more active and flexible manner than before. For these reasons, the Offeror believes that it needs to make the Target Company its wholly-owned subsidiary through the Transaction, as the best measure to deal with all the challenges.

In response to the aforementioned proposal received from the Offeror in early August 2019, the Target Company appointed: SMBC Nikko Securities Inc. ("SMBC Nikko Securities") as its financial advisor to serve as a third-party appraiser independent from the Target Company and the Offeror; and Anderson Mori & Tomotsune as its legal advisor. Furthermore, on September 20, 2019 the Target Company established a special committee as an advisory body to the Target Company's board of directors to discuss proposals related to the Transaction (for the composition of the committee members, specific consulted matters, and other details, please see "(C) Establishment of an Independent Special Committee at the Target Company and

Receipt of a Written Report from the Special Committee" under "(5) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below). Under the system described above, the Target Company prudently discussed and examined, from the viewpoint of improving its corporate value, the series of procedures for the Transaction, including the Tender Offer, and the terms and conditions of the Transaction, based on the content of the share price valuation report on the Target Company Shares obtained from SMBC Nikko Securities and on the legal advice received from Anderson Mori and Tomotsune, while paying maximum regard to the report submitted by the special committee. The Target Company believes that, in addition to producing the business synergies expected by the Offeror, the Transaction is expected not only to provide the Target Company with R&D opportunities with respect to new development pipelines other than its in-house development pipelines by allowing the Target Company to make maximum use of the knowledge, know-how, and networks in development, manufacture, regulatory affairs, and commercialization accumulated by the Offeror over many years, but also to allow the Target Company to further expand its business by providing it with opportunities to enter non-infectious disease vaccine areas, such as preventive and therapeutic vaccine areas, in the future through utilizing basic technology.

The Target Company anticipates that the realization of a further expansion of its business in the future will require a considerable amount of upfront investment as described in "(B) Receipt by the Target Company of a Share Price Valuation Report from an Independent Third-Party Appraiser" under "(5) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" below. The Target Company thus considers that it is necessary to utilize the Offeror's assets and resources by becoming its wholly-owned subsidiary. Based on these considerations and after repeated talks with the Offeror in and after late August 2019, on October 1, 2019, the Target Company reached a conclusion that its becoming a wholly-owned subsidiary of the Offeror through the Transaction is the best choice that is likely to further improve the corporate value of the Target Company.

As described above, the Offer and the Target Company believe that further strengthening the alliance between the two companies and promptly implementing the measures described above will lead to the maximization of their corporate value, and agreed on October 1, 2019 that the best choice for this purpose was to make the Target Company a wholly-owned subsidiary of the Offeror. Consequently, at its board of directors meeting held on October 30, 2019, the Offeror adopted a resolution to conduct the Tender Offer for the purpose of making the Target Company a wholly-owned subsidiary of the Offeror.

(B) Management Policy after the Tender Offer

After a successful completion of the Tender Offer, the Offeror intends, as described in "(A) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer" above, to consult with the Target Company again on the implementation of such measures as promoting R&D at the Target

Company, and to take measures that will contribute to the improvement of the corporate value of the Target Company.

As for the Target Company's management team structure for the future, although it yet to be determined as of today, the Offeror intends to consider, upon consultation with the Target Company, the construction of a structure that is most appropriate for the implementation of the aforementioned measures and for the further reinforcement of the Target Company's management base. As for the employment of the Target Company's employees after a successful completion of the Tender Offer, the Offeror intends to continue their employment under the same level of working conditions in principle.

(3) Material Agreements on the Tender Offer

Not applicable.

(4) Policy for Organizational Restructuring after the Tender Offer (Matters Relating to the "Two-Step Acquisition")

As stated in the section above titled "(1) Outline of the Tender Offer," if the Offeror is unable to acquire all Target Company Shares (including the Target Company Shares to be issued upon exercise of the Share Options and excluding the Target Company Shares held by the Offeror and the treasury shares held by the Target Company) and all Share Options through the Tender Offer, the Offeror intends, after a successful completion of the Tender Offer, to follow the following procedures to acquire all Target Company Shares (including the Target Company Shares to be issued upon exercise of the Share Options and excluding the Target Company Shares held by the Offeror and the treasury shares held by the Target Company) and all Share Options.

If the Offeror has acquired at least 90% of the total number of voting rights of all shareholders of the Target Company after a successful completion of the Tender Offer, the Offeror intends to require, promptly following the settlement of the Tender Offer and under Article 179 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same applies): (i) all shareholders of the Target Company (excluding the Offeror and the Target Company; "Selling Shareholders") to sell all of their Target Company Shares to the Offeror ("Demand for the Sale of Shares"); and (ii) all holders of the Share Options ("Selling Share Option Holders") to sell all of their Share Options to the Offeror ("Demand for the Sale of Share Options" and collectively with the Demand for the Sale of Shares, the "Demand for the Sale of Shares, etc."). In the event of a Demand for the Sale of Shares, each of the Target Company Shares held by Selling Shareholders will be exchanged for cash consideration equal to the Tender Offer Price. In the event of a Demand for the Sale of Share Options, each of the Share Options held by the Selling Share Option Holders will be exchanged for cash consideration equal to the offer price per such Share Options in the Tender Offer (the "Offer Price for Share Options"). In such an event, the Offeror will notify the Target Company of the Demand for the Sale of

Shares, etc. and will seek the Target Company's approval thereof. If the Target Company approves the Demand for the Sale of Shares, etc. by a resolution of its board of directors, then, in accordance with the procedures provided for in applicable laws and regulations and without requiring the consent of the individual Selling Shareholders and Selling Share Option Holders, the Offeror will, on the day stipulated by the Demand for the Sale of Shares, etc., acquire: (i) from all of the Selling Shareholders all of the Target Company Shares held by them; and (ii) from all Selling Share Option Holders all of the Share Options held by them. In exchange for the Target Company Shares held by the Selling Shareholders, the Offeror will deliver an amount of cash consideration per share equal to the Tender Offer Price to the respective Selling Shareholders. According to the Target Company's Press Release, the Target Company's board of directors intends to approve any Demand for the Sale of Shares, etc. received by the Target Company from the Offeror.

Alternatively, if the Offeror has failed to acquire at least 90% of the total number of voting rights of all shareholders of the Target Company as a result of a successful completion of the Tender Offer, the Offeror intends to request the Target Company to hold an extraordinary shareholders' meeting at which the following proposals will be submitted (the "Extraordinary Shareholders' Meeting"): (i) to conduct a consolidation of the Target Company Shares (the "Share Consolidation"), and (ii) to make a partial amendment to the Target Company's Articles of Incorporation that would abolish the share unit number provisions on the condition that the Share Consolidation becomes effective. According to the Target Company, it intends to respond accordingly to such request in the event that the Offeror requested. The Offeror intends to approve the proposals described above at the Extraordinary Shareholders' Meeting. If the proposal for the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the shareholders of the Target Company Shares will, on the effective date of the Share Consolidation, hold the number of Target Company Shares proportionate to the ratio of the Share Consolidation that is approved at the Extraordinary Shareholders' Meeting. If the Share Consolidation results in fractions less than one share, each shareholder will receive an amount of cash which would be obtained by selling its Target Company Shares in the total number of its fractional shares (with the aggregate sum to be rounded down to the nearest whole number) to the Offeror or the Target Company in accordance with the procedures specified in Article 235 of the Companies Act and other applicable laws and regulations. The offer price for the aggregate sum of such fractional Target Company Shares will be valued so that the amount of cash received by each shareholder who did not tender his shares in the Tender Offer (excluding the Offeror and the Target Company) as a result of the sale will be equal to the price obtained by multiplying the Tender Offer Price by the number of Target Company Shares held by each such shareholder. A petition for permission to purchase such Target Company Shares on this basis will be filed with the court. The Offeror intends to request the Target Company to file a petition with the court for permission to purchase such Target Company Shares on this basis. While the ratio of the Share Consolidation of the Target Company Shares has not been determined as of today, it will be determined such that each shareholder of Target Company Shares (excluding the

Offeror) who did not tender his shares in the Tender Offer will have less than one share, in order for the Offeror to hold all Target Company Shares.

The Companies Act provides that in the event of a Demand for the Sale of Shares, etc., each shareholder of the Target Company or Share Option Holder may, in accordance with Article 179-8 and other applicable laws and regulations, file a petition for determination of the purchase price of his Target Company Shares or Share Options. The Companies Act provides that if the Share Consolidation occurs and results in fractions less than one share, each shareholder of Target Company may, in accordance with Articles 182-4 and 182-5 of the Companies Act and other applicable laws and regulations: (a) demand that the Target Company purchase at a fair price all such fractions less than one share held by such shareholder, and (b) file a petition for determination of the price of the Target Company Shares.

The procedures described in (i) and (ii) above may take more time or may be changed in terms of the method used depending on amendments to or enforcement of, or the competent authorities' interpretation of, or other circumstances relating to, the relevant laws and regulations, among other things. However, even in such a case, the Offeror intends to employ a method whereby each shareholder of Target Company Shares who did not tender his shares in the Tender Offer (excluding the Offeror and the Target Company) will ultimately receive cash consideration in the amount calculated by multiplying the number of his Target Company Shares by the Tender Offer Price. In cases where a Share Option Holder who did not tender his Share Options in the Tender Offer receives cash consideration, the amount of such cash consideration will be calculated by multiplying the number of his Share Options by the Offer Price for Share Options in the Tender Offer. Nonetheless, in the event of a petition for determination of the purchase price relating to a Demand for the Sale of Shares, etc. or a petition for determination of the price relating to a demand for purchase of shares in a Share Consolidation, such purchase price of Target Company Shares and Share Options (or Target Company Shares in the case of a Share Consolidation) or such price relating to a demand for purchase of shares, as the case may be, will be finally determined by the court.

If the Offeror has acquired less than 90% of the total number of voting rights of all shareholders of the Target Company after a successful completion of the Tender Offer, and if the Offeror fails to acquire all Share Options in the Tender Offer, the Offeror intends to request or cause the Target Company to acquire Share Options, to recommend Share Option Holders to waive their Share Options and to follow other procedures reasonably necessary to consummate the Transaction, since the Offeror will not be able to acquire all Share Options through the Share Consolidation procedure after the Tender Offer.

Please note that the Tender Offer is not intended in any way to solicit the Target Company's shareholders to support the aforementioned proposals at the Extraordinary Shareholders' Meeting. Please also note that all shareholders of the Target Company and all Share Option Holders are solely responsible for seeking their

own specialist tax advice with regard to the tax consequences of tendering their shares or share options, as the case may be, to the Tender Offer or of any of the procedures described above.

