

October 29, 2020

To whom it may concern:

Nitori Holdings Co., Ltd.

Announcement on
"Notice Concerning Planned Commencement of Tender Offer for Shares Certificates of
Shimachu Co., Ltd. (Securities Code: 8184)"
and
"Proposal to Shimachu Co., Ltd. for management integration and becoming a wholly-owned
subsidiary through the tender offer"

Nitori Holdings Co., Ltd. (the "Company") resolved today to make a proposal for management integration to Shimachu Co., Ltd. ("Shimachu") and to commence a tender offer to acquire Shimachu (the "Tender Offer"). The commencement of the Tender Offer is subject to the satisfaction of certain conditions. As of today, the Company aims to commence the Tender Offer in around mid-November of 2020.

The Company publishes below (i) "Notice Concerning Planned Commencement of Tender Offer for Shares Certificates of Shimachu Co., Ltd. (Securities Code: 8184)," which is disclosed on TDnet today, and (ii) "Proposal to Shimachu Co., Ltd. for management integration and becoming a wholly-owned subsidiary through the tender offer," which is an explanatory material regarding the Company's proposal to Shimachu.

Contact for this matter

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[Translation]

October 29, 2020

To whom it may concern:

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**Notice Concerning Planned Commencement of Tender Offer for
Shares Certificates of Shimachu Co., Ltd. (Securities Code: 8184)**

Nitori Holdings Co., Ltd. (the "Company" or the "Tender Offeror") announces that it resolved today to acquire shares of the common stock (the "Target Shares") of Shimachu Co., Ltd. (securities code: 8184, First Section of Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"); the "Target") through a tender offer (the "Tender Offer") under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "Act"), as described below.

The commencement of the Tender Offer is subject to the satisfaction of the Tender Offer Conditions (as defined below) (or waiver by the Company of the Tender Offer Conditions (but limited to the below-mentioned Conditions (II) and (III); hereinafter the same)). As of the date of this Press Release, the Company aims to commence the Tender Offer in around mid-November of 2020 in consideration of the procedures required under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947, as amended; the "Antitrust Act") and the progress in such procedures with respect to the below-mentioned Condition (I) of the Tender Offer Conditions.

Tender Offer Price

The tender offer price in the Tender Offer (the "Tender Offer Price") will be 5,500 yen per share (This Tender Offer Price is premised on the assumption that the Target will not make a distribution of dividends of surplus with a record date preceding, or an acquisition of treasury shares with the acquisition date being prior to, the commencement date of settlement for the Tender Offer. If, on or before the business day preceding the commencement date of the Tender Offer, a decision-making body for the execution of business of the Target resolves to distribute dividends with a record date prior to the commencement date of settlement for the Tender Offer, or resolves to submit to the Target's shareholders meeting a proposal for the distribution of such dividends, the amount of dividend per share in such distribution may

be deducted from the above-mentioned price. In addition, if, on or before the business day preceding the commencement date of the Tender Offer, a decision-making body for the execution of business of the Target resolves to acquire treasury shares with the acquisition date being prior to the commencement date of settlement for the Tender Offer or resolves to submit to the Target's shareholders meeting a proposal for acquisition of such treasury shares, the amount obtained by dividing the total amount of consideration for acquisition of such treasury shares by the total number of issued shares of the Target (excluding the number of treasury shares owned by the Target) may be deducted from the above-mentioned price. Hereinafter the same applies. If the Company needs to change the Tender Offer Price upon the occurrence of any of the above-mentioned events, such change will be effected before the commencement of the Tender Offer.).

The Tender Offer Price (5,500 yen per share) is 1,300 yen per share higher than the purchase price (4,200 yen per share) in the tender offer by DCM Holdings Co., Ltd. ("DCM Holdings") for the Target Shares ("DCM Holdings' Tender Offer") published in "Notice Concerning Commencement of Tender Offer for the Common Shares of Shimachu Co., Ltd. (Securities Code: 8184), and Execution of Management Integration Agreement with Shimachu Co., Ltd." dated October 2, 2020 ("DCM Holdings' Tender Offer Commencement Press Release").

Tender Offer Conditions

The commencement of the Tender Offer is conditioned upon the satisfaction of all of the conditions described below (the "Tender Offer Conditions") (or waiver by the Company of the Tender Offer Conditions).

- (I) The implementation of the Tender Offer does not conflict, in any material respect, with any of the licenses and approvals under applicable laws and regulations or any of the terms and conditions of such licenses and approvals (the "License and Approval"), or violate any of the procedures necessary for the License and Approval, nor is any such conflict or violation reasonably expected to occur (With respect to the expiration of the Non-acquisition Period and the Period for Measures (each as defined below) under the Antitrust Act required for the implementation of the Tender Offer, this condition will be deemed to have been satisfied if the Company determines that these periods are reasonably expected to expire on or before the day preceding the last day of the tender offer period under the Tender Offer (the "Tender Offer Period").);
- (II) There has occurred no event that would give rise to a material adverse effect on the Target's financial status (which means any event justifying withdrawal of a tender offer as provided in the proviso to Article 27-11, Paragraph 1 of the Act; hereinafter the same); and
- (III) DCM Holdings' Tender Offer has not been successfully completed (including a situation where DCM Holdings' Tender Offer is continuing).

The Company's recognition on the Tender Offer Conditions

(1) Condition (I)

With respect to Condition (I) above, the Company has not consulted with the Target

regarding the implementation of the Tender Offer as of the date of this Press Release, and accordingly, considering that there may be any law or regulation other than the Antitrust Act that must be complied with, the Company has included, to be on the safe side, the procedures required under such law or regulation (if any) in those required under Condition (I) above. While the Company is to investigate into the existence of any further applicable laws and regulations with the cooperation of the Target, as of the date of this Press Release, the Company is not aware of any License and Approval required for the implementation of the Tender Offer or any procedures necessary for the License and Approval other than the expiration of the Non-acquisition Period and the Period for Measures under the Antitrust Act. Therefore, the Company plans to commence the Tender Offer upon determining that these periods are reasonably expected to expire on or before the day preceding the last day of the Tender Offer Period under the Tender Offer.

Under the Antitrust Act, the Company is required to file a plan for the acquisition of the Target Shares through the Tender Offer (the "Share Acquisition") with the Fair Trade Commission of Japan ("JFTC") in advance (such filing is hereinafter referred to as the "Prior Notification") and may not acquire the Target Shares until 30 days (or a shorter period as allowed in certain cases) have passed from the date of acceptance of the Prior Notification (such period during which the acquisition of shares is prohibited is hereinafter referred to as the "Non-acquisition Period").

Furthermore, the Antitrust Act prohibits the acquisition of shares in another company that would substantially restrain competition in any particular field of trade (Article 10, Paragraph 1 of the Antitrust Act). The JFTC may order any necessary measures to eliminate acts in violation of such provision (the "Cease and Desist Order") or file with the court a petition for an urgent temporary suspension order (the "Urgent Temporary Suspension Order"). If the JFTC is to issue a Cease and Desist Order upon receipt of a Prior Notification as described above, the JFTC must hear from the intended addressee of the Cease and Desist Order and notify such addressee of the substance and other details of the intended Cease and Desist Order (the "Prior Notice of Cease and Desist Order"). A Prior Notice of Cease and Desist Order relating to share acquisition must be given within a certain period (in principle, within 30 days of the date of receipt of the Prior Notification, but this period may be extended or shortened; the "Period for Measures").

Therefore, the condition relating to the Antitrust Act as part of Condition (I) above will be deemed to have been satisfied if the Company determines that all of the following are reasonably expected: (i) the expiration of the Non-acquisition Period and the Period for Measures on or before the day preceding the last day of the Tender Offer Period under the Tender Offer; (ii) no issuance of a Prior Notice of Cease and Desist Order; and (iii) non receipt of any Urgent Temporary Suspension Order from the court.

The Company made a Prior Notification regarding the Share Acquisition to the JFTC as of October 27, 2020 and the relevant Prior Notification was accepted on the same day. Accordingly, the Non-acquisition Period and the Period for Measures will expire upon the passage of November 26, 2020, in principle.

(2) Condition (II)

With respect to Condition (II) above, as of the date of this Press Release, the Company is not aware of any event that would give rise to a material adverse effect on the Target's financial status.

From among the events justifying withdrawal of a tender offer as provided in the proviso to Article 27-11, Paragraph 1 of the Act, "the matters equivalent to those listed in *a* through *r*" as provided in Article 14, Paragraph 1, item 1-s of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965, as amended; the "Enforcement Order") refer to (i) the case where a decision-making body for the execution of business of the Target (a) has resolved to distribute dividends of surplus with a record date preceding the commencement date of settlement for the Tender Offer (except where the amount of money or other properties to be distributed to shareholders is estimated to be less than the amount equivalent to 10% of the book value of net assets of the Target on its non-consolidated balance sheet as of the end of the most recent business year (18,158 million yen (Note))) or has resolved to submit to the Target's shareholders meeting a proposal to make such a distribution of surplus, or (b) has resolved to distribute dividends of surplus with a record date preceding the commencement date of settlement for the Tender Offer without showing the specific amount of dividends of surplus, leaving a possibility of making a distribution of dividends in an amount exceeding 10% of the book value of net assets of the Target on its non-consolidated balance sheet as of the end of the most recent business year and (ii) the case where a decision-making body for the execution of business of the Target has resolved to acquire treasury shares (except where the amount of money or other properties to be delivered in exchange for the acquisition of the shares is estimated to be less than the amount equivalent to 10% of the book value of net assets of the Target on its non-consolidated balance sheet as of the end of the most recent business year (18,158 million yen)) or has resolved to submit to the Target's shareholders meeting a proposal for such acquisition of treasury shares. In addition, from among the events justifying withdrawal of a tender offer as provided in the proviso to Article 27-11, Paragraph 1 of the Act, "the facts equivalent to those listed in *a* through *i*" as provided in Article 14, Paragraph 1, item 3-j of the Enforcement Order refer to the case where any of the statutory disclosure documents filed by the Target in the past is found to contain any false statement with respect to any material matter or omit to state any material matter required to be stated.

It should be noted that even in the case where (i) or (ii) above applies, the Company is to waive the above-mentioned Condition (II) if it changes the Tender Offer Price as stated in "Tender Offer Price" above.

(Note) Assuming that there has been no change in the total number of issued shares and the number of treasury shares, this threshold is equivalent to a dividend per share of 467 yen (Specifically, this amount has been calculated by dividing (x) 18,158 million yen, or 10% of the net assets of 181,584 million yen (any fraction less than 1 million yen being rounded down) as of August 31, 2020 as stated in "Summary of Non-consolidated Financial Results for the Year Ended August 31, 2020 (Based on Japanese GAAP)" published by the Target on October 2, 2020 (the "Earnings Briefing") by (y) the number of shares (38,955,287 shares) obtained by deducting the number of treasury shares owned by the Target as of August 31, 2020 (3,653,817 shares) from the total number of issued shares of the Target as of August 31, 2020 (42,609,104 shares), both as stated in the Earnings Briefing, with fractions of 1 yen in the calculation result rounded up to the nearest yen.)

(3) Condition (III)

Condition (III) above will be satisfied if (i) the number of share certificates tendered in DCM Holdings' Tender Offer falls short of the minimum planned purchase quantity under DCM Holdings' Tender Offer (19,477,700 shares), or the non-successful completion of DCM Holdings' Tender Offer is otherwise confirmed, or (ii) the last day of the tender offer period for DCM Holdings' Tender Offer has not passed and DCM Holdings' Tender Offer is continuing. For the background to the above-mentioned Condition (III), see "DCM Holdings' Tender Offer" below.

