

June 9, 2020 (as revised June 11 and 17, 2020)

To All Concerned

Company Name	ARCLAND SAKAMOTO CO., LTD.
Representative Name	Katsuji Sakamoto, Chairman and Representative Director (CEO) (Code No. 9842 First Section of the Tokyo Stock Exchange)
Contact Information	Mitsuaki Shida, Director and General Manager, Administration Division (Tel: 0256-33-6000)

Notice of Commencement of Tender Offer Regarding Shares of LIXIL VIVA CORPORATION (Securities Code 3564) and Borrowing of Funds

ARCLAND SAKAMOTO CO., LTD. (the “Tender Offeror”) hereby provides notice of its decision via the meeting of its board of directors held on the present date to acquire the common shares (the “Target Company Shares”) of LIXIL VIVA CORPORATION (Code No. 3564 as listed on the First Section of the Tokyo Stock Exchange, Inc. (the “Tokyo Stock Exchange”); the “Target Company”) through a tender offer (the “Tender Offer”) in accordance with the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “Act”).

The board of directors of the Tender Offeror has also determined to borrow funds in order to secure the financing needed for the Transactions (as defined below).

I. Tender Offer

1. Purpose of the Tender Offer

(1) Overview of the Tender Offer

At the board of directors meeting held on June 9, 2020, the Tender Offeror decided to implement the Tender Offer as part of a series of transactions (the “Transactions”) for the purpose of making the Target Company a wholly-owned subsidiary through the acquisition of all of the Target Company Shares listed on the First Section of the Tokyo Stock Exchange (excluding the Target Company Shares held by the Tender Offeror, the Untendered Shares (as defined below) held by the LIXIL Group Corporation (number of shares held: 23,367,300, ownership ratio (Note 1): 53.22%, the “LIXIL Group”), the parent company of the Target Company, and the treasury stock held by the Target Company), premised on the delisting of all Target Company Shares. As of the present date, the Tender Offeror owns 585,000 Target Company Shares (ownership ratio: 1.33%).

The Transactions comprise: ① ensuring that the only shareholders of the Target Company are the LIXIL Group and the Tender Offeror via the Tender Offer, or through a stock consolidation conducted by the Target Company (the “Stock Consolidation”) in the event the Tender Offeror is able to complete the Tender Offer but is unable to acquire all of the Target Company Shares (excluding, however, the Target Company Shares owned by the Tender Offeror, the Untendered Shares (as defined below) held by the LIXIL Group, as well as the treasury stock held by the Target Company) via the Tender Offer; ② for the purpose of securing the funding and distributable amount needed for the Acquisition of Target Company Treasury Stock (as defined in ③ below): (i) having the Tender Offeror provide the Target Company with funding (the “Funding”) that can be directed toward the consideration for the Acquisition of Target Company Treasury Stock (as defined below) and (ii) conducting reductions in capital, capital reserves, and legal retained earnings of the Target Company (Note 2) (the “Reduction in Capital, etc.”) in accordance with Paragraph 1 of Article 447 and Paragraph 1 of Article 448 of the Companies Act of Japan (Act No. 86 of 2005, as amended; the “Companies Act”); and ③ the acquisition of treasury stock among the Untendered Shares (as defined below) held by the LIXIL Group (the “Acquisition of Target Company Treasury Stock”) as implemented by the Target Company, conditioned on both the realization of the Tender Offer as well as the effectuation of the Stock Consolidation. The ultimate purpose of the Transactions is to make the Target Company the wholly-owned subsidiary of the Tender Offeror. For details of the Stock Consolidation, see “(4) Policies for Reorganization after the Tender Offer (Matters Relating to So-called Two-stage Acquisitions)” below. For details on the Funding and Reduction in Capital, etc. and the Acquisition of Target Company Treasury Stock, see “② Funding and Reduction in Capital, etc. (around October 2020 (planned))” and “③ Acquisition of Target Company Treasury Stock (around November 2020 (planned))” of “III. After the Tender Offer has been Implemented” below, respectively.

In conjunction with the Tender Offer, the Tender Offeror and the LIXIL Group agreed as of June 9, 2020 that ① none of the 23,367,300 Target Company Shares held by the LIXIL Group (ownership ratio: 53.22%; the “Untendered Shares”) would be tendered in the Tender Offer, and that ② the Untendered Shares would be sold to the Target Company in response to the Acquisition of Target Company Treasury Stock occurring following the effectuation of the Stock Consolidation, along with other conditions related to the Transactions, with both parties forming an agreement commemorating all such related conditions (the “Agreement”). Furthermore, on June 9, 2020, the Tender Offeror agreed with the LIXIL Group and the Target Company on the terms and conditions of the Transactions, including that the Target Company will implement the Stock Consolidation, Reduction in Capital, etc., and Acquisition of Target Company Treasury Stock under the condition that the LIXIL Group and the Target Company agree to the Tender Offer, and the Tender Offeror, the LIXIL Group and the Target Company signed a memorandum of understanding (the “Memorandum”) establishing the terms and conditions. In addition, on June 9, 2020 the Tender Offeror entered into a capital business alliance agreement (the “Capital and Business Alliance Agreement”) with the Target Company setting forth a business alliance between the two companies following the day on which the Agreement and the Memorandum were signed if the Tender Offer is completed. For details about the Agreement, the Memorandum, and the Capital and Business Alliance Agreement, see “① The Agreement,” “② The Memorandum,” and “③ The Capital and Business Alliance Agreement”, respectively, under “(6) Material Agreements Relating to the Tender Offer” below.

As the Tender Offeror plans to make the Target Company a wholly-owned subsidiary, the minimum number of shares to be purchased (Note 3) in the Tender Offer is 5,319,700 shares (ownership ratio: 12.12%). If the total number of share certificates, etc. tendered for the Tender Offer (the “Tendered Share Certificates”) does not meet minimum number of shares to be purchased, the Tender Offeror will not purchase all of the Tendered Share Certificates. Meanwhile, an upper limit has not been set on the number of shares to be purchased in the Tender Offer. If the total number of Tendered Share Certificates is equal to or greater than the minimum number of shares to be purchased (5,319,700 shares), the Tender Offeror will purchase all of the Tendered Share Certificates.

Note 1: The “Ownership Ratio” is the ratio (rounded to the nearest hundredth) with respect to the number of shares (43,907,993 shares) remaining after subtracting the number of shares of treasury stock (812,007 shares) the Target Company held as of March 31, 2020 from the total of 44,720,000 issued shares as of March 31, 2020, as disclosed in the Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (Japanese GAAP) (the “Target Company Financial Report”) announced by the Target Company on May 11, 2020. The same applies to the ownership ratios described below.

Note 2: The amount of capital, capital reserves, and legal retained earnings of the Target Company will be reduced and transferred to other capital surplus or other retained earnings as a part of the Reduction in Capital, etc.

Note 3: The minimum number of shares to be purchased in the Tender Offer (5,319,700 shares, ownership ratio: 12.12%) was set as the number of shares remaining after subtracting the 585,000 Target Company Shares held by the Tender Offeror and the 23,367,300 Untendered Shares held by the LIXIL Group as of March 31, 2020 from the number of shares (29,272,000 shares (rounded to the nearest share)) resulting from multiplying (x) 292,720, which represents two thirds of the number of voting rights (439,079) attributable to the number of shares (43,907,993 shares) remaining after subtracting the number of shares of treasury stock (812,007 shares) held by the Target Company as of March 31, 2020 from the total of 44,720,000 issued shares as of March 31, 2020 as disclosed in the Target Company Financial Report by (y) 100 (the number of shares attributable to one voting right of the Target Company).

The Tender Offeror plans to cover the funds required for settlements relating to the Tender Offer through financing (the “Settlement Funds Loan”) from Sumitomo Mitsui Banking Corporation (“SMBC”) conditioned on the completion of the Tender Offer and other conditions.

As described in “(4) Policies for Reorganization after the Tender Offer (Matters Relating to So-called Two-stage Acquisitions)” below, if the Tender Offeror is unable to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Tender Offeror, the Untendered Shares held by the LIXIL Group, and the treasury stock held by the Target Company) in the Tender Offer, it plans, as a part of the Transactions, to ask the Target Company to execute the Stock Consolidation. However, it plans to cover funds for acquiring Target Company Shares equivalent to the total amount of fractional shares resulting from the Stock Consolidation using a loan from SMBC (the “Fractional Shares Acquisition Funds Loan”).

In addition, in relation to the Acquisition of Target Company Treasury Stock, the Tender Offeror plans to provide the Funding to the Target Company via a loan from SMBC (the “Loan for the Funding”).

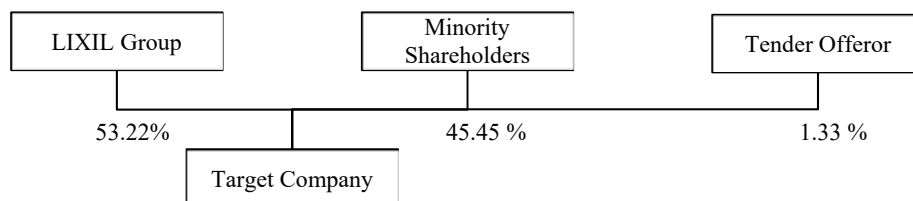
The details of the terms and conditions for the Settlement Funds Loan, the Fractional Shares Acquisition Funds Loan and the Funding (as defined below) are to be determined in the respective loan agreements in consultation with SMBC. However, the respective loan agreements are subject to the disclosure of the loan terms and conditions normally set forth in the loan execution conditions and certain financial restrictions and other similar loan agreements

disclosed in the loan certificate attached to this Statement; furthermore, the Tender Offeror plans to use the Target Company Shares acquired in the Tender Offer as collateral.

When shown in a diagram, the outline of the Transactions is as follows.

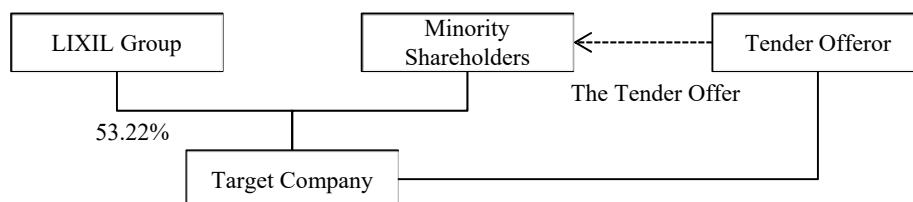
I. Before Implementation of the Tender Offer

As of March 31, 2020, the Tender Offeror held 585,000 Target Company Shares (ownership ratio: 1.33%), the LIXIL Group held 23,367,300 shares (ownership ratio: 53.22%), and minority shareholders held the remaining 19,955,693 shares (ownership ratio: 45.45%).



II. The Tender Offer (June 10 to July 21, 2020 (Planned))

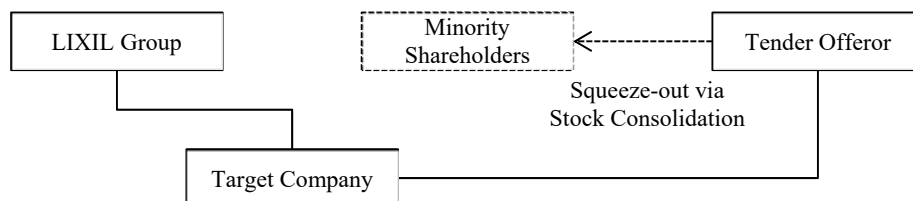
The Tender Offeror will include all Target Company Shares (excluding the Target Company Shares held by the Tender Offeror, the Untendered Shares held by the LIXIL Group, and the treasury stock held by the Target Company) in the Tender Offer. (The purchase price per Target Company Share in the Tender Offer (the “Tender Offer Price”) is 2,600 yen.)



III. After Implementation of the Tender Offer

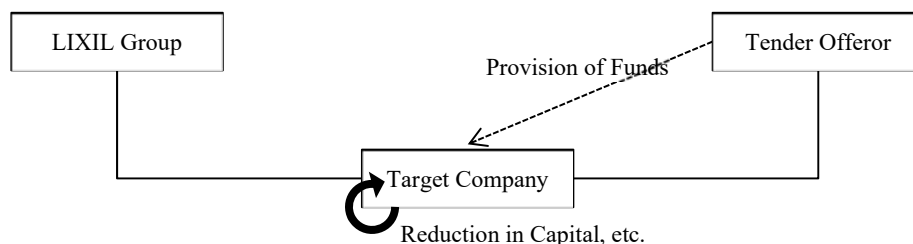
① Stock Consolidation (around October 2020 (Planned))

If the Tender Offeror is unable to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Tender Offeror, the Untendered Shares held by the LIXIL Group, and treasury stock held by the Target Company) in the Tender Offer, after the Tender Offer has been completed, the Target Company will be asked to perform the Stock Consolidation procedure, and a series of procedures will be carried out to ensure that the Target Company's stockholders are limited to the Tender Offeror and the LIXIL Group.



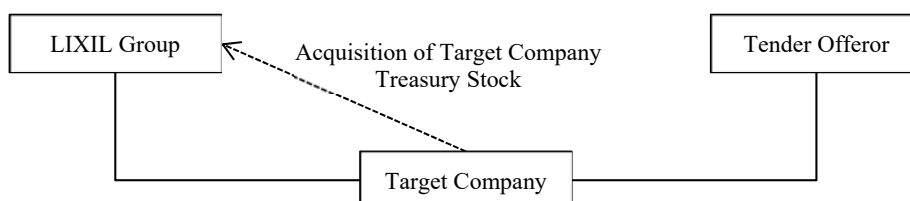
② Funding and Reduction in Capital, etc. (around October 2020 (planned))

The Target Company Shares will be delisted. To secure the funds and distributable amount required for the acquisition of the Target Company treasury stock described in ③ below after the effectuation of the Stock Consolidation, the Tender Offeror will provide the Funding via a loan to the Target Company (however, if the Target Company's distributable amount is insufficient, a portion thereof may be provided through a third-party allocation of shares with the Tender Offeror being the sole subscriber in lieu of a loan to the Target Company), and the Target Company will implement the Reduction in Capital, etc. (reduce the amount of capital, capital reserves, and legal retained earnings and transfer them to other capital surplus or other retained earnings) to secure the distributable amount required for the Acquisition of Target Company Treasury Stock described in ③ below.



③ Acquisition of Target Company Treasury Stock (around November 2020 (planned))

The Target Company shall implement the Acquisition of Target Company Treasury Stock to acquire the Untendered Shares held by the LIXIL Group using the funds and distributable amounts secured via the Funding and the Reduction in Capital, etc. described in ② above (the Target Company Treasury Stock Acquisition Price (defined in “② Consultations between the Tender Offeror, the Target Company, and the LIXIL Group, and the Tender Offeror Decision Making Process” under “Background, Purpose, and Decision-making Process Leading to the Tender Offeror’s Decision to Implement the Tender Offer, and Management Policies after the Tender Offer and the Transactions”) shall be 2,423 yen.



According to “Notification Regarding Notice of Intent of a Tender Offer by ARCLAND SAKAMOTO CO., LTD. for Shares of LIXIL Viva Corporation” published by the Target Company on June 9, 2020 (the “Target Company Press Release”), the Target Company, after reviewing a Stock Valuation Report prepared by Frontier Management Inc. (“Frontier Management”), a third-party valuation organization independent from the Tender Offeror, the Target Company, and the LIXIL Group, referring to legal advice provided by Nishimura & Asahi, a law firm selected as a legal advisor independent from the Tender Offeror, the Target Company, and the LIXIL Group, considering the details of multiple negotiations that took place between the Tender Offeror and the LIXIL Group, along with other documents related to such negotiations, and while adhering as closely as possible to a report acquired from a special committee independent of the Tender Offeror, the Target Company, and the LIXIL Group (the “Special Committee”), engaged in serious deliberations and considerations regarding the various conditions associated with the Transactions. As a result, the Target Company concluded that providing minority shareholders of the Target Company with the opportunity to sell their Target Company Shares at an appropriate price via the Tender Offer would be the choice that best took shareholders’ interests into consideration, while also determining that, in addition to maximizing profits for existing shareholders and contributing to the future growth and corporate value of the Target Company, the Tender Offer Price of 2,600 yen per share is appropriate, and that the Tender Offer provided the Target Company’s shareholders with a reasonable opportunity to sell their shares. As such, the resolution of the Target Company’s board of directors dated June 9, 2020 expressed their support for the Tender Offer on behalf of the Target Company and the decision to recommend that the Target Company’s shareholders tender their shares into the Tender Offer.

For details and procedures of the above resolution of the Target Company's board of directors, see the Target Company Press Release; see also "③ Process and Reasons for Decisions made by the Target Company" under "(2) Background, Purpose, and Decision-making Process Leading to the Tender Offeror's Decision to Implement the Tender Offer, and Management Policies after the Tender Offer and the Transactions" below, and "⑤ Approval of all Directors (including Audit and Supervisory Members) Having no Interest in the Target Company" under "(3) Measures for Ensuring Fairness of the Tender Offer, including Measures for Ensuring Fairness of the Tender Offer Price and Measures for Avoiding Conflicts of Interest" below.

(2) Background, Purpose, and Decision-making Process Leading to the Tender Offeror's Decision to Implement the Tender Offer, and Management Policies after the Tender Offer and the Transactions

The background, purpose, and decision-making process leading to the Tender Offeror's decision to implement the Tender Offer, and management policies after the Tender Offer and the Transactions are as follows. The following statements about the Target Company are based on information published by the Target Company, the Target Company Press Release, and descriptions provided by the Target Company.

① Background, etc. of the Tender Offer

The Tender Offeror was established as Sakamoto Industries Co., Ltd. in July 1970 for the purpose of selling hardware wholesale, with a focus on sharp-edged tools and craftsman tools. In May 1978, the Tender Offeror opened its first home center in (current) Nishi-ku, Niigata-shi, in October 1986, it purchased part of Tanabe Metals Co., Ltd.'s operating assets, and in December 1987, it merged with Musashi Co., Ltd. and changed its name to ARCLAND SAKAMOTO Co., Ltd. In March 1993, it established the current ARCLAND SERVICE HOLDINGS CO., LTD., and sold and spun off its food service and restaurant business division in July of the same year. It was listed on the Second Section of the Tokyo Stock Exchange in February 2003, and assigned to the First Section of the Tokyo Stock Exchange in February 2004. In September 2006, it took over the management of the "JOYFUL-2 Niigata Store" (currently the ARC Oasis Niigata Store) owned by Honda Sangyo Co., Ltd. In February 2008, it conducted an absorption-type merger with its subsidiary Miyamoto-ya Musashi Co., Ltd., and, in February 2011, with its subsidiary Land Japan Co., Ltd. In September 2019, it took over Vertex Co., Ltd.'s fitness business via a demerger transaction.