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

The Tender Offer is not among the "material transactions, etc. with the controlling shareholder" mentioned in the Corporate Code of Conduct of TSE. However, considering, among other things, that the Offeror intends to make the Target Company its wholly-owned subsidiary through the Transaction, including the Tender Offer, and that the Offeror is the largest shareholder of the Target Company holding 5,500,000 shares in the Target Company (ownership ratio: 31.08%) as of today, the Offeror and the Target Company have implemented the following measures as measures to ensure fairness of the Tender Offer and measures to avoid conflicts of interest. Of the following statements, those describing the measures implemented by the Target Company are based on the Target Company's Press Release and explanations provided by the Target Company.

(A) Receipt by the Offeror of a Share Price Valuation Report from an Independent Third-Party Appraiser

In deciding the Tender Offer Price, the Offeror requested its financial advisor Nomura Securities Co., Ltd. ("Nomura Securities"), which served as a third-party appraiser independent from the Offeror and the Target Company, to evaluate the share value of the Target Company Shares in order to ensure the fairness of the Tender Offer Price. Nomura Securities is not a related party to the Offeror or the Target Company and does not have any material interest in the Tender Offer.

For an outline of the share price valuation report on the share value of the Target Company Shares obtained by the Offeror from Nomura Securities, please see "(A) Basis of Valuation" in "(4) Basis of Valuation, etc. of Price for Tender Offer" under "2. Outline of the Tender Offer" below. The Offeror has obtained no opinion letter on the fairness of the Tender Offer Price (a fairness opinion).

(B) Receipt by the Target Company of a Share Price Valuation Report from an Independent Third-Party Appraiser

According to the Target Company's Press Release, the Target Company, prior to expressing its opinion on the Tender Offer, requested its financial advisor SMBC Nikko Securities, which served as a third-party appraiser independent from the Target Company and the Offeror, to evaluate the share value of the Target Company Shares in order to eliminate arbitrariness in the Target Company's process for making decisions on the Tender Offer Price proposed by the Offeror and to ensure the fairness of the Tender Offer Price, followed by receipt of a share price valuation report on the Target Company Shares dated October 30, 2019. SMBC Nikko Securities is not a related party to the Target Company or the Offeror and does not have any material interest in the Transaction, including the Tender Offer.

SMBC Nikko Securities received from the Target Company's management disclosure of and explanations about the Target Company's current business condition, future business plans, etc. and evaluated the share value of the Target Company Shares based on the information so provided. The Target Company has not obtained from SMBC Nikko Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion).

SMBC Nikko Securities evaluated the value of the Target Company Shares using: (i) the market price method, since the Target Company Shares are listed on the Mothers market of TSE and have market prices; and (ii) the discounted cash flow analysis (the "DCF Analysis") in order to reflect an evaluation of the intrinsic value of the Target Company Shares based on the condition of the Target Company's future business activities.

The ranges of values per Target Company Common Share evaluated by SMBC Nikko Securities using the methods described above are as follows:

Market price method: From 318 yen to 350 yen
DCF Analysis: From 462 yen to 727 yen

For reference, since there is the fact or situation that may cause significant doubts to going concern assumption, the Target Company has attached the notes regarding the going concern assumption. On the other hand, the business model of Target Company is based on the alliance scheme, where regarding the next-generation logical vaccine, the self-developed pipeline, the Target Company provides the relevant development pipeline rights to the alliance party and jointly proceed the research, development, application and sales. Although the necessary funds etc. for the research and development shall be cash-out in advance, considering that there is a case where the Target Company borrows the R&D related funds necessary by distribution from the alliance party or acquire from the capital market depending on the alliance scheme with the alliance party, SMBC Nikko Securities has assumed in calculation that the Target Company is the going concern. In the market price method, the value range per Target Company Share of 318 yen to 350 yen was derived based on the following figures quoted on the Mothers market of the TSE as of the evaluation reference date of October 29, 2019: 350 yen, which was the simple average closing price over the preceding one-month period; 325 yen, which was the simple average closing price over the preceding three-month period; and 318 yen, which was the simple average closing price over the preceding six-month period.

In the DCF Analysis, the value range of 462 yen to 727 yen per Target Company Share was derived by analyzing the Target Company's corporate value and share value, calculated by discounting to a present value the free cash flow and going-concern value that the Target Company is expected to produce after the fiscal period ending December 2019 based on various factors such as the Target Company's financial forecasts for

the period from the fiscal period ending December 2019 to that ending December 2037, and publicly disclosed information. The discount rate used was 8.34% to 10.19%. In evaluating the going-concern value, the perpetual growth method was used with a perpetual growth rate ranging from -0.25% to 0.25%.

The Target Company's financial forecasts used by SMBC Nikko Securities in performing the DCF Analysis are as follows. These financial forecasts are based on an alliance scheme in which the Target Company grants to the other party (the "Licensee") a worldwide exclusive license to the relevant development pipeline of several next-generation logical vaccines combining adjuvants in the Target Company's development pipeline and product/drug delivery technologies using novel basic technologies for drug development, including human infectious disease vaccines which have long been worked on jointly with the Offeror, in order to jointly promote R&D, the filing of applications, and marketing (product supply). This alliance scheme expects that Licensee will be in charge of non-clinical studies, CMC development in the drug formulation process, clinical development, marketing authorization applications, regulatory affairs, and post-marketing global product supply and marketing, while the Target Company will conduct CMC development of drug substances from the relevant development pipeline, supply drug substances for study drugs, and provide global post-marketing supply of drug substances, as well as promoting basic research with the intention of expanding new development pipelines in order to realize long-term growth. While the development period will be different for different development pipelines and different development territories, the Target Company anticipates that the period for obtaining marketing approval for a development pipeline to be placed under development ahead of others in a first territory will be from 2020 to 2026. Based on its development plan, the Target Company plans to take such actions as serially expanding development territories thereafter. The Target Company anticipates that a considerable amount of upfront investment will be required for the Target Company's aforementioned roles during the aforementioned development period, including R&D expenses of 20,637 million yen for the development of several development pipelines and for basic research on new development pipelines, among other things, a capital expenditure of 8,526 million yen, and general administrative expenses, for a total of 30,808 million yen. This amount of upfront investment has not taken into account, among other things, the launch success probability and post-launch marketing risk mentioned in the note to the table below, which have been reflected in the share value evaluation process.

During the development period, the Target Company expects to receive an upfront payment and development milestone fees under the contract granting a worldwide exclusive license to the relevant development pipeline and to generate sales through, among other things, undertaking paid CMC development of drug substances from the relevant development pipeline and supplying drug substances for study drugs on a paid basis. After launch, the Target Company expects to receive proceeds from supplying drug substances as well as receiving sales milestone fees from the Licensee if certain levels of product sales are exceeded.

In evaluating share value, the evaluation period has been set to end at the fiscal period ending December 2037 since the Target Company considers that after starting sales in the fiscal period ending December 2027, it is necessary to fully reflect the sales plan for each product for the period up to peak sales in the relevant territory.

The following financial forecasts include fiscal periods for which a considerable income increase or decrease is expected. Specifically, the Target Company anticipates a considerable income increase in and after the fiscal period ending December 2027 due to expected increase in sales of drug substances from the Target Company to Licensees resulting from increase in supply caused by Licensees' global product distribution. The Target Company also expects to generate a surplus for fiscal year ending December, 2020 and fiscal year ending December, 2022 because, during the period from fiscal year ending December, 2020 to fiscal year ending December, 2022 out of the expected development period from 2020 to 2026, the Target Company expects to receive upfront payments in relation to joint development alliances with Licensees, as well as receiving development milestone fees in connection with full development of development pipelines through phases after non-clinical studies or in connection with the progress in development stage of development pipelines, and to generate proceeds through undertaking paid CMC development. On the other hand, a considerable deficit is anticipated for fiscal year ending December, 2022 and fiscal year ending December, 2023 due to the construction of new plants for commercial production of drug substances, and due to increase in R&D expenses, among other things. For fiscal year ending December, 2023 and fiscal year ending December, 2024 that follow, the Target Company anticipates a consideration reduction in deficit due to expected receipt of development milestone fees in connection with the progress in development stages of development pipelines and due to the generation of proceeds through supplying drug substances for study drugs on a paid basis.

Synergies anticipated as a result of the Transaction are not reflected in these financial forecasts, since they are difficult to be specifically estimated at present.

While the Share Options are also eligible for the Tender Offer, since the offer price per 21st Series of Share Option has been determined at the amount calculated by multiplying (a) the Tender Offer Price of 540 yen and 402 yen, which is the exercise price per Target Company Share to be issued upon exercise of the 21st Series of Share Options, by (b) 100, which is the number of Target Company Shares to be issued upon exercise of one 21st Series of Share Option, the Target Company has not obtained from any third-party appraiser a valuation report or an opinion letter (a fairness opinion) on the Offer Price for Share Options.

(in millions of yen)

	Fiscal period ending December 2019 (Q4)	Fiscal period ending December 2020	Fiscal period ending December 2021	Fiscal period ending December 2022	Fiscal period ending December 2023
Net sales	50	876	384	539	487
Operating income	-363	238	-141	27	-971

EBITDA	-363	238	-141	27	-391
Free cash flow	-363	165	-141	-2,540	-391

	Fiscal period ending December 2024	Fiscal period ending December 2025	Fiscal period ending December 2026	Fiscal period ending December 2027	Fiscal period ending December 2028
Net sales	1,199	660	775	1,941	2,062
Operating income	-117	-458	-57	995	704
EBITDA	291	-164	160	1,160	988
Free cash flow	291	-164	160	286	739

	Fiscal period ending December 2029	Fiscal period ending December 2030	Fiscal period ending December 2031	Fiscal period ending December 2032	Fiscal period ending December 2033
Net sales	2,652	3,366	3,337	4,135	4,771
Operating income	1,273	1,995	1,881	2,643	3,267
EBITDA	1,500	2,117	1,976	2,718	3,333
Free cash flow	1,111	1,509	1,402	1,912	2,337

	Fiscal period ending December 2034	Fiscal period ending December 2035	Fiscal period ending December 2036	Fiscal period ending December 2037
Net sales	4,824	5,281	5,339	5,375
Operating income	3,146	3,748	3,780	3,816
EBITDA	3,209	3,790	3,820	3,853
Free cash flow	2,250	2,647	2,667	2,689

Note: The above financial forecasts underlying the valuation have been calculated as follows: (i) selecting, from the basic research projects on development candidates promoted jointly with the Offeror, several development pipelines given priority in development and commercialization; and (ii) reflecting the launch success probability and post-launch marketing risk expected for each development pipeline in the financial forecasts for the development pipeline calculated on the assumption that the development pipeline is approved, manufactured, marketed and so on as expected. The launch success probability and post-launch marketing risk have been estimated by comprehensively taking into account such factors as the presence or absence of marketed products or competing products under development, the current development stage, and the expected feasibility of the product profile, in addition to the results, etc. of basic research conducted thus far.