The Company plans to launch the Tender Offer within five business days of the satisfaction of the Tender Offer Conditions (or waiver by the Company of the Tender Offer Conditions), and aims to commence the Tender Offer in around mid-November of 2020 given that the Company filed a Prior Notification regarding the Share Acquisition with the JFTC on October 27, 2020 and the relevant Prior Notification was accepted on the same date. We believe that the Tender Offer will have a limited impact on competition in the relevant markets because the Company, with its core business being sale of furniture and interior goods, is not operating the home improvement retail business in which the Target is primarily engaged, as stated in "(III) Reasons why the Company is implementing the Tender Offer" under "(2) Background and reasons to the decision to implement the Tender Offer" under "1. Purpose of Tender Offer" below. As this is the case, as of the date of this Press Release, the Company is not aware of any fact constituting a material obstacle to the expiration of the Non-acquisition Period and the Period for Measures under the Antitrust Act, and believes that the Tender Offer Conditions will be satisfied in around mid-November of 2020. However, the Share Acquisition is under examination by the JFTC, and it is difficult to precisely estimate the time needed for the Company to determine that the Non-acquisition Period and the Period for Measures are reasonably expected to expire on or before the day preceding the last day of the Tender Offer Period under the Tender Offer. The Company will announce the details of the schedule for the Tender Offer as soon as they are finalized.

In DCM Holdings' Tender Offer Commencement Press Release, the tender offer period of DCM Holdings' Tender Offer is stated as the period starting from October 5, 2020 (Monday) and ending on November 16, 2020 (Monday). In order to avoid a situation where DCM Holdings' Tender Offer is completed before the commencement of the Tender Offer, the Company has resolved to announce the planned commencement of the Tender Offer today. The subject of this Press Release is the "planned commencement," instead of "commencement," of the Tender Offer because the Company has determined that it is too early to determine that the above-mentioned Condition (I) of the Tender Offer Conditions has been satisfied, as a result of careful consideration in light of the procedures required under the Antitrust Act and the progress in such procedures as of the date of this Press Release. Under such circumstances, the Company considered announcing the "commencement" of the Tender Offer on the date of this Press Release and immediately commencing the Tender Offer from the following day. However, considering that non-expiration of the Non-acquisition Period and the Period for Measures under the Antitrust Act on or before the day preceding the last day of the Tender Offer Period, though unlikely, could lead to a withdrawal of the Tender Offer and this could cause confusion to related parties, including the Target's shareholders and the Target, and could disrupt the stock market, the Company has decided to announce today the "planned commencement" of the Tender Offer

through this Press Release.

DCM Holdings' Tender Offer

According to the Target's "Announcement of Opinion Regarding Tender Offer for the Company's Shares by DCM Holdings Co., Ltd., and Execution of Management Integration Agreement with DCM Holdings Co., Ltd." dated October 2, 2020 (the "Target's Announcement Press Release"), the board of directors of the Target resolved to express an opinion in support of DCM Holdings' Tender Offer and to recommend that the Target's shareholders tender their shares in DCM Holdings' Tender Offer.

According to the Target's Announcement Press Release, the board of directors of the Target has resolved to make decisions regarding DCM Holdings' Tender Offer, including approval or disapproval thereof, in utmost respect of the judgment of the special committee composed of the independent outside directors of the Target (the "Target Special Committee"). The board of directors of the Target has also resolved that if the Target Special Committee determines that the implementation of DCM Holdings' Tender Offer or the terms and conditions of the transaction are not appropriate, it shall not accept DCM Holdings' Tender Offer. In addition, according to the Target's Announcement Press Release, the Target has not entered into any agreement containing a transaction protection clause that prohibits the Target from contacting tender offerors other than DCM Holdings (the "Competitive Offerors"), or any other agreement that restricts contacts with Competitive Offerors. Thus, Competitive Offerors, including the Company, are not prevented from having opportunities to make offers. Furthermore, DCM Holdings set the tender offer period at 30 business days, instead of 20 business days, or the shortest period required by law, thereby ensuring opportunities for Competitive Offerors to make offers.

The Company believes that management integration between the Company and the Target may result in synergies for both of the Company and the Target and maximization of their respective corporate values. The Company believes that the Tender Offer is a more attractive proposal for the Target and the shareholders of the Target in light of the following: (i) the Company is not aware of any fact that would materially impair or prevent the satisfaction of the Tender Offer Conditions as of the date of this Press Release, and believes that it will be able to commence the Tender Offer in around mid-November of 2020 upon the satisfaction of the Tender Offer Conditions, (ii) the Tender Offer Price (5,500 yen per share) has been set at a higher level than the tender offer price under DCM Holdings' Tender Offer (4,200 yen per share) (For the process of determination of the Tender Offer Price, see "(II) Details of valuation" under "(4) Basis for valuation of Tender Offer Price, etc." under "2. Outline of Tender Offer" below.), and (iii) while the Company plans to apply the money borrowed from Mizuho Bank, Ltd. and its own funds to the settlement related to the Tender Offer, it has obtained a loan certificate dated October 28, 2020 from Mizuho Bank, Ltd. and has already secured funding for the settlement. Therefore, in view of the announcement of the board of directors of the Target and the Target Special Committee that they are prepared to accept competitive offers, as described above, the Company has decided to make, following the process therefor, a proposal for management integration between the Company and the Target through the Tender Offer. As of the date of this Press Release, the Company has not specifically consulted with the Target regarding the management integration, as stated in "(III) Reasons why the Company is implementing the Tender Offer" under "(2) Background

and reasons to the decision to implement the Tender Offer" under "1. Purpose of Tender Offer" below. As such, the date and time of consultation with the Target or the date and time of explanation to the Target's board of directors and the Target Special Committee have not been determined. However, the Company hopes to provide explanations to the Target's board of directors and the Target Special Committee as soon as possible so that they will properly understand the substance of the Company's proposal and approve the Tender Offer.

The Company is to provide explanations in good faith to the Target's board of directors and the Target Special Committee so that they will approve the Tender Offer. However, even if the Target's board of directors and the Target Special Committee do not approve the Tender Offer, the Company will have no choice but to commence the Tender Offer upon the satisfaction of the Tender Offer Conditions (or waiver by the Company of the Tender Offer Conditions) given the manifestation of the Target's board of directors and the Target Special Committee that they are prepared to accept competitive offers, as described above, and also because of our belief that the pros and cons of an offer from a Competitive Offeror should be ultimately judged by shareholders of the Target.

For the background to the publication by the Company of its plan to commence the Tender Offer, see "(III) Reasons why the Company is implementing the Tender Offer" under "(2) Background and reasons to the decision to implement the Tender Offer" under "1. Purpose of Tender Offer" below.

1. Purpose of Tender Offer

(1) Outline of the Tender Offer

The Company resolved, at its board of directors meeting held today, to launch the Tender Offer for all of the Target Shares listed on the First Section of the Tokyo Stock Exchange (excluding the Target Shares owned by the Company and the treasury shares owned by the Target) for the purpose of making the Target a wholly-owned subsidiary of the Company subject to the satisfaction of the Tender Offer Conditions (or waiver by the Company of the Tender Offer Conditions).

As of the date of this Press Release, the Company owns 100 shares of the Target Shares (ownership ratio (Note 1): 0.00%). In the Tender Offer, the Company sets the minimum planned purchase quantity at 19,477,600 shares (ownership ratio: 50.00%), and if the total number of share certificates, etc. tendered in the Tender Offer (the "Tendered Share Certificates") falls short of 19,477,600 shares, the Company will purchase none of the Tendered Share Certificates (Note 2). Such minimum planned purchase quantity satisfies the majority-of-minority condition (the majority of the number of the Target Shares (excluding treasury shares of the Target) held by shareholders with no interest in the Company). Meanwhile, given that the purpose of the Tender Offer is to obtain all of the Target Shares (excluding the Target Shares owned by the Company and the treasury shares owned by the Target), the Company has not set any maximum planned purchase quantity. The Company will purchase all of the Tendered Share Certificates, if the total number of the Tendered Share Certificates is no less than the minimum planned purchase quantity (19,477,600 shares).

As stated in "(4) Policy regarding reorganization following completion of the Tender Offer (so-called "two-step acquisition")" below, the Company plans to follow the series of necessary procedures to make the Company the sole shareholder of the Target upon the successful completion of the Tender Offer.

(Note 1) "Ownership ratio" refers to the ratio (rounded to the nearest hundredth; hereinafter the same unless otherwise provided with respect to the description of the ownership ratio) to the number of shares (38,955,287 shares) obtained by deducting the number of treasury shares owned by the Target as of August 31, 2020 (3,653,817 shares) from the total number of issued shares of the Target as of August 31, 2020 (42,609,104 shares), both as stated in the Earnings Briefing. Hereinafter the same applies. It should be noted that the numbers of shares mentioned above are subject to change before the commencement of the Tender Offer.

(Note 2) The minimum planned purchase quantity is calculated by deducting (X) the number of Target Shares owned by the Company as of the date of this Press Release (100 shares) from (Y) 19,477,700 shares, which is the product of (x) the majority (194,777) of the number of voting rights (389,552) pertaining to the number of shares (38,955,287 shares) obtained by deducting the number of treasury shares owned by the Target as of August 31, 2020 (3,653,817 shares) from the total number of issued shares of the Target as of August 31, 2020 (42,609,104 shares), both as stated in the Earnings Briefing, multiplied by (y) 100, which is the number of shares constituting a unit of the Target's stock.

As stated above, in the Tender Offer, the Company sets the minimum planned purchase quantity at 19,477,600 shares (ownership ratio: 50.00%). Although the Company aims to make the Target a wholly-owned subsidiary of the Company in the Tender Offer, the Company has considered that (i) the minimum planned purchase quantity is set at 19,477,700 shares (ownership ratio: 50.00%) in DCM Holdings' Tender Offer (Note 3) and (ii) if the Company sets the minimum planned purchase quantity higher than that of DCM Holdings' Tender Offer, the Target's shareholders may assume that the Tender Offer is less likely to be consummated compared to DCM Holdings' Tender Offer. Therefore, the Company set the minimum planned purchase quantity for the Tender Offer by deducting the number of the Target Shares owned by the Company as of the date of this Press Release (100 shares) from 19,477,700 shares which is the minimum planned purchase quantity in DCM Holdings' Tender Offer.

Accordingly, after consummation of the Tender Offer, the number of voting rights pertaining to the number of the Target Shares owned by the Company could fall below two-thirds of the voting rights of the Target's total shareholders. As a result of this, it could be difficult to obtain approval for the agenda regarding the Share Consolidation (as defined below) at the Extraordinary Shareholders' Meeting (as defined below) as stated in "(4) Policy regarding reorganization following completion of the Tender Offer (so-called two-step acquisition)" below. However, even if such approval is not obtained, as the Company aims to acquire all of the Target Shares (excluding the Target Shares held by the Company and treasury shares of the Target), the Company plans to acquire additional shares of the Target Shares until it has acquired the number of shares equivalent to two-thirds of the voting rights pertaining to the total number of issued shares of the Target less the number of treasury shares held by the Target. As of the

date of this Press Release, nothing has been determined with respect to the specific timing and method of additional acquisition of the Target Shares by the Company (For details, please see "(5) Possibility of delisting and reasons thereof" below).