As of the present date, the Tender Offeror has 14 subsidiaries and six affiliated companies (including five equity-method affiliates), and the group (the "Tender Offer Group") as a whole is engaged in the retail business selling lifestyle-related goods, household goods, and food products, etc. to general consumers and vendors, the wholesale business selling DIY-related goods mainly nationwide and to home centers operated by the Tender Offeror Group, the food service and restaurant business managing restaurants such as "Katsuya" *tonkatsu* (breaded pork cutlet) specialty shops, and the real estate business in power centers, and is expanding such establishments as its "Home Center Musashi," "Super Center Musashi," "Musashi Pro," "Niko Pet," the arts and crafts specialty store "Arc Oasis," and its food specialty store "Musashi Shokuhinkan."

The Tender Offeror Group strives to select products with the highest quality and to provide them to customers at the lowest possible price, based on the management philosophies of "Human Development is Company Development / Include Everyone / Share Dreams and Joys." In the retail sector, the group is also working to create stores where customers are "wowed" by its concept of "creating stores that are overwhelmingly supported by customers" through product selection and a higher level of customer service, leveraging store size and regional characteristics.

In order to realize the above vision, the Tender Offeror Group is also engaging in the following management strategies:

- (i) Establishment of a Revenue Base
 - Differentiation through promotion of specialty store business and revitalization of existing home center stores and expansion of such stores into densely populated areas
 - In the food service business, strengthen efforts to increase the number of customers for and attract new customers to existing stores, and create and pursue optimal locations
- (ii) M&A Strategy
 - Expand business by actively and independently engaging in M&A in "food"-related activities, mainly in the "living" and food and beverage industries
- (iii) Employee Development
 - Develop "mighty warrior" employees who can drive growth

The Tender Offeror has long been very aware of the rigors of the competitive environment of the home center industry in Japan. Although the home center market reached maturity in 2000 and growth has been sluggish since then, the number of home center stores has continued to increase (according to estimates of the Japan DIY/HC Association, from FY2000 to FY2009, total annual net sales increased from 3.75 trillion yen to 3.989 trillion yen, and the number of stores increased from 3,730 to 4,810), and thus competition between stores has intensified and new stores sales growth has been difficult to come by in recent years. In addition, sales per area unit continue to decline across the industry, and thus growing sales via existing stores is difficult. In addition, home centers are prone to price competition because their products are not easy to differentiate, and in recent years, competition has been intensifying with other industries such as GMS (General Merchandise Stores), drug stores, discount stores, 100 yen stores, and low-priced interior and furniture stores. In particular, and most recently, the rise of e-commerce sites, including Amazon, has become a threat to the home center industry. The difficulty of achieving continuous growth through a unique management strategy is increasing, and in fact, the home center industry is undergoing consolidation and reorganization. In this market environment, the Tender Offeror believes it will be very difficult even for it to continue to achieve continuous growth and increase corporate value in the future by simply utilizing the existing managerial resources.

Meanwhile, according to the Target Company Press Release, the Target Company operates home center and developer businesses under the policy of “Creating a true home center business that is best adapted for the Japanese living culture” as of the present date.

The Target Company’s home center business is expanding nationwide, centered around the home center “SVH” (Super Viva Home), which consists of a materials center, a home goods center, VIVA Pets, and a garden center, and is supporting home renovation and the realization of a richer lifestyle, from professionals in the construction industry to general consumers.

The Target Company’s developer business is engaged in real estate leasing and related services for store tenant customers, mainly in the “Viva Mall” shopping mall. It is attracting tenants that are closely related to people’s lives, such as food supermarkets, restaurants, grocery stores, clothing stores, and services, and is working to create attractive shopping centers that offer a richness of life and fun.

In March 2001, the Target Company succeeded to all of the business of Totem Viva Co., Ltd. (the “Former Tostem Viva”) via a transfer of business. The Former Tostem Viva was established as Viva Home Co., Ltd. as a subsidiary of Toyo Sash Co., Ltd. (which changed its name to TOSTEM Corporation in July 1992), in April 1977 and commenced its the home center business. In February 1987, the Former Tostem Viva was listed on the Second Section of the Tokyo Stock Exchange; in August 1989 it was moved to the First Section of the Tokyo Stock Exchange; in June 1992 it changed its name to Tostem Viva Co., Ltd.; and after its business was transferred to the Target Company in March 2001, it was absorbed into Tostem Corporation in April 2001 via a merger as part of the corporate reorganization of the Tostem Group carried out to integrate the management of the Tostem Group and INAX Group (October 2001), and was thereby delisted from the Tokyo Stock Exchange. The Target Company was established in June 1993 as a subsidiary of the Former Tostem Viva under the name of TopShoji Co., Ltd., and changed its name to Viva Home Co., Ltd. in December 2000. In March 2001, the Target Company acquired all the business of the Former Tostem Viva via a business transfer. In April 2001, the company changed its name to Tostem Viva Co., Ltd., and in April 2011 to LIXIL VIVA CORPORATION, its current name. The Target Company was listed on the First Section of the Tokyo Stock Exchange in April of 2017. The purpose of the listing was to increase its share of the home center business and become a top-class business with an environment of growth by promoting an independent management system with transparency, ensuring the agility of decision-making. After being listed on the First Section of the Tokyo Stock Exchange, the Target Company handled distribution and retail business for companies in the LIXIL Group, which is its parent company, and the Target Company strived to increase its share in the home center business. The Target Company executed transactions for stocking goods with the LIXIL Group, but the percentage of the total amount supplied by the Target Company was small at 3.39%, and the Target Company has preserved the independence of its business operations from its parent company.

Japan's economy, amidst the unstable international situation due to trade friction between the U.S. and China and the United Kingdom leaving the European Union, though it was in a moderate recovery trend against the background of the government's economic measures and monetary policy, is in a severe, greatly depressed, situation due to the cooling of consumer sentiment since the increase in the consumption tax rate. In particular, due to the prolonged, worldwide impact of COVID-19, even Japan is issuing emergency declarations and requests to maintain social distancing measures and avoid going outside, causing sharp reductions in consumer spending and employment instability, thereby fostering concerns about the risk of an economic recession surpassing the 2008 global financial crisis.

In addition to the short-term deterioration in the business environment due to the effects of COVID-19 in the retail industry and home center market, to which the Target Company belongs, the trends of a declining population, diversification of consumer lifestyles, expansion of Internet sales, and development of advanced technology technologies such as AI and automated driving, are all contributing to increasingly complex management challenges, forcing companies to rise to meet those challenges.

In this business environment, while the size of the home center market in Japan has been in a maturing phase since 2000, the number of home center stores in Japan continues on a gradual uptrend, and the competition between stores has become increasingly intense.

In addition, the rise in building costs in recent years has worsened the environment for home center store opening strategies.

The Target Company has stores across Japan from Hokkaido to Kyushu, mainly in the key Kanto area. In most areas where its stores are located, there are many GMS (General Merchandise Stores), supermarkets, drug stores, and other specialty stores, including competing home centers, that carry daily necessities and household items, and thus the competitive environment is heating up.

In addition, private brand (“PB”) products handled by the Target Company are sourced from overseas suppliers, mainly in Asia, including through direct transactions, and thus there is a risk of rising costs associated with exchange rate fluctuations and shipping market conditions, as well as the confusion of the international distribution network due to the recent effects of COVID-19.

In addition to this external environment, competition in the home center industry is intensifying due to corporate restructuring, such as mergers and consolidations, and the difficulty of keeping the Target Company competitive on its own is increasing. Against this background, it has become an urgent management issue to increase profitability by expanding the business base and improving productivity in order to achieve Target Company’s sustainable profitability and increased business value. Further, regarding the effects due to the spread of COVID-19, the Target Company has reduced the operating hours at its stores, suspended operations at all of its stores for an extended period, reduced rent for tenants in its developer business, and taken other measures. The future impact of COVID-19 is, at this stage, unclear due to there being many uncertain factors involved, such as it being unclear how long COVID-19 will continue to spread.

② Consultations between the Tender Offeror, the Target Company, and the LIXIL Group, and the Tender Offeror Decision-making Process

Under the aforementioned conditions, the Tender Offeror operates in the same industry as the Target Company, and from 2013, the Tender Offeror started to provide gardening goods on a wholesale basis to the Target Company, a business that has continued until the present. They have a long-term business relationship in which, for example, the yearly transactional amount increased from 52 million yen in the fiscal period ended February 2014 to 287 million yen in the fiscal period ended February 2020, and when the Target Company was listed on the First Section of Tokyo Stock Exchange in April 2017, the Tender Offeror acquired 15,000 Target Company Shares for the purpose of maintaining an ongoing business relationship with the Target Company. In such an ongoing relationship, for a long time the Tender Offeror has been interested in an alliance with the Target Company, and from the beginning of October 2019 as it started to evaluate its long-term future business strategies, it began to examine the possibility of making the Target Company a subsidiary, including the possibility of making it a wholly-owned subsidiary, as one medium-to-long-term strategic option for contributing to the improvement of corporate value. In light of these examinations, the Tender Offeror believes that establishing a capital and operational alliance between the Tender Offeror and the Target company is a rational strategy and that rapid, agile integration is needed by means of making the Target Company a wholly-owned subsidiary to achieve further synergies. This is also in line with the direction of the industry for achieving further growth and increasing corporate value under the current situation and the expected future home center business environment. Therefore, the Tender Offeror submitted an initial proposal for making the Target Company a wholly-owned subsidiary to the LIXIL Group in late November 2019, indicating a strong interest in the Target Company and asking for the LIXIL Group’s consideration. Additionally, although the Tender Offeror has a business relationship with the LIXIL Group as a procurer of housing-related products from its subsidiary the LIXIL Corporation and renovation supplies from its subsidiary LIXIL Total Service Co., Ltd., the Tender Offeror does not have capital or personal relationships with the LIXIL Group. In response to that proposal, the LIXIL Group examined the sale of the Target Company Shares as one strategic option, and when the actual sale process was to commence, the Tender Offeror received a reply to the effect that the Tender Offeror would be considered as a candidate for such sale.

Subsequently, after being approached by the LIXIL Group in late January 2020 about being a buyer candidate when the group began to initiate a sale process to multiple buyer candidates and approached them about participating in the first bid process, the Tender Offeror decided to participate in the first bid process.

The Tender Offeror appointed Greenhill Japan Co., Ltd. (“Greenhill”) as a financial advisor independent from the Tender Offeror, the Target Company and the LIXIL Group, and Takai & Partners Law Offices as a legal advisor independent from the Tender Offeror, the Target Company and the LIXIL Group, and commenced an analysis and review based on publicly available information and information disclosed by the Target Company and the LIXIL Group. As a result of such analysis and review, the Tender Offeror determined that ample synergies from the Tender Offeror and the Target Company partnering in the capital and business areas could be expected, that both companies could achieve greater growth in the increasingly competitive home center business, and that making the Target Company a wholly-owned subsidiary and promoting quick and flexible integration were necessary to achieve such synergies and greater growth. Therefore, the Tender Offeror submitted a first statement of intent in late February 2020. Note that, the initial bidding process assumed a staged purchase scheme whereby, for the purpose of adopting the method maximizing the certainty and economic worth of the purchase to the LIXIL Group, on the assumption that all Target Company Shares held by the LIXIL Group are bought from the LIXIL Group, (i) all Target Company Shares, excluding the shares held by the Tender Offeror, the Untendered Shares held by the LIXIL Group, and the treasury stock held by the Target Company, would be acquired through the Tender Offer and the subsequent Stock Consolidation, and, (ii) for the Target Company Shares held by the LIXIL Group, the LIXIL Group presented its desired scheme (the “Scheme”), which was a gradual purchase in which the Target Company Shares would be acquired through the Acquisition of Target Company Treasury Stock after the delisting via the Tender Offer and the Stock Consolidation, and the Tender Offeror received a request for proposal based, in principle, on the Scheme. The Tender Offeror, as stated above, was examining a scheme in which the Target Company is made a wholly-owned subsidiary, and as the Scheme aims to make the Target Company its wholly-owned subsidiary, and further, comparing this scheme to the scheme in which the Target Company Shares held by the LIXIL Group would be tendered into the Tender Offer (the “Alternative Scheme”), if the Tender Offer Price is the same as the tender offer price in the Alternative Scheme, the amount to be paid to minority shareholders and the timing of those payments would be the same, and that the Tender Offeror believes that the additionally required procedures for stage (ii) as well can be realized through legal procedures at the LIXIL Group, the Target Company, and the Tender Offeror. Further, although the establishment of the Target Company as a wholly-owned subsidiary will be delayed for the Tender Offeror in order to progress through stage (ii), it is nonetheless necessary for the LIXIL Group to transfer the Target Company Shares in order to accomplish that task of establishing it as a subsidiary, and it is important to increase the possibility of success in this deal by adhering to the LIXIL Group’s wishes. Based on this rationale, the Tender Offeror submitted the first statement of intent based on the Scheme that is desired by the LIXIL Group. (For details of the process for examining the Scheme at the Target Company, see “③ Process and Reasons for Decisions made by the Target Company” below.)

Subsequently, the LIXIL Group notified the Tender Offeror in early March 2020 of the second bid process and the Tender Offeror decided to participate in the second bid process. During the second bid process, the Tender Offeror performed due diligence and interviews with Target Company management regarding the Target Company’s business, finances, taxes, and legal matters for approximately six weeks from mid-March to late April 2020, and, based on the information obtained in that process, conducted further analysis and examination of the significance and acquisition structure for the Transactions, the possibility of realizing the Transactions, and the post-acquisition governance and management policies.

As a result of the above examination, while the Tender Offeror will continue to consider the details of its initiatives going forward, the Tender Offeror believes that making the Target Company a wholly-owned subsidiary will enable it to flexibly and actively build a network of stores that cover all of Japan through both companies developing a relationship in which they complement each other in terms of in which regions stores are opened, expand its size, reduce costs through joint purchasing, create synergies such as co-development of PB products, cross-selling, and cooperation on logistics and store development, and thus improve the value of both companies in the medium-to-long-term; and the Tender Offeror believes that, on the other hand, the Target Company is already operationally independent from the LIXIL Group, and dissynergies due to the Target Company no longer being a subsidiary of the LIXIL Group are not anticipated. Note that an examination was also conducted into the impact of the disease caused by novel coronavirus infections (COVID-19), including the impact of the state of emergency due to COVID-19 declared in April 2020 by the Prime Minister of Japan, and although COVID-19 might adversely impact the entire economy and the Target Company’s business conditions and performance might be temporarily adversely affected, the Tender Offeror believes that the purpose of the Transactions is to improve corporate value in the mid-to-long term, so from that viewpoint, it will not change the above conclusion. Based on the results of such examinations, the Tender Offeror submitted a final statement of intent to the LIXIL Group with a total stock value for the Target Company Shares of 110 billion yen, a Tender Offer Price of 2,505 yen, and a price for the Target Company to acquire the Target Company Shares held by the LIXIL Group (the “Target Company Treasury Stock Acquisition Price”; price is per share prior to the consolidation of shares) of 2,505 yen in

late April 2020. Note that in the second bid process, as in the first bid process, the Scheme was a prerequisite in the request for proposal by the LIXIL Group, and the Tender Offeror, for the same reason as that of the first statement of intent, submitted its final statement of intent based on the Scheme.

As described below in “③ Process and Reasons for Decisions made by the Target Company”, the Target Company conducted a comprehensive examination of the total stock value, and the direction of the business strategy, the synergies and dissynergies, the treatment of employees, and the governance system, etc. and management policies, etc. after implementation of the Transactions presented in the Tender Offeror’s proposal, and concluded that the Tender Offeror’s proposal was the best in terms of maximizing existing shareholder profits, and contributing to greater growth and enhanced corporate value for the Target Company going forward, and thus decided to enter into discussions and negotiations with the Tender Offeror.

After submitting its final statement of intent, the Tender Offeror continued to examine, discuss, and negotiate with the Target Company and the LIXIL Group over the terms and conditions of the Tender Offer, including details of the Scheme, the Tender Offer Price, and the Target Company Treasury Stock Acquisition Price.