(C) Establishment of an Independent Special Committee at the Target Company and Receipt of a Written Report from the Special Committee

According to the Target Company's Press Release, the Target Company established on September 20, 2019 a special committee without interests in the Target Company or the Offeror, for the purpose of eliminating arbitrariness in the Target Company's decision-making on the Transaction and ensuring the fairness, transparency, and objectivity of the Target Company's decision-making process. The special committee consisted of the following three members: Mr. Toshiaki Funakura (the Target Company's Independent Auditor), who has long engaged in accounting services, etc. at major pharmaceutical companies; Mr.

Kinichiro Kominami (the Target Company's Independent Auditor), who is a doctor of science with research experience in biology fields and has extensive experience in investments in bio-ventures at securities companies; and Mr. Hidetaka Nishina (an attorney-at-law at Nakamura, Tsunoda & Hamamoto), who is an external expert with an extensive knowledge in M&A transactions (please note that the Target Company has never replaced any member of the special committee since its establishment, and that the special committee have elected, from among its members, Mr. Hidetaka Nishina as the chairman of the special committee. Remuneration for the members of the special committee has an upper limit which is a certain fixed amount, with no contingency fee). The Target Company consulted the special committee on the following matters (collectively, the "Consulted Matters"): (i) Whether or not the purpose of the Transaction is reasonable (including whether or not the Transaction will contribute to the improvement of the corporate value of the Target Company); (ii) whether or not the fairness of the terms and conditions of the Transaction (including the tender offer price in the Tender Offer) has been secured; (iii) whether or not sufficient consideration has been given to the interests of the Target Company's shareholders through fair procedures in the Transaction; (iv) in respects other than those listed in (i) through (iii) above, whether the Transaction is considered not disadvantageous to the Target Company's minority shareholders; and (v) whether or not it is appropriate for the Target Company's board of directors to adopt a resolution to express its support for the Tender Offer and to recommend that the Target Company's shareholders and share option holders apply for the Tender Offer.

During the period from September 24, 2019 to October 29, 2019, the special committee held a total of 7 meetings where the members discussed and examined the Consulted Matters. Specifically, the special committee: collected and examined the materials submitted by the Target Company or the Offeror for consideration by the special committee, as well as other necessary information, materials, etc.; and received from the Target Company's Chairman & CEO explanations about, and had question and answer sessions, etc. with him on, an outline of the Transaction (including the Tender Offer), the background, significance, and purpose of the Transaction, the Target Company's condition and business plans, the background of the Target Company's decision, and the Target Company's examination process up to its decision.

The special committee received from the Offeror and its financial advisor Nomura Securities explanations about, and had question and answer sessions with them on, an outline of the Transaction (including the Tender Offer), the background, significance, and purpose of the Transaction, the Offeror's management policy after the Transaction, and the terms and conditions of the Transaction, among other things. In addition, the special committee has been involved in the process of the Target Company's negotiation with the Offeror by, among other things: receiving timely reports from the Target Company on the progress, content, etc. of the discussions and negotiations on the Transaction between the Offeror and the Target Company; conducting a discussion by holding a special committee meeting after receiving each of these reports; and giving the Target Company advice on the Tender Offer Price, several times until the Target Company received a final proposal of 540 yen from the Offeror, to the effect that the Target Company should request the Offeror to increase the

Tender Offer Price. Furthermore, the special committee received from SMBC Nikko Securities explanations about, and had question and answer sessions with it on, the valuation of the Target Company shares, as well as having question and answer sessions with the Target Company and directly checking and analyzing, among other things, the process through which, and material assumptions based on which, the Target Company's business plans were formed. The special committee has received reports from SMBC Nikko Securities and Anderson Mori & Tomotsune on the content, etc. of the Target Company's negotiations with the Offeror on the terms and conditions of the Transaction, including the Tender Offer Price, based on discussions conducted at the special committee meetings. The special committee has also received explanations from Anderson Mori & Tomotsune about the content of: the measures to ensure the fairness of the procedural aspects of the Transaction; and the methods and processes of decision-making by the Target Company's board of directors on the Transaction, and other measures to avoid conflicts of interest.

After completing these procedures and carefully discussing the Consulted Matters, the special committee submitted to the Target Company's board of directors a written report dated October 30, 2019 on the Consulted Matters, whose summary is as follows.

(i) Whether or not the purpose of the Transaction is reasonable (including whether or not the Transaction will contribute to the improvement of the corporate value of the Target Company)

In consulted matter (i), the special committee is requested to consider whether the Transaction meets the demand for improvement of the Target Company's corporate value.

Based on the interviews with the Target Company and other available information, points in the future development of the Target Company's business in the above regard include: (I) considering that at present the focus of the Target Company's business has been considerably narrowed down, a smooth progress of Phase 2 of the R&D project currently in progress is most important in the maintenance and improvement of the Target Company's corporate value; (II) another challenge facing the Target Company is to stabilize its financial foundation in order to ensure smooth progress of R&D, since the Target Company currently has no products or licenses that continuously generate income even though R&D is extremely costly; (III) the Target Company has limited human resources due to its size, which imposes physical limitations on the performance of its business, indicating that it is desirable to improve its personnel resources; and (IV) partnering with foreign businesses will also be important in launching the Target Company's products in the future. Generally speaking, taking measures (including without limitation M&A) that will contribute to the achievement of the points listed in (I) through (IV) above is considered to contribute to the improvement of the Target Company's corporate value.

Next, the special committee requested from the Target Company an explanation of the advantages of the Transaction. The Target Company listed the following advantages: (a) the Offeror has a history of joint

research with the Target Company, through which the Offeror has a deep understanding of the Target Company's R&D activities; (b) the Transaction will allow the Target Company to utilize the Offeror's equipment in conducting the Target Company's R&D; (c) becoming a subsidiary of the Offeror as a result of the Transaction will significantly reduce the financing difficulty facing the Target Company because the issue of the Target Company's R&D expenses will be a matter of allocation of development budgets within the Offeror, and the Target Company will no longer need to raise funds from external sources; (d) while the Target Company has faced some difficulty in securing human resources due to the special nature of its field of business, i.e., biological research, becoming a wholly-owned subsidiary of the Offeror will allow the Target Company to utilize the Offeror's human resources; (e) the Offeror has deep knowledge in the management and utilization of intellectual property, and utilizing this knowledge will allow the Target Company to appropriately manage and utilize its intellectual property and is expected to contribute to the Target Company's smooth performance of its business; and (f) as a major company, the Offeror have connections with foreign companies through licensing, which is expected to allow the Target Company to expand its business overseas more smoothly and on more favorable terms than exploring partnering on its own.

The special committee considers that, of the above-listed advantages of the Transaction enumerated by the Target Company, the advantages listed in (a) and (b) contribute in some way to point (I) of the points in the future development of the Target Company's business listed above, and likewise, advantage (c) contributes to point (II), advantages (d) and (e) to point (III), and advantage (f) to point (IV).

The special committee also requested from the Target Company an explanation of relative merits and demerits of each of the following three potential R&D schemes for the future: the Transaction (the wholly-owned subsidiary scheme); the continued joint development scheme; and the licensing-out scheme. The wholly-owned subsidiary scheme was inferior to the other schemes only in that it is harder to produce good short- and mid-term sales under the wholly-owned subsidiary scheme and that the Target Company shares will lose liquidity. However, the first point of inferiority mentioned above does not affect the smooth progress of R&D by the Target Company, which is the ultimate goal of the Transaction, since this point of inferiority only means that, while the joint development scheme and the licensing-out scheme will allow the Target Company to receive milestone fees and license fees in early stages, the wholly-owned scheme allows the Target Company to continue R&D within the Offeror without the need to receive fees. As for the second point of inferiority, the issue of the loss of liquidity can be compensated for by conducting the Transaction in a manner that gives consideration to the interests of the minority shareholders, as discussed in one of the matters consulted with the special committee. Therefore, as long as the wholly-owned subsidiary scheme is superior to the other schemes in all other respects, the special committee considers that the wholly-owned subsidiary scheme is superior to the other schemes from the viewpoint of improving the Target Company's corporate value.

As described above, the special committee considers that the Transaction will contribute to the improvement of the Target Company's corporate value, on the grounds that the Transaction is considered to help resolve all of the future challenges recognized by the Target Company, that none of the reasons for choosing to conduct the Transaction is not seemingly unreasonable, that satisfactorily concrete explanations have been provided on the details of the mutually complementary relationship and on the factors expected to benefit from synergies, and that there are no inconsistencies and no significant differences in understanding between the explanations provided by the Target Company and those provided by the Offeror. In addition, the special committee considers that not only will the Transaction contribute to the improvement of the Target Company's corporate value, but also making the Target Company a wholly-owned subsidiary of the Offeror is an appropriate means because, when viewed as a means to achieve the goal, it is more efficient to allow the Target Company to continue its R&D activities in the Offeror's group by becoming a wholly-owned subsidiary of the Offeror than using any of the other methods. Furthermore, the Transaction seems to have no disadvantages. Therefore, the special committee considers that the purpose of the Transaction is reasonable.

(ii) Whether or not the fairness of the terms and conditions of the Transaction (including the tender offer price in the Tender Offer) has been secured

In consulted matter (ii), the special committee is requested to consider whether or not the fairness and appropriateness of the terms and conditions of the Transaction have been secured, assuming that the fairness of the procedures as a means to realize the fairness of the terms and conditions (i.e., consulted matter (iii)) has been secured. As detailed below in the discussion of consulted matter (iii), the special committee considers that in the Transaction, sufficient consideration has been given to the interests of shareholders of the Target Company through fair procedures.

The agreement on the Tender Offer Price between the Offeror and the Target Company was made fairly, by receiving advice from the Target Company's financial advisor. The special committee received detailed explanations on the progress of negotiations on this agreement from the Target Company and its financial advisor at each committee meeting (and via e-mail from time to time between dates of committee meetings). These circumstances suggest that the Tender Offer Price was decided upon through negotiations between the Target Company and Offeror based on objective and consistent discussions that are comparable to those that would take place in an arm's-length relationship, and seem to contain nothing that would raise suspicion about the transparency or fairness of the decision-making process.