The Company has obtained the loan certificate dated October 28, 2020 from Mizuho Bank, Ltd. in order to finance the funds for settlement of the Tender Offer. The Company plans to use the borrowing from Mizuho Bank, Ltd. and its own funds for settlement of the Tender Offer.

(Note 3) According to DCM Holdings' Tender Offer Commencement Press Release, DCM Holdings has set the minimum planned purchase quantity at 19,477,700 shares (ownership ratio: 50.00%), because it has taken into consideration the possibility of the existence of a certain number of passive index funds among the Target's shareholders who refrains, as a matter of policy, from tendering their shares in response to a tender offer regardless of the appropriateness of the transaction terms. Specifically, DCM Holdings has received a preliminary finding from SMBC Nikko Securities Inc. that in terms of ownership ratio, approximately 25% of the Target Shares are held by Japanese and overseas passive index funds although SMBC Nikko Securities Inc. was unable to make a precise assessment and stringent estimation. For this reason, DCM Holdings recognizes that the ownership ratio of the Target's shareholders who will decide on whether or not to respond to the tender based on the appropriateness of the transaction terms may be no more than around 75%, after subtracting the aforesaid 25% ownership ratio of passive index funds from 100% shareholding. Under such circumstances, if the minimum planned purchase quantity of DCM Holdings' Tender Offer is set to around two-thirds of total shareholding (ownership ratio: approximately 66.67%), DCM Holdings' Tender Offer will fail to be consummated if among the shareholders who will be responding to the tender based on the appropriateness of the transaction terms, those holding more than 8.33% of the Target Shares refrain from tendering their shares. This means that even if many shareholders respond to DCM Holdings' Tender Offer upon determining that the terms are appropriate, DCM Holdings will not be able to provide such shareholders with a reasonable opportunity to sell their shares. Therefore, DCM Holdings has set the minimum planned purchase quantity at 19,477,700 shares (ownership ratio: 50.00%), which is the minimum number that satisfies the majority-of-minority condition (the majority of the number of the Target Shares (excluding treasury shares of the Target) held by shareholders with no interest in DCM Holdings). The Company has not verified the ownership ratio of passive index funds described above. As of the date of this Press Release, as the Company holds 100 shares (ownership ratio: 0.00%) of the Target Shares, the minimum planned purchase quantity of the Tender Offer (19,477,600 shares) satisfies the majority-of-minority condition (the majority of the number of the Target Shares (excluding treasury shares of the Target) held by shareholders with no interest in the Company). According to DCM Holdings' Tender Offer Commencement Press Release, a passive index fund is "a fund that aims to match its investment performance with a benchmark index to provide returns similar to that of stock or other investment asset market." The Company uses the term as having the same meaning.

(2) Background and reasons to the decision to implement the Tender Offer

(I) Outline of Tender Offeror

The Company was established in March 1972 as Nitori Furniture Wholesale Center Co., Ltd. in order to sell furniture. Then, the Company changed its trade name to Nitori Furniture Co., Ltd. (in June 1978) and Nitori Co., Ltd. (in July 1986), and its common shares became listed on the Sapporo Securities Exchange (the "Sapporo Securities Exchange") in September 1989 and the First Section of the Tokyo Stock Exchange in October 2002.

Then, the Company changed its trade name to Nitori Holdings Co., Ltd., the current trade name, in August 2010 as it switched to a holding company system. As of the date of this Press Release, the Company's shares are listed on the First Section of the Tokyo Stock Exchange and the Sapporo Securities Exchange.

The Company Group (collectively referring to 27 companies consisting of the Company and its 25 consolidated subsidiaries and 1 equity method affiliate; the same applies hereinafter) primarily conducts the following businesses focused on the sale of furniture and interior goods.

- Sale of large furniture and household products;
- Renovation services for home;
- Corporate services which make a proposal for offices and facilities;
- "Nitori Net" online shopping site for furniture and interior; and
- "N+" business which suggests total coordinates for female clothing.

The Company Group has a mission statement, "To provide the foundation of prosperous home living to the global community" and this vision is shared by each employee as the cornerstone of how they behave. The Company Group makes it a corporate activity policy to devote all of its energy to achieve its long-term vision statement. Accordingly, it is the Company Group's basic principle to improve its strength of "Manufacturing, Logistics, IT and Retail Sales" business model by which the Company Group conducts product planning, manufacturing, logistics and sales by itself, and through the establishment of the global chain, provide high quality products at an affordable price and suggest the enjoyment of perfect coordination of living environment to more customers in the world.

In order to achieve the mission statement described above, the Company Group has devised the management strategy to achieve the mid-long term vision to "hold 1,000 stores by 2022 and hold 3,000 stores by 2032." In order to achieve the mid-long term vision, the Company Group will provide products and services that respond to the demographic changes or changes in living needs and technological progress as well as seek to expand business areas in Japan while it will vigorously expand the mechanism, system and know-how of human resource development cultivated in Japan globally.

In order to achieve the mid-long term vision, the Company Group has set the priority policies: (i) "Establish the path for the group's growth and take on new challenges," (ii) "Offer products, stores and services for prosperous living" and (iii) "Reform the organization and structure that supports the global chain." Specifically, with respect to (i) "Establish the path for the group's

growth and take on new challenges," while the Company Group aims at sustainable growth of sale of furniture and interior goods in Japan operated by our subsidiary Nitori Co., Ltd. maintaining its innovation, it tries to develop new sources of revenue such as business development abroad with a central focus on China, enhancement of business format for small trade areas, expansion of B2B business and aggressive entry into a new market. With respect to (ii) "Offer products, stores and services for prosperous living," the Company Group strives to accurately understand the technological innovation in society and changes in consumers' buying behavior, and review the products, stores and services thoroughly from the perspective of customers to continuously provide new value. With respect to (iii) "Reform the organization and structure that supports the global chain," in order to realize the changes above, the Company Group is renovating the core system, rebuilding the supply chain, transforming to the organization that deals with cross-sectional and technical issues and developing human resources. The number of stores of the Company Group as a whole is 607 stores consisting of 541 domestic stores and 66 overseas stores mainly in Asia as of the end of the period ended in February 2020.

(II) Target's business

According to the disclosed information such as the annual securities report for the 60th period filed by the Target on November 29, 2019 (the "Target Annual Securities Report"), "Shimamura Cabinet Factory" was founded by Chutarō Shimamura in Kasukabe City, Saitama Prefecture in 1890. Then, in November 1969, the Target changed its structure to kabushiki kaisha and was established under the trade name of Shimachu Furniture Co., Ltd. In April 1978, the Target expanded into the home improvement retail industry as part of the housing-related industry, and in May 1979, conducted the absorption-type merger by which Kabushiki Kaisha Kobunsha (established in March 1947) became the pro forma surviving company, and changed its trade name to Shimachu Co., Ltd. In November of the same year, the Target went public on the Tokyo over-the-counter market, listed on the Second Section of the Tokyo Stock Exchange in February 1982, and was designated on the First Section of the Tokyo Stock Exchange in February 1991.

According to the disclosed information such as the Target Annual Securities Report, under the business philosophy of aiming at building stores that are full of satisfaction, surprise and smile to give customers a "special everyday", the Target has established the basic policy of satisfying customers' needs concerning their homes and lifestyles and providing "customer satisfaction." In order to conduct business that places importance on the benefits of shareholders while maintaining high profitability and financial soundness, the Target manages its business aiming to improve ROE and dividend payout ratio. Furthermore, while the conventional store layout of the Target was that home center goods were sold at the first floor and furniture and interior goods were sold at the second floor, as a medium-term management strategy, the Target has been expanding into new businesses by joining a franchise and proactively installing tenants to conform with the needs of the local community in order to increase profitability and build stores that meet the needs of customers. While business environment surrounding retail business is expected to continue to be severe due to contraction of market size as a result of a declining population, intensifying domestic market share competition as a result of expanding e-commerce market, chronic labor shortage and cost increases throughout the supply chain, the Target has identified the following key issues regarding store operation to improve operating profit.

- (i) Store development
 - Renovate existing stores and proactively increase floor space
 - Reduce the number of old-format stores and proactively open Shop in Shop locations
- (ii) Business format development
 - Proactive development of sales spaces that propose new lifestyles
 - Improve the ability to attract more customers by bringing in new tenants and franchises
 - Develop an e-commerce system for interior products

Furthermore, in the "2021 Medium-Term Management Plan", which has a planning period of three years from the period ended in August 2019 through the period ending in August 2021, the Target set the achievement of ROE 5% as a target for the period ending in August 2021, and presented various measures for the target.

Such measures include, as a cost structural reform, improvement of gross margin by implementing predicative ordering system and aggregating the frequency of product delivery, and reduction of selling, general and administrative expenses by revolutionized logistics and labor-saving initiatives.

According to the Earnings Briefing, the number of stores of the Target is 60 stores as of the end of August 2020.

(III) Reasons why the Company is implementing the Tender Offer

Since 2017, the Company has been considering new entry into the home improvement retail industry through M&A, without limiting a target company, as a concrete measure for growth. As a part of such consideration, the Company highly values the business of the Target, a leading business operator in the home improvement retail industry. Also, since 2017, the Company has been considering that there is high degree of compatibility between the Company which conducts businesses focused on the sale of furniture and interior goods and the Target which expanded its business from the sale of furniture to the home improvement retail business, and has considered capital and business alliance or management integration with the Target as one option. However, since the Company did not know whether the Target intended to execute capital and business alliance or management integration with another company, the Company had not made a further concrete consideration.

Meanwhile, with the spread of COVID-19, customers' awareness toward "living" and their lifestyles have changed, and needs for "prosperous living" obviously increased. Since April 2020, the Company came to think that the Company is able to make customers' lives more prosperous by providing wider range of products through entry into home improvement retail business by means of M&A that provides the Company with extensive knowledge and know-how of another company in the home improvement retail industry, in addition to the sale of furniture and interior goods the Company Group has been conducting. In other words, the Company recognized that the entry into home improvement retail business is a mission and an urgent issue for the Company Group which aims to achieve a mission statement of "To provide the foundation of prosperous home living to the global community." Then, on September 18, 2020, the Company learnt from press reports and the Target's published materials that the Target

is considering to become a subsidiary of DCM Holdings through DCM Holdings' Tender Offer. After the press reports described above, the Company decided to concretely consider management integration with the Target. In late September, 2020, the Company appointed Daiwa Securities Co., Ltd. (the "Daiwa Securities") as a financial advisor and third-party valuation organization, and Anderson Mori & Tomotsune as a legal advisor, respectively as outside advisors independent from the Company, the Target and DCM Holdings, and established a consideration process and system for the management integration between the Company and the Target through the Tender Offer and commenced concrete consideration.

In light of the basic policy, key issues and various initiatives of the Target described in "(II) Target's business" above, the Company believes that participation of the Target in the Company Group not only (i) enables the Company to enter into the home improvement retail industry, but also (ii) enables the Target to utilize the experience and strength of the Company Group as a range of measures of the Target including opening of Shop in Shop locations, development of new business format, development of sales spaces that propose new lifestyles, development of an e-commerce system and cost reduction through development of logistics are similar to the Company Group's initiatives it has taken based on its "Manufacturing, Logistics, IT and Retail Sales" business model, and greatly contribute to the expansion and growth of both companies and possibly maximize the corporate value of both companies.