Specifically, in early May 2020, the Tender Offeror and the LIXIL Group received a request from the Special Committee established by the Target Company to increase the Tender Offer Price by decreasing the Target Company Treasury Stock Acquisition Price in order to increase the benefit to the Target Company’s minority shareholders compared to the proposal in the final statement of intent, based on the fact that it was expected that the provision for deemed non-inclusion of gains from dividends stipulated in the Corporation Tax Act (Act No. 34 of 1965, as amended; the “Corporation Tax Act”) will be applied with respect to the purchase of Target Company Shares in the Acquisition of Target Company Treasury Stock. The Tender Offeror recognized and agreed with the aim of the Special Committee’s request, and in mid-May 2020 indicated that it would accept the request as long as the total share value of the Target Company Shares did not change. In response to this request, the LIXIL Group in mid-May 2020 proposed to reduce the sale consideration to the LIXIL Group and allocate the same amount to an increase in the total sale consideration to the Target Company’s minority shareholders on the condition that the total share value of the Target Company Shares of approximately 110 billion yen would not change. In order to enable the minority shareholders of the Target Company to substantially obtain the same benefit they would in an assumed case where such shareholders would be given the opportunity to tender shares a price equal to the Target Company Treasury Stock Acquisition Price to be received by the LIXIL Group, independent calculations were conducted in consultation with the LIXIL Group’s advisors to ensure that for corporate minority shareholders to which the provision for deemed non-inclusion of gains from dividends is applicable, (i) the take-home amount net of taxes that such minority shareholders would receive if they tendered their shares in the Tender Offer at the relevant price is equal to (ii) the take-away amount that such minority shareholders would receive if they tendered treasury shares at the Target Company Treasury Stock Acquisition Price equal to that received by the LIXIL Group. Based on these calculations, the LIXIL Group is reported to have proposed to the Special Committee that the Tender Offer Price be raised from 2,505 yen to 2,590 yen (an increase in the total sale consideration to minority shareholders of the Target Company from approximately 50.0 billion yen to approximately 51.7 billion yen), and that the Target Company Treasury Stock Acquisition Price be decreased from 2,505 yen to 2,430 yen (a decrease in the total sale consideration to the LIXIL Group from approximately 58.5 billion yen to approximately 56.8 billion yen). In response, the Special Committee is reported to have determined that in the aforementioned sale of Target Company Shares in the Acquisition of Target Company Treasury Stock that the benefit to minority shareholders of the Target Company was insufficient and inappropriate as a portion of the total share value, assuming that the provision for deemed non-inclusion of gains from dividends stipulated in the Corporation Tax Act would be applied to the LIXIL Group (see “④ Establishment of a Special Committee at the Target Company and Receiving Opinions from Such Committee” under “(3) Measures for Ensuring Fairness of the Tender Offer Price, Measures for Avoiding Conflicts of Interest, and Measures for Ensuring Fairness of the Tender Offer” regarding the Special Committee’s approach to the tax demerits that will arise in the LIXIL Group due to applying the deemed non-inclusion of gains from dividends, which was the Special Committee’s criteria for making this judgment) and considering that the proposed Tender Offer Price was less than the maximum Tender Offer Price submitted by other candidates at the secondary bidding process, that the benefit to minority shareholders of the Target Company was insufficient and inappropriate as a portion of total share value (in other words, the total share price proposed by the Tender Offeror was the highest price proposed by the candidates that participated in the secondary bidding process, but the tender offer prices proposed by the other candidates were calculated by decreasing the sale consideration to the LIXIL Group within a range such that the total share price pertaining to the proposals by those other candidates did not change and allocating the same amount to increase the total sale consideration to the minority shareholders, so the Tender Offer Price in the proposal presented by the LIXIL Group was subordinate to the tender offer prices proposed by the other candidates). Therefore, in mid-May 2020, the Special Committee requested a further

increase in the Tender Offer Price from 2,590 yen. Because it would enable them to give appropriate consideration to the interests of the minority shareholders of the Target Company by further reducing the sale consideration to the LIXIL Group and allocating the same amount to increase the total sale consideration to the minority shareholders of the Target Company and increasing the Tender Offer Price, and because an increase in the number of shares tendered in the Tender Offer by the minority shareholders of the Target could be expected, thereby increasing the certainty of the execution of the Transaction and thereby contributing to the interests of the LIXIL Group and the shareholders of the LIXIL Group, therefore, in response to the Special Committee's requests, a final compromise proposal was presented to the Special Committee in mid-May 2020, with an increase in the Tender Offer Price from 2,590 yen to 2,600 yen (an increase in the total sale consideration to minority shareholders of the Target Company from approximately 51.7 billion yen to approximately 51.9 billion yen), and a decrease in the Target Company Treasury Stock Acquisition Price from 2,430 yen to 2,423 yen (a decrease in the total sale consideration to the LIXIL Group from approximately 56.8 billion yen to approximately 56.6 billion yen), under certain conditions, including that a majority-of-the-minority condition would not be established. The Special Committee received the proposal, took into consideration the fact that the Tender Offer Price ultimately proposed was the highest of the tender offer prices presented in the final statement of intent of each of the candidates in the second bidding process, and, in late May 2020, accepted the LIXIL Group's final proposal. Upon acceptance, the Tender Offeror executed the Agreement with the LIXIL Group and executed the Memorandum with the LIXIL Group and the Target Company, effective June 9, 2020, with the Tender Offer Price set at 2,600 yen and the Target Company Treasury Stock Acquisition Price set at 2,423 yen.

③ Process and Reasons for Decisions made by the Target Company

According to the Target Company Press Release, in late July 2019, the Target Company was asked by its parent company the LIXIL Group to discuss the Target Company's capital policy, including the sale of the Target Company Shares held by the LIXIL Group, as part of various operational reforms including increased focus on core operations and cross-business synergies to promote productivity and efficiency at the LIXIL Group as well as business portfolio optimization to strengthen the financial structure and future growth. Discussions about the Target Company's capital policy commenced with the LIXIL Group. The Target Company carefully considered various options for maximizing the benefit to not only the LIXIL Group but also to the minority shareholders, and further enhancing the Target Company's corporate value by changing its shareholder composition, while confirming the LIXIL Group's intentions. Later, in mid-December 2019, the Target Company and the LIXIL Group, in order to maximize shareholder profits and further accelerate the Target Company's future growth, decided it would be desirable to conduct a bid process for several candidates who have a strong interest in the Target Company's business. Note that, at the time of the examination, the Target Company selected Frontier Management as its financial advisor in early December 2019 and selected Nishimura and Asahi as its legal advisor in mid-December 2019. Based on such judgments, the LIXIL Group began consulting with operating companies including the Tender Offeror and private equity funds in late January 2020, and then started a primary bidding process. Because several candidates, including the Tender Offeror, submitted statements of intent in late February 2020, the Group, after carefully comparing the content of the statements, and consulting with the Target Company, selected candidates, including the Tender Offeror, with which to consult about participation in a secondary bidding process. Then, in early March 2020, the LIXIL Group began the second bid process, and, after due diligence of the Target Company by candidates, accepted final proposals from multiple candidates on April 28, 2020. In mid-May 2020, the LIXIL Group conducted a comprehensive examination of the total stock value, and the direction of the business strategy, the synergies and dissynergies, the treatment of employees, and the governance system, etc. after implementation of the Transactions, and concluded that the Tender Offeror was the best bidder. The Target Company also conducted a comprehensive examination of the total stock value, and the direction of the business strategy, the synergies and dissynergies, the treatment of employees, and the governance system, etc., and management policies, etc. after implementation of the Transactions, and concluded that the Tender Offeror's proposal was the best in terms of maximizing existing shareholder profits, and contributing to greater growth and enhanced corporate value for the Target Company going forward. More specifically, the Target Company judged the Tender Offeror to be the best because it provided an total stock value that was the highest out of the candidates that participated in the secondary bidding process (note that the total stock value is the highest because, logically speaking, due to the sale consideration to the LIXIL Group and the allocation of the total sale consideration to the minority shareholders, the Tender Offer Price pertaining to the Tender Offeror might be the highest if compared to the tender offer prices proposed by each of the candidates that participated in the secondary bidding process), and presented a business strategy for after implementation of the Transactions that was more consistent with the Target Company's direction and orientation and that proposed synergies between the Tender Offeror

and the Target Company superior to the other candidates who participated in the secondary bidding process in terms of both short-term effects and medium- to long-term effects. (See “④ Management Policies, etc. after Implementation of the Tender Offer and the Transactions” below regarding management policies after executing the Transactions, such as policies concerning business strategies and synergies after the execution of the Transactions.”)

During this examination process, the Target Company, as a matter of course for a listed company, also considered the possibility of maintaining the Target Company’s listing, but the Target Company accepted, in principle, the implementation of the bidding procedure based on the Scheme proposed by the LIXIL Group, because the LIXIL Group had the intention to sell all of the Target Company Shares; all of the final proposals for candidates in the bidding procedure were based on the Scheme; as stated above, the proposal from the Tender Offeror was believed to be the proposal that contributed most to maximizing profit for existing shareholders, the Target Company’s further growth in the future, and improving its corporate value; and, further, as stated below, the Tender Offer Price was reasonable, and, therefore, the Target Company concluded that the best option in terms of shareholders’ interests at the present time was to provide the Target Company’s minority shareholders the opportunity to sell the Target Company Shares at a reasonable price via the Tender Offer. In addition, it determined that the Scheme has no impact on employees and the local community because it does not cause any special changes in the treatment of the employees of the Target Company or in its corporate structure, etc., and because it gives sufficient consideration to the matters that should be considered in this regard. With respect to the examination of the possibility of maintaining the listing of the Target Company and maximizing for the benefits to the Target Company’s minority shareholders, please see “④ Establishment of a Special Committee at the Target Company and Receiving Opinions from Such Committee” under “(3) Measures for Ensuring Fairness of the Tender Offer Price, Measures for Avoiding Conflicts of Interest, and Measures for Ensuring Fairness of the Tender Offer” below.

Further, the Target Company has signed the Agreement with the Tender Offeror as well as with the LIXIL Group, the controlling shareholder (parent company) of the Target Company, and the Memorandum has been signed between the Tender Offeror, the Target Company, and the LIXIL Group, each as of June 9, 2020. And, premised on the anticipation that the Target Company will implement the Acquisition of Target Company Treasury Stock in order to acquire the Untendered Shares held by the LIXIL Group, in order to secure the fairness of this Tender Offer, eliminate arbitrariness in the decision-making process for the Transactions, ensure fairness, transparency and objectivity in the Target Company’s decision-making process, and avoid conflicts of interest, the Target Company requested that Frontier Management, a third-party valuation organization independent from the Target Company, the Tender Offeror and the LIXIL Group, conduct an evaluation of the Target Company share price, and also requested advice from Nishimura & Asahi, an independent law firm, as described in “(3) Measures for Ensuring Fairness of the Tender Offer, including Measures for Ensuring Fairness of the Tender Offer Price and Measures for Avoiding Conflicts of Interest” below. Additionally, on February 21, 2020, the Target Company established a special committee comprised of members that include outside experts independent of the Target Company, the Tender Offeror, and the LIXIL Group having no interests in controlling shareholders in order to ensure the fairness of the Tender Offer, eliminate arbitrary decision-making with respect to the Transactions, ensure the fairness, transparency, and objectivity of the Target Company’s decision-making process, and to avoid conflicts of interest. For details about these measures, see “(3) Measures for Ensuring Fairness of the Tender Offer, including Measures for Ensuring Fairness of the Tender Offer Price and Measures for Avoiding Conflicts of Interest.”

The Target Company then carefully considered the terms and conditions of the Transactions from the viewpoint of improving its corporate value in view of the stock valuation report from Frontier Management dated June 8, 2020 (the “Target Company Stock Valuation Report”) and the legal advice from Nishimura & Asahi, giving maximum heed to the considerations in the Special Committee and the contents of the report dated June 8, 2020 received from the Special Committee. As a result, the Target Company determined that the Tender Offer Price exceeds the range of calculations made with the Market Share Price Averaging Method and the Comparable Company Analysis Method, and is within the range of the calculations made with the Discounted Cash Flow Method (the “DCF Method”) as calculated by the Target Company Stock Valuation Report prepared by Frontier Management, as described in “② Acquisition of a Stock Valuation Report from a Third-Party Valuation Organization Independent of the Target Company” of “(3) Measures for Ensuring Fairness of the Tender Offer, including Measures for Ensuring Fairness of the Tender Offer Price and Measures for Avoiding Conflicts of Interest” below, and that the Tender Offer Price represents a premium of 3.75% (rounded to the nearest hundredth; the same applies hereinafter to other premium percentages (%) for share values) on 2,506 yen, the closing price of the Target Company Shares as listed in the First Section of the Tokyo Stock Exchange on June 8, 2020, the business day preceding the publication date of the Target Company Press Release. The Target Company further determined that the Tender Offer Price represents a premium of 2.73% on 2,531 yen, the simple average of closing share prices for the prior

week between June 2, 2020 and June 8, 2020 (rounded to the nearest yen; the same applies hereinafter to other calculations of simple averages of closing share prices); a premium of 13.54% on 2,290 yen, the simple average of closing share prices for the one-month period from May 11, 2020 to June 8, 2020; a premium of 31.71% on 1,974 yen, the simple average of closing share prices for the three-month period from March 9, 2020 to June 8, 2020; and a premium of 27.83% on 2,034 yen, the simple average of closing share prices for the six-month period from December 9, 2019 to June 8, 2020, and determined that the Tender Offer Price included an appropriate premium with respect also to the simple averages of closing share prices for the six-month period from December 9, 2019 to June 8, 2020, which includes a period in which the impact of share price fluctuations due to the recent spread of novel coronavirus infections was minimal. The Target Company further determined that, based on information transmitted by some companies that distribute information related to the likelihood of Target Company Shares being sold by the LIXIL Group, the Tender Offer Price represents a premium of 91.46% on 1,358 yen, the final price of the Target Company Shares on the First Section of the Tokyo Stock Exchange on August 1, 2019, as per that transmitted information, a premium of 98.47% on 1,310 yen, the simple average of closing share prices for the week between July 26, 2019 and August 1, 2019, a premium of 104.08% on 1,274 yen, the simple average of closing share prices for the one-month period between July 2, 2019 and August 1, 2019, a premium of 109.00% on 1,244 yen, the simple average of closing share prices for the prior three-month period between May 7, 2019 and August 1, 2019, as well as a premium of 95.49% on 1,330 yen, the simple average of closing share prices for the six-month period between February 4, 2019 and August 1, 2019. The Target Company further determined that, based on information transmitted by the LIXIL Group related to the process for selling the Target Company Shares as stated in “② Consultations between the Tender Offeror, the Target Company, and the LIXIL Group, and the Tender Offeror Decision-making Process” above, as transmitted by some companies, the Tender Offer Price represents a premium of 23.22% on 2,110 yen, the closing price of the Target Company Shares on the First Section of the Tokyo Stock Exchange on February 3, 2020, as per that transmitted information, a premium of 18.24% on 2,199 yen, the simple average of closing share prices for the week between January 28, 2020 and February 3, 2020, a premium of 27.14% on 2,045 yen, the simple average of closing share prices for the one-month period between January 6, 2020 and February 3, 2020, a premium of 30.72% on 1,989 yen, the simple average of closing share prices for the three-month period between November 5, 2019 and February 3, 2020, as well as a premium of 46.40% on 1,776 yen, the simple average of closing share prices for the six-month period between August 5, 2019 and February 3, 2020. The share price prior to the impact of the transmitted information mentioned above includes a premium on par with premiums in similar tender offers in the past. The Target Company also determined that the measures for ensuring fairness of the Tender Offer as described in “(3) Measures for Ensuring Fairness of the Tender Offer, including Measures for Ensuring Fairness of the Tender Offer Price and Measures for Avoiding Conflicts of Interest” had been implemented, that proper consideration had been given to the interests of Target Company minority shareholders, and that the Tender Offer Price had been determined with measures to ensure the fairness of the Tender Offer in place. Taking these and other factors collectively into consideration, the Target Company concluded that the Tender Offer Price is an appropriate price, and that the Tender Offer provides all of the Target Company’s shareholders with a reasonable opportunity to sell their shares.

Based on these factors, the resolution of the Target Company’s board of directors dated June 9, 2020, expressed the opinion of the Target Company in favor of the Tender Offer and the decision to recommend that all Target Company shareholders tender into the Tender Offer. For details of the above board of directors resolution, see “⑤ Approval of all Directors (including Audit and Supervisory Members) Having no Interest in the Target Company” under “(3) Measures for Ensuring Fairness of the Tender Offer, including Measures for Ensuring Fairness of the Tender Offer Price and Measures for Avoiding Conflicts of Interest.”

④ Management Policies, etc. after Implementation of the Tender Offer and the Transactions

If the Tender Offeror completes the Tender Offer as described in “(1) Overview of the Tender Offer,” it plans to (i) make the LIXIL Group and the Tender Offeror the sole Target Company shareholders through the Stock Consolidation, (ii) perform the Funding and the Reduction in Capital, etc. to secure the funds and distributable amounts needed to for the Acquisition of Target Company Treasury Stock through loans to the Target Company from the Tender Offeror (however, if the Target Company’s distributable amount is insufficient, then in lieu of a loan to the Target Company, a portion thereof might be provided through a third-party allocation of shares with the Tender Offeror as the sole subscriber) and to secure a distributable amount required for the Acquisition of Target Company Treasury Stock by the Target Company, and (iii) ultimately, in November 2020, make the Target Company a wholly-owned subsidiary by acquiring the Target Company treasury stock. After the Tender Offer has been completed, the Target Company was reported to be planning to begin deliberations with the Tender Offeror on operational policies based on the

Capital and Business Alliance Agreement, as well as to continue business operations within the scope of normal operations that are substantially the same as those conducted prior to the beginning of the Tender Offer, until the Acquisition of Target Company Treasury Stock takes place.

After implementation of the Transactions and based on discussions between the two companies, the Tender Offeror intends to promptly implement the changes where synergies can be achieved, while fundamentally maintaining the independent business operations of the Target Company. The Target Company is an important distributor in the Tender Offeror's wholesale business, and the two companies have long-standing business relationships and personal exchanges, and understand each other's culture and values. Therefore, the Tender Offeror believes they can conduct business smoothly after the Transactions are implemented. Further, if the Tender Offer is completed, the plan is to carry out discussions with the Target Company with the aim of transitioning to a holding company structure in FY2021. Note that, at present, no matters have been determined with regard to specific details about transitioning to a holding company structure.

After the Transactions, and based on discussions with the Target Company, the Tender Offeror intends to cooperate with the Target Company, particularly in fields such as the cultivation of business-to-business customers, tenant leasing and facility management in mall business, the digital shift in the e-commerce and other businesses, the development of products including PB (private brand), real estate management for stores and distribution warehouses, logistics for distribution and delivery functions, etc., headquarters function restructuring, financial settlement services such as credit card and cashless settlements, and employee engagement and organizational development programs.

The Tender Offeror is considering dispatching officers to the Target Company, but is currently undecided.

Refer to the press release released by the Tender Offeror today titled "Notification regarding executing a Capital and Business Alliance Agreement") for details about management policies after executing the Transactions, such as policies concerning specific business strategies and synergies after the execution of the Transactions.

(3) Measures for Ensuring Fairness of the Tender Offer, including Measures for Ensuring Fairness of the Tender Offer Price and Measures for Avoiding Conflicts of Interest

The Tender Offeror and the Target Company have signed the Agreement with the Tender Offeror as well as with the LIXIL Group, the controlling shareholder (parent company) of the Target Company, and the Memorandum has been signed between the Tender Offeror, the Target Company, and the LIXIL Group. And, premised on the anticipation that the Target Company will implement the Acquisition of Target Company Treasury Stock in order to acquire the Untendered Shares held by the LIXIL Group, in order to secure the fairness of this Tender Offer, eliminate arbitrariness in the decision-making process for the Transactions, ensure fairness, transparency and objectivity in the Target Company's decision-making process, and avoid conflicts of interest, the following measures have been implemented.