Next, the special committee examined in detail the process through which the Target Company's business plans were formed, including by conducting interviews with the Target Company and the Offeror, and

found that, even though these business plans were formed after the Transaction took shape, there is no evidence of arbitrary pressure imposed by the Offeror on the plan forming process. As for the content of the business plans, the decision on the pipelines underlying the business plans takes into account the status of R&D up to the present. As for the marketability (the expected market size) and success probability (the probability of success of R&D) of these pipelines, the special committee sees no arbitrary interpretations being involved and finds them reasonable. Furthermore, the expected possibility of overseas expansion seems to involve no unreasonable projections.

With respect to the methods of evaluation of the price of Target Company Shares, the special committee conducted interviews with the Target Company's financial advisor at committee meetings and received detailed explanations on the methods and processes of evaluation of the price of Target Company Shares and on the process of consideration of the share price valuation. The special committee confirmed that none of the above methods and processes involves anything unreasonable, and concluded that the share price valuation report prepared by the Target Company's financial advisor was reliable. On top of the above, the special committee considers that the Tender Offer Price reflects the value of the Target Company Shares to a reasonable degree and is not at a level at which its appropriateness should be denied, on the grounds that the Tender Offer Price is above the upper limit of the range of the value per Target Company Share evaluated by the market price method and is within the range of the value per Target Company Share evaluated by the DCF Analysis, both of which ranges are shown in the share price valuation report prepared by the Target Company's financial advisor, that the Tender Offer Price secures premiums favorably compare with those in recent tender offers, and that, while the share price of the Target Company during the period preceding the announcement of the Capital and Business Alliance with the Offeror (i.e., from February to October 2017) reflects investors' valuation of the Target Company in a situation where there are no specific expectations about its R&D, the Tender Offer Price considerably exceeds the average share price (325 yen) and the maximum share price (525 yen) of the Target Company during that period.

Next, the special committee examined whether the method of acquisition used in the Transaction, the kind of consideration for the acquisition, among other things, are appropriate. The special committee considers that employing the cash consideration scheme is reasonable in that this scheme will give shareholders of the Target Company, after integration of the Offeror and the Target Company, a choice between: (a) becoming a shareholder of the Offeror with a division operating the Target Company's business; and (b) investing elsewhere. In addition, the wholly-owned subsidiary scheme is superior to the other schemes as a means to continue the Target Company's R&D. The special committee therefore finds that conducing the Transaction is more reasonable than conducting any of the alternative transactions.

Furthermore, as for share options, while the offer price for the 21st Series of Share Options is considered to bring to the holders of these share options economic benefits comparable to those given to shareholders of common shares, it is common in projects of this kind that the offer price for other share options is set at 1 yen. The special committee thus does not find that the prices set for the Transaction are unreasonable.

For the reasons described above, the Tender Offer Price is found appropriate based on the course of negotiations on the Transaction, the appropriateness of the schemes employed in the Transaction, among other things. In addition, the Transaction ensures that minority shareholders will receive the same amount of consideration as the Tender Offer Price regardless of whether they choose to receive consideration through the Tender Offer or the cash-out procedure. Therefore, the special committee concludes that the fairness of the terms and conditions of the Transaction as a whole is secured.

(iii) Whether or not sufficient consideration has been given to the interests of the Target Company's shareholders through fair procedures in the Transaction

In consulted matter (iii), the special committee is requested to consider whether or not the interests of general shareholders are secured through fair procedures in the Transaction. The special committee finds that the Transaction employs, and effectively operates, adequate measures to ensure fairness from the viewpoints of (a) securing a situation comparable to an arm's-length transaction in the process of setting the terms and conditions of the transaction, and (b) securing an opportunity for general shareholders to make an appropriate decision based on sufficient information, on the following grounds: (I) the Target Company established the special committee which consists of two external Independent Auditors of the Target Company and an independent expert and is found to be functioning effectively as a mechanism for securing fairness; (II) the special committee finds no doubts about the fairness of the Target Company's decision-making process, since none of the Directors of the Target Company's board of directors is considered to have interests in the Tender Offer and the aforementioned resolution is expected to be adopted unanimously by all three Directors of the Target Company, with all three Auditors (two of who are Independent Auditors) of the Target Company being expected to express an opinion that they have no objection to the aforementioned resolution; (III) the Target Company has received external specialist advice, such as advice from its external legal advisor and a share price valuation report from its third-party appraiser; (IV) while it has been pointed out that if the acquirer is the controlling shareholder, a market check functions as a measure for securing fairness in limited settings only and is often of little use, the Transaction does involve a market check, if indirectly, which is considered to reinforce the Target Company's bargaining power in the process of forming the terms and conditions of the transaction and to help the M&A be conducted on terms and conditions as favorable as possible to general shareholders while increasing the Target Company's corporate value; (V) the Transaction employs a "majority of the minority" approach with respect to the minimum number of share certificates, etc. to be purchased; (VI)

the special committee considers that shareholders of the Target Company have been provided, from both qualitative and quantitative viewpoints, with important information that would help them make a decision on, among other things, the appropriateness of the terms and conditions of transaction, since an average investor would be able to infer, to some extent, what stage the R&D projects conducted by the Target Company are currently at and when these projects are expected to produce results, in light of the fact that the Target Company has disclosed (w) the fact that it is improving basic technology for drug discovery, including human infectious disease vaccines, and is conducting basic research on development candidates consisting of part of its existing in-house development pipelines and new development candidate targets, (x) what the Target Company intends to achieve in each of the phases of the business alliance, (y) in respect of Phase 1, (y-1) the fact that the original goals set for this phase have almost been achieved in respect of the basic technology improvement, and (y-2) certain details of the relevant basic technology, and (z) the Target Company's financial forecasts for a period longer by far than in ordinary transactions, i.e., the projected sales and operating income until the fiscal period ending December 2037; and (VII) the special committee considers that measures to eliminate coercion are taken in the Transaction in light of the fact that the cash-out procedure in the Transaction is planned to be conducted through a scheme using a drag-along or stock consolidation method, that the Target Company has explicitly disclosed information on this plan, and that the Target Company has disclosed its intention to conduct the aforementioned cash-out procedure promptly after completion of the Tender Offer, and to pay the same amount of money as the Tender Offer Price to minority shareholders in the cash-out procedure.

Therefore, the special committee finds that sufficient consideration has been given to the interests of the Target Company's shareholders through fair procedures in the Transaction.

(iv) In respects other than those listed in (i) through (iii) above, whether the Transaction is considered not disadvantageous to the Target Company's minority shareholders

Considering that no problems were found in respect of the matters discussed in (i) through (iii) above, the special committee considers that the Transaction is not disadvantageous to the Target Company's minority shareholders.

(v) Whether or not it is appropriate for the Target Company's board of directors to adopt a resolution to express its support for the Tender Offer and to recommend that the Target Company's shareholders and share option holders apply for the Tender Offer

Considering that no problems were found in respect of the matters discussed in (i) through (iv) above, the special committee considers that it is appropriate, and is not disadvantageous to minority shareholders (including share option holders), for the Target Company's board of directors to adopt, upon

announcement of the Tender Offer, a resolution: (a) to express its support for the Tender Offer; (b) to recommend that the Target Company's shareholders and share option holders holding the 21st Series of Share Options apply for the Tender Offer; and (c) to leave to the discretion of share option holders holding other share options the decision as to whether or not these share option holders should apply for the Tender Offer. In this regard, although the special committee does not consider that the offer price offered to holders of share options other than the 21st Series of Share Options is unreasonable, the committee finds it inappropriate to recommend that these share option holders apply for the Tender Offer because the Target Company is offering to buy these share options at a memorandum price.

(D) Advice from a Law Firm Independent from the Target Company

According to the Target Company's Press Release, the Target Company selected Anderson Mori & Tomotsune as its legal advisor and received from Anderson Mori & Tomotsune legal advice on the method, process, etc. of decision-making by the Target Company's board of directors, including various procedures involved in the Transaction, including the Tender Offer. Anderson Mori & Tomotsune is independent from the Offeror and the Target Company and does not have any material interest in the Target Company or the Offeror.

(E) Unanimous Approval of All Disinterested Directors and Unanimous No Objection from All Disinterested Auditors of the Target Company

According to the Target Company's Press Release, the Target Company prudently discussed and examined, including from the viewpoint of improving its corporate value, the terms and conditions of the Transaction, including the Tender Offer, based on the share price valuation report on the Target Company Shares obtained from SMBC Nikko Securities, the report dated October 30 submitted by the special committee, the legal advice from Anderson Mori and Tomotsune, and other related materials. From the viewpoint of improving its corporate value, the Target Company considers that the Transaction will allow the Target Company to conduct efficient and effective development by promoting, together with the Offeror as a team, R&D activities toward the commercialization of human infectious disease vaccines by integrating into the R&D capacity and the personnel, equipment, and other resources at the Offeror in the infectious disease area, which is a focus area of the Offeror: 1) the basic technology which has been established by the Offeror and the Target Company in Phase 1 of their affiliation and is necessary to enter the vaccine business; and 2) the Target Company's knowledge and know-how about the "next-generation logical vaccine" mainly targeting the prevention of infectious diseases. The Target Company also considers that the Transaction will allow the Target Company to improve and reinforce its development pipelines in the prevention vaccine area, and will enable the Target Company in the future to achieve a certain positioning in the preventive vaccine area. Furthermore, the Target Company expects that the Transaction will allow the Target Company to maximize the value of its products through overseas expansion in the future by utilizing the Offeror's global business expansion capability. In addition, the Target Company anticipates that the Transaction will, through

reinforcement of the Offeror's medium- to long-term strategic commitment, allow the Target Company: to stably secure R&D funds necessary to promote the full development of development products after non-clinical studies, considerable capital expenditure funds for constructing new commercial production centers in anticipation of the commercialization and global supply of development products, and working capital for the maintenance of the Target Company's business; and to stabilize its financial foundation on a long-term basis. Based on these considerations, the Target Company has reached a conclusion that the Transaction is the best choice that is likely to further improve the corporate value of the Target Company. With respect to the Tender Offer Price, the Target Company negotiated with the Offeror on the tender offer price several times during the period from October 10, 2019, on which the Target Company received a written proposal from the Offeror, to October 28, after prudent examination based on: the examples of the premiums paid in tender offers conducted in the past for share certificates etc. by a party other than an issuer for the purpose of making a related company to a wholly owned company; the advice from the special committee; the content of SMBC Nikko Securities' evaluation of the share value of the Target Company Shares; and the advice from Anderson Mori & Tomotsune. As a result, the Target Company determined that the Tender Offer provides the Target Company's shareholders with a reasonable opportunity to sell their shares, by taking into account: (i) the fact that the agreed Tender Offer Price of 540 yen per share is above the upper limit of the range of the value per Target Company Share evaluated by the market price method and is within the range of the value per Target Company Share evaluated by the DCF Analysis, both of which ranges are shown in the share price valuation report obtained from SMBC Nikko Securities; (ii) the Tender Offer Price is considered to include an appropriate premium, as it is inclusive of a premium of (a) 46.74% (rounded to two decimal places; the same applies hereinafter to other premium percentages) on 368 yen, the closing price of the Target Company Shares at TSE on October 29, 2019, which is the business day before the announcement date of the Tender Offer; (b) 54.29% (rounded to rounded to the nearest whole number; the same applies hereinafter to other simple average closing prices) on 350 yen, the simple average closing price over the past one-month period preceding October 29, 2019, and 66.15% on 325 yen, the simple average closing price over the past three-month period preceding the same date; and (c) 69.81% on 318 yen, the simple average closing price over the past six-month period preceding the same date; and (iii) other terms and conditions of the Transaction.