In other words, the Company considers that firm alliance between the Company and the Target which is realized by making the Target a wholly-owned subsidiary of the Company through the Tender Offer creates synergy as described below and enables the Company to provide comprehensive services regarding living to customers by expanding the product lineup such as home center goods and general goods in addition to furniture and interior goods and conduct businesses that respond to a variety of lifestyles of customers. In particular, based on the mechanism to realize "Offering the Unexpected" that the Company has developed from its establishment, the Company procures raw materials directly from manufacturers, not from wholesales, manufactures products in-house to reduce cost and conduct storage, import, logistics and building of systems in-house, and evolves its "Manufacturing, Logistics, IT and Retail Sales" business model to reduce every cost, which enables the Company to provide better products at low prices to customers. Thus, the Company thinks that alliance with the Target will enable the Company to offer the "Unexpected" in its products in wider areas. The Company has considered a business alliance between the Company Group and the Target without capital ties as one option. However, such a business alliance without capital ties or partial equity participation in the Target will not necessarily facilitate distribution of management resources to mid-long term business strategy or prompt decision-making while protecting benefits of shareholders as the Target gives consideration to the benefits of its general shareholders and takes into account short-term effects on the stock price. Therefore, the Company thinks that it is necessary for the Company to make the Target a wholly-owned subsidiary of the Company in order to promptly and fully realize synergy as described below for the Company and the Target. As stated in "(5) Possibility of delisting and reasons thereof" below, if the Company makes the Target a wholly-owned subsidiary of the Company, the Target Shares will be delisted. However, the Company expects no disadvantage as a result of such delisting.

Concrete descriptions of synergy and measures to realize synergy are as follows.

The Company believes that it will be difficult for it to quantify the effect of the synergies to be realized by DCM Holdings, stated in the DCM Holdings' Tender Offer Commencement Press Release, in monetary terms. Therefore, this Press Release neither discusses nor analyzes the superiority of the synergies that the Company believes will be generated, as stated below, in comparison with the synergies described by DCM Holdings in DCM Holdings' Tender Offer Commencement Press Release.

- (1) Expanding sales opportunities for high-quality furniture and contributing to realization of enriched lifestyles for a wider range of customers by the expansion of Target's stores nationwide

The Target has been selling furniture for 130 years, since its establishment as "Shimamura Cabinet Factory" in 1890. The Company believes that the Target's furniture, carefully selected utilizing its strong relationship with leading furniture manufacturers over a long period of time, are set at a higher price range than those of the Company's, and have received strong and enduring support from many customers. The Company recognizes that the Target's furniture is differentiated from the Company's (which are mainly private brand (PB) furniture) in terms of the price range and customer preference.

The Company believes that more customers will have the opportunity to purchase the Target's furniture if they are sold in a wider area and is planning to expand the opportunity to purchase the Target's furniture. The Target mainly has opened stores in the Tokyo metropolitan area and the Kansai region; upon opening new stores in new areas where it has not previously done so, the Company's store development capabilities may be utilized. In addition, the Company believes that its e-commerce and furniture distribution networks will make it possible to efficiently build a system for the delivery of the Target's furniture to customers nationwide.

The Company believes that the nationwide deployment of Target's products with prices that are different from those of the Company's will contribute to the realization of even more enriched lifestyles for customers through the provision of a wider range of options to meet their various needs as the Company Group, including the Target after integration.

- (2) Expansion of sales by mutual supplementation between the Target's home center (HC) products with the Company's home fashion (HFa) products, and improvement of profit margin by the sharing of know-how on the development of private brand (PB) products

In addition to the sale of furniture, the Target, as a home improvement retail business, also sells DIY, outdoor, gardening, and pet supplies that allow the enrichment of customer's lifestyles. On the other hand, the Company has expanded its range to products such as curtains, rugs, bedding, dining and kitchenware, and small appliances, which enrich the daily lives of even more customers, in addition to furniture, sold from the time of the Company's establishment. The Company believes that the complementary products of both companies will make it possible to meet customers' needs for both exterior and interior living environments, contributing to the increase in revenue of both companies' preexisting stores.

In addition, according to the information disclosed by the Target in its "2021 Medium-term Management Plan," as part of its efforts to improve gross profit margins, the

Target has initiated the development of its private brand products, already launching some of such products. As a result of the Company Group's intensified focus in the development of private brand products from 1979, approximately 90% of the products sold by the Company Group are now PB products. The Company Group has established an independent standard of quality for the quality management of its PB products, aiming for the securement of quality. In the field of manufacturing, the Company received the Minister of Economy, Trade and Industry Award at the commendation for excellent companies in product safety measures in 2016 and 2018 respectively for the establishment of its quality management system, including the conduct of thorough guidance and inspections not only at the Company's own furniture plant in Vietnam and curtain plant in Thailand, but also of the local manufacturing contractors. Such continuous and daily efforts to improve and reform quality has made it possible to provide high-quality products at low prices, and also serves as the source of the Company's growth potential. By having the Target utilize the Company's PB product development know-how, it will become possible to further accelerate the Target's PB product development efforts. The Company also believes that by using its PB products as a base for some of the products that both companies have in common, the Target will be able to develop PB products efficiently in a short period of time.

In addition, with regard to the expansion of its product lineup, the Company's firmly-rooted corporate culture is such that each and every employee constantly searches for products fulfilling the customer's wishes and pursues the development of customer-oriented products, as demonstrated by the product development competition called "wished-for products" hosted by the Company, in which all employees are mandated to participate.

The combination of the Company's product development capabilities and the product development know-how of the Target in the field of home improvement retails will make possible the creation of even more novel and attractive PB products by both companies, which will exceed the expectations of the customers of both companies.

(3) Reduction of costs and improvement of asset efficiency through joint use of logistics functions

The Company Group holds three logistics bases respectively in China (Taicang), Taiwan (Taoyuan), and Vietnam (Ho Chi Minh), as well as owning two overseas subsidiaries, to improve the efficiency of product transportation related to procurement from its own plants and overseas manufacturing contractors. The subsidiaries are in charge of the import business and hold offices in China (Shanghai and Shenzhen), Thailand, Vietnam, Malaysia, Indonesia, India, and Bangladesh, and promote measures to enhance their transportation capabilities, such as conducting around 25% of the customs clearance operations by themselves. These products are transported by trunk line to the Company's 11 distribution centers located throughout Japan. Depending on the customer's method of order placement and product category, the distribution center delivers (1) large furniture requiring assembly and installation to end users from one of the 78 distribution centers nationwide where salespersons with specialized skills for customer delivery are located, (2) other interior goods from stores nationwide to end users, and (3) products via e-commerce to end users through 11 delivery centers located within the country. The Company Group manages and

operates all such logistics on its own in order to achieve both cost efficiency and speed. In addition, the Company is intending to continue to establish, expand, and reorganize its domestic distribution centers and review the delivery method of its product to the stores, as well as the frequency of such deliveries, aiming to further advance its distribution network.

The Company believes that with the addition of the Target's existing store network and logistics base to the abovementioned distribution network possessed by the Company Group, it will be able to build a more efficient logistics network, and that by combining the two companies' volume of goods, the companies could benefit from the economy of scale (reduction in costs due to increased production and sales volume). The Company believes that through this, both companies' logistics costs be reduced, and more frequent product transfers will become possible. The Company also believes that as a result of this, it will be able to further improve the customers' satisfaction with the Company Group, including the Target after integration by reducing the lead time required to deliver products to customers and improving delivery costs.

In particular the Company believes that its nationwide last mile furniture distribution network (i.e. the distribution network which transports products from the Company Group's stores or distribution bases to end users. The same applies hereinafter) will contribute to improving the efficiency of the transportation of the Target's furniture, expanding the customer base and further increasing customer satisfaction, at an early stage.

- (4) Acceleration of cost reduction and improvement by the provision of function and know-how pertaining to the various supply chains possessed by the Company Group in its capacity as a "Manufacturing, Logistics, IT and Retail Sales" business.

As described in "(I) Outline of Tender Offeror" above, the Company Group has established its own supply chain covering product planning, manufacture, distribution, and sales. The Company Group's aim with regard to its daily operations is to further enhance its vertically-integrated supply chain. By being constantly mindful of the entire supply chain when considering matters, and utilizing the know-how accumulated in each individual part of the supply chain across the entire system, the Company Group has established a business model that enables it to overcome the constraints of each process, continuously improving and reforming at every stage, from planning to sales, and up until the final delivery to customers.

By firmly linking the Target to this business model, and sharing this business model with it, such as with the improvement of profitability by the Target's utilization of the Company's overseas suppliers, cost reduction by joint procurement of furniture and fixtures used at stores, realization of cost-effective advertisement and promotional activities by the engagement of the Company's advertising agency company (Nitori Public Co., Ltd., the Company's consolidated subsidiary), the Company Group believes that it will be able to contribute not only to drastic cost reduction at the Target, but also to further improvements in operational efficiency.

- (5) Pursuit of synergy with the Nitori Mall and Deco Home businesses

With regard to the development of the Target's business, various measures meeting the demand of customers at each store will be taken, including the introduction of a

varied range of tenants and the development of franchising businesses, in order to create attractive stores for more customers to visit.

The Target also plans to actively expand its stores in densely populated areas. The Company Group has, through the development of the Nitori Mall business, which operates shopping malls, and the Deco Home business, a small-scale home fashion stores business with a goal of creating stores where customer can drop by every day, with a variety of popular basic items mainly for daily necessities, attracted a variety of tenants and developed alternative operational styles suitable for densely populated areas. By sharing this know-how and the relationships built between potential tenant companies with the Target, the Company believes that it will be able to improve the speed of the Target's business development.

(6) Mutual opening of Shop in Shop stores in the Tokyo metropolitan area and other urban areas, and strategic opening of stores in wider areas

The Target's understanding is that in light of the demographic trends in Japan, making efforts towards opening new stores in the Tokyo metropolitan area and other urban areas is a key issue. The Company has been one of the first in the home improvement retail and furniture sectors to promote the opening of stores in urban areas, beginning with the opening of a store in Printemps Ginza (currently known as Marronnier Gate Ginza 2) in 2015. The establishment of its business model of "Manufacturing, Logistics, IT and Retail Sales" is one of the reasons why the Company has been able to generate profits despite the level of rent in urban areas. By making use of the Company's business infrastructure, the Company believes that the Target will be able to open stores in various forms that are not tied to its own properties. In addition, the Company believes that the Target will be able to open stores in a wider range of areas, not only in the Tokyo metropolitan area or other urban areas but also in various regions throughout Japan, as a brand that provides high-quality furniture within a price range different to that of the Company's. It is the Company's belief that through this, the Target will be able to realize further growth even in the shrinking domestic market.