① Acquisition of a Stock Valuation Report from a Third-Party Valuation Organization Independent of the Tender Offeror

To ensure the fairness of the Tender Offer Price when determining the Tender Offer Price, the Tender Offeror hired Greenhill, a third-party valuation organization independent of the Tender Offeror, the Target Company, and the LIXIL Group, to calculate the value of the Target Company Shares. Greenhill is not a related party to the Tender Offeror, the Target Company, or the LIXIL Group, and has no significant interest in the Tender Offer. Furthermore, the Tender Offeror has not obtained a fairness opinion regarding the Tender Offer Price from Greenhill. For details of the stock valuation report regarding the results of calculating the value of the Target Company Shares that the Tender Offeror obtained from Greenhill (the "Stock Valuation Report") dated June 9, 2020, see "① Basis for the Valuation" and "② Details of the Valuation" under "(5) Basis for the Valuation of the Tender Offer Price" of "2. Overview of the Tender Offer" below.

② Acquisition of a Stock Valuation Report from a Third-Party Valuation Organization Independent of the Target Company

According to the Target Company Press Release, the Target Company, in determining its opinion of the Tender Offer, hired Frontier Management, a third-party valuation organization independent of the Tender Offeror, the Target Company, and the LIXIL Group, to calculate the value of the Target Company Shares, and obtained the Target Company Stock Valuation Report dated June 8, 2020. Frontier Management is not

a related party to the Tender Offeror, the Target Company, or the LIXIL Group, and has no significant interest with the Tender Offeror, the Target Company, or the LIXIL Group in relation to the Transactions including the Tender Offer. The Target Company has not obtained a fairness opinion regarding the Tender Offer Price from Frontier Management.

In order to collect and examine the information needed to calculate the value of the Target Company Shares, Frontier Management obtained, and received explanations of, information on the current status of the Target Company's business and future prospects from the Target Company's management team, and calculated the value of the Target Company Shares based on that information. Since the Target Company is listed on the First Section of the Tokyo Stock Exchange, Frontier Management calculated the value of the Target Company Shares using the "Market Share Price Averaging Method" because there are market stock prices and the "Comparable Company Analysis Method" because there are several comparable similar listed companies and it is thus possible to analogize the stock value in comparison with the market value of similar listed companies. Frontier Management also used the "DCF Method" to reflect future business activities in the valuation.

The per share value of the Target Company Shares calculated by Frontier Management based on the above methods is as follows:

Market Share Price Averaging Method: 1,974 yen to 2,506 yen

Comparable Company Analysis Method: 1,006 yen to 2,464 yen

DCF Method: 2,147 yen to 3,798 yen

In the Market Share Price Averaging Method, June 8, 2020, the business day before the day the Tender Offer was announced, was used as the valuation base date, and the range of the per share price of the Target Company Shares was calculated to be between 1,974 yen and 2,506 yen, based on the fact that the closing price of the Target Company Shares listed on the First Section of the Tokyo Stock Exchange on the valuation base date was 2,506 yen and the simple averages of closing prices of the Target Company Shares listed on the First Section of the Tokyo Stock Exchange over the prior month was 2,290 yen, over the prior three months was 1,974 yen, and over the prior six months was 2,034 yen. In the use of the Market Share Price Averaging Method, short-term share price volatility was reported to have been equalized by referring to simple averages of closing prices in multiple periods to calculate the value of the Target Company's common stock.

The Comparable Company Analysis Method was used to compare against the financial indicators showing the market stock prices and profitability of listed companies that operate relatively similar businesses to that of the Target Company. The range of the per share stock values of the Target Company Shares is calculated from 1,006 yen to 2,464 yen.

With the DCF Method, the range of the per share price of the Target Company Shares was calculated to be between 2,147 yen and 3,798 yen by calculating the Target Company's corporate value and stock value by discounting the free cash flow expected to be generated from December 1, 2020 by the present value at a certain discount rate based on the Target Company's revenue forecast in view of various factors such as the business plan covering the period from the fiscal year ending March 2021 through the period ending March 2025 submitted to Frontier Management, and publicly available information, etc. In terms of the impact of COVID-19, actual results are reportedly incorporated through April 2020, as well as the impact of the 50% reduction in fixed rents for Viva Mall and all tenants (excluding businesses that handle food products and drugstores) for a three-month period beginning April 2020 (as announced by the Target Company on May 8, 2020). There are no other considerations made pertaining to the future impact of COVID-19 because of the numerous uncertainties involved, such as how long the COVID-19 outbreak will continue. The business plan used by Frontier Management for the calculation includes fiscal years for which it expects significant increases or decreases compared to the previous year. Specifically, in the period from the fiscal year ending March 2021 through the fiscal year ending March 2022, the opening of new stores at Viva Mall and similar events are expected to provide a large boost to operating income, which is expected to increase from 9,533 million yen to 12,458 million yen, and to ordinary profit, which is expected to increase from 8,847 million yen to 11,772 million yen, and to net income, which is expected increase from 5,606 million yen to 7,816 million yen. In addition, the business plan is not intended to be executed on the basis of the execution of the Transactions.

③ Advice from the Target Company's Independent Law Firm

According to the Target Company Press Release, the Target has appointed Nishimura & Asahi as a legal advisor independent of the Tender Offeror, the Target Company, and the LIXIL Group to ensure fairness and appropriateness in the decision-making by the Target Company's board of directors, and is thus

receiving legal advice regarding the decision-making methods and processes of the Target Company's board of directors as they relate to the Tender Offer and the series of procedures that will follow it, and on other points to be noted with respect to said decision-making. Nishimura & Asahi is not a related party of the Tender Offeror, the Target Company, or the LIXIL Group, and has no significant interest in the Transactions.

④ Establishment of a Special Committee at the Target Company and Receiving Opinions from Such Committee

According to the Target Company Press Release, the board of directors of the Target Company both ensured the fairness of the Tender Offer Price and eliminated arbitrariness in decision-making with respect to the Transactions, and, in order to ensure fairness, transparency, and objectivity in the Target Company's decision-making process and to avoid conflicts of interest, the Target Company formed a Special Committee independent of the Tender Offeror, the Target Company, and the LIXIL Group on February 21, 2020 while considering whether or not to engage in the Transactions. This Committee was a voluntary panel meant to consider and determine the appropriateness of the Transactions' conditions, including whether to engage in the Transactions at all and the structures thereof, and the fairness of the procedures involved from the perspective of enhancing corporate value and minority shareholder profit, and was comprised of five members: Mr. Yoshiyuki Wada (an outside director and Audit and Supervisory Committee member of the Target Company), Mr. Kiwami Miyakoshi (an outside director and Audit and Supervisory Committee member of the Target Company), Ms. Kiyoe Kado (an outside director and Audit and Supervisory Committee member of the Target Company), Mr. Akio Sato (an attorney from Sato Sogo Law Office), and Mr. Yoichiro Sato (a certified tax accountant from Grant Thornton Taiyo Tax Corporation). (Note that, according to the Target Company, the membership of this Special Committee has not changed since it was first formed. The two outside expert members of the Special Committee are compensated at a fixed rate for their contributions, unrelated to the content of the report, and though the compensation provided to the 3 outside directors of the Target Company that participated in the Committee is determined by consultation between directors who were Audit and Supervisory Committee members, they are not compensated on a contingency fee basis.)

Furthermore, the Target Company's board of directors will seek the Special Committee's advice regarding the Transactions including the Tender Offer on (a) the legitimacy and rationality of the objectives of the Transactions (including whether the Transactions contribute to improving the Target Company's corporate value), (b) the fairness of the procedures associated with the Transactions, (c) the fairness and appropriateness of the transaction terms of the Transactions, (d) whether the Target Company's board of directors should express their opinion to support the Tender Offer and recommend that Target Company shareholders tender their shares into the Tender Offer, and (e) whether the execution (including the Target company's board of directors expressing its opinion in favor of the Tender Offer and recommending that shareholders of the Target Company tender shares into the Tender Offer) of the Transactions is disadvantageous to the Target Company's minority shareholders (including from the perspective of comparing the methods selected in the Transactions with other methods) (the "Advisory Matters"), and entrust the committee to report these points to the Target Company. The Target Company's board of directors resolved to make decisions relating to the Transactions giving maximum heed to the decisions made by the Special Committee, and that, if the Special Committee determined that the transaction conditions were unreasonable, it would not endorse the Transactions.

The Target Company's board of directors conferred upon the Special Committee: (i) the authority to either designate a financial advisor, third-party valuation organization, legal advisor, or other advisor ("Advisors") to the Target Company, or approve Advisors chosen by the Target Company (including approval after the fact) (when the Special Committee determines that the Target Company's Advisors, etc. have a high degree of expertise, are sufficiently independent, and can otherwise be relied upon by the Special Committee to provide expert advice, the Special Committee was permitted to seek expert advice from such Advisors), (ii) the authority to select Advisors for the Special Committee, (iii) the authority to request that the Target Company's directors, employees, and any other parties deemed necessary by the Special Committee attend the Special Committee's meetings, and provide the Special Committee with any necessary information, and (iv) the authority to conduct negotiations regarding the transactional conditions of the Transactions as necessary (even if the Special Committee did not directly conduct negotiations regarding the transactional conditions of the Transactions, the Special Committee was, for example, permitted, as necessary, to preliminarily confirm the directions of negotiations, receive reports on negotiation conditions in a timely manner, provide the Special Committee's opinions at crucial junctures, and issue directions and demands, thereby allowing the Special Committee to ensure the circumstances where it is substantially involved in the negotiations of transactional conditions of the Transactions, and the Target Company was to cooperate with the Special Committee so that the Special Committee could properly ascertain said circumstances). The

Special Committee approved Frontier Management, the Target Company's financial adviser, and Nishimura & Asahi, the Target Company's legal advisor, on the grounds that neither is problematic because they are both independent and professional. The Special Committee also confirmed it could call on them for professional advice as needed.

The Special Committee met 17 times from February 29, 2020 to June 8, 2020, and carefully deliberated and made decisions about the Advisory Matters, including by email, on the days between the holding of Special Committee meetings.

Specifically, the Special Committee was directly and indirectly involved in the consultation and negotiation processes that took place between the Tender Offeror and the LIXIL Group by: (a) receiving explanations from, and exchanging questions and answers with, the Target Company, Frontier Management, and Nishimura & Asahi regarding the background and progression of the Transactions, the structure and procedures of the Transactions, the contents and formulation of business plans, as well as the content and calculation method used for the Target Company Stock Valuation Report prepared by the third-party valuation organization, Frontier Management, among other items; (b) receiving explanations from and exchanging questions and answers with the Tender Offeror regarding, via direct discussion with the Tender Offeror, the significance and purpose of these Transactions, including any synergistic effects resulting therefrom, business management policies including plans to improve the corporate value of the Target Company following implementation of the Transactions, the structure of the Transactions, the thought process behind the Transaction conditions including the Tender Offer Price, and fundraising methods, among other items; (c) receiving explanations from the LIXIL Group regarding the status of the bidding process, the structure of the Transactions, and the thought process behind the Transaction conditions including the Tender Offer Price, among other items, and engaging in considerations thereof; and (d) receiving timely reports from the Target Company, Frontier Management, and Nishimura & Asahi regarding the progression and content of consultations and negotiations taking place between the Tender Offeror and the LIXIL Group regarding the Transactions, including the details of the bidding process, holding meetings of the Special Committee as needed to consult regarding policies and other matters, engaging in multiple consultations with the Target Company until an ultimate set of transaction conditions for the Transactions could be established, and otherwise providing the Target Company with various forms of advice. In particular, as is stated in “② Consultations between the Tender Offeror, the Target Company, and the LIXIL Group, and the Tender Offeror Decision-making Process” under “Background, Purpose, and Decision-making Process Leading to the Tender Offeror’s Decision to Implement the Tender Offer, and Management Policies after the Tender Offer and the Transactions” above, based on the fact that it is expected that the provision for deemed non-inclusion of gains from dividends stipulated in the Corporation Tax Act will be applied to the LIXIL Group with respect to the sale of the Target Company Shares in the Acquisition of Target Company Treasury Stock in early May 2020 after submission of the final statement of intent by the Tender Offeror, the Special Committee made a request to the Tender Offeror and the LIXIL Group to increase the Tender Offer Price by decreasing the Target Company Treasury Stock Acquisition Price for the purpose of increasing the benefit to the Target Company’s minority shareholders, compared to the content proposed in the final statement of intent. In response to this request, the Tender Offeror agreed and approved the request made by the Special Committee, and, in mid-May, expressed that it would accept the request as long as the total share price of the Target Company Shares did not change. In response to this, the LIXIL Group is reported to have proposed to the Special Committee in mid-May 2020 to reduce the sale consideration to the LIXIL Group and allocate the same amount to an increase in the total sale consideration to the Target Company's minority shareholders on the condition that the total value of the Target Company shares of approximately 110 billion yen would not change, and thereby to increase the Tender Offer Price from 2,505 yen to 2,590 yen (an increase in the total sale consideration to minority shareholders of the Target Company from approximately 50.0 billion yen to approximately 51.7 billion yen), and that the Target Company Treasury Stock Acquisition Price be decreased from 2,505 yen to 2,430 yen (a decrease in the total sale consideration to the LIXIL Group from approximately 58.5 billion yen to approximately 56.8 billion yen). In response, the Special Committee is reported to have determined that in the aforementioned sale of Target Company Shares in the Acquisition of Target Company Treasury Stock, assuming that the provision for deemed non-inclusion of gains from dividends stipulated in the Corporation Tax Act would be applied to the LIXIL Group (see “(C) Equity and Validity of the Transaction Conditions of the Transactions” below regarding the Special Committee’s approach to the tax demerits that will arise in the LIXIL Group due to applying the deemed non-inclusion of gains from dividends, which was the Special Committee’s criteria for making this judgment) and considering that the proposed Tender Offer Price was less than the maximum Tender Offer Price submitted by other candidates in the secondary bidding process (in other words, the total share price proposed by the Tender Offeror was the highest price proposed by the candidates that participated in the secondary bidding process, but the tender offer prices proposed by the other candidates were calculated by decreasing the sale consideration to the LIXIL Group within a range such that the total

share price pertaining to the proposals by those other candidates did not change and allocating the same amount to increase the total sale consideration to the minority shareholders, so the Tender Offer Price in the proposal presented by the LIXIL Group was subordinate to the tender offer prices proposed by the other candidates), that the benefit to minority shareholders of the Target Company was insufficient and inappropriate as a portion of total share value, and the Special Committee therefore requested the LIXIL Group in mid-May 2020 to further increase the Tender Offer Price from 2,590 yen. Because it would enable them to give appropriate consideration to the interests of the minority shareholders of the Target by further reducing the sale consideration to the LIXIL Group and allocating the same amount to increase the total sale consideration to the minority shareholders of the Target Company and increasing the Tender Offer Price, and because an increase in the number of shares tendered in the Tender Offer by the minority shareholders of the Target could be expected, thereby increasing the certainty of the execution of the Transaction and thereby contributing to the interests of the LIXIL Group and the shareholders of the LIXIL Group, therefore, a final compromise proposal was presented to the Special Committee, with an increase of the Tender Offer Price from 2,590 yen to 2,600 yen (an increase in the total sale consideration to minority shareholders of the Target Company from approximately 51.7 billion yen to approximately 51.9 billion yen), and a decrease in the Target Company Treasury Stock Acquisition Price from 2,430 yen to 2,423 yen (a decrease in the total sale consideration to the LIXIL Group from approximately 56.8 billion yen to approximately 56.6 billion yen), under certain conditions, including that a majority-of-the-minority condition would not be established. The Special Committee received the proposal, took into consideration the fact that the Tender Offer Price ultimately proposed was the highest of the tender offer prices presented in the final statement of intent of each of the candidates in the second bidding process, and, in late May 2020, accepted the LIXIL Group's final proposal. Upon acceptance, the Tender Offeror executed the Agreement with the LIXIL Group and executed the Memorandum with the LIXIL Group and the Target Company, as of June 9, 2020, with the agreed Tender Offer Price set at 2,600 yen and the Target Company Treasury Stock Acquisition Price set at 2,423 yen. In view of these circumstances, on June 8, 2020, the Special Committee submitted a report (the "Report") with the following outline to the Target Company's board of directors:

(A) The Legitimacy and Rationale of the Purpose of the Transactions (Including Whether the Transactions Contribute to the Enhancement of the Target Company's Corporate Value.)

It is not particularly irrational that the Target Company recognizes that ① there are concerns over the risk of a recession exceeding the scale of that from the Lehman Shock due to the instability of international affairs, such as the trade friction between the US and China and the UK's withdrawal from the EU, the of chilling consumer sentiment following the consumption tax hike, and, in particular, the expanded and prolonged impact on the countries of the world from the spread of COVID-19, which is now ubiquitous, that ② in such a difficult business environment, not only has the scale of Japan's home center market been in a plateaued period of maturity since 2000, the number of home center stores has continued to gradually increase nationwide thus intensifying the competition between stores, and the rise in construction costs in recent years has accelerated a deterioration in store opening strategies in the home center market, that ③ because it has stores all over the country, mainly in the Kanto area, it expects not only to face stiffer competition in most regions from competitive home centers, GMSs (General Merchandise Stores), supermarkets, drug stores, and other specialty stores, but also to see disruptions of international distribution networks due to a rise in Private Brand (PB) product purchasing costs and the impact of COVID-19, and that ④ due to intensifying competition in the home center industry via corporate restructuring brought on by the fact that home center businesses are finding it difficult to realize continued growth via independent management strategies on their own, improving profitability via an expanded business base and improved productivity has become an urgent management issue in terms of realizing sustainable profit growth and enhanced corporate value.

Via the Transactions, the Tender Offeror and the Target Company can rationally expect to achieve synergies such as (i) regional completion due to different area strategies, (ii) reduced cost through expanded business scale and joint purchasing, (iii) cooperation in fields relating to building materials, and (iv) cooperation in PB product development, cross-selling, logistics, and store management. Furthermore, , under the difficult business conditions described above, it is rational to believe that implementation of the corporate value enhancement measures described above in "(i) Background of the Tender Offer, Consultations Between the Tender Offeror, the Target Company, and the LIXIL Group, and the Decision-making Process by the Tender Offeror" and "(ii) Management Policies after the Tender Offer and the Transactions" under "② Background, Purpose, and Decision-making Process Leading to the Tender Offeror's Decision to Implement the Tender Offer, and Management Policies after the Tender Offer and the Transactions" under

“(2) Basis and Reasons for Opinion Regarding Tender Offer” via implementation of the Transactions will contribute more to the mid-to-long-term enhancement of the Target Company’s corporate value than the Target Company managing its business on its own.