Consequently, the Target Company, at its board of directors meeting held on October 30, 2019, adopted a resolution: (i) to express its support for the Tender Offer; (ii) to recommend that shareholders of the Target Company apply for the Tender Offer; (iii) to recommend that Share Option Holders holding the 21st Series of Share Options apply for the Tender Offer; and, on the other hand, (iv) to leave to the discretion of Share Option Holders other than those holding the 21st Series of Share Options the decision as to whether or not these Share Option Holders other than those holding the 21st should apply for the Tender Offer. The aforementioned resolution of the board of directors was adopted unanimously by all three Directors of the Target Company.

At the aforementioned board of directors meeting, all three Auditors of the Target Company (two of who are Independent Auditors) expressed an opinion that they had no objection to the aforementioned resolution.

(F) Measures to Secure an Opportunity for Other Offerors to Carry Out a Tender Offer

While the shortest statutory period of a tender offer is 20 business days, the Offeror has set the Tender Offer Period to 30 business days. By setting the Tender Offer Period to a relatively long period, the Offeror intends to ensure that shareholders of Target Company and Share Option Holders] are given an opportunity to make an appropriate decision on whether or not to apply for the Tender Offer and that parties other than the Offeror are given an opportunity to carry out a tender offer, etc., thereby ensuring the appropriateness of the Tender Offer Price and the Offer Price for Share Options. Furthermore, the Offeror has not made any agreement with the Target Company that contains deal protection provisions which would prohibit the Target Company from contacting a counter offeror, or any other agreement that would restrict a counter offeror from contacting the Target Company. Thus, the Offeror has given consideration to the ensuring of the fairness of the Tender Offer by securing an opportunity for a counter tender offer, in addition to the setting of the aforementioned tender offer period.

(G) Setting of the Minimum Number of Shares, etc. to Be Purchased Above Which a Majority of the Minority Shares Are Purchased

Since the Offeror has set the minimum number of share certificates, etc. to be purchased in the Tender Offer, if the total number of Tendered Share Certificates, etc. falls short of the minimum number of share certificates, etc. to be purchased (6,322,000 shares), the Offeror will purchase none of the Tendered Share Certificates, etc. On the other hand, since the Offeror has set no maximum number of share certificates, etc. to be purchased in the Tender Offer, if the total number of Tendered Share Certificates, etc. is at least the minimum number of share certificates, etc. to be purchased, the Offeror will purchase all of the Tendered Share Certificates, etc.

The minimum number of share certificates, etc. to be purchased (6,322,000 shares) corresponds to the number of voting rights (63,200 voting rights) calculated as follows: (i) the number of voting rights (177,329 voting rights) represented by the number of Target Company Shares (17,732,950 shares) calculated as follows: (a) the Total Number of Issued Target Company Shares as of Today (17,696,500 shares), plus (b) the number of Target Company Shares to be issued upon exercise of all Share Options excluding the 21st Series of Share Options as of September 30, 2019 (36,500 shares), less (c) the number of treasury shares held by the Target Company as of September 30, 2019 as stated in the Target Company's Financial Statement (50 shares); multiplied by (ii) a factor of two-thirds (with the product being 118,220 voting shares, which is rounded up to the nearest whole number); less (iii) the number of voting rights (55,000 voting rights) represented by the number of Target Company Shares held by the Offeror as of today (5,500,000 shares).

The minimum number of share certificates, etc. to be purchased exceeds the number of Target Company Shares (6,116,500 shares; the so-called "majority of the minority") which corresponds to the number of voting rights (61,165 voting rights) constituting a majority of the number of voting rights (122,329 voting rights) represented by the number of Target Company Shares (12,232,950 shares) calculated as follows: (i) the Total Number of Issued Target Company Shares as of Today (17,696,500 shares); plus (ii) the number of Target Company Shares that may be issued upon exercise of the Share Options excluding the 21st Series of Share Options as of September 30, 2019 (36,500 shares); less (iii) the number of treasury shares held by the Target Company as of September 30, 2019 as stated in the Target Company's Financial Statement (50 shares) and the number of Target Company Shares held by the Offeror as of today (5,500,000 shares).

Thus, the Offeror has set the minimum number of share certificates, etc. to be purchased which respects the intention of the Target Company's shareholders and Share Option Holders by preventing the Transaction, including the Tender Offer, from being conducted if such Transaction is not supported by a majority of the Target Company's shareholders who have no interest in the Offeror.

(6) Prospects and Reasons for Delisting

The Target Company Shares are listed on the Mothers market as of today. However, since the Offeror has set no maximum number of share certificates, etc. to be purchased in the Tender Offer, the Target Company Shares may be delisted through the prescribed procedures in accordance with the delisting criteria set out by the TSE, depending on the outcome of the Tender Offer.

Even in the event that the delisting criteria are not met upon completion of the Tender Offer, since the Offeror intends to implement the procedures for acquiring all Target Company Shares (including the Target Company Shares to be issued upon exercise of Share Options and excluding the Target Company Shares held by the Offeror and the treasury shares held by the Target Company) as described in the section titled "(4) Policy for organizational restructuring after the Tender Offer (matters relating to the 'Two-Step Acquisition')." If such procedures are implemented, the Target Company Shares will be delisted through the prescribed procedures in accordance with TSE's delisting criteria. After delisting, the Target Company Shares can no longer be traded on the Mothers market.

2. Outline of the Tender Offer

(1) Outline of the Target Company

(A) Name	UMN Pharma Inc.
(B) Address	4-2-3, Goshonoyumoto, Akita City, Akita
(C) Title and Name of Representative	Tatsuyoshi Hirano, Chairman & CEO
(D) Description of Business	Research, development, manufacture, and marketing of biopharmaceuticals
(E) Capital	679 million yen (as of September 30,2019)
(F) Date of Establishment	April 20, 2004

(G)	Major Shareholders and Shareholding Ratios (as of June 30, 2019)	Shionogi & Co., Ltd. Rakuten Securities, Inc. SBI SECURITIES Co., Ltd. Masashi Toyota Keiji Okuwa JAPAN SECURITIES FINANCE CO., LTD. Kimiko Sawada Nomura Securities Co., Ltd. Hiroshi Takanashi Yoshihiko Yamada	20.27% 1.68% 1.34% 0.80% 0.65% 0.56% 0.48% 0.34% 0.33% 0.31%
(H)	Relationship between Offeror and Target Company		
	Capital Relationship	As of today, the Offeror holds 5,500,000 Target Company Shares which represent 31.08% of the total issued shares of the Target Company (17,696,500 shares).	
	Personnel Relationship	Not applicable.	
	Business Relationship	Jointly with the Target Company, the Offeror has pursued basic technology improvement and basic research for drug development.	
	Status as Related Party	The Target Company is a related party to the Offeror since the Offeror has made the Target Company an affiliated company of the Offeror.	

Note: As described in "(1) Outline of the Tender Offer" under "1. Purpose of Tender Offer" above, the Offeror acquired 2,400,000 Target Company Shares by exercising, on October 3, 2019, all of the stock acquisition rights attached to the 1st Series of Unsecured Convertible Bond-Type Bonds with Share Options held by the Offeror and, as of today, the Offeror holds 5,500,000 Target Company Shares (ownership ratio: 31.08%).

(2) Schedule, etc.

(A) Schedule

Board of Directors meeting	October 30 (Wednesday), 2019
Date of Public Notice of Commencement of Tender Offer	October 31 (Thursday), 2019 An electronic public notice will be issued and this will be published in the Nihon Keizai Shimbun. (URL for electronic public notice: http://disclosure.edinet-fsa.go.jp/)
Date of Submission of Tender Offer Statement	October 31 (Thursday), 2019

(B) Period of Initial Tender Offer after Submission of Statement

From October 31 (Thursday), 2019 to December 12 (Thursday), 2019 (30 business days).

(C) Possibility of Extension at the Target Company's Request

Not applicable.

(3) Price of Tender Offer

(A) Common shares: 540 yen per share

(B) Share options:

a) The share options issued pursuant to a resolution adopted at the Target Company's Board of Directors meeting held on March 29, 2010 (the "11th Series of Share Options") (whose exercise period is from January 27, 2012 to January 26, 2020): 1 yen per share option

b) The share options issued pursuant to a resolution adopted at the Target Company's Board of Directors meeting held on July 16, 2010 (the "13th Series of Share Options") (whose exercise period is from January 27, 2012 to January 26, 2020): 1 yen per share option

c) The share options issued pursuant to a resolution adopted at the Target Company's Board of Directors meeting held on August 13, 2010 (the "14th Series of Share Options") (whose exercise period is from January 27, 2012 to January 26, 2020): 1 yen per share option

d) The share options issued pursuant to a resolution adopted at the Target Company's Board of Directors meeting held on August 31, 2010 (the "15th Series of Share Options") (whose exercise period is from January 27, 2012 to January 26, 2020): 1 yen per share option

e) The share options issued pursuant to a resolution adopted at the Target Company's Board of Directors meeting held on April 13, 2018 (the "21st Series of Share Options") (whose exercise period is from April 14, 2020 to April 13, 2028): 13,800 yen per share option

Hereinafter the 11th Series of Share Options, the 13th Series of Share Options, the 14th Series of Share Options, the 15th Series of Share Options, and the 21st Series of Share Options are referred to collectively as the "Share Options."