(7) Bolstering of e-commerce sales structure

The Target is currently selling furniture and interior products through e-commerce. With a focus on its own Nitori Net, the Company also participates in Internet shopping sites operated by third parties. By adding products that are available exclusively online to the selection of products that are also offered at physical stores, the Company sells a wider range of products in e-commerce than at its offline stores. As a result of this, sales from e-commerce at the Company Group has been 44.3 billion yen in the fiscal year ending February 2020 (with a projection of 71 billion yen for the fiscal year ending February 2021). The total number of members, including Nitori Card members, app members and Nitori Net members, is around 40 million. In recent years, the Company has been actively promoting transfer to and new subscriptions for the app membership program, and is currently aiming to increase the number of such members from about 7.8 million (as of today) to 9 million by the end of February 2021. The Company is striving to improve its IT system, so that it may provide each and every app member with products and information that meet their individual interests in a timely manner. On the other hand, in the wake of the recent COVID-19 pandemic, the Company is improving its overall logistics system to meet the surge in

e-commerce demand, which has expanded at a faster pace than expected. The Company believes that sharing its enhanced e-commerce foundations will further strengthen the Target's e-commerce operations framework. In particular, with regard to furniture, by utilizing the Company's nationwide furniture distribution network, it will become possible to provide customers all over Japan with services for assembly and installation, which are necessities specific to furniture, as well as the collection of used furniture, at prices lower than the costs currently paid by the customers to the Target. In addition, with the mutual complementation between the Target's home center products and the Company's home fashion products and the development of novel and attractive PB products utilizing the product development know-how shared by both companies, the Company believes that the Company Group as a whole, including the Target after the integration, will be able to introduce a wider range of products to customers at lower prices through e-commerce channels.

(8) Acquisition of mutual and new customers through the adoption of a shared reward points system

As mentioned above, the Company has developed its Nitori Card, app, and Nitori Net online membership systems, and a total of approximately 40 million people have become members so far. The Company has also adopted a unique points reward system, which gives customers the opportunity to purchase products at discounted prices, and has been well received. The Company believes that the introduction of shared reward points will lead to the introduction of both companies' products to customers of both, at more reasonable prices.

(9) Sale of the Target's products in overseas stores and realization of future overseas store openings

The Company opened its first overseas store in Taiwan in 2007, and has since continued its expansion into overseas markets. As of the end of the fiscal year ended February 2020, the Company had 66 overseas stores, mainly in Asia especially. The key to success in overseas business development is understanding the needs of local customers and developing a business infrastructure fulfilling such demand. The Company believes that as the domestic market shrinks, the Target will be able to utilize the Company Group's overseas development know-how to strive towards medium to long-term growth overseas.

In light of the considerations as described above, the Company acquired the opportunity to have a meeting with Target on September 28, 2020, in order to first propose an extensive business alliance between the two companies (including in production and sales), while also floating the possibility of making the Target a wholly-owned subsidiary of the Company as one of the options. During this meeting, the Company informed the Target that a business alliance between the Company Group and the Target would be beneficial for both companies through the economy of scale (the reduction of cost due to the increase in the amount of production and sale), but the proposal did not progress to more specific negotiations. At this point, there had been news reports regarding the Target becoming a of DCM Holdings, but as both parties had made announcements stating that such alliance was not determined, the Company did not discuss anything specific in relation to the management integration of the Company and the Target (including the possibility of making the Target a wholly-owned subsidiary of the

Company), and only suggested the possibility of a business alliance, as state above. Around the time, the Company learned from the Target's Announcement Press Release, that the Target's board of directors resolved to express an opinion in support of DCM Holdings' Tender Offer and to recommend that the Target's shareholders tender their shares in DCM Holdings' Tender Offer on October 2, 2020.

The Company has learned from the Target's Announcement Press Release that DCM Holdings made a detailed proposal for the management integration to the Target, that DCM Holdings would commence DCM Holdings' Tender Offer as a means of management integration through making the Target a wholly-owned subsidiary of DCM Holdings and that the tender offer period of DCM Holdings' Tender Offer would end on November 16, 2020. In addition, in the Target's Announcement Press Release, it is stated that the Target has commenced setting up a structure independent from DCM Holdings, the Target and DCM Holdings' Tender Offer, to examine and determine the pros and cons for DCM Holdings' Tender Offer, the appropriateness of its transaction terms and fairness of the procedures. Specifically, the Target has established the Target Special Committee comprised of independent outside directors of the Target and consulted with such committee regarding I and II below.

- I. (a) To consider and determine the appropriateness of a series of transactions, including DCM Holdings' Tender Offer (the "DCM Holdings Transactions") from the perspective of whether or not they will contribute to the enhancement of the Target's corporate value and (b) to consider whether or not the Target's board of directors should express its support of DCM Holdings' Tender offer and whether or not to recommend that the shareholders of the Target tender their shares in DCM Holdings' Tender Offer, and to make a recommendation to the Target's board of directors, in examination and determination of the appropriateness of the terms and conditions of the DCM Holdings Transactions and the fairness of the procedures, from the perspective of promoting the interests of the general shareholders of the Target.
- II. To consider whether the following decisions on the DCM Holdings Transactions, including DCM Holdings' Tender Offer, to be made by the Target's board of directors, is not disadvantageous to the general shareholders of the Target, and to state its opinion to the Target's board of directors: (i) a decision to express its opinion in support of DCM Holdings' Tender Offer and recommend that the Target's shareholders tender their shares in DCM Holdings' Tender Offer, and (ii) a decision on the procedures for making the Target a wholly-owned subsidiary through a demand for sale of shares or a share consolidation, etc., to be conducted after DCM Holdings' Tender Offer as part of the DCM Holdings Transactions.

In addition, the Company has learned from the Target's Announcement Press Release that the Target's board of directors had resolved that decisions regarding DCM Holdings' Tender Offer, including approval or disapproval of the Tender Offer, shall be made by the Target's board of directors, in utmost respect of the judgment of the Target Special Committee, and that if the Target Special Committee determines that the implementation of DCM Holdings' Tender Offer or the terms and conditions of the transactions are not appropriate, the Target's board of directors shall not express its support of DCM Holdings' Tender Offer. Furthermore, the Company has learned from the Target's Announcement Press Release that the Target has not entered into any agreement which includes a transaction protection clause that may prohibit the

Target from contacting Competitive Offerors or any other agreement that may restrict any Competitive Offerors' contact with the Target, and thus Target has ensured not to prevent opportunities for any Competitive Offerors including the Company to make proposals, and that DCM Holdings has ensured an opportunity to receive offers from Competitive Offerors by setting the tender offer period at 30 business days, not the legally stipulated minimum duration of 20 business days.

The Company believes that it is possible for both the Company and the Target to realize synergy effects through management integration of the Company and the Target. And then, since the Target's board of directors and the Target Special Committee have expressed their willingness to accept competitive offers as stated above, the Company has come to the conclusion that the management integration of the Company and the Target can be realized by making a formal offer in accordance with such procedure and providing a sincere explanation to the Target's board of directors and the Target Special Committee.

Therefore, the Company has made preparations for the publication of this Press Release since October 2, 2020, in order to make concrete proposals to the Target for the management integration. In DCM Holdings' Tender Offer Commencement Press Release, the tender offer period of DCM Holdings' Tender Offer is stated as the period starting from October 5, 2020 (Monday) and ending on November 16, 2020 (Monday). In order to avoid a situation where DCM Holdings' Tender Offer is completed before the commencement of the Tender Offer, the Company has decided to announce the planned commencement of the Tender Offer on the date of this Press Release. As of the date of this Press Release, in consideration of procedures required under the Antitrust Act and the progress in such procedures, the Company aims to start the Tender Offer in around mid-November of 2020. This Press Release is an announcement of the "planned commencement" of the Tender Offer, not of the "commencement", because the Company has determined after careful consideration in light of procedures required under the Antitrust Act and the progress in such procedures that it is premature to decide that the above-mentioned Condition (I) of the Tender Offer Condition has been satisfied. Although the Company had considered making an announcement of the "commencement" of the Tender Offer as of the date of this Press Release and immediately commencing the Tender Offer from the following day under such situation, it has decided to announce the "planned commencement" in this Press Release as of the date of this Press Release, since if the Non-Acquisition Period and the Period for Measures under the Antitrust Act have not expired by the date preceding the last day of the Tender Offer Period, though unlikely, the Company would have to withdraw the Tender Offer, which would cause confusion to related parties, including the Target's shareholders and the Target and could disrupt the stock market. Furthermore, the Company believes that it is important to ensure the transparency and fairness of the procedures of the Tender Offer for shareholders of the Target given that DCM Holdings' Tender Offer is ongoing. Thus, the Company has not held any discussion with the Target since the meeting between the Company and the Target held in September 28, 2020.

The Company believes that the management integration of the Company and the Target can realize synergy effects and possibly maximize the corporate value of both companies. The Company believes that the Tender Offer is a more attractive proposal for the Target and the shareholders of the Target in light of the following: (i) the Company is not aware of any fact that would materially impair or prevent the satisfaction of the Tender Offer Conditions as of the date of this Press Release, and believes that it will be able to commence the Tender Offer in around mid-November of 2020 upon the satisfaction of the Tender Offer Conditions, (ii) the Tender Offer Price (5,500 yen per share) has been set at a higher level than the tender offer

price under DCM Holdings' Tender Offer (4,200 yen per share) (For the process of determination of the Tender Offer Price, see "(II) Details of valuation" under "(4) Basis for valuation of Tender Offer Price, etc." under "2. Outline of Tender Offer" below.), and (iii) while the Company plans to apply the money borrowed from Mizuho Bank, Ltd. and its own funds to the settlement related to the Tender Offer, it has obtained a loan certificate dated October 28, 2020 from Mizuho Bank, Ltd. and has already secured funding for the settlement. Therefore, in view of the announcement of the board of directors of the Target and the Target Special Committee that they are prepared to accept competitive offers, as described above, the Company has decided to make, following the process therefor, a proposal for management integration between the Company and the Target through the Tender Offer. As of the date of this Press Release, the Company has not specifically consulted with the Target regarding the management integration, as stated above. As such, the date and time of consultation with the Target or the date and time of explanation to the Target's board of directors and the Target Special Committee have not been determined. However, the Company hopes to provide explanations to the Target's board of directors and the Target Special Committee as soon as possible so that they will properly understand the substance of the Company's proposal and approve the Tender Offer.

The Company is to provide explanations in good faith to the Target's board of directors and the Target Special Committee so that they will approve the Tender Offer. However, even if the Target's board of directors and the Target Special Committee do not approve the Tender Offer, the Company will have no choice but to commence the Tender Offer upon the satisfaction of the Tender Offer Conditions (or waiver by the Company of the Tender Offer Conditions) given the manifestation of the Target's board of directors and the Target Special Committee that they are prepared to accept competitive offers, as described above, and also because of our belief that the pros and cons of an offer from a Competitive Offeror should be ultimately judged by shareholders of the Target.

(3) Management policy after the Tender Offer

The Company believes that the Company and the Target will be able to contribute to the further development of the business of the Company and the Target and maximization of the corporate value of both companies by fully utilizing advantages of both companies such as business characteristics, product appeal and development capabilities even after the Tender Offer as well as pursuing and realizing potential synergy effects in their respective business area through collaboration with each other. Although the Company is considering, as a possible option, dispatching directors from the Company after the Tender Offer is completed, as for specific management policy and structure, the Company intends to make decisions on such matters after discussions with the Target from the date of this Press Release onward with a perspective of further improving the corporate value of both companies and no matters have yet been finalized at this point. Since the Company wishes to discuss with the Target and decide on specific details of the management policy and structure after the completion of the Tender Offer and at the moment, it has no specific plan to change the company name or the brand name of the Target, change or reform the current management structure and the employment and terms thereof of the Target.

Since the Company has made analysis and preparation of materials until the date of this Press Release in order to obtain a support of the Tender Offer from the Target's board of directors and

the Target Special Committee, it has not made a specific plan of the management policy and structure for the case where the Tender Offer is completed without obtaining such support.