Although the Company spent time examining the possibility of maintaining its listing while contemplating the Transactions, since (a), as described above, it can reasonably be expected that the Tender Offeror and the Target Company will generate synergies from the Transactions and improve corporate value in the medium to long term by implementing measures that enhance corporate value, (b) given the business policies on the part of the Tender Offeror and LIVIL Viva, it is unlikely that the maintenance/enhancement of social credibility and name recognition achieved by maintaining listings, which the Target Company saw as the benefit of maintaining its listing, will immediately dissipate as a result of the Transactions, nor can it be said that the Target Company’s being able to raise funds directly from the market will be an absolute requirement in implementing measures for enhancing its corporate value, (c) it is recognized that the Transactions will be completed through equitable procedures and with sufficient consultations between the parties concerned, as described in “(B) Equity of the Procedures Relating to the Transactions” below, and (d) it is recognized that, as described below in (C) Equity and Validity of the Transaction Conditions of the Transactions, the transaction conditions of the Transactions are valid and appropriate and thus will contribute even more to enhancing the Target Company’s corporation value than would other transaction schemes premised on maintaining its listing, led to the conclusion that it is not unreasonable that the Target Company offering its minority shareholders the opportunity to sell the Target Company Shares at a reasonable price is, taking into account their interests, the best choice at the present time.

As stated above, it is recognized that the Transactions will contribute to the enhancement of the Target Company’s corporate value, and their objectives are considered to be legitimate and rational.

(B) Equity of the Procedures Relating to the Transactions

The procedures relating to the Transactions are considered to be fair because, in the Transactions, ① a Special Committee was established at the initial stages of forming the transaction conditions, and, whereas the committee was granted the authority to appoint and approve advisors, etc. and to negotiate with tender candidates and the LIXIL Group, and a resolution was passed to respect the reports of the Special Committee to the maximum possible degree, it is recognized that the Special Committee did, in fact, contribute substantially to negotiations over the transaction conditions between the Tender Offeror and the LIXIL Group by exercising these authorities, and that there were no particular issues with the Special Committee’s composition in terms of independence, expertise, or attributes, etc., its system for examining advisors, etc., or its compensation, ② the Target Company selected the Nishimura & Asahi law firm as a legal advisor independent of the Target Company, the Tender Offeror, and the LIXIL Group, from which it received various advice, ③ the Target Company asked Frontier Management, which is a third-party valuation institution independent of the Target Company, the Tender Offeror, and the LIXIL Group, to calculate its share price and obtained the Stock Valuation Report on June, 8 2020, ④ the Tender Offeror asked Greenhill, also a third-party valuation institution independent of the Target Company, the Tender Offeror, and the LIXIL Group, to calculate the Target Company share price, and obtained a stock valuation report on June, 9 2020, ⑤ the LIXIL Group’s bid procedures were carried out after the Special Committee’s substantial involvement in consultations with the group, ⑥ a period of 30 business days, which exceeds the 20 business days that is the shortest period permitted under the law, was established, ⑦ it is recognized that information relating to the Special Committee, and other information, was properly disclosed, and ⑧ care was taken not to apply strong pressure on minority shareholders.

Note that so-called majority of minority conditions were not established in the Transactions since it is likely that not establishing said conditions in the Transactions is not likely to immediately impair the equity of the procedures for the Transactions because, (i) LIXIL Group, the Target Company’s parent company, owns 23,367,300 (ownership ratio: 53.22%) of the Target Company’s shares, and the Tender Offeror owns 585,000 shares (ownership ratio: 1.33%), it is thus recognized that setting majority of minority conditions could result in too high a minimum number of shares to be purchased in the Tender Offer, which could destabilize the Tender Offer, leading to the possibility that it would thus not contribute to the interests of minority shareholders, (ii) fairness assurance measures have been established as described above, (iii) sincere discussions and negotiations on the transaction terms with the Tender Offeror and the LIXIL Group, with the substantial involvement of the Special Committee, resulted in a final agreement during the second

bid procedure on the highest price among tender offer prices in the final statements of intent submitted by the candidate buyers, the matter of whether to establish majority of minority conditions was also discussed during negotiations of the tender offer price, and the final concession plan submitted by LIXIL Group included a condition that majority of minority conditions not be established, and (iv) majority of minority conditions were not established in the Transactions in light of the fact that the transaction conditions of the Transactions are likely to be equitable and reasonable, as described in (C) below.

(C) Equity and Validity of the Transaction Conditions of the Transactions

The transaction conditions of the Transactions can be characterized as fair and valid because, ① It is recognized that reasonable efforts were made, with substantial involvement of the Special Committee, to ensure that the Transactions will be conducted under transaction conditions that are, to the degree possible, advantageous to minority shareholders while raising corporate value, which efforts included consultations and negotiations over the transaction conditions of the Transactions, and, even after submission of statements of final intent by the tender candidates, consultations and negotiations over the tax effects on LIXIL Group between the Tender Offeror and the LIXIL Group at the request of the Special Committee, which, after the acceptance of significant concessions, resulted in agreements on the final Tender Offer Price and the Target Company treasury stock acquisition price, ② it is recognized given that, according to the Stock Valuation Report obtained from Frontier Management, which is a third-party valuation institution independent of the Target Company, the Tender Offeror, and the LIXIL Group, the per share value of the Target Company shares was calculated as being 1,974 yen to 2,506 yen using the Market Share Price Averaging Method, 1,006 yen to 2,464 yen using the Comparable Company Analysis Method, and 2,147 yen to 3,798 using the DCF Method; given that, among the Target Company share value calculation results in the Stock Valuation Report, the 2,600 yen per share Tender Offer Price exceeds the maximum range of calculation results according to the Market Share Price Averaging Method and the Comparable Company Analysis Method and is within the range of calculation results according to the DCF Method; and given also the results of the descriptions and Q&A regarding the Stock Valuation Report by Frontier Management, and the details of the Target Company used in the calculations, etc., there is nothing particularly unreasonable about the methods used by Frontier Management to calculate the share price nor with the share value calculation results (note that although the 2,600 yen per share Tender Offer Price is not a high price compared to the results derived by calculating your company's share price using the DCF Method, it was ultimately agreed to be – since it resulted from the bid process implemented by the LIXIL Group and sincere consultations and negotiations over the transaction conditions between the LIXIL Group and the Tender Offeror, with substantial involvement by the Special Committee – the highest of those presented by the bidders in the second bid procedure (furthermore, according to the LIXIL Group, a first bid procedure, wherein a wide range of bidders was invited to participate, was held before the second bid procedure) , and thus cannot be characterized as inequitable or unreasonable based on this point alone)③ the 2,600 yen per share Tender Offer Price was, (i) derived by adding a premium of 3.75% to the Target Company share closing price of 2,506 yen on the first section of the Tokyo Stock Exchange on the business day just prior to the disclosure date of the Tender Offer (June 8, 2020), of 2.73% to the closing average share price of 2,531 yen for the past week (from June 2, 2020 to June 8, 2020), of 13.54% to the closing average share price of 2,290 yen for the past month (from May 11, 2020 to June 8, 2020), of 31.71% to the closing average share price of 1,974 yen for the past three months (from March 9, 2020 to June 8, 2020), and of 27.83% to the closing average share price of 2,034 yen for the past six months (from December 9, 2019 to June 8, 2020) this is thus likely to be a price that includes a premium based on the closing average share price for the past six months from December 9, 2020 through June 8, 2020, which include a period wherein the impact of the recent spread of COVID-19 had little impact on share price fluctuations furthermore, the Tender Offer Price, (ii) was derived by adding a premium of 91.46% to the Target Company share closing price of 1,358 yen on August 1, 2019, the date on which the possibility the Target Company shares might be sold by the LIXIL Group was first broadcast by some information broadcasting companies, of 98.47% to the closing average share price of 1,310 yen for the week prior (from July 26, 2019 to August 1, 2019), of 104.08% to the closing average share price of 1,274 yen for the month prior (from July 2, 2019 to August 1, 2019), of 109.00% to the closing average share price of 1,244 yen for the three months prior (from May 7, 2019 to August 1, 2019), and of 95.49% to the closing average share price of 1,330 yen for the six months prior (from February 4, 2019 to August 1, 2019), and (iii) was derived by adding a premium of 23.22% to the Target Company share closing price of 2,110 yen on February 3, 2020, the date on which information relating to the the process by which the Target Company shares would be sold by the LIXIL Group was broadcast by some information broadcasting companies, of 18.24% to the closing average share price of 2,199 yen for the week prior (from January 28, 2020 to February 3, 2020), of 27.14% to the closing average share price of 2,045

yen for the month prior (from January 6, 2020 to February 3, 2020), of 30.72% to the closing average share price of 1,989 yen for the three months prior (from November 5, 2019 to February 3, 2020), and of 46.40% to the closing average share price of 1,776 yen for the six months prior (from August 5, 2019 to February 3, 2020), and (iv) although the premium level of (i) cannot be characterized as high compared to premium levels in past similar cases, considering the information that was broadcast for (ii) and (iii), (especially considering that, based on the content of the information broadcast for (iii), it could reasonably have been inferred that the announcement of a tender offer for the Target Company Shares would come close to the announcement of the company's financial results) the share price for the period associated with the calculation of the premiums in (i) cannot be characterized as unreasonable given that it was affected to some degree by the above information broadcasts (Note that home center industry share prices had, overall, been recovering since around the middle of March 2020 and given that the closing price of the Target Company Shares on the first section of the Tokyo Stock Exchange on the business day (June 8, 2020) just prior to the disclosure date of the Tender Offer had risen 36.72%, 39.14%, 22.24%, 18.77% and 96.24% compared to the share prices on May 1, 2020, April 1, 2020, March 2, 2020, February 3, 2020, and July 1, 2019, respectively, the average share price of the 12 major players in the home center industry, besides the Target Company, had risen only 10.58%, 22.38%, 16.35%, 6.46% and 7.76% compared to the share prices on May 1, 2020, April 1, 2020, March 2, 2020, February 3, 2020, and July 1, 2019, respectively, the Target Company's share price has risen faster than home center industry as a whole in all of the above reference periods. Based on this fact, it is reasonable to believe that the Target Company's share price was soaring, even when taking the rising home center industry share prices into account, and that the above distribution of information had an impact on the expected value, etc.) it can be said that the premium level in (ii) that referenced the share price prior to the soar is a level to which an moderate premium compared to the premium levels of past similar cases has been added due to the impact of COVID-19 and the above information broadcasts.

Note that during the negotiations between the Tender Offeror and the LIXIL Group, considering that, with respect to the sales of the Target Company shares in the acquisition of the Target Company's treasury stock, it is expected that the LIXIL Group will be subject to the provisions for deducting profits from deemed dividends stipulated in the Corporation Tax Law, the Special Committee, assuming that the total value of the Target Company shares is around 110 billion yen as stated in the Tender Offeror's statement of final intent, after consulting with the Target Company's advisors, independently calculated rough estimate prices for Tender Offer Prices and the Target Company treasury stock acquisition price for a case where the Tender Offer Price and the Target Company treasury stock acquisition prices are set such that the amount of money gained is equal after taxes, based on a case where the LIXIL Group makes the Tender Offer and buys the Target Company shares, a case where it sells the Target Company shares by acquiring the Target Company treasury stock as one of the ideas based on various assumptions. Although 2,600 yen, which is the final Tender Offer Price from the Tender Offeror, is less than the above rough estimates, since (a) the 2,600 yen Tender Offer Price proposed by the Tender Offeror is, when compared to 2,505 yen, which is Tender Offer Price initially proposed by the Tender Offeror, raised the Tender Offer Price from 2,505 yen to 2,600 yen (which increases the total sale compensation of the Target Company minority shareholders from around 50 billion yen to around 51.9 billion yen), and is thus likely a condition that, at least with respect to the increased amount, is more advantageous to the Target Company minority shareholders, (b) the 2,600 yen Tender Offer Price proposed by the Tender Offeror is the result of earnest discussions and negotiations of the transactions with the LIXIL Group and the Tender Offeror with the substantial involvement of the Special Committee after the fairness security measures were taken, and is the condition upon which the final agreement was made as it was the highest price of the Tender Offer Prices presented by the bidders (according to the LIXIL Group, a first bid procedure was conducted that invited a wide range of candidates prior to the second bid procedure) in the second bid procedure, and (c) the 2,600 yen Tender Offer Price proposed by the Tender Offeror is, as described above, in terms of the relationship to the stock price before it was affected by COVID-19 and distribution of information, a premium that is comparable to the premium level in similar past tender offer cases has been added, the Special Committee determined that, in light the fact that Tender Offer Price is fair and reasonable, the Tender Offer provides the Target Company minority shareholders an opportunity to sell their shares at a reasonable price.

Furthermore, with respect to the other transaction conditions, based on the fact that, ① a squeeze out (the "Squeeze Out") of shareholders other than the LIXIL Group and the Tender Offeror via the Stock Consolidation method after the Tender Offer is scheduled in the Transactions, and the transaction conditions associated with the Squeeze Out can be characterized as equitable and reasonable because care has been taken to ensure that situations where they are handled disadvantageously will not occur if the Tender Offer is not made given in view of the scheme of the Squeeze Out or assumptions of disclosures relating to the

Squeeze Out, and ② it is recognized that there is no risk that financial conditions associated with the loan will have any serious adverse effect on the Target Company's financial condition, and ③ no matters that could become particularly disadvantageous to the minority shareholders have been included in the Memorandum and the Capital and Business Alliance Agreement signed at the execution of the Transactions, those other transaction conditions of the Transactions are also likely fair and reasonable.

(D) Pros and Cons of the Target Company Board of Directors Expressing Agreement with the Tender Offer and Recommending that the Target Company Shareholders Apply to the Tender Offer

Since it is likely that the Transactions will contribute to enhancing the Target Company's corporate value, and because the object of the Transactions is likely to be legitimate and rational as described above in (A) through (C), it is appropriate for the Target Company's board of directors to express agreement with the Tender Offer and, because it is likely that the transaction conditions of the Transactions are equitable and reasonable, and the procedures associated with the Transactions are equitable, it is also likely appropriate for the board to recommend that the Target Company shareholders apply to the Tender Offer.

(E) Will Execution of the Transactions (including the Board of Directors of the Target Company Expressing Agreement to the Tender Offer and Recommending that the Target Company Shareholders Apply to Participate in the Tender Offer) be Disadvantageous to the Target Company's Minority Shareholders? (Including from the Perspective of Comparisons between the Methods Selected for the Transactions and other Methods)

Examining the possibility of maintaining the listing for the Transactions, as described above in (A) through (C), led to the conclusions that, at present, the best option is to provide LIVIL Viva minority shareholders the opportunity to sell their the Target Company stock at a reasonable price, the objective of the Transactions is likely legitimate and rational, the transaction conditions of the Transactions are equitable and reasonable, and the procedures associated with the Transactions are equitable, and thus that the Transactions (including the board of directors of the Target Company expressing agreement to the Tender Offer and recommending that the Target Company shareholders apply to participate in the Tender Offer) are unlikely to be disadvantageous to LIVIL Viva's minority shareholders.

⑤ Approval of all Directors (including Audit and Supervisory Members) Having no Interest in the Target Company

According to the Target Company Press Release, the Target Company, after referring to the Target Company Stock Valuation Report prepared by third-party valuation organization Frontier Management, as well as legal advice provided by Nishimura & Asahi, considering the details of multiple negotiations that took place between the Tender Offeror and the LIXIL Group, along with other documents related to such negotiations, and while adhering as closely as possible to a report acquired from a Special Committee independent of the Tender Offeror, the Target Company, and the LIXIL Group, engaged in serious deliberations and considerations regarding the various conditions associated with the Transactions. As a result, of the eight directors of the Target Company, as described in "③ Process and Reasons for Decisions made by the Target Company" under "(2) Background, Purpose, and Decision-making Process Leading to the Tender Offeror's Decision to Implement the Tender Offer, and Management Policies after the Tender Offer and the Transactions" above, support of the Tender Offer was expressed by a unanimous vote by all eight Target Company directors participating in the deliberations and resolutions, and the Target Company resolved to recommend that all Target Company shareholders tender their shares into the Tender Offer.

Note that although Mr. Takehiko Iida, one of the Target Company directors who was a part of the board of directors described above, was previously an employee of Toyo Sash Co., Ltd. (including subsequent changes in business name, currently LIXIL Group) as well as its subsidiaries (excluding the Target Company, the same applying to the remainder of this ⑤), he is no longer jointly employed by both LIXIL Group and its subsidiaries, and is not in a position to receive directions from either the LIXIL Group or its subsidiaries. As described in "④ Establishment of a Special Committee at the Target Company and Receiving Opinions from Such Committee" above, the Target Company established a Special Committee on February 21, 2020, provided such Special Committee with timely reports regarding the progression and details of consultations and negotiations between the Tender Offeror and the LIXIL Group, and has held multiple consultations between the Special Committee and the Target Company. As consultations and negotiations between the Tender Offeror and the LIXIL Group have progressed while receiving the opinion of the Special Committee, the Target Company is of the opinion that the Special Committee is functioning effectively with respect to

the Target Company's considerations with respect to the Transactions, as well as the consultations and negotiations taking place between the Tender Offeror and the LIXIL Group. Therefore, the Target Company determined that the above director, who in the past held the status of employee of the LIXIL Group and its subsidiaries, did not have interests to the degree that they would impair the fairness of the proceedings if not excluded from deliberations or resolutions by the Target Company's board of directors.