(4) Basis of Valuation, etc. of Price for Tender Offer

(A) Basis of Valuation

(i) Common shares

In deciding the Tender Offer Price, the Offeror requested its financial advisor Nomura Securities, which served as a third-party appraiser independent from the Offeror and the Target Company, to evaluate the share value of the Target Company Shares. Nomura Securities is not a related party to the Offeror or the Target Company and does not have any material interest in the Transaction, including the Tender Offer. After considering evaluation methods to be used in the Tender Offer, Nomura Securities evaluated the share value of the Target Company Shares using the average market price method and the DCF Analysis. The Offeror obtained a share value valuation report from Nomura Securities on October 29, 2019. Although there is the fact or situation that may cause significant doubts to going concern assumption and the Target Company has attached the notes regarding the going concern assumption, considering that there is a case where the Target Company borrows the R&D related funds necessary by distribution from the alliance party or acquire from the capital market, Nomura Securities has assumed in calculation that the Target Company is the going concern. The Offeror has not obtained from Nomura Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion).

The ranges of values per Target Company Share evaluated by Nomura Securities using the aforementioned methods are as follows:

Average market price method: From 318 yen to 368 yen
DCF Analysis: From 423 yen to 667 yen

In the average market price method, the share value range per Target Company Share of 318 yen to 368 yen was derived based on the following figures quoted on the Mothers market as of the evaluation reference date of October 29, 2019: 368 yen, which was the closing price as of October 29, 2019; 358 yen, which was the simple average closing price over the five-business day period preceding October 29, 2019; 350 yen, which was the simple average closing price over the preceding one-month period; 325 yen, which was the simple average closing price over the preceding three-month period; and 318 yen, which was the simple average closing price over the preceding six-month period.

In the DCF Analysis, the value range of 423 yen to 667 yen per Target Company Share was derived by analyzing the Target Company's corporate value and share value, calculated by discounting to the present value at a certain discount rate the free cash flow that the Target Company is expected to generate after the fiscal period ending December 2019 based on various factors confirmed by the Offeror, such as the Target Company's revenues and investment plans in its business plans for the period from the fiscal period ending December 2019 to that ending December 2037, interviews with the Target Company's management, the Target Company's performance trends up to present, and publicly disclosed information. For reference, the business plan of Target Company that Nomura Securities used for the assumption of calculation includes the fiscal year in which great revenue increase has been expected. Specifically, during and after the fiscal year ending December, 2027, sales of pharmaceutical ingredients is expected to increase and results in the great increase of revenue. On the other hand, from fiscal year ending December, 2021 to fiscal year ending December, 2026, it is expected to become red due to construction of the new factory for commercial production of pharmaceutical ingredients and increase etc. in research and development costs. Synergies anticipated as a result of the Transaction are not reflected in this analysis, since they are difficult to be specifically estimated at present.

In addition to the evaluation results shown in the share value valuation report obtained from Nomura Securities, the Offeror comprehensively considered the results of the due diligence conducted during the period from mid-September 2019 to mid-October 2019, examples of the premiums paid in tender offers conducted in and after 2015 for share certificates etc. by a party other than an issuer, the Target Company Shares' market trend over the preceding six-month period, the support for the Tender Offer by the Target Company's board of directors, and the prospect for the tendering of shares to the Tender Offer, and in light

also of the results of discussions and negotiations with the Target Company, the Offeror decided on the Tender Offer Price of 540 yen per share on October 30, 2019.

The Tender Offer Price of 540 yen per share represents: a premium of 46.74% on 368 yen, which was the closing price for the Target Company Shares quoted on the Mothers market on October 29, 2019 (which was the business day immediately preceding the announcement date of the implementation of the Tender Offer); a premium of 50.84% on 358 yen, which was the simple average closing price over the five-business day period preceding October 29, 2019; a premium of 54.29% on 350 yen, which was the simple average closing price over the one-month period preceding October 29, 2019; a premium of 66.15% on 325 yen, which was the simple average closing price over the three-month period preceding October 29, 2019; and a premium of 69.81% on 318 yen, which was the simple average closing price over the six-month period preceding October 29, 2019.

The Offeror acquired 600,000 Target Company Shares at 298 yen per share (which is lower than the Tender Offer Price by 242 yen) through the 2017 Third-Party Allotment conducted on November 16, 2017. The reason for this is: (i) the difference in market price of Target Company Shares considered in determining the price, due to the difference in the time of price determination between the purchase price of Target Company Shares in the third-party allotment conducted on November 16, 2017 and the Tender Offer Price (the former price is 298 yen which was the closing price of Target Company Shares on the Mothers market on October 30, 2017, while the latter price is 368 yen which is the closing price of Target Company Shares on the Mothers market on October 29, 2019, which is the business day before today); and (ii) that, the Tender Offer Price has been calculated, as described above, by adding a premium of 46.74% to 368 yen, which is the closing price of Target Company Shares on the Mothers market on October 29, 2019, which is the business day before today.

(ii) Share Options

With respect to the 11th, 13th, 14th, and 15th Series of Share Options of the Share Options, the Offeror has determined the offer price at 1 yen per share option because, as of today, the exercise price per Target Company Share to be issued upon exercise of these series of share options (the 11th Series of Share Options, 2,200 yen; the 13th Series of Share Options, 2,200 yen; the 14th Series of Share Options, 2,200 yen; and the 15th Series of Share Options, 2,200 yen) exceeds the Tender Offer Price (540 yen).

As for the 21st Series of Share Options, on the other hand, the exercise price per Target Company Share to be issued upon exercise of the 21st Series of Share Options as of today (402 yen) falls below the Tender Offer Price (540 yen). The Offeror has thus determined the offer price for the 21st Series of Share Options at the amount (13,800 yen) calculated by multiplying (i) the difference (138 yen) between the Tender Offer Price (540 yen) and the exercise price per Target Company Share to be issued upon exercise of the 21st Series of

Share Options, by (ii) the number of Target Company Shares to be issued upon the exercise of one 21st Series of Share Option (100 shares).

Please note that, while an acquisition of any of these Share Options by transfer is subject to the approval of the Target Company's board of directors, the Target Company has adopted, at its board of directors' meeting held on October 30, 2019, a resolution to generally approve Share Option Holders' transfer of their Share Options to the Offeror by tendering these Share Options to the Tender Offer, subject to a successful completion of the Tender Offer.

In determining the Offer Price for Share Options, the Offeror has obtained no valuation report, etc. from any third-party appraiser since the price has been determined based on the Tender Offer Price.

Note: In evaluating the value of the Target Company Shares, Nomura Securities assumes that all publicly available information and information provided to Nomura Securities is accurate and complete, without independently verifying the accuracy or completeness of such information. With respect to the Target Company's and its affiliated companies' assets and liabilities (including financial derivatives, unlisted assets and liabilities, and other contingent liabilities), Nomura Securities has not independently evaluated, appraised or assessed these assets or liabilities, including any analysis or evaluation of individual assets or liabilities, or ordered any appraisal or assessment from a third-party. Nomura Securities assumes that the financial forecasts (including profit plans and other information) of the Target Company provided by the Target Company and confirmed by the Offeror have been reasonably reviewed or corrected based on best and good faith forecasts and judgments available to the Offeror's management at present. The evaluation by Nomura Securities reflects the information obtained by, and the economic conditions known to, Nomura Securities on or before October 29, 2019. Please note that the sole purpose of the evaluation by Nomura Securities is to provide information to help the Target Company's board of directors consider the tender offer price in conducting a tender offer for the Target Company Shares.

(B) Background of Valuation

(i) Background of the Decisions on the Tender Offer Price

As described in "(2) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer, and Management Policy after the Tender Offer" under "1. Purpose of Tender Offer" above, the Offeror and the Target Company, after seeing the smooth progress of basic technology improvement and basic research on development candidates under the Capital and Business Alliance, started talks from late July 2019 with the intention of selecting, from the development candidates, products for development to be fully developed and commercialized through phases after non-clinical studies. In the course of these talks, the Offeror made a proposal for the Transaction in early August 2019. After repeated talks with the Offeror

in and after late August 2019, the Target Company reached a conclusion, on October 1, 2019, that the Target Company's becoming a wholly-owned subsidiary of the Offeror through the Transaction is the best choice that is likely to further improve the corporate value of the Target Company.

On October 10, 2019, the Offeror proposed a tender offer price of 420 yen to the Target Company. Subsequently, the Offeror received from the Target Company a request for reconsideration of the proposed tender offer price. The Offeror had repeated discussions and negotiations with the Target Company before a final proposal was made. Based on the outcome of these discussions and negotiations, on October 28, 2019 the Offeror made a final proposal of 540 yen per share as the Tender Offer Price, which was accepted by the Target Company. Based on these discussions, the Offeror, at its board of directors meeting held on October 30, 2019, adopted a resolution to conduct the Tender Offer for the purpose of becoming the sole shareholder of the Target Company, and decided on the Tender Offer Price of 540 yen based on the background described below.

(a) Receipt of a Share Price Valuation Report from an Independent Third-Party Appraiser

In deciding the Tender Offer Price, the Offeror requested its financial advisor Nomura Securities, which served as a third-party appraiser independent from the Offeror and the Target Company, to evaluate the share value of the Target Company Shares. After considering evaluation methods to be used in the Tender Offer, Nomura Securities evaluated the share value of the Target Company Shares using the average market price method and the DCF Analysis. The Offeror obtained a share value valuation report from Nomura Securities on October 29, 2019. Nomura Securities is not a related party to the Offeror or the Target Company and does not have any material interest in the Transaction, including the Tender Offer. The Offeror has not obtained from Nomura Securities an opinion letter on the fairness of the Tender Offer Price (a fairness opinion).

(b) Outline of Advice from Nomura Securities

Nomura Securities has evaluated the value of the Target Company Shares using the average market price method and the DCF Analysis. The ranges of values per Target Company Share evaluated using these methods are as follows:

Average market price method: From 318 yen to 368 yen
DCF Analysis: From 423 yen to 667 yen

(c) Background of the Decision on the Tender Offer Price upon Consideration of the Advice from Nomura Securities

In addition to the evaluation results shown in the share value valuation report obtained from Nomura Securities, the Offeror comprehensively considered the results of the primary due diligence conducted during

the period from mid-September 2019 to mid-October 2019, examples of the premiums paid in tender offers conducted in and after 2015 for share certificates etc. by a party other than an issuer, the Target Company Shares' market trend over the preceding six-month period, the support for the Tender Offer by the Target Company's board of directors, and the prospect for the tendering of shares to the Tender Offer, and in light also of the results of discussions and negotiations with the Target Company, the Offeror decided on the Tender Offer Price of 540 yen per share on October 30, 2019.