(4) Post-Tender Offer reorganization policy (so-called Two-step acquisition)

As stated in "(1) Overview of Tender Offer" above, the Company's plan is to make the Target a wholly-owned subsidiary of the Company. Thus, when the Tender Offer is completed but the Company fails to acquire all of the Target Shares (excluding Target Shares owned by the Company and treasury shares owned by the Target) through the Tender Offer, after the Tender Offer is completed, the Company intends to implement procedures for acquiring all of the Target Shares (excluding Target Shares owned by the Company and treasury shares owned by the Target) in the following manner.

(A) Demand for sale of shares

Upon completion of the Tender Offer, if the Company acquires 90% or more of the total voting rights owned by all shareholders of the Target and the Company becomes a Special Controlling Shareholder as prescribed in Article 179, Paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same applies), the Company, in accordance with the provisions of Part II, Chapter 2, Section 4-2 of the Companies Act, intends to request the sale of all of the Target Shares owned by all shareholders of the Target (excluding the Company and the Target) promptly after the completion of the settlement of the Tender Offer (the "Demand for Sale of Shares"). With respect to the Demand for Sale of Shares, the Company plans to provide the shareholders of the Target (excluding the Company and the Target) with a cash amount equivalent to the Tender Offer Price in consideration for each Target Share. In such event, the Company will provide the Target with notice to such effect and seek approval from the Target for the Demand for Sale of Shares. If the Target approves of the Demand for Sale of Shares with a resolution of its board of directors, the Company will acquire all Target Shares owned by all shareholders of the Target (excluding the Company and the Target) as of the acquisition date designated in the Demand for Sale of Shares, in accordance with the procedures prescribed by the relevant laws and regulations, and without need for individual approval from the Target's shareholders. As consideration for each Target Share owned by such shareholder, the Company intends to provide each of such shareholders a cash amount equivalent to the Tender Offer Price.

As a provision under the Companies Act for the purpose of protecting the rights of minority shareholders in relation to the Demand for Sale of Shares, it is provided that any shareholder of the Target who did not tender in the Tender Offer may file a petition to a court for a determination of the purchase price of the Target Shares they own in accordance with Article 179-8 of the Companies Act and the provisions of other relevant laws and regulations.

(B) Share consolidation

If, following the completion of the Tender Offer, the total number of the voting rights in the Target held by the Company is two-thirds or higher and also less than 90% of all of the voting rights of the Target, the Company will request the Target to hold an extraordinary general

meeting of shareholders of which proposals includes a consolidation of Target Shares in accordance with Article 180 of the Companies Act (the "Share Consolidation") and a change to the Target's articles of incorporation that will abolish provisions on share unit numbers (the "Extraordinary Shareholders' Meeting").

On the other hand, even in the case where the Company holds less than two-thirds of the total voting rights in the Target after the completion of the Tender Offer, taking into account the existence of shareholders of the Target Shares, such as passive index funds, who hold the Target Shares with policies of not tendering in tender offers regardless of the appropriateness of the terms of the transactions, the Company recognizes from DCM Holdings' Tender Offer Commencement Press Release that there may be some shareholders who did not tender in the Tender Offer but are in favor of each of the above-mentioned proposals regarding the Share Consolidation and the change to the Target's articles of incorporation that will abolish provisions on share unit numbers, and therefore, plans to make these requests in order to confirm the intentions of those shareholders who did not tender in the Tender Offer (The Company has not independently confirmed the ownership ratio of passive index funds of the Target). Passive index fund herein means, as it is defined in DCM Holdings' Tender Offer Commencement Press Release, "a fund that aims to match its investment performance with a benchmark index to provide returns similar to that of stock or other investment asset market".

Regarding the timing and other details of the Extraordinary Shareholders' Meeting, the Company will request the Target to promptly disclose such information upon determination thereof after consultation between the Company and the Target. The Company intends to sincerely provide explanation on the Extraordinary Shareholders' Meeting to the Target in order to obtain their cooperation, but even if the Target does not cooperate to hold such meeting, the Company will conduct procedures required for holding the Extraordinary Shareholders' Meeting as a shareholder as promptly as possible. The Company is going to agree with each of the above-mentioned proposals at the Extraordinary Shareholders' Meeting.

If the Share Consolidation is approved at the Extraordinary Shareholders' Meeting, the Target's shareholders will each, as of the date on which the Share Consolidation is to take effect, retain a number of Target Shares corresponding to the Share Consolidation ratio approved at the Extraordinary Shareholders' Meeting. If the Share Consolidation results in fractional shares that constitute less than one full share, the sum total of such fractional shares (if the total of fractional shares is less than one full share, the fractional shares will be discarded; the same shall apply hereinafter) will be sold to the Target or the Company in accordance with the terms of Article 235 of the Companies Act and the provisions of other relevant laws and regulations, and the owners of such fractional shares will be provided with cash in exchange. With respect to the sale price of the total number of fractional shares of the Target, the Company will request the Target to file a petition to a court for permission for voluntary sale, after ensuring that as a result of such sale of fractional shares, the cash amount to be provided to shareholders of the Target who did not tender their shares in the Tender Offer (excluding the Company and the Target) will be the same as the amount obtained when the number of Target Shares owned by such shareholders is multiplied by the Tender Offer Price.

Furthermore, although the consolidation ratio of the Share Consolidation is still undetermined as of the date of this Press Release, the Company will request the Target to ensure that the

decided-upon ratio will result in fractional shares owned by shareholders of the Target who did not tender in the Tender Offer totaling less than one full share so that the Company will retain all of the Target Shares (excluding treasury shares owned by the Target).

If the Share Consolidation is implemented, and such Share Consolidation results in fractional shares that constitute less than one full share, the regulations of the Companies Act with respect to the protection of minority shareholders allow Target shareholders to demand that the Target purchase any fractional shares constituting less than one full share in their possession at a fair price, as well as to petition to a court for a determination regarding the price of the Target Shares, with satisfaction of certain stipulated conditions, and all in accordance with the provisions of Article 182-4 and 182-5 of the Companies Act and the provisions of other relevant laws and regulations. As described above, in the Share Consolidation, the number of the Target Shares owned by the Target's shareholders who did not tender their Target Shares in the Tender Offer (excluding the Company and the Target) is expected to be fractional shares that constitute less than one full share. Therefore, dissenting shareholders of the Target will be able to file the above-mentioned petition to a court.

The Tender Offer is not for the purpose of soliciting the approval of the Target's shareholders at the Extraordinary Shareholders' Meeting.

With respect to the procedures (A) and (B) described above, the implementation may take extra time, or the implementation method may be changed to other methods that have equivalent effects based on the status of amendments to, implementation of, and interpretation by relevant authorities of the relevant laws and regulations. However, even in such case, if the Tender Offer is completed, the method of the provision of money to the shareholders of the Target who did not tender their shares in the Tender Offer (excluding the Company and the Target) will be applied, and the amount of money to be delivered to each such shareholder in such case will be calculated to be the same as the Tender Offer Price multiplied by the number of Target Shares held by each such shareholder. Nevertheless, in the case where a petition is filed for the determination of the purchase price with respect to the Demand for Sale of Shares or for the determination of the price with respect to the Share Consolidation, the purchase price of the Target Shares or the price with respect to the Demand for Sale of Shares shall be determined by the court.

After the completion of the Tender Offer, the Company will propose to the Target for consultation with respect to the specific procedures to be taken and the timing of implementation of such procedures in each of the above cases, and will request that the Target promptly make a public announcement upon determination thereof.

Note also that the shareholders of the Target are each personally responsible for consulting tax experts regarding application for the Tender Offer or the tax treatment in each of the above procedures.

(5) Likelihood of delisting and reasons thereof

Although the Target Shares are listed on the First Section of the Tokyo Stock Exchange as of

the date of this Press Release, the Company has not set a maximum planned purchase quantity with respect to the Tender Offer, so it is possible that the Target Shares may be delisted following the designated procedures in accordance with the delisting criteria set out by the Tokyo Stock Exchange depending on the results of the Tender Offer. Furthermore, even in the event those criteria do not apply at the time of the completion of the Tender Offer, the Company intends to realize the transaction for acquiring all of the Target Shares (excluding Target Shares owned by the Company and treasury shares owned by the Target) in accordance with relevant laws and regulations, as described in “(4) Post-Tender Offer reorganization policy (so-called Two-step acquisition)” above, and thus in such case, the Target Shares will be delisted in accordance with the designated procedures in accordance with the delisting criteria set out by the Tokyo Stock Exchange. After delisting, the Target Shares will not be able to be traded on the First Section of the Tokyo Stock Exchange.

In the Tender Offer, the Company sets the minimum planned purchase quantity at 19,477,600 shares (ownership ratio: 50.00%). Although the Company aims to make the Target a wholly-owned subsidiary of the Company in the Tender Offer, the Company considered that (i) the minimum planned purchase quantity is set at 19,477,700 shares (ownership ratio: 50.00%) in DCM Holdings' Tender Offer and (ii) if the Company sets the minimum planned purchase quantity higher than that of DCM Holdings' Tender Offer, the Target's shareholders may assume that the Tender Offer is less likely to be consummated compared to DCM Holdings' Tender Offer. Therefore, the Company set the minimum planned purchase quantity for the Tender Offer by deducting the number of the Target Shares owned by the Company as of the date of this Press Release (100 shares) from 19,477,700 shares which is the minimum planned purchase quantity in DCM Holdings' Tender Offer.

Accordingly, after consummation of the Tender Offer, the number of voting rights pertaining to the number of the Target Shares owned by the Company could fall below two-thirds of the total voting rights of the Target's shareholders. As a result of this, it could be difficult to obtain approval for the agenda regarding the Share Consolidation at the Extraordinary Shareholders' Meeting as stated in "(4) Policy regarding reorganization following completion of the Tender Offer (so-called two-step acquisition)" above. However, even if such approval is not obtained, as the Company aims to acquire all of the Target Shares (excluding the Target Shares held by the Company and treasury shares owned by the Target), the Company plans to acquire additional shares of the Target Shares until it has acquired the number of shares equivalent to two-thirds of the voting rights pertaining to the total number of issued shares of the Target less the number of treasury shares held by the Target. As of the date of this Press Release, nothing has been determined with respect to the specific timing and method of additional acquisition of the Target Shares by the Company.

(6) Matters related to material agreements concerning Tender Offer

Not applicable.

2. Outline of Tender Offer

(1) Outline of Target

(i) Name	SHIMACHU CO., LTD.
(ii) Address	8-3-32,Kamiochiai,Chuo-ku,Saitama-shi,Saitama
(iii) Name and title of representative	Takaaki Okano, President and Representative Director
(iv) Description of business	Retail business for furniture and interior goods (curtains, carpet, interior small items, etc.), and home center goods (daily necessities, gardening, pets, timber, tools, etc.)
(v) Capital stock	16,533,000,000 yen (as of August 31, 2020)
(vi) Date of incorporation	November 15, 1969
(vii) Major shareholders and shareholding ratios (as of February 29, 2020)	<p>Japan Trustee Services Bank, Ltd. 7.88% (Trust Account)</p> <p>The Master Trust Bank of Japan, Ltd. (Trust Account) 7.28%</p> <p>Japan Trustee Services Bank, Ltd. (Trust Account 9) 5.69%</p> <p>NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST 5.67%</p> <p>(Standing Proxy: Tokyo Branch of The Hongkong and Shanghai Banking Corporation Limited)</p> <p>IRIS OHYAMA Inc. 4.80%</p> <p>Saitama Resona Bank, Limited 3.22%</p> <p>NORTHERN TRUST CO. (AVFC) RE U.S.TAX EXEMPTED PENSION FUNDS 2.95%</p> <p>(Standing Proxy: Tokyo Branch of The Hongkong and Shanghai Banking Corporation Limited)</p> <p>Hitoshi Shimamura 2.42%</p> <p>Minami Aoyama Real Estate Co., Ltd. 2.17%</p>

	NORTHERN TRUST CO. 2.05% (AVFC)ACCOUNT NON TREATY (Standing Proxy: Tokyo Branch of The Hongkong and Shanghai Banking Corporation Limited)
(viii) Relationship between the Tender Offeror and Target	
Capital relationship	The Company owns 100 shares of the Target Shares (ownership ratio: 0.00%) as of the date of this Press Release.
Personal relationship	N/A
Business relationship	N/A
Applicability to related parties	N/A

(Note) "Major shareholders and shareholding ratios (as of February 29, 2020)" is based on the information stated in "Status of Major Shareholders" of the 2nd quarterly report for the 61st fiscal year filed by the Target on April 10, 2020.