⑥ Measures for Ensuring Buying Opportunities from other Buyers

As described in “② Consultations between the Tender Offeror, the Target Company, and the LIXIL Group, and the Tender Offeror Decision-making Process” under “(2) Background, Purpose, and Decision-making Process Leading to the Tender Offeror's Decision to Implement the Tender Offer, and Management Policies after the Tender Offer and the Transactions” above, the Target Company and the LIXIL Group conducted a bidding process whereby they consulted with multiple potential buyers about transferring all of the Target Company Shares, and selected the Tender Offeror as the final tender candidate by comparing it to the several other tender candidates under certain competitive conditions. Therefore, while it is believed that adequate opportunities were provided for tender offers for the Target Company Shares by entities other than the Tender Offeror, the Tender Offeror plans to ensure the fairness of the Tender Offer by setting the tender offer period for the Tender Offer (the “Tender Offer Period”) at 30 business days, which is longer than minimum period of 20 business days as set forth under the laws and regulations, thus providing all of the Target Company's minority shareholders an appropriate amount of time to consider whether to tender into the Tender Offer, while also ensuring opportunities to accept competing tender offers for the Target Company Shares from entities other than the Tender Offeror.

The Tender Offeror also plans to ensure the fairness of the Tender Offer by making no agreements with the Target Company that would restrict persons that could propose alternative, competing bids from contacting the Target Company, including agreements etc. that include trade protection clauses restricting the Target Company from contacting persons that could propose alternative, competing bids, and by ensuring the opportunity for competing tender offers by setting the Tender Offer Period described above.

(4) Policies for Reorganization after the Tender Offer (Matters Relating to So-called Two-stage Acquisitions)

The Tender Offeror intends to make the Target Company its wholly-owned subsidiary as described above in “(1) Overview of the Tender Offer.” If the Tender Offeror is unable to acquire all of the Target Company Shares (excluding the Target Company Shares held by the Tender Offeror, Untendered Shares held by the LIXIL Group and the treasury shares held by the Target Company) via the Tender Offer, it plans to carry out the following procedures toward the Target Company after the Tender Offer is complete, and to implement a series of procedures to ensure that the Tender Offeror and LIXIL Group are the Target Company's sole shareholders.

Specifically, the Tender Offeror plans to request the Target Company to hold an extraordinary general meeting of shareholders (the “Extraordinary General Meeting of Shareholders”), which includes in the agenda to make a partial amendment to the Articles of Incorporation abolishing the establishment of the share unit number on the condition that the Stock Consolidation relating to the Target Company Shares is executed and effectuated pursuant to Article 180 of the Companies Act. The Tender Offeror and the LIXIL Group plan to approve the above proposals at the Extraordinary General Meetings of Shareholders.

If the proposed Stock Consolidation is approved at the Extraordinary General Meeting of Shareholders, as of the day the Stock Consolidation takes effect, all of the Target Company's shareholders will own a number of Target Company Shares corresponding to the ratio of the Stock Consolidation approved at the Extraordinary General Meetings of Shareholders. If the shares resulting from the Stock Consolidation include fractional shares of less than one full share, cash raised by selling Target Company Shares equivalent to the sum total of the fractional shares (if the total fractional shares are less than one full share, such fractional shares will be rounded down) to the Target Company or the Tender Offeror will be paid to all shareholders for which fractional shares were generated, in accordance with procedures set forth in Article 235 of the Companies Act and other relevant laws and regulations. With respect to the sale price of the Target Company Shares equivalent to the total number of fractional shares, the amount of cash resulting from the sale to be paid to each Target Company shareholder (excluding the Tender Offeror, the Target Company, and the LIXIL Group) who did not tender their shares into the Tender Offer shall be calculated so as to be the same as a price derived by multiplying the number of Target Company Shares held by the shareholder by the Tender Offer Price, and then a petition for a voluntary sale permit will be filed with the court. Furthermore, while a consolidation ratio has not been determined for the Target Company Shares as of the present date, it shall be determined in a way that the total number of shares held by all of the Target Company shareholders (excluding the Tender Offeror, the Target Company, and the LIXIL Group) who did not tender their shares into the Tender Offer will be a number of fractional shares less than one full share, so that the Tender Offeror and the LIXIL Group will own all of the Target Company's issued shares (excluding the treasury stock held by the Target Company).

If the shares resulting from the stock consolidation include fractional shares of less than one full share when shares are consolidated, all Target Company shareholders (excluding the Tender Offeror, the Target Company, and the LIXIL Group) may ask the Target Company to buy all fractional shares of less than one full share they own at a fair price, and may file a petition for determining the price of the Target Company Shares with the court, in accordance with provisions of Articles 182(4) and 182(5) of the Companies Act and other relevant laws and regulations, which are provisions that are relevant to the Stock Consolidation which are designed to protect the rights of minority shareholders in relation to stock consolidations. Because it is planned that the number of shares held by Target Company shareholders (excluding the Tender Offeror, the LIXIL Group and the Target) who did not tender their shares into the Tender offer will be a fraction of less than one share as stated above, it is expected that Target Company shareholders opposed to the Stock Consolidation will be able to file the petition described above. If such petitions are filed, the purchase price will ultimately be determined by the court.

The implementation and timing of the above procedures may change depending on revisions to, enforcement of, and interpretation of relevant laws and regulations by authorities, the ownership ratio of the Tender Offeror and the LIXIL Group, and the ownership of Target Company Shares among shareholders other than the Tender Offeror and the LIXIL Group after the Tender Offer. Specifically, aside from the LIXIL Group, if there is a shareholder that holds Target Company Shares in a number that exceeds the number of Target Company Shares held by the Tender Offeror, then it is possible that the consolidation ratio will be determined such that the LIXIL Group holds all issued shares of the Target Company (excluding treasury stock held by the Target Company), and Target Company Shares could be sold to the Tender Offeror as sums of fractional shares of less than one share (rounding off fractions left over in the sum). In such cases, the policy of ultimately making the Target Company a wholly-owned subsidiary of the Tender Offeror via the Acquisition of Target Company Treasury Stock following the Stock Consolidation shall remain as described in “(1) Overview of the Tender Offer” above. However, in such cases, it is planned to employ a method in which consideration is ultimately provided to each Target Company shareholder who did not tender its shares into the Tender Offer (excluding the Tender Offeror, the Target Company, and the LIXIL Group), and the planned amount of such consideration to be paid to each shareholder will be equivalent to the price derived by multiplying the number of Target Company Shares held by the shareholder by the Tender Offer Price. However, if petitions to determine the price for stock purchase requests are filed in relation to the Stock Consolidation, the price of the stock purchase requests will be ultimately determined by the court.

The Extraordinary General Meeting of Shareholders is planned to be held in mid-September 2020, if at all. The specific procedures and timing will be announced as soon as it is determined, following consultations with the Target Company. The Tender Offer is not intended as a solicitation for the approval of the Target Company shareholders at the Extraordinary General Meeting of Shareholders. Furthermore, Target Company shareholders are each personally responsible for consulting tax experts regarding the handling of tax matters relating to applications to the Tender Offer or the above procedures.

(5) Expectation of and Reasons for Delisting

The Target Company Shares are listed on the First Section of the Tokyo Stock Exchange as of the present date, however, since the maximum number of shares to be purchased via the Tender Offer has not been set, the Tender Offer may result in the Target Company Shares being delisted via prescribed procedures in accordance with Tokyo Stock Exchange delisting standards.

Furthermore, even if the applicable standards are not met at the time of the Tender Offer is made, the Target Company plans to take the Target Company private after the Tender Offer has been concluded, with the Tender Offeror and the LIXIL Group as its sole shareholders, in accordance with the procedures described above in “(4) Policies for Reorganization after the Tender Offer (Matters Relating to So-called Two-stage Acquisitions),” and if it does, the Target Company Shares will thus be delisted via prescribed procedures in accordance with Tokyo Stock Exchange delisting standards. The Target Company Shares cannot be traded on the First Section of the Tokyo Stock Exchange after the delisting described above.

(6) Material Agreements Relating to the Tender Offer

① The Agreement

At the time of the Tender Offer, the Tender Offeror signed the Agreement dated June 9, 2020 with the LIXIL Group, pursuant to which the LIXIL Group agrees not to tender the Untendered Shares (23,367,300 shares) into the Tender Offer.

Via the Agreement, the parties agree that: (i) conditioned on the completion of the Tender Offer, the Tender Offeror and the LIXIL Group shall request that the Target Company hold a general shareholders' meeting to vote on the Stock Consolidation and the Reduction in Capital, etc., and shall vote in favor of the Stock Consolidation and the Reduction in Capital, etc. (limited, however, to situations where the Tender

Offeror is unable to obtain all Target Company Shares (excluding the Target Company Shares held by the Tender Offeror, the Untendered Shares held by the LIXIL Group, and the treasury stock held by the Target Company) via the Stock Consolidation); (ii) the Tender Offeror will provide, as a loan to the Target Company, funds for allocation to consideration pertaining to the Acquisition of Target Company Treasury Stock (however, that this will not preclude provision of underwriting a capital increase of the minimum necessary to cover some of the Target Company's distributable funds, in the event that such funds are lacking); and (iii) immediately after the effects of the Stock Consolidation and the Reduction in Capital, etc. are realized, the LIXIL Group shall, via the acquisition of Target Company treasury stock, transfer to the Target Company all of the Target Company shares held at such time by the LIXIL Group in exchange for consideration in the amount of the resulting difference after the monetary amount to be provided to the LIXIL Group via the Stock Consolidation is subtracted from 56,618,967,900 yen (the amount resulting from multiplying 2,423 yen, which is the Target Company Treasury Stock Acquisition Price, by the number of Untendered Shares; the "Target Company Treasury Stock Acquisition Price (Total)").

On the other hand, although the LIXIL Group is not permitted to sell, transfer, pledge, or loan to any third party, or otherwise dispose of all or part of the Target Company Shares held by the LIXIL Group until the Acquisition of Target Company Treasury Stock is implemented, and has agreed not to engage in any consultations, negotiations, or agreements relating to such dispositions, if, up to the final day of the Tender Offer Period, a transaction such as a tender offer targeting the Target Company Shares is initiated by a buyer other than the Tender Offeror, and the LIXIL Group reasonably determines, based on a written legal opinion by an attorney, that not responding to the transactions planned by such buyers would be a violation of the LIXIL Group's directors' duties of care (excluding, however, situations where the Tender Offeror changes the conditions of the Transactions, including the Tender Offer, to conditions equivalent to or greater than the transactions planned by such buyers), the LIXIL Group may respond to such other tender offer or transactions.

In the Agreement, the LIXIL Group agrees to not exercise its right to demand a meeting of Target Company shareholders, its right to raise a meeting agenda item, its right to make proposal for a meeting, or any other shareholder rights until the Acquisition of Target Company Treasury Stock is implemented. (However, this restriction does not apply to the exercise of voting rights for the Transactions or at the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2020 for the Target Company.)

② The Memorandum

The Tender Offeror signed the Memorandum dated June 9, 2020 with the Target Company and the LIXIL Group. Via this Memorandum, the parties agree that: (i) conditioned on the completion of the Tender Offer, the Target Company shall hold a general shareholders' meeting to vote on the Stock Consolidation and the Reduction in Capital, etc., and the Tender Offeror and the LIXIL Group shall vote in favor of the Stock Consolidation and the Reduction in Capital, etc. (limited, however, to situations where the Tender Offeror is unable to obtain all Target Company Shares via the Tender Offer (excluding, however, the Target Company Shares held by the Tender Offeror, the Untendered Shares held by the LIXIL Group, and the treasury stock held by the Target Company) via the Stock Consolidation); (ii) the Tender Offeror will provide, as a loan to the Target Company, funds for allocation to consideration pertaining to the Acquisition of Target Company Treasury Stock (however, that this will not preclude provision of underwriting a capital increase of the minimum necessary to cover some of the Target Company's distributable funds, in the event that such funds are lacking); and (iii) immediately after the effects of the Stock Consolidation and the Reduction in Capital, etc. are realized, the Target Company shall, via acquisition of Target Company treasury stock, acquire from the LIXIL Group, and the LIXIL Group shall transfer to the Target Company, all of the Target Company shares held at such time by the LIXIL Group in exchange for the "Target Company Treasury Stock Acquisition Price (Total)".

Furthermore, in this Agreement, the Target Company agrees to exercise the due care of a prudent manager and continue its business operations within the scope of normal operations that are substantially the same as those conducted prior to the execution of the Memorandum until the Acquisition of Target Company Treasury Stock takes place (however, this does not preclude examinations, etc., being carried out pursuant to the Capital and Business Alliance Agreement).

③ Capital and Business Alliance Agreement

The Tender Offeror executed the Capital and Business Alliance Agreement with the Target Company on June 9, 2020. In the Capital and Business Alliance Agreement, on the condition that the Tender Offer is

completed, the Tender Offeror and Target Company agreed (i) to establish an integration committee (Note 1), (ii) to examine business alliances in various fields such as collaborating in sharing PB (private brand) products, joint development of new products, joint procurement of products, joint procurement of furniture, fixtures and materials, etc., strategies for opening stores, and store management strategies, and (iii) conduct discussions about management policies, etc., including aiming at shifting to a holding company structure by FY2021 (Note 2), based in a spirit of equality.

Note 1: No agreements have been made at present regarding the organization or rights of the integration committee.

Note 2: No agreements have been made at present regarding the specifics of the shift to a holding company structure.

2. Overview of the Tender Offer

(1) Overview of the Target Company

①	Name	LIXIL VIVA CORPORATION	
②	Location	1-13-1, Kamikizaki, Urawa-ku, Saitama-shi, Saitama-ken	
③	Title and Name of Representative	Osamu Watanabe, President and CEO	
④	Business Description	Home Center, Renovation, VC, and Developer businesses	
⑤	Capital	24,596 million yen (as of March 31, 2020)	
⑥	Date of Establishment	April 1977	
⑦	Major Shareholders and Shareholding Ratios (As of September 30, 2019)	LIXIL Group Corporation	53.22%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	5.19%
		Japan Trustee Services Bank, Ltd. (Trust Account)	3.69%
		CGML PB CLIENT ACCOUNT/COLLATERAL (Standing Agent, Citibank, NA Tokyo Branch)	2.23%
		Japan Trustee Services Bank, Ltd. (Trust Account 9)	2.13%
		BNY GCM client account JPRD AC ISG (FE-AC) (Standing Agent, MUFG Bank, Ltd.)	2.04%
		ARCLAND SAKAMOTO CO., LTD.	1.33%
		STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002 (Standing Agent, Settlement Sales Department, Mizuho Bank, Ltd.)	1.16%
		JUNIPER (Standing Agent, MUFG Bank, Ltd.)	1.15%
		BBH LUX/Daiwa SBI LUX FUNDS SICAV - DSBI JAPAN EQUITY SMALL CAP ABSOLUTE VALUE (Standing Agent, Sumitomo Mitsui Banking Corporation)	1.12%
⑧	Relationship Between the Tender Offeror and the Target Company (As of March 31, 2020)	Capital Relationship	The Tender Offeror owns 585,000 shares of the Target Company (ownership ratio: 1.33%).
		Personal Relationships	N.A.
		Business Relationships	The Tender Offeror sells hardware, etc. to the Target Company.
		Status as a Related Party	N.A.

Note: The information in “⑦ Major Shareholders and Shareholding Ratio (as of September 30, 2019)” is based on the “Status of Major Shareholders” section of the 28th Term 2nd Quarterly Report submitted by the Target Company on November 8, 2019.

(2) The Type of Share Certificates, etc. executed by the Tender Offer

Common Stock

(3) Schedule, etc.

① Schedule

Resolution of the Board of Directors	June 9, 2020 (Tuesday)
Public Notice Date of the Commencement of the Tender Offer	June 10, 2020 (Wednesday)
Name of Newspaper in Which Public Notice will be Posted	An electronic public notice will be posted and notice will be published in the <i>Nihon Keizai Shimbun</i> . URL for electronic public notices: (http://disclosure.edinet-fsa.go.jp/)
Date of Submission of the Tender Offer Statement	June 10, 2020 (Wednesday)

② Tender Offer Period of Original Submission

From June 10, 2020 (Wednesday) to July 21, 2020 (Tuesday) (30 business days)

③ Possibility of Extending Period Based on Request by Target Company

N.A.

(4) Tender Offer Price

Common Stock: 2,600 yen per share

(5) Basis for the Valuation of the Tender Offer Price

① Basis for the Valuation

In conducting the Transactions including the Tender Offer, the Tender Offeror hired Greenhill, a financial advisor, to calculate the value of the Target Company Shares (the “Valuation”) as a third-party valuation organization independent of the Tender Offeror, the Target Company, and the LIXIL Group. Greenhill considered multiple calculation methods in calculating the price of the Target Company Shares, and conducted the Valuation using the Market Share Price Averaging Method, the Comparable Company Analysis Method, and the DCF Method, thereafter providing the Tender Offeror with the Stock Valuation Report dated June 9, 2020. Greenhill is not a related party to the Tender Offeror, the Target Company, or the LIXIL Group, and has no significant interest in the Tender Offer. Furthermore, the Tender Offeror has not obtained a fairness opinion regarding the Tender Offer Price from Greenhill.

The range of the per share stock values for the Target Company Shares calculated using the above methods is as follows:

Market Share Price Averaging Method: 1,974 yen to 2,290 yen

Comparable Company Analysis Method: 1,045 yen to 1,417 yen

DCF Method: 2,024 yen to 2,687 yen

Using the Market Share Price Averaging Method, a range of per share values for the Target Company Shares of 1,974 yen to 2,290 yen was calculated given a base date of June 8, 2020, and based on simple averages of closing prices as listed on the First Section of the Tokyo Stock Exchange of 2,290 yen for the month preceding the base date (rounded to the nearest whole number, the same applying hereinafter for the remainder of this paragraph), 1,974 yen for the 3 months preceding the base date, and 2,034 yen for the 6 months preceding the base date.

The Comparable Company Analysis Method, which is used to evaluate the value of the Target Company Shares by comparing it with financial indicators showing market stock prices and profitability of listed companies that operate relatively similar businesses to those of the Target Company, calculated the range of per share stock values for the Target Company Shares to be from 1,045 yen to 1,417 yen.

Using the DCF Method, a share price range for each Target Company Share of 2,024 yen to 2,687 yen was calculated via an analytical evaluation of the Target Company’s enterprise value and share value achieved through discounting the free cash flow the Target Company is anticipated to generate in the future by a set discount rate to obtain a present value, based on a business plan provided by the Target Company (for March 2020 through March 2025) that was subsequently amended by the Tender Offeror in light of various elements such as interviews with the management of the Target Company, recent trends in business results, and information released to the general public. Note that the business plan used as a base for the

calculations according to the DCF Method above includes business years in which it is expected there will be significant increases or decreases, year on year. Specifically, in the fiscal period ending March 2022, the opening of new stores at Viva Mall and similar events are expected to greatly increase operating income, ordinary profit, and net income. Additionally, since the synergy effect expected from the execution of the Transactions is currently difficult to estimate specifically, it was not included in the business plan.