(ii) Background of the Decision on the Offer Price for Share Options

As described under the heading "Basis of Valuation" above, the Offeror has determined the offer price for the 11th, 13th, 14th, and 15th Series of Share Options of the Share Options at 1 yen per share option because, as of today, the exercise price per Target Company Share to be issued upon exercise of these series of share options exceeds the Tender Offer Price (540 yen). As for the 21st Series of Share Options, since the exercise price per Target Company Share to be issued upon exercise of the 21st Series of Share Options as of today (402 yen) falls below the Tender Offer Price (540 yen)., the Offeror has determined the offer price for the 21st Series of Share Options at the amount (13,800 yen) calculated by multiplying (i) the difference (138 yen) between the Tender Offer Price (540 yen) and the exercise price per Target Company Share to be issued upon exercise of the 21st Series of Share Options, by (ii) the number of Target Company Shares to be issued upon the exercise of one 21st Series of Share Option (100 shares).

In determining the offer price for the Share Options, the Offeror has obtained no valuation report, etc. from any third-party appraiser since the price has been determined based on the Tender Offer Price.

(C) Relationship with Appraiser

The Offeror's financial advisor (appraiser) Nomura Securities is not a related party to the Offeror or the Target Company and does not have any material interest in the Tender Offer.

(4) Number of Share Certificates, etc. to be Purchased

Number of share certificates, etc. to be purchased	Minimum number of share certificates, etc. to be purchased	Maximum number of share certificates, etc. to be purchased
12,320,850 shares	6,322,000shares	N/A

Note 1: If the total number of Tendered Share Certificates, etc. falls short of the minimum number of share certificates, etc. to be purchased (6,322,000 shares), the Offeror will purchase none of the Tendered Share Certificates, etc. If the total number of Tendered Share Certificates, etc. is at least the minimum number of share certificates, etc. to be purchased, the Offeror will purchase all of the Tendered Share Certificates, etc.

Note 2: Shares less than one unit are also eligible for the Tender Offer. If a right to demand purchase of shares less than one unit is exercised by a shareholder in accordance with the Companies Act, the

Target Company may purchase its own shares during the Tender Offer Period in accordance with statutory procedures.

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

Note 4: Since no maximum number of share certificates, etc. to be purchased has been set for the Tender Offer, the number of share certificates, etc. to be purchased stated above is the maximum number of share certificates, etc. of the Target Company that may be acquired by the Offeror through the Tender Offer. This maximum number (12,320,850 shares) is calculated as follows: (i) the Total Number of Issued Target Company Shares as of Today (17,696,500 shares); plus (ii) the number of Target Company Shares to be issued upon exercise of Share Options as of September 30, 2019 (124,400 shares); less (iii) the number of treasury shares held by the Target Company as of September 30, 2019 as stated in the Target Company's Financial Statement (50 shares) and the number of Target Company Shares held by the Offeror as of today (5,500,000 shares).

Note 5: Share Options may be exercised on or before the last day of the Tender Offer Period, in which case shares of the Target Company issued upon such exercise will be eligible to be tendered to the Tender Offer.

(5) Changes in Ownership Ratio of Share Certificates, etc. as a Result of the Tender Offer

Number of voting rights represented by share certificates, etc. held by the Offeror before the Tender Offer	55,000 voting rights	(Ownership ratio of share certificates, etc. before the Tender Offer: 30.86%)
Number of voting rights represented by share certificates, etc. held by special related parties before the Tender Offer	259 voting rights	(Ownership ratio of share certificates, etc. before the Tender Offer: 0.15%)
Number of voting rights represented by share certificates, etc. held by the Offeror after the Tender Offer	178,208 voting rights	(Ownership ratio of share certificates, etc. after the Tender Offer: 100.00%)
Number of voting rights represented by share certificates, etc. held by special related parties after the Tender Offer	0 voting rights	(Ownership ratio of share certificates, etc. after the Tender Offer: 0.00%)
Number of voting rights of all shareholders of the Target Company	152,913 voting rights	

Note 1: The "Number of voting rights represented by share certificates, etc. held by special related parties before the Tender Offer" represents the total number of voting rights represented by the share certificates, etc. held by all special related parties (excluding those excluded from special related parties under Article 3, paragraph 2, item (i) of the Cabinet Office Ordinance on Disclosure Required for Tender Offer for Share Certificates, etc. by Person Other than Issuer (Ministry of Finance Ordinance No. 38 of 1990, as amended thereafter; the "Cabinet Office Ordinance") in the calculation of ownership ratio of share certificates, etc. under the items of paragraph 1 of Article 27-2 of the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended thereafter;

the "Act")), excluding treasury shares held by the Target Company. Please note that after the announcement of the Tender Offer, the Offeror intends to check share certificates, etc. of the Target Company held by special related parties and, if amendments are necessary, to submit an amendment to the Tender Offer Statement for the Tender Offer.

Note 2: The "Number of voting rights of all shareholders of the Target Company" represents the number of voting rights (on the basis of 100 shares for each unit of shares) of all shareholders as of June 30, 2019 stated in the 16th Fiscal Period Q2 Report submitted by the Target Company on August 9, 2019. However, since the Offeror exercised part of the share options attached to the 1st Series of Unsecured Convertible Bond-Type Bonds with Share Options on October 3, 2019, and since Share Options and shares less than one unit are also eligible for the Tender Offer, the denominator for the calculation of the "Ownership ratio of share certificates, etc. before the Tender Offer" and "Ownership ratio of share certificates, etc. after the Tender Offer" was the number of voting rights (178,208 voting rights) represented by the number of shares calculated as follows (17,820,850 shares): (i) the Total Number of Issued Target Company Shares as of Today (17,696,500 shares); plus (ii) the number of Target Company Shares to be issued upon exercise of Share Options as of September 30, 2019 (124,400 shares); less (iii) the number of treasury shares held by the Target Company as of September 30, 2019 as stated in the Target Company's Financial Statements (50 shares).

Note 3: "Ownership ratio of share certificates, etc. before the Tender Offer" and "Ownership ratio of share certificates, etc. after the Tender Offer" have been rounded to two decimal places.

(7) Purchase Price: 6,653,259,000 yen

Note: The purchase price is the product of the number of share certificates, etc. to be purchased (12,320,850 shares) multiplied by the Tender Offer Price (540 yen).

(8) Payment Method

(A) Name and Main Office Address of the Financial Instruments Business Operator, Bank, etc. Settling Payments for Purchase

Nomura Securities Co., Ltd. 1-9-1 Nihonbashi, Chuo-ku, Tokyo

(B) Date of Commencement of Payment

December 19 (Thursday), 2019

(C) Payment Method

Promptly after the expiration of the Tender Offer Period, notice of purchase through tender offer will be mailed to the address of each tendering shareholder, etc. (or such shareholder's standing agent in the case of a foreign shareholder, etc.).

Purchase will be made in cash. Each tendering shareholder, etc. may receive the proceeds from the sale through the tender offer on and after the date of commencement of payment without delay by money transfer or any other method designated by such shareholder, etc. (money transfer fees may apply).

(D) Method of Return of Share Certificates, etc.

In the event that the Offeror eventually purchases no Tendered Share Certificates, etc. pursuant to the conditions set forth in "(A) Conditions Set Forth in the Items of Paragraph 4 of Article 27-13 of the Act and Details Thereof " and "(B) Conditions of Withdrawal, etc. of Tender Offer, Details Thereof, and Method of Disclosure of Withdrawal, etc." under "(9) Other Conditions and Methods of Purchase" below, the share certificates, etc. to be returned will be returned promptly after the second business day following the last day of the Tender Offer Period (or, in the event of withdrawal, etc. of the Tender Offer, the date of such withdrawal, etc.). The shares to be returned will be returned by restoring their records on the accounts of the tendering shareholders, etc. with the tender offer agent to their records as they were immediately preceding the relevant share certificates, etc. being tendered (if such shares are to be transferred to an account of a tendering shareholder, etc. set up with another financial instruments business operator, please check with the tender offer agent's main office or local branch at which the application for the Tender Offer was accepted). As for the share options, the documents submitted by the tendering shareholders, etc. in connection with the tendering of these share options will be returned, in accordance with the instructions of the respective tendering shareholders, etc., by delivering these documents to the respective tendering shareholders, etc. or by mailing these documents to the tendering shareholders' respective addresses.

(9) Other Conditions and Methods of Purchase

(A) Conditions Set Forth in the Items of Paragraph 4 of Article 27-13 of the Act and Details Thereof

If the total number of Tendered Share Certificates, etc. falls short of the minimum number of share certificates, etc. to be purchased (6,322,000 shares), the Offeror will purchase none of the Tendered Share Certificates, etc. If the total number of Tendered Share Certificates, etc. is at least the minimum number of share certificates, etc. to be purchased (6,322,000 shares), the Offeror will purchase all of the Tendered Share Certificates, etc.

(B) Conditions of Withdrawal, etc. of Tender Offer, Details Thereof, and Method of Disclosure of Withdrawal, etc.

If any of the circumstances set forth in Article 14, paragraph 1, item (i), sub-items (a) through (i) and (l) through (r), item (ii), item (iii), sub-items (a) through (h) and (j) and (l), item (v), and paragraph 2, items (iii) through (vi) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended thereafter; the "Cabinet Order") arises, the Offeror may make a withdrawal, etc. of the Tender Offer. The term "facts equivalent to those set forth in sub-item (a) to sub-

item (i) inclusive" as referred to in Article 14, paragraph 1, item (iii), sub-item (j) of the Cabinet Order means cases where any of the statutory disclosure documents submitted by the Target Company in the past is found to contain false statements on important matters or to lack statements on important matters to be contained. If the Offeror intends to make a withdrawal, etc., the Offeror will issue an electronic public notice and will publish to that effect in the Nihon Keizai Shimbun. However, if it is difficult to issue a public notice no later than the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set forth in Article 20 of the Cabinet Office Ordinance, followed immediately by a public notice.

(C) Conditions of Reduction of the Offer Price, Details Thereof, and Method of Disclosure of Reduction
Pursuant to the provisions of Article 27-6, paragraph 1, item (i) of the Act, the Offeror may reduce the offer price in accordance with the standards set forth in the provisions of Article 19, paragraph 1 of the Cabinet Office Ordinance if the Target Company engages in any of the acts specified in Article 13, paragraph 1 of the Cabinet Order during the Tender Offer Period. If the Offeror intends to reduce the offer price, the Offeror will issue an electronic public notice and will publish to that effect in the Nihon Keizai Shimbun. However, if it is difficult to issue a public notice no later than the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set forth in Article 20 of the Cabinet Office Ordinance, followed immediately by a public notice. If the Offeror reduces the offer price, the Offeror will purchase all Tendered Share Certificates, etc., including those tendered prior to the date of such public notice, at the reduced offer price.