(2) Schedule of Tender Offer

The Company plans to launch the Tender Offer within five business days of the satisfaction of the Tender Offer Conditions (or upon waiver by the Company of the Tender Offer Conditions), and aims to commence the Tender Offer in mid-November of 2020 given that the Company filed a Prior Notification regarding the Share Acquisition with the JFTC on October 27, 2020 and the relevant Prior Notification was accepted on the same date. We believe that the Tender Offer will have a limited impact on competition in the relevant markets because the Company, with its core business being sale of furniture and interior goods, is not operating the home improvement retail business in which the Target is primarily engaged, as stated in "(III) Reasons why the Company is implementing the Tender Offer" under "(2) Background and reasons to the decision to implement the Tender Offer" under "1. Purpose of Tender Offer" above. As this is the case, as of the date of this Press Release, the Company is not aware of any fact constituting a material obstacle to the expiration of the Non-acquisition Period and the Period for Measures under the Antitrust Act, and believes that the Tender Offer Conditions will be satisfied in around mid-November of 2020. However, the Share Acquisition is under examination by the JFTC, and it is difficult to precisely estimate the time needed for the Company to determine that the Non-acquisition Period and the Period for Measures are reasonably expected to expire on or before the day preceding the last day of the Tender Offer Period under the Tender Offer. The Company will announce the details of the schedule for the Tender Offer as soon as they are finalized.

The Tender Offer Period for the Tender Offer will be 30 business days, in principle. However, the Company may extend the Tender Offer Period under the Tender Offer (i) if the Non-acquisition Period and the Period for Measures do not expire on or before the day preceding the last day of the Tender Offer Period under the Tender Offer, (ii) if a Prior Notice of Cease and Desist Order is given to the Company within 30 days of the date of acceptance of the Prior Notification, or (iii) if the Company receives an Urgent Temporary Suspension Order from the court.

(3) Tender Offer Price, etc.

5,500 yen per share of common shares (Planned)

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

(I) Basis for valuation

In determining the Tender Offer Price, the Company requested Daiwa Securities, a financial advisor, to calculate the value of the Target Shares as a third-party valuation organization independent of the Company, Target and DCM Holdings.

After reviewing the calculation method to be adopted for the calculation of the share value of the Target from among the multiple share value calculation methods, based on the determination that it is appropriate to evaluate the value of the Target Shares from multiple dimensions, and under the premise that the Target is a going concern, Daiwa Securities calculated the value of the Target Shares using the following methods: a market share price analysis (considering the trend of the market price of the shares); a comparable company analysis (because there are multiple listed companies comparable to the Target, and it is possible to estimate the value of the Target Shares by comparing similar companies); and a discounted cash flow method (the "DCF analysis") (in order to reflect the status of future business activities in the calculation). On October 28, 2020, the Company obtained a report on the valuation of the Target Shares (the "Valuation Report") from Daiwa Securities. The Company has not obtained any written opinion regarding the fairness of the Tender Offer Price (i.e., a fairness opinion) from Daiwa Securities. The results of calculation by Daiwa Securities of the per-share value of the Target Shares are as follows. The following results do not include synergistic effect.

Market share price analysis (1)	2,849 yen – 2,945 yen
Market share price analysis (2)	3,157 yen – 4,890 yen
Comparable company analysis	2,239 yen – 4,114 yen
DCF analysis	2,964 yen – 5,763 yen

Under the market share price analysis (1), where September 18, 2020 (the most recent trading day before the speculative reports regarding DCM Holdings' Tender Offer were released (after the close of trading on September 18, 2020)) was the reference date, the per-share value of the Target Shares was calculated to be in the range from 2,849 yen to 2,945 yen based on the following prices of the Target Shares on the First Section of the Tokyo Stock Exchange: the closing price on the reference date (2,878 yen); the simple average of the closing prices over the past one month immediately preceding the reference date (August 19, 2020 to September 18, 2020) (2,924 yen, round to the nearest whole number; hereinafter the same shall apply with respect to the calculations of simple average closing price.); the simple average of the closing prices over the past three months immediately preceding the reference date (June 19, 2020 to September 18, 2020) (2,945 yen); and the simple average of the closing prices over the past six months immediately preceding the reference date (March 19, 2020 to September 18, 2020) (2,849 yen).

Under the market share price analysis (2), where October 28, 2020 was the reference date, the

per-share value of the Target Shares was calculated to be in the range from 3,157 yen to 4,890 yen based on the following prices of the Target Shares on the First Section of the Tokyo Stock Exchange: the closing price on the reference date (4,890 yen); the simple average of the closing prices over the past one month immediately preceding the reference date (September 29, 2020 to October 28, 2020) (4,266 yen); the simple average of the closing prices over the past three months immediately preceding the reference date (July 29, 2020 to October 28, 2020) (3,432 yen); and the simple average of the closing prices over the past six months immediately preceding the reference date (April 30, 2020 to October 28, 2020) (3,157 yen).

Under the comparable company analysis, the value of the Target Shares is calculated by comparing the value of the Target Shares with the market price and the financial indices indicating profitability, etc., of listed companies engaged in a business relatively similar to that of the Target, and the per-share value of the Target Shares is calculated to be in the range from 2,239 yen to 4,114 yen.

Under the DCF analysis, the corporate value and share value of the Target were calculated by discounting the free cash flows expected to be generated after the term ending in August 2021 by the Target to present value at a certain discount rate, based on the business plan of the Target for 5 fiscal years from the fiscal year ending August 2021 through the fiscal year ending in August 2025 that the Company projected considering various factors such as recent business performance and publicly disclosed information, and based on the knowledge the Company has about the Target's business. Using this method, the per-share value of the Target Shares was calculated to be in the range from 2,964 yen to 5,763 yen. In addition, the synergistic effects expected to be realized through the Tender Offer are not included at this point.

Based on the content and results of the calculation presented in the Valuation Report, comprehensively considering factors such as the tender offer price under DCM Holdings' tender offer, the market price trend of the Target Shares, examples of premiums actually paid in tender offers conducted by parties other than issuer in expectation of making the target a wholly owned subsidiary, prospects for tenders of the Target Shares in the Tender Offer, the Company determined that it is appropriate to present a price with an appropriate premium to the market price of the Target Shares and, ultimately decided on October 29, 2020 to set the Tender Offer Price at 5,500 yen per share.

The Tender Offer Price of 5,500 yen per share is the price obtained by adding respective percentage of premiums to each of the corresponding prices below: 91.10% (rounded to the nearest hundredth; the same shall apply to all other premium value percentages in this paragraph.) to 2,878 yen which is the closing price of the Target Shares on the First Section of the Tokyo Stock Exchange on September 18, 2020 (the most recent trading day before the speculative reports regarding DCM Holdings' Tender Offer were released (after the close of trading on September 18, 2020)); 88.10% to 2,924 yen which is the simple average of the closing prices over the past one month (August 19, 2020 to September 18, 2020); 86.76% to 2,945 yen which is the simple average of the prices over the past three months (June 19, 2020 to September 18, 2020); and 93.05% to 2,849 yen which is the simple average of the closing prices over the past six months (March 19, 2020 to September 18, 2020). In addition, Tender Offer Price is the price obtained by adding respective percentage of premiums to each of the corresponding prices below: 12.47% to 4,890 yen which is the closing price of the Target Shares on the First Section of the Tokyo Stock Exchange on October 28, 2020, the business day immediately before the day of the public announcement of the implementation of this Tender Offer; 28.93% to 4,266 yen which is the simple average of the closing prices over the past one month (September 29, 2020 to October 28, 2020); 60.26% to 3,432 yen which is the simple

average of the closing prices for the three months (July 29, 2020 to October 28, 2020); and 74.22% to 3,157 yen which is the simple average of the closing prices over the past six months (April 30, 2020 to October 28, 2020). Also, the Tender Offer Price is the price obtained by adding 30.95% premium to the 4,200 yen per share which was the tender offer price in DCM Holdings' Tender Offer.

On October 20, 2020, the Company acquired the Target Shares (100 shares) at the then-market price (4,200 yen per share) through market transactions. Unlike the Tender Offer, however, there was no premium added because the market transactions were conducted through competitive transactions on the First Section of the Tokyo Stock Exchange.

(II) Details of valuation

(How Tender Offer Price was determined)

As described in "(III) Reasons why the Company is implementing the Tender Offer" under "(2) Background and reasons to the decision to implement the Tender Offer" under "1. Purpose of Tender Offer," the Company acquired the opportunity to have a meeting with Target on September 28, 2020, in order to first propose an extensive business alliance between the two companies (including in production and sales), while also floating the possibility of making the Target a wholly-owned subsidiary of the Company as one of the options. During this meeting, the Company informed the Target that a business alliance between the Company Group and the Target would be beneficial for both companies through the economy of scale (the reduction of cost due to the increase in the amount of production and sale), but the proposal did not progress to more specific negotiations. At this point, there had been news reports regarding the Target becoming a subsidiary of DCM Holdings, but as both parties had made announcements stating that such alliance was not determined, the Company did not discuss anything specific in relation to the management integration of the Company and the Target (including the possibility of making the Target a wholly-owned subsidiary of the Company), and only suggested the possibility of a business alliance, as state above. Around the time, the Company learned from the Target's Announcement Press Release, that the Target's board of directors resolved to express an opinion in support of DCM Holdings' Tender Offer and to recommend that the Target's shareholders tender their shares in DCM Holdings' Tender Offer on October 2, 2020.

The Company has learned from the Target's Announcement Press Release that the Target's board of directors had resolved that decisions regarding DCM Holdings' Tender Offer, including approval or disapproval of the Tender Offer, shall be made by the Target's board of directors, in utmost respect of the judgment of the Target Special Committee, and that if the Target Special Committee determines that the implementation of DCM Holdings' Tender Offer or the terms and conditions of the transactions are not appropriate, the Target's board of directors shall not express its support of DCM Holdings' Tender Offer. Furthermore, the Company has also come to know from the Target's Announcement Press Release that the Target has not entered into any agreement which includes a transaction protection clause that may prohibit the Target from contacting Competitive Offerors or any other agreement that may restrict any Competitive Offerors' contact with the Target, and thus Target has ensured not to prevent opportunities for any Competitive Offerors including the Company to make acquisition proposals, and that DCM Holdings has ensured an opportunity of offering by Competitive Offerors by setting the tender offer period at 30 business days, not the legally stipulated minimum duration of 20 business days.