Note: Greenhill has acted as financial advisor to the Tender Offeror in connection with the Tender Offer and a series of related transactions and will receive a fee for providing the Valuation and for other services rendered in connection with the Tender Offer and a series related transactions. In addition, the Tender Offeror has agreed to indemnify Greenhill for certain liabilities arising out of its engagement. The Valuation has been done by Greenhill exclusively for the benefit and internal use of the Tender Offeror solely for its use in evaluating the transaction described herein and may not be used for any other purpose without Greenhill's prior written consent, and may not be relied upon by any other person. The Valuation does not constitute an opinion, and is not intended to be and does not constitute a recommendation to any person or entity as to whether to approve or undertake or take any other action in respect of the Tender Offer and any transactions contemplated herein. In preparing the Valuation, Greenhill has relied on publicly available information and other information, including financial estimates, projections and forecasts provided to it by the Tender Offeror, the Target Company and their respective representatives and/or advisers and has assumed, without independent verification, the accuracy and completeness of all such information. The financial estimates, projections and forecasts Greenhill assume in this document are fully endorsed by the Tender Offeror. None of Greenhill nor any member of its group or their respective partners, directors or employees accept any responsibility or liability (express or implied) whatsoever for any loss howsoever arising, directly or indirectly, from any errors or omissions or from use of or reliance on, the Valuation or any other written or oral communications with or information provided to the Tender Offeror in connection with its subject matter. Greenhill has not conducted any evaluation or appraisal of any assets or liabilities of the Target Company or companies mentioned herein or of any other person referred to in the Valuation. Although all information has been obtained from and is based on sources believed to be reliable, no undertaking, representation or warranty, express or implied, is made by Greenhill in relation to the accuracy or completeness of the information presented herein or any other written or oral communications with or information provided, or its suitability for any particular purpose. Certain information included herein, such as financial estimates, projections and forecasts, contains forward-looking statements which involve risk and uncertainty, such as business, economic and regulatory changes, which could cause actual results to differ materially from such estimates, projections and forecasts. No representation or warranty is given as to the achievement or reasonableness of any forward-looking statements discussed in the Valuation. The Valuation is done as at June 9, 2020. Greenhill does not have any obligation to provide any update to or correct any inaccuracies in the information in the Valuation or any other information made available. The preparation of the Valuation and analysis by Greenhill thereof required a complicated process, so it is not suitable for a partial analysis thereof or summary description thereof. Greenhill considered all analysis as a whole and did not put any particular emphasis on any of such analysis or factor.

In late April 2020, the Tender Offeror submitted its final statement of intent, which includes a total share price for the Target Company Shares of approximately 110 billion yen, a Tender Offer Price of 2,505 yen, and a Target Company Treasury Stock Acquisition Price of 2,505 yen, based on, for example, the results of the due diligence it conducted on the Target Company (from mid-March to late April 2020).

As per "1. Purpose of the Tender Offer", "(2) Background, Purpose, and Decision-making Process Leading to the Tender Offeror's Decision to Implement the Tender Offer, and Management Policies after the Tender Offer and the Transactions", "② Consultations between the Tender Offeror, the Target Company, and the LIXIL Group, and the Tender Offeror Decision-making Process," the Tender Offeror continued after submitting its final statement of intent to examine, discuss, and negotiate with the Target Company and the LIXIL Group over the terms and conditions of the Tender Offer, including details of the Scheme for the Transactions, the Tender Offer Price, and the Target Company Treasury Stock Acquisition Price.

Specifically, in early May 2020, the Tender Offeror and the LIXIL Group received a request from the Special Committee established by the Target Company to increase the Tender Offer Price by decreasing the Target Company Treasury Stock Acquisition Price in order to increase the benefit to the Target Company's minority shareholders compared to the proposal in the final statement of intent, based on the fact that it was expected that the provision for deemed non-inclusion of gains from dividends stipulated in the Corporation

Tax Act will be applied with respect to the purchase of Target Company Shares in the Acquisition of Target Company Treasury Stock. In response to this request, the Tender Offeror recognized and agreed with the objectives of the Special Committee's request, and in mid-May 2020 indicated that it would accept the request as long as the total share value of the Target Company Shares did not change. In response to this request, the LIXIL Group in mid-May 2020 proposed to reduce the sale consideration to the LIXIL Group and allocate the same amount to an increase in the total sale consideration to the Target Company's minority shareholders on the condition that the total share value of the Target Company Shares of approximately 110 billion yen would not change. In order to enable the minority shareholders of the Target Company to substantially obtain the same benefit they would in an assumed case where such shareholders would be given the opportunity to tender shares a price equal to the Target Company Treasury Stock Acquisition Price to be received by the LIXIL Group, independent calculations were conducted in consultation with the LIXIL Group's advisors to ensure that for corporate minority shareholders to which the provision for deemed non-inclusion of gains from dividends is applicable, (i) the take-home amount net of taxes that such minority shareholders would receive if they tendered their shares in the Tender Offer at the relevant price is equal to (ii) the take-away amount that such minority shareholders would receive if they tendered treasury shares at the Target Company Treasury Stock Acquisition Price equal to that received by the LIXIL Group. Based on these calculations, the LIXIL Group is reported to have proposed to the Special Committee that the Tender Offer Price be raised from 2,505 yen to 2,590 yen (an increase in the total sale consideration to minority shareholders of the Target Company from approximately 50.0 billion yen to approximately 51.7 billion yen), and that the Target Company Treasury Stock Acquisition Price be decreased from 2,505 yen to 2,430 yen (a decrease in the total sale consideration to the LIXIL Group from approximately 58.5 billion yen to approximately 56.8 billion yen). In response, the Special Committee is reported to have determined that in the aforementioned sale of Target Company Shares in the Acquisition of Target Company Treasury Stock, assuming that the provision for deemed non-inclusion of gains from dividends stipulated in the Corporation Tax Act would be applied to the LIXIL Group (see "④ Establishment of a Special Committee at the Target Company and Receiving Opinions from Such Committee" under "(3) Measures for Ensuring Fairness of the Tender Offer Price, Measures for Avoiding Conflicts of Interest, and Measures for Ensuring Fairness of the Tender Offer" regarding the Special Committee's approach to the tax demerits that will arise in the LIXIL Group due to applying the deemed non-inclusion of gains from dividends, which was the Special Committee's criteria for making this judgment) and considering that the proposed Tender Offer Price was less than the maximum Tender Offer Price submitted by other candidates at the secondary bidding process (in other words, the total share price proposed by the Tender Offeror was the highest price proposed by the candidates that participated in the secondary bidding process, but the tender offer prices proposed by the other candidates were calculated by decreasing the sale consideration to the LIXIL Group within a range such that the total share prices pertaining to the proposals by those other candidates did not change and allocating the same amount to increase the total sale consideration to the minority shareholders, so the Tender Offer Price in the proposal presented by the LIXIL Group was subordinate to the tender offer prices proposed by the other candidates), that the benefit to minority shareholders of the Target Company was insufficient and inappropriate as a portion of total share value. Therefore, in mid-May 2020, the Special Committee requested a further increase in the Tender Offer Price from 2,590 yen. Because it would be able to give appropriate consideration to the interests of the minority shareholders of the Target Company by further reducing the sale consideration to the LIXIL Group and allocating the same amount to increase the total sale consideration to the minority shareholders of the Target Company and increasing the Tender Offer Price, and because an increase in the number of shares tendered in the Tender Offer by the minority shareholders of the Target could be expected, thereby increasing the certainty of the execution of the Transaction and thereby contributing to the interests of the LIXIL Group and the shareholders of the LIXIL Group, therefore, in response to the Special Committee's requests, a final compromise proposal was presented to the Special Committee in mid-May 2020, with an increase in the Tender Offer Price from 2,590 yen to 2,600 yen (an increase in the total sale consideration to minority shareholders of the Target Company from approximately 51.7 billion yen to approximately 51.9 billion yen), and a decrease in the Target Company Treasury Stock Acquisition Price from 2,430 yen to 2,423 yen (a decrease in the total sale consideration to the LIXIL Group from approximately 56.8 billion yen to approximately 56.6 billion yen), under certain conditions, including that a majority-of-the-minority condition would not be established. The Special Committee received the proposal, took into consideration the fact that the Tender Offer Price ultimately proposed was the highest of the tender offer prices presented in the final statement of intent of each of the candidates in the second bidding process, and, in late May 2020, accepted the LIXIL Group's final proposal. Upon acceptance, the Tender Offeror executed the Agreement with the LIXIL Group and executed the Memorandum with the LIXIL Group and the Target Company, effective June 9, 2020, with the Tender Offer Price set at 2,600 yen and the Target Company Treasury Stock Acquisition Price set at 2,423 yen.

Based on the above discussions and negotiations, the results of the due diligence conducted on the Target Company (from mid-March to late April 2020) and on the results of the Valuation in the Stock Valuation Report obtained from Greenhill dated June 9, 2020, the Tender Offeror ultimately determined a Tender Offer Price of 2,600 yen in the board of directors meeting held on June 9, 2020 after comprehensively taking into account changes in market prices in the prior six months from the base date and recently in the First Section of the Tokyo Stock Exchange for the Target Company Shares; examples of premiums granted when determining the tender offer prices in other similar tender offers for shares; and the prospects for the Target Company's board of directors approving or not approving the Tender Offer and the number of shareholders that would tender into the Tender Offer.

The Tender Offer Price of 2,600 yen represents a premium of 3.75% (rounded to the nearest hundredth; the same applies hereinafter to this paragraph) on 2,506 yen, the closing share price for ordinary trading of the Target Company Shares on the First Section of Tokyo Stock Exchange on June 8, 2020, the last business day immediately prior to the date of announcement of the Tender Offer, a premium of 13.54% on 2,290 yen, the simple average of closing share prices for the one-month period to June 8, 2020; a premium of 31.71% on 1,974 yen, the simple average of closing share prices for the three-month period to June 8, 2020; and a premium of 27.83% on 2,034 yen, the simple average of closing share prices for the six month-period to June 8, 2020.

② Details of the Valuation

(How the Decision on the Tender Offer Price was Reached)

The Tender Offeror, in conducting the Transactions including the Tender Offer, determined the Tender Offer Price under the following circumstances.

(a) Name of the Third Party from Which the Tender Offeror Requested an Opinion for the Valuation

In conducting the Transactions, including the Tender Offer, the Tender Offeror used a Stock Valuation Report prepared by Greenhill, a third-party valuation organization independent of the Tender Offeror, the Target Company, and the LIXIL Group. Greenhill is not a related party to the Tender Offeror, the Target Company or the LIXIL Group, and has no significant interest in the Tender Offer. Furthermore, the Tender Offeror has not obtained a fairness opinion regarding the Tender Offer Price from Greenhill.

(b) Summary of the Opinion Concerned

Greenhill carried out the Valuation using the Market Share Price Averaging Method, the Comparable Company Analysis Method, and the DCF Method. The range of the value of the Target's shares per share calculated in each method is as follows:

Market Share Price Averaging Method: 1,974 yen to 2,290 yen

Comparable Company Analysis Method: 1,045 yen to 1,417 yen

DCF Method: 2,024 yen to 2,687 yen

(c) Details on How the Tender Offer Price was Decided Based on the Foregoing Opinion

In late April 2020, the Tender Offeror submitted its final statement of intent, which included a total share price for the Target Company Shares of 110 billion yen, a Tender Offer Price of 2,505 yen, and a Target Company Treasury Stock Acquisition Price of 2,505 yen, based on, for example, the results of the due diligence it performed on the Target Company (from mid-March to late April 2020).

As per "1. Purpose of the Tender Offer, (2) Background, Purpose, and Decision-making Process Leading to the Tender Offeror's Decision to Implement the Tender Offer, and Management Policies after the Tender Offer and the Transactions, ② Consultations between the Tender Offeror, the Target Company, and the LIXIL Group, and the Tender Offeror Decision-making Process," after submitting its final statement of intent, the Tender Offeror continued to examine, discuss, and negotiate with the Target Company and the LIXIL Group over the terms and conditions of the Tender Offer, including details of the Scheme for the Transactions, the Tender Offer Price, and the Target Company Treasury Stock Acquisition Price.

Specifically, in early May 2020, the Tender Offeror and the LIXIL Group received a request from the Special Committee established by the Target Company to increase the Tender Offer Price by decreasing the Target Company Treasury Stock Acquisition Price in order to increase the benefit to the Target Company's minority shareholders compared to the proposal in the final statement of intent, based on the fact that it was expected that the provision for deemed non-inclusion of gains from dividends stipulated in the Corporation

Tax Act will be applied with respect to the purchase of Target Company Shares in the Acquisition of Target Company Treasury Stock. In response to this request, the Tender Offeror recognized and agreed with the aim of the Special Committee's request, and in mid-May 2020 indicated that it would accept the request as long as the total share value of the Target Company Shares did not change. In response to this request, the LIXIL Group in mid-May 2020 proposed to reduce the sale consideration to the LIXIL Group and allocate the same amount to an increase in the total sale consideration to the Target Company's minority shareholders on the condition that the total share value of the Target Company Shares of approximately 110 billion yen would not change. In order to enable the minority shareholders of the Target Company to substantially obtain the same benefit they would in an assumed case where such shareholders would be given the opportunity to tender shares a price equal to the Target Company Treasury Stock Acquisition Price to be received by the LIXIL Group, independent calculations were conducted in consultation with the LIXIL Group's advisors to ensure that for corporate minority shareholders to which the provision for deemed non-inclusion of gains from dividends is applicable, ① the take-home amount net of taxes that such minority shareholders would receive if they tendered their shares in the Tender Offer at the relevant price is equal to ② the take-away amount that such minority shareholders would receive if they tendered treasury shares at the Target Company Treasury Stock Acquisition Price equal to that received by the LIXIL Group. Based on these calculations, the LIXIL Group is reported to have proposed to the Special Committee that the Tender Offer Price be raised from 2,505 yen to 2,590 yen (an increase in the total sale consideration to minority shareholders of the Target Company from approximately 50.0 billion yen to approximately 51.7 billion yen), and that the Target Company Treasury Stock Acquisition Price be decreased from 2,505 yen to 2,430 yen (a decrease in the total sale consideration to the LIXIL Group from approximately 58.5 billion yen to approximately 56.8 billion yen). In response, the Special Committee is reported to have determined that, in the aforementioned sale of Target Company Shares in the Acquisition of Target Company Treasury Stock, that the benefit to minority shareholders of the Target Company was insufficient and inappropriate as a portion of total share value assuming that the provision for deemed non-inclusion of gains from dividends stipulated in the Corporation Tax Act would be applied to the LIXIL Group (please refer to "④ Establishment of a Special Committee at the Target Company and Receiving Opinions from Such Committee" under "(3) Measures for Ensuring Fairness of the Tender Offer Price, Measures for Avoiding Conflicts of Interest, and Measures for Ensuring Fairness of the Tender Offer" regarding the Special Committee's approach to the tax demerits that will arise in the LIXIL Group due to applying the deemed non-inclusion of gains from dividends, which was the Special Committee's criteria for making this judgment) and considering that the proposed Tender Offer Price was less than the maximum Tender Offer Price submitted by other candidates at the secondary bidding process (in other words, the total share price proposed by the Tender Offeror was the highest price proposed by the candidates that participated in the secondary bidding process, but the tender offer prices proposed by the other candidates were calculated by decreasing the sale consideration to the LIXIL Group within a range such that the total share price pertaining to the proposals by those other candidates did not change and allocating the same amount to increase the total sale consideration to the minority shareholders, so the Tender Offer Price in the proposal presented by the LIXIL Group was subordinate to the tender offer prices proposed by the other candidates), that the benefit to minority shareholders of the Target Company was insufficient and inappropriate as a portion of total share value, from the viewpoint of appropriately considering the benefit to minority shareholders of the Target Company. Therefore, in mid-May 2020, the Special Committee requested a further increase in the Tender Offer Price from 2,590 yen. Because it would to enable them to give appropriate consideration to the interests of the minority shareholders of the Target Company by further reducing the sale consideration to the LIXIL Group and allocating the same amount to increase the total sale consideration to the minority shareholders of the Target Company and increasing the Tender Offer Price, and because an increase in the number of shares tendered in the Tender Offer by the minority shareholders of the Target could be expected, thereby increasing the certainty of the execution of the Transaction and thereby contributing to the interests of the LIXIL Group and the shareholders of the LIXIL Group, therefore, in response to the Special Committee's requests, a final compromise proposal was presented to the Special Committee in mid-May 2020, with an increase in the Tender Offer Price from 2,590 yen to 2,600 yen (an increase in the total sale consideration to minority shareholders of the Target Company from approximately 51.7 billion yen to approximately 51.9 billion yen), and a decrease in the Target Company Treasury Stock Acquisition Price from 2,430 yen to 2,423 yen (a decrease in the total sale consideration to the LIXIL Group from approximately 56.8 billion yen to approximately 56.6 billion yen), under certain conditions, including that a majority-of-the-minority condition would not be established. The Special Committee received the proposal, took into consideration the fact that the Tender Offer Price ultimately proposed was the highest of the tender offer prices presented in the final statement of intent of each of the candidates in the second bidding process, and, in late May 2020, accepted the LIXIL Group's final proposal. Upon acceptance, the Tender Offeror executed the Agreement with the LIXIL Group and executed the Memorandum with the LIXIL Group and

the Target Company, effective June 9, 2020, with the Tender Offer Price set at 2,600 yen and the Target Company Treasury Stock Acquisition Price set at 2,423 yen.

Based on the above discussions and negotiations, the results of the due diligence conducted on the Target Company (from mid-March to late April 2020) and on the results of the Valuation in the Stock Valuation Report obtained from Greenhill dated June 9, 2020, the Tender Offeror ultimately determined a Tender Offer Price of 2,600 yen in the board of directors meeting held on June 9, 2020 after comprehensively taking into account changes in market prices in the prior six months from the base date and recently in the First Section of the Tokyo Stock Exchange for the Target Company Shares; examples of premiums granted when determining the tender offer prices in other similar tender offers for shares; and the prospects for the Target Company's board of directors approving or not approving the Tender Offer and the number of shareholders that would tender into the Tender Offer.