(D) Information on Tendering Shareholders' Right to Cancel Contracts
At any time during the Tender Offer Period, a tendering shareholder, etc. may cancel contracts pertaining to the tender offer. A tendering shareholder, etc. who wishes to cancel such contracts must deliver or send, no later than 15:30 on the last day of the Tender Offer Period, a written statement of cancellation of the contracts pertaining to the tender offer (a "Cancellation Statement") to the main office or local branch at which the entity designated below accepted the application for the Tender Offer from the shareholder, etc., provided that if a Cancellation Statement is sent, it must reach the relevant office or branch no later than 15:30 on the last day of the Tender Offer Period.

Cancellation of contracts applied for online must be made through the online service (https://hometrade.nomura.co.jp/) or by delivering or sending a Cancellation Statement. In case of cancellation through the online service, the cancellation procedure must be completed no later than 15:30 on the last day of the Tender Offer Period by following the instructions shown on the screen. Contracts applied for at an office or branch cannot be cancelled by following the cancellation procedure through the online service. In case of cancellation by delivering or sending a Cancellation Statement, the form of Cancellation Statement must be requested from the relevant office or branch in advance, followed by delivering or sending

a Cancellation Statement to the office or branch no later than 15:30 on the last day of the Tender Offer Period, provided that if a Cancellation Statement is sent, it must reach the office or branch no later than 15:30 on the last day of the Tender Offer Period.

Entity authorized to receive Cancellation Statements:

Nomura Securities Co., Ltd. 1-9-1 Nihonbashi, Chuo-ku, Tokyo
(and other local branches of Nomura Securities Co., Ltd.)

Even if a tendering shareholder, etc. cancels contracts, the Offeror will not claim payment of damages or a penalty from the tendering shareholder, etc. All expenses incurred in returning the Tendered Share Certificates, etc. will be borne by the Offeror.

(E) Method of Disclosure of Changes to Conditions of Tender Offer

During the Tender Offer Period, the Offeror may change the terms and conditions or other details of the Tender Offer, unless prohibited by Article 27-6, paragraph 1 of the Act and Article 13, paragraph 2 of the Cabinet Order. If the Offeror intends to change the conditions, etc. of the Tender Offer, the Offeror will issue an electronic public notice containing the details of such change and will publish to that effect in the Nihon Keizai Shimbun. However, if it is difficult to issue a public notice no later than the last day of the Tender Offer Period, the Offeror will make a public announcement by the method set forth in Article 20 of the Cabinet Office Ordinance, followed immediately by a public notice. If the Offeror changes the conditions, etc. of the Tender Offer, the Offeror will purchase all Tendered Share Certificates, etc., including those tendered prior to the date of such public notice, upon the conditions, etc. of the Tender Offer after such change.

(F) Method of Disclosure in Case of Submission of Amendment

If the Offeror submits an amendment to the Kanto Finance Bureau (except where specified in the proviso to paragraph 11 of Article 27-8 of the Act), the Offeror will immediately make a public announcement of such information contained in the amendment as relates to the content of the public notice of commencement of the Tender Offer, by the method set forth in Article 20 of the Cabinet Office Ordinance. The Offeror will also immediately amend the Tender Offer Explanatory Statement and will deliver the amended Tender Offer Explanatory Statement to the tendering shareholders, etc. who have already received the Tender Offer Explanatory Statement prior to the amendment. However, if the amendments are limited to minor sections of the Tender Offer Explanatory Statement, the Offeror will make such amendments by preparing a document stating the reasons for such amendments, the items amended, and the amended details and by delivering such document to the tendering shareholders, etc.

(G) Method of Disclosure of Results of Tender Offer

The results of the Tender Offer will be publicly announced by the method set forth in Article 9-4 of the Cabinet Order and Article 30-2 of the Cabinet Office Ordinance on the date immediately following the last day of the Tender Offer Period.

(H) Other Matters

The Tender Offer is not, whether directly or indirectly, made in or to the U.S., or made by U.S. mail or any other method or means of interstate or international commerce (including, without limitation, telephone, telex, facsimile, e-mail or Internet communication), or made through any stock exchange facility in the U.S. No application for the Tender Offer may be made by the aforementioned method or means, or through the aforementioned facility, or from within the U.S. No tender offer statement or related offer documents are or can be sent or distributed by mail or any other method in, to, or from within, the U.S. No application for the Tender Offer directly or indirectly breaching any of the above restrictions will be accepted.

When making an application for the Tender Offer, the tendering shareholder, etc. (or such shareholder's standing agent in the case of a foreign shareholder, etc.) may be requested to make the following representations and warranties to the tendering offer agent: that the tendering shareholder, etc. is not located in the U.S. neither at the time of making the application nor at the time of sending a tender offer application form; that the tendering shareholder, etc. has not directly or indirectly received or sent any information on the Tender Offer (including any copy of such information) in, to, or from within, the U.S.; that the tendering shareholder, etc. has not directly or indirectly used any U.S. mail or other method or means of interstate or international commerce (including, without limitation, telephone, telex, facsimile, e-mail or Internet communication) or any stock exchange facility in the U.S. in connection with the provision of his signature to the tender offer acceptance or application form; and that the tendering shareholder, etc. is not acting on behalf of another entity as its agent, trustee or delegate without discretion (except where such other entity gives all instructions on the purchase from outside the U.S.).

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

October 31 (Thursday), 2019

(11) Tender Offer Agent

Nomura Securities Co., Ltd. 1-9-1 Nihonbashi, Chuo-ku, Tokyo

3. Policies after the Tender Offer and Future Prospects

For the policies, etc. after the Tender Offer, please see "(2) Background, Purpose, and Decision-Making Process with respect to Conducting the Tender Offer, and Management Policy After the Tender Offer," "(4)

Policy for Organizational Restructuring after the Tender Offer (Matters Relating to the "Two-Step Acquisition")," and "(6) Prospects and Reasons for Delisting" under "1. Purpose of Tender Offer" above.

4. Other Matters

(1) Agreements Between the Offeror and the Target Company or Its Officers and Details of Such Agreements

the Target Company, at its board of directors meeting held on October 30, 2019, adopted a resolution: (i) to express its support for the Tender Offer; (ii) to recommend that shareholders of the Target Company apply for the Tender Offer; (iii) to recommend that, of the Share Option Holders, those holding the 21st Series of Share Options apply for the Tender Offer because the offer price for the 21st Series of Share Options has been determined at the amount calculated by multiplying (a) the difference between the Tender Offer Price of 540 yen and the exercise price per Target Company Share to be issued upon exercise of these Share Options, by (b) the number of Target Company Shares to be issued upon exercise of one 21st Series of Share Option; and (iv) to leave to the discretion of Share Option Holders holding Share Options other than the 21st Series of Share Options the decision as to whether or not to tender their Share Options to the Tender Offer, because the offer price for these Share Options has been set at 1 yen. For details of the Target Company's decision-making process, please see "(E) Unanimous Approval of All Disinterested Directors and Unanimous No Objection from All Disinterested Auditors of the Target Company" under "(5) Measures to Ensure Fairness of the Tender Offer, Including Measures to Ensure Fairness of the Tender Offer Price and Measures to Avoid Conflicts of Interest" under "1. Purpose of Tender Offer" above.

(2) Other Information Required by Investors When Considering Whether to Apply for the Tender Offer

(A) Release of the "Q3 Financial Statement (Japanese GAAP) (non-consolidated) for Y.E. December 2019"

On October 30, 2019, the Target Company released the "Q3 Financial Statement (Japanese GAAP) (non-consolidated) for Y.E. December 2019." Based on the released statement, the details of the Target Company's consolidated profit and loss, etc. for the relevant fiscal period are as follows. The content of the statement has not been reviewed by an audit firm pursuant to the provisions of Article 193-2, paragraph 1 of the Act. The numerical information below is an extract from the Target Company's summary of financial results. The Offeror is not in a position to verify, and has not verified, the accuracy or validity of such information. Please refer to the released statement for further details.

(i) Profit and loss (non-consolidated)

Accounting period	Cumulative to Q3 of Y.E. December 2019 (from January 1, 2019 to September 30, 2019)
Net sales	50,000 thousand yen
Cost of sales	—
Selling, general and administrative expenses	583,010 thousand yen
Non-operating income	198 thousand yen
Non-operating expenses	1,248 thousand yen
Quarterly net income	-535,606 thousand yen

(ii) Figures per share (non-consolidated)

Accounting period	Q3 of Y.E. December 2019
Quarterly net income per share	-35.02 yen
Dividend per share	—
Net worth per share	-10.58 yen

End

For Further Information, Contact:

Corporate Communications Department
Shionogi & Co., Ltd.
Telephone: +81-6-6209-7885

[Regulations on Solicitation]
This press release is to announce the Tender Offer to the public and has not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first read the Tender Offer Explanatory Statement for the Tender Offer and make their own independent decision. This press release does not constitute, nor form part of, any offer to sell, solicitation of a sale of, or any solicitation of any offer to buy, any securities. In addition, neither this press release (or any part of it) nor the fact of its distribution shall form the basis of or be relied on in connection with any agreement relating to the Tender Offer.

[Future Forecasts]
This press release may contain expressions suggesting future forecasts, such as “expect,” “forecast,” “intend,” “plan,” “believe,” and “ contemplate,” including expressions suggesting future businesses of the Offeror or other companies. These expressions are based on the Offeror’s business forecasts at present and are subject to change depending on future conditions. The Offeror assumes no obligation to update these expressions suggesting future forecasts in order to reflect actual performance, various conditions, changes to terms and conditions, etc. in this press release.

[U.S. Regulations]
The Tender Offer is not, whether directly or indirectly, made in or to the U.S., or made by U.S. mail or any other method or means of interstate or international commerce (including, without limitation, telephone, telex, facsimile, e-mail or Internet communication), or made through any stock exchange facility in the U.S. No application for the Tender Offer may be made by the aforementioned method or means, or through the aforementioned facility, or from within the U.S. No press release or document related to the Tender Offer is or can be sent or distributed by mail or any other method in, to, or from within, the U.S. No application for the Tender Offer directly or indirectly breaching any of the above restrictions will be accepted.
The Offeror does not solicit purchase of any securities or other equivalent from U.S. residents or within the U.S. The Offeror will not accept any securities or other equivalent sent to it from U.S. residents or from within the U.S.

[Other Countries]
Some countries or regions may impose restrictions on the announcement, issue or distribution of this press release. In such cases, please take note of such restrictions and comply with them. This press release shall not constitute a solicitation of an offer to sell or an offer to buy shares relating to the Tender Offer and shall be deemed a distribution of materials for informative purposes only.