The Company believes that it is possible for both the Company and the Target to realize synergy effects through management integration of the Company and the Target. And then, since the Target's board of directors and the Target Special Committee have expressed their willingness to accept competitive offers by aforementioned means, the Company has come to the conclusion that the management integration of the Company and the Target can be realized by making a formal offer in accordance with such procedure and providing a sincere explanation to the Target's board of directors and the Target Special Committee.

Furthermore, the Company believes that it is important to ensure the transparency and fairness of the Tender Offer for shareholders of the Target given that DCM Holdings' Tender Offer is ongoing. Thus, the Company has not held any discussion with the Target since the meeting between the Company and the Target held in September 28, 2020.

The Company believes that the management integration of the Company and the Target can realize synergy effects and possibly maximize the corporate value of both companies. The Company believes that the Tender Offer is a more attractive proposal for the Target and the shareholders of the Target in light of the following: (i) the Company is not aware of any fact that would materially impair or prevent the satisfaction of the Tender Offer Conditions as of the date of this Press Release, and believes that it will be able to commence the Tender Offer in around mid-November of 2020 upon the satisfaction of the Tender Offer Conditions, (ii) the Tender Offer Price (5,500 yen per share) has been set at a higher level than the tender offer price under DCM Holdings' Tender Offer (4,200 yen per share), and (iii) while the Company plans to apply the money borrowed from Mizuho Bank, Ltd. and its own funds to the settlement related to the Tender Offer, it has obtained a loan certificate dated October 28, 2020 from Mizuho Bank, Ltd. and has already secured funding for the settlement. Therefore, in view of the announcement of the board of directors of the Target and the Target Special Committee that they are prepared to accept competitive offers, as described above, the Company has decided to make, following the process therefor, a proposal for management integration between the Company and the Target through the Tender Offer. As of the date of this Press Release, the Company has not specifically consulted with the Target regarding the management integration, as stated above. As such, the date and time of consultation with the Target or the date and time of explanation to the Target's board of directors and the Target Special Committee have not been determined. However, the Company hopes to provide explanations to the Target's board of directors and the Target Special Committee as soon as possible so that they will properly understand the substance of the Company's proposal and approve the Tender Offer.

The Company is to provide explanations in good faith to the Target's board of directors and the Target Special Committee so that they will approve the Tender Offer. However, even if the Target's board of directors and the Target Special Committee do not approve the Tender Offer, the Company will have no choice but to commence the Tender Offer upon the satisfaction of the Tender Offer Conditions (or waiver by the Company of the Tender Offer Conditions) given the manifestation of the Target's board of directors and the Target Special Committee that they are prepared to accept competitive offers, as described above, and also because of our belief that the pros and cons of an offer from a Competitive Offeror should be ultimately judged by shareholders of the Target.

- (i) Name of the third party from which the Company requested opinion for valuation

In determining the Tender Offer Price, the Company requested Daiwa Securities, a financial advisor, to calculate the value of the Target Shares as a third-party valuation organization

independent of the Company, Target and DCM Holdings. On October 28, 2020, the Company obtained the Valuation Report from Daiwa Securities. Daiwa Securities does not constitute a related party to the Company, Target and DCM Holdings, and has no material interest regarding the Tender Offer. The Company has not obtained any written opinion regarding the fairness of the Tender Offer Price (i.e., a fairness opinion) from Daiwa Securities.

(ii) Overview of the opinion

In accordance with the Valuation Report, the methods adopted and the ranges of the per-share value of the Target Shares calculated based on such methods are as follows:

Market share price analysis (1)	2,849 yen – 2,945 yen
Market share price analysis (2)	3,157 yen – 4,890 yen
Comparable company analysis	2,239 yen – 4,114 yen
DCF analysis	2,964 yen – 5,763 yen

(iii) How the Tender Offer Price was determined based on the opinion

In determining the Tender Offer Price, based on the content and results of the calculation presented in the Valuation Report, comprehensively considering factors such as the tender offer price under DCM Holdings' Tender Offer, the market price trend of the Target Shares, examples of premiums actually paid in tender offers conducted by parties other than issuer in expectation of making the target a wholly owned subsidiary, prospects for tenders of the Target Shares in the Tender Offer, the Company determined that it was appropriate to present a price with an appropriate premium to the market price of the Target Shares and, on October 29, 2020, ultimately determined to set the Tender Offer Price at 5,500 yen per share.

(III) Relationship with valuation organization

Daiwa Securities, a financial advisor of the Company, does not constitute a related party to the Company, Target and DCM Holdings and has no material interest regarding the Tender Offer.

(5) Number of share certificates to be purchased

Planned purchase quantity	Minimum planned purchase quantity	Maximum planned purchase quantity
38,955,187 shares	19,477,600 shares	- shares

(Note 1) The Company will not purchase all of the Tendered Share Certificates, if the total number of the Tendered Share Certificates is less than the minimum planned purchase quantity (19,477,600 shares). The Company will purchase all of the Tendered Share Certificates, if the total number of the Tendered Share Certificates is no less than the minimum planned purchase quantity (19,477,600 shares).

(Note 2) As the Company has not set any maximum planned purchase quantity, the planned purchase quantity indicated is the maximum number of Target Shares that the Company will acquire through the Tender Offer. The maximum number of Target Shares is 38,955,187 shares, which is obtained by deducting the number of treasury shares owned by the Target as of the August 31, 2020 (3,653,817 shares) as indicated

in the Earnings Briefing and the number of the Target Shares owned by the Company as of the date of this Press Release (100 shares) from the total number of issued shares as of August 31, 2020 (42,609,104 shares) as indicated in the Earnings Briefing. The planned purchase quantity is a provisional number based on the information as of the date of this Press Release, and the actual planned purchase quantity in the Tender Offer may differ from the number indicated above due to any change that may occur after such date.

(Note 3) Fractional shares are also subject to the Tender Offer. Please note that, in the event the Target's shareholder exercises its right to demand a purchase of fractional shares in accordance with the Companies Act, the Target may purchase its own shares during the tender offer period in accordance with the procedures set forth in applicable laws and regulations.

(Note 4) There is no plan to acquire the treasury shares owned by the Target in the Tender Offer.

(6) Changes in ownership ratio of share certificates by after Tender Offer

Number of voting rights represented by share certificates owned by Tender Offeror before Tender Offer	1	(Ownership ratio of share certificates before Tender Offer: 0.00%)
Number of voting rights represented by share certificates owned by specially related parties before Tender Offer	TBD	(Ownership ratio of share certificates before Tender Offer: TBD %)
Number of voting rights represented by share certificates owned by Tender Offeror after Tender Offer	389,552	(Ownership ratio of share certificates after Tender Offer: 100.00%)
Number of voting rights represented by share certificates owned by specially related parties after Tender Offer	0	(Ownership ratio of share certificates after Tender Offer: 0.00%)
Total number of voting rights owned by all shareholders of Target	415,898	

(Note 1) "Number of voting rights represented by share certificates owned by specially related parties before Tender Offer" and the corresponding "Ownership ratio of share certificates before Tender Offer" will be disclosed by the commencement of the Tender Offer after investigation. Further, since the share certificates owned by each specially related party are also subject to the Tender Offer, the "Number of voting rights represented by share certificates owned by specially related parties after Tender Offer" is indicated as zero (0).

(Note 2) "Total number of voting rights owned by all shareholders of Target" is the number of the voting rights owned by all shareholders as of February 29, 2020 as indicated in the 3rd quarterly report for the 61st fiscal year filed by the Target on July 10, 2020. Given that the fractional shares are also subject to the Tender Offer, however, for the purpose of calculating the "Ownership ratio of share certificates before Tender Offer" and "Ownership ratio of share certificates after Tender Offer," the denominator is 389,552 (the number of voting rights represented by the number of shares (38,955,287 shares), which is obtained by deducting the number of treasury shares

owned by the Target as of August 31, 2020 (3,653,817 shares) from the total number of issued shares of the Target as of the same date (42,609,104 shares), both as indicated in the Earnings Briefing).

(Note 3) "Ownership ratio of share certificates before Tender Offer" and "Ownership ratio of share certificates after Tender Offer" are both rounded to the nearest hundredth.

(7) Aggregate Tender Offer Price: 214,253,528,500 yen (planned)

(Note) The aggregate Tender Offer Price indicated above is calculated by multiplying the planned purchase quantity (38,955,187 shares) as described in "(5) Number of share certificates to be purchased" by the Tender Offer Price (5,500 yen per share). Due to the reasons including any change in the number of shares occurring after the date of this Press Release, the aggregate Tender Offer Price may change, if the actual number of planned purchase quantity in the Tender offer changes.

(8) Other conditions and methods of purchase

(I) Conditions set forth in each item of Article 27-13(4) of the Act, and detail of such conditions

The Company will not purchase all of the Tendered Share Certificates, if the total number of the Tendered Share Certificates is less than the minimum planned purchase quantity (19,477,600 shares). The Company will purchase all of the Tendered Share Certificates, if the total number of the Tendered Share Certificates is no less than the minimum planned purchase quantity (19,477,600 shares).

(II) Other

The method of settlement, the date of public notice of the commencement of the Tender Offer, and other conditions and methods for purchase will be announced as soon as they are determined. The Company plans to appoint Daiwa Securities as the tender offer agent.

3. Management Policy Following Completion of the Tender Offer and Future Outlook

For the management policy following the Tender Offer, please refer to "(3) Management policy after the Tender Offer," "(4) Policy regarding reorganization following completion of the Tender Offer (so-called 'two-step acquisition')," and "(5) Possibility of delisting and reasons thereof" under "1. Purpose of Tender Offer" above.

The effect of the Tender Offer on the earnings forecast for the current fiscal year is currently under scrutiny, and in the future, if there is a need to revise the earnings forecast or if there are any matters to be disclosed, the Company will promptly disclose any such information.

4. Other Information

(1) Agreements between the Tender Offeror and the Target or its officers and the detail of such agreements

Not applicable.

(2) Other information deemed necessary for investors to judge whether or not to accept the tender offer

(I) Release of "Earnings Briefing for the fiscal year ended August 2020 (Japanese GAAP) (Non-consolidated)"

The Target released the Earnings Briefing ("Earnings Briefing for the fiscal year ended August 2020 (Japanese GAAP) (Non-consolidated)") as of October 2, 2020, which is summarized below. Please note that the information contained therein has not been audited by the audit firm in accordance with the provisions of Article 193-2, Paragraph 1 of the Act. The following summary is an excerpt from the information released by the Target. For details, please refer to the content of the release.

(a) Status of profit and loss

Fiscal year/month	Fiscal year ended August 2020 (Non-consolidated)
Sales	146,694 million yen
Cost of sales	97,251 million yen
Selling, general and administrative expenses	46,691 million yen
Operating profit	9,598 million yen
Ordinary profit	10,094 million yen
Net profit	6,422 million yen

(b) Status per share

Fiscal year/month	Fiscal year ended August 2020 (Non-consolidated)
Net profit per share	156.80 yen
Dividend per share	50.00 yen
Net asset value per share	4,661.36 yen

(II) Release of "Announcement of revised dividend forecast for the fiscal year ending August 2020"

The Target resolved at the meeting of its board of directors held on October 2, 2020, to revise the dividend forecast for the fiscal year ended August 2020 that had been released on July 9, 2020 and not to pay any year-end dividend