③ Relationship with the Valuation Organization

Greenhill, our financial advisor, is not a related party to the Tender Offeror, the Target Company, or the LIXIL Group, and has no significant interest in the Tender Offer.

(6) Number of Shares Certificates, etc. to be Purchased

Planned Purchase Quantity	Minimum Planned Purchase Quantity	Maximum Planned Purchase Quantity
19,955,693 shares	5,319,700 shares	-----

Note 1: If the total number of Tendered Share Certificates does not satisfy the minimum planned purchase quantity (5,319,700 shares), the Tendered Share Certificates will not be purchased. If the total number of Tendered Share Certificates equals or exceeds the minimum planned purchase quantity (5,319,700 shares), all Tendered Share Certificates will be purchased.

Note 2: No maximum planned purchase quantity has been set with respect to the Tender Offer, so the planned purchase quantity indicates the maximum number of share certificates of the Target Company that the Tender Offeror can acquire through the Tender Offer (19,955,693). This number (19,955,693) is the number of shares remaining after subtracting the 585,000 Target Company Shares held by the Tender Offeror, the number of shares of treasury stock (812,007 shares) held by the Target Company as of March 31, 2020 and the 23,367,300 Untendered Shares held by the LIXIL Group as of March 31, 2020 from the total of 44,720,000 issued shares as of March 31, 2020 as disclosed in the Target Company accounts bulletin.

Note 3: Fractional shares are also subject to the Tender Offer. Note that, in the event the Target Company's shareholders exercise their right to demand a purchase of fractional shares in accordance with the Companies Act, the Target Company may buy back its own shares during the Tender Offer Period in accordance with applicable laws and regulations.

Note 4: There are no plans to acquire the shares of treasury stock held by the Target Company via the Tender Offer.

(7) Changes in the Ownership Ratio as a Result of the Tender Offer

Number of voting rights associated with the share certificates, etc. held by the Tender Offeror before the Tender Offer	5,850	(Percentage of share certificates, etc. held prior to the Tender Offer, etc. 1.33%)
Number of voting rights associated with the share certificates, etc. held by Special Related Parties before the Tender Offer	233,673	(Percentage of share certificates, etc. held prior to the Tender Offer, etc. 53.22%)
Number of voting rights associated with the share certificates, etc. held by the Tender Offeror after the Tender Offer	205,406	(Percentage of share certificates, etc. held following the Tender Offer, etc. 46.78%)

Number of voting rights associated with the share certificates, etc. held by the Special Related Parties after the Tender Offer	233,673	(Percentage of share certificates, etc. held following the Tender Offer, etc. 53.22%)
Number of voting rights held by all shareholders of the Target Company	439,080	

Note 1: “Number of voting rights associated with the share certificates, etc. held by Special Related Parties before the Tender Offer” records the sum of the number of voting rights held by the special related parties concerned (excluding special related parties excluded from special related parties pursuant to Article 3, Paragraph 2, Item 1 of Cabinet Office Order on Disclosure of Tender Offers for Shares, etc. by Persons Other than the Issuer (Ministry of Finance Ordinance No. 38 of 1990, as amended, the “Cabinet Office Ordinance”); “minor owners”).

Note 2: “Number of voting rights of all shareholders of the Target Company” is the number of voting rights of all shareholders as of September 30, 2019, as stated in the quarterly securities report of the Target Company for the third quarter of the 28th Fiscal Period submitted by the Target Company on February 7, 2020. As fractional shares (excluding fractional shares held by the Target Company) are also subject to the Tender Offer, the number in “Number of voting rights held by all shareholders of the Target Company” (439,079) that is used as the denominator in each of “Percentage of share certificates, etc. held prior to the Tender Offer, etc.” and “Percentage of share certificates, etc. held following the Tender Offer, etc.” was calculated as the number of voting rights attributable to the 43,907,993 shares that result after subtracting the number of shares of treasury stock held by the Target Company (812,007 shares) from the total issued shares as of March 31, 2020 as disclosed in the Target Company Financial Report.

Note 3: “Percentage of share certificates, etc. held prior to the Tender Offer, etc.” and “Percentage of share certificates, etc. held following the Tender Offer, etc.” are both rounded to the nearest hundredth.

(8) Purchase Price 51,885 million yen

Note: The “Purchase Price” is the number of shares to be purchased in the Tender Offer (19,955,693 shares) multiplied by the Tender Offer Price (2,600 yen).

(9) Settlement Method

- ① Name of the financial instruments trading company, bank, etc., that will make the settlement of the Tender Offer, etc., and the location of the head office

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

- ② Settlement start date

July 30, 2020 (Thursday)

- ③ Settlement method

After the end of the Tender Offer Period, notifications of purchase through the Tender Offer will be sent to the addresses of the tendering shareholders (or the standing proxies for foreign shareholders, etc.) without delay.

Purchases will be made in cash. Tendering shareholders may receive the proceeds of sales resulting from the Tender Offer without delay after the start date of settlement in the manner designated by the tendering shareholders, such as through money transfers (money transfer fees may apply).

- ④ Share certificates, etc. return method

If not all Tendered Share Certificates, etc. could be purchased in accordance with “① Existence of the conditions described in each item of Article 27-13, Paragraph 4 of the Act and details thereof” and “② Existence of conditions such as withdrawal of the Tender Offer, the details thereof, and the method for disclosing withdrawals” of “(10) Other Conditions and Methods of the Tender Offer, etc.” below, all share certificates that are to be returned shall be returned by restoring them to their registration immediately prior to the point they were offered promptly on the second business day following the last day of the Tender

Offer Period (or if the Tender Offer was withdrawn, the date of withdrawal). (If transferring the share certificates, etc. to accounts held by tendering shareholders opened at a different financial instruments business operator, confirm with the main office or one of the domestic branches of the Tender Offer Agent where the application was accepted.)

(10) Other Conditions and Methods of the Tender Offer, etc.

- ① Existence of the conditions described in each item of Article 27-13, Paragraph 4 of the Act and details thereof

If the total number of Tendered Share Certificates is less than the minimum planned purchase quantity (5,319,700 shares), no Tendered Share Certificates will be purchased. If the total number of Tendered Share Certificates equals or exceeds the minimum planned purchase quantity (5,319,700 shares), all Tendered Share Certificates will be purchased.

- ② Existence of conditions such as withdrawal of the Tender Offer, the details thereof, and the method for disclosing withdrawals

If any of the circumstances set forth in Article 14, Paragraph 1, Item i, (a) through (i) as well as (l) through (r), Article 14, Paragraph 1, Item iii, (a) through (h) as well as (j), Article 14, Paragraph 1, Item iv, and Article 14, Paragraph 2, Item iii through vi of the Order for the Enforcement of Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; the “Cabinet Order”) should occur, the Tender Offer may be withdrawn. The term “facts equivalent to those set forth in (a) through (i)” as set forth in Article 14, Paragraph 1, Item iii, (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 material matters or to omit statements on material matters to be contained therein.

Further, prior to the day preceding the expiration date of the Tender Offer Period (including a case of extension), in relation to a prior notification by the Tender Offeror made to the Japan Fair Trade Commission in accordance with Article 10, Paragraph 2 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended; the “Antitrust Act”), in such case where (i) the Tender Offeror receives from the Japan Fair Trade Commission an advance notice of cease and desist order that orders disposal of all or part of Target Company Shares and transfer or disposal of its businesses in part, or other similar disposals, (ii) the period for such measures has not expired, or (iii) where the Tender Offeror is subject to a petition for a court order for emergency suspension as a person who is suspected of violating of the provisions of Article 10, Paragraph 1 of the Antitrust Act, the Tender Offer may be withdrawn based on failure to obtain "permission, etc." as prescribed in Article 14, Paragraph 1, Item iv of the Cabinet Order.

If the Tender Offeror intends to make a withdrawal, etc., the Tender Offeror will issue an electronic public notice and will publish notice 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 Tender Offeror will make a public announcement by the method set forth in Article 20 of the Cabinet Office Order on Disclosure Required for Tender Offer for Listed Share Certificates, etc. by Person Other than Issuer (Ministry of Finance Ordinance No. 38 of 1990, as amended thereafter; the “Cabinet Office Order”), followed immediately by a public notice.

- ③ Existence of conditions for the reduction of Tender Offer Price, details thereof, and the method for disclosing such reduction

Pursuant to the provisions of Article 27-6, Paragraph 1, Item i of the Act, the Tender Offeror may reduce the Tender Offer Price in accordance with the standards set forth in the provisions of Article 19, Paragraph 1 of the Cabinet Office Order 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 Tender Offeror intends to reduce the offer price, the Tender Offeror will issue an electronic public notice and will publish notice 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 Tender Offeror will make a public announcement by the method set forth in Article 20 of the Cabinet Office Order, followed immediately by a public notice. If the Tender Offeror reduces the Tender Offer Price, the Tender Offeror will purchase all Tendered Share Certificates, including those tendered prior to the date of such public notice, at the reduced offer price.

- ④ Information on Tendering Shareholders’ Right to Cancel Contracts

At any time during the Tender Offer Period, a tendering shareholder may cancel contracts pertaining to the Tender Offer. A tendering shareholder 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 Tender Offer Agent accepted the application for the Tender Offer from the tendering shareholder, 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.

The person authorized to receive a Cancellation Statement:

Nomura Securities Co., Ltd. 1-9-1, Nihonbashi, Chuo-ku, Tokyo
(As well as other branches of Nomura Securities Co., Ltd.)

⑤ Method of disclosure of changes to the conditions of the Tender Offer

The Tender Offeror may make changes to the Tender Offer’s terms and conditions during the Tender Offer Period, except as prohibited by Article 27-6, Paragraph 1 of the Act and Article 13 of the Cabinet Order. If the Tender Offeror intends to change the conditions, etc. of the Tender Offer, the Tender Offeror will issue an electronic public notice containing the details of such change and will publish notice 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 Tender Offeror will make a public announcement by the method set forth in Article 20 of the Cabinet Office Order, followed immediately by a public notice. If the Tender Offeror changes the conditions, etc. of the Tender Offer, the Tender Offeror will purchase all Tendered Share Certificates, including those tendered prior to the date of such public notice, upon the conditions, etc. of the Tender Offer after such change.

⑥ Method of disclosure in case of submission of amendment

If the Tender Offeror submits an amendment to the Kanto Finance Bureau (except as provided in Article 27-8, Paragraph 11 of the Act), the Tender 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 Order. The Tender Offeror will also immediately amend the Tender Offer Statement and will deliver the amended Tender Offer Statement to the tendering shareholders, etc. who have already received the Tender Offer Statement prior to the amendment. However, if the amendments are limited to minor sections of the Tender Offer Statement, the Tender 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.

⑦ Method of disclosure of the results of the 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 Order on the date immediately following the last day of the Tender Offer Period.

(11) Date of Public Notice of the Commencement of the Tender Offer

June 10, 2020 (Wednesday)

(12) Tender Offer Agent

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

3. Post-Tender Offer Policy and Future Outlook

Please see “(4) Policies for Reorganization after the Tender Offer (Matters Relating to So-called Two-stage Acquisitions)” and “(5) Expectation of and Reasons for Delisting” in “1. Purpose of the Tender Offer” above.

4. Other Matters

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

① Support for the Tender Offer

According to the Target Company Press Release, the Target Company, at its board of directors meeting held on June 9, 2020, as the opinion of the Target Company, adopted a resolution to express its support for the Tender Offer and to recommend that shareholders of the Target Company tender shares in response to the Tender Offer.

For more information, please see the Target Company Press Release and “⑤ Approval of all Directors (including Audit and Supervisory Members) Having no Interest in the Target Company” under “(3) Measures for Ensuring Fairness of the Tender Offer, including Measures for Ensuring Fairness of the Tender Offer Price and Measures for Avoiding Conflicts of Interest” under “1. Purpose of the Tender Offer.”

② Agreement between the Tender Offeror and the Target Company

The Tender Offeror signed the Memorandum with the Target Company and the LIXIL Group on June 9, 2020 and entered into the Capital and Business Alliance Agreement with the Target Company effective June 9, 2020. For more information see “② The Memorandum” and “③ Capital and Business Alliance Agreement” of “(6) Material Agreements Relating to the Tender Offer” under “1. Purpose of the Tender Offer” above.

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

① Release of the “Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (Japanese GAAP)”

The Target Company announced the “Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (Japanese GAAP)” on May 11, 2020. Based on the released financial statements, the details of the Target Company’s non-consolidated profit and loss, etc. for the relevant fiscal period are as follows. The financial statements have 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. Please refer to the relevant announcement by the Target Company for further details.

i. Profit and Loss (Non-Consolidated)

Accounting period	Fiscal year ending March 2020
Net sales	188,506 million yen
Cost of sales	124,727 million yen
Selling, general and administrative expenses	62,148 million yen
Operating profit	10,010 million yen
Non-operating income	483 million yen
Non-operating expenses	1,104 million yen

Ordinary profit	9,389 million yen
Profit	6,597 million yen

ii. Conditions per share (Non-Consolidated)

Accounting period	Fiscal year ending March 2020
Net assets per share	1,509.08 yen
Basic earnings per share	150.29 yen

② Release of “Notification related to correction of dividend forecast for the fiscal year ending March 2021 (no dividends) and abolishing of the shareholder preferential system”

Through a resolution passed at its June 9, 2020, board of directors meeting, the Target Company decided to not provide dividends for the fiscal year ending March 2021 and to abolish its shareholder preferential system from the fiscal year ending March 2021, under the condition that the Tender Offer is completed. For details, refer to the “Notification related to correcting the dividend forecast for the fiscal year ending March 2021 (no dividends) and abolishing of the shareholder preferential system” announced by the Target Company.

II. Borrowing of Funds

1. Purpose

In order to secure funding for the Transactions described in “I. Tender Offer,” the Tender Offeror determined to borrow funds through the Settlement Funds Loan, the Fractional Shares Acquisition Funds Loan, and the Loan for the Funding.

In addition to the above, the Tender Offeror has established loan funds and lines of credit to be applied to incidental expenses in the event that the Tender Offeror will provide loan financing to the Target Company to repay existing loans. This will be disclosed in more detail in the event that it is determined that such loans will be provided.

2. Loan overview

- | | |
|------------------------|--|
| (1) Lender | Sumitomo Mitsui Banking Corporation |
| (2) Loan amount | 109.6 billion yen (maximum) |
| (3) Lending date | For the Settlement Funds Loan, the business day preceding the Tender Offer commencement date
For the Fractional Shares Acquisition Funds Loan and the Loan for the Funding, no lending date has yet been determined |
| (4) Interest rate | Market-linked interest rate based on TIBOR |
| (5) Repayment deadline | One year after the borrowing date |
| (*) | |
| (6) Collateral | All common stock in the Target Company held or acquired by the borrower |

(*) To be determined in a loan agreement after consultation with Sumitomo Mitsui Banking Corporation.

3. Future outlook

The outlook for the future is still under examination. Further notice will be given promptly should such disclosure be necessary.

[Regulations on Solicitation]

This press release is intended 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 own shares, they should first read the Tender Offer Explanation Statement concerning the Tender Offer and make an offer to sell their shares at their own discretion. This press release shall neither be, nor constitute a part of, an offer to sell or purchase, or solicitation to sell or purchase, any securities, and neither this press release (or a part of this press release) nor its distribution shall be interpreted to constitute the basis of any agreement in relation to the Tender Offer, and this press release may not be relied upon at the time of entering into any such agreement.

[U.S. Regulations]

The Tender Offer shall be implemented in compliance with the procedures and information disclosure standards provided by the Financial Instruments and Exchange Act of Japan, which procedures and standards are not necessarily identical to the procedures and information disclosure standards applied in the United States. Specifically, Section 13(e) or Section 14(d) of the U.S. Securities Exchange Act of 1934 (as amended; the “Exchange Act”) or the rules promulgated under such Section do not apply to the Tender Offer, and the Tender Offer is not necessarily in compliance with the procedures and standards thereunder.

It is not necessarily the case that all of the financial information in this press release or documents referred to herein (or discussed herein or therein) has been prepared based on U.S. accounting standards or would be equivalent to financial statements prepared based on U.S. accounting standards.

In addition, it may be difficult to enforce any right or claim arising under U.S. federal securities laws because the Tender Offeror and the Target are incorporated outside the United States and some of their directors are non-U.S. residents. Shareholders may not be able to sue a company outside the United States and its directors in a non-U.S. court for violations of the U.S. securities laws. Furthermore, there is no guarantee that shareholders will be able to compel a company outside the United States or its subsidiaries and affiliates to subject themselves to the jurisdiction of a U.S. court.

Unless otherwise specified, all procedures relating to the Tender Offer are to be conducted entirely in Japanese. All or a part of the documents relating to the Tender Offer will be prepared in English; however, if there is any inconsistency between the English-language documentation and the Japanese-language documentation, the Japanese-language documentation will prevail.

This press release contains “forward-looking statements” as defined in Section 27A of the Securities Act of 1933 (as amended) and Section 21E of the Exchange Act. The actual results may be grossly different from the projections implied or expressly stated as “forward-looking statements” due to known or unknown risks, uncertainties or other factors. None of the Tender Offeror the Target or any of their respective affiliates (“affiliates”) assures that such express or implied projections set forth herein as “forward-looking statements” will eventually prove to be correct. “Forward-looking statements” contained herein were prepared based on the information available to the Tender Offeror as of the date of this press release and, unless required by laws and regulations, neither Tender Offeror nor its related parties including related companies shall have the obligation to update or correct the statements made herein in order to reflect future events or circumstances.

The Tender Offeror, the respective financial advisors of the Tender Offeror and the Target, the Tender Offer Agent and their respective affiliates may, within their ordinary course of secondary market business and to the extent permitted under Japan’s financial instruments laws and other applicable laws and in accordance with the requirements of Rule 14e-5(b) under the U.S. Securities Exchange Act of 1934, prior to the commencement of, or during the tender offer period of the Tender Offer, engage in the purchase of shares of common stock of the Target Company for their own account or for their customers’ accounts by means other than pursuant to the Tender Offer. If any information concerning such purchase is disclosed in Japan, disclosure will be made in the United States in a similar manner.

[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. In countries or regions where the implementation of the Tender Offer is illegal, even upon receiving this press release, such receipt 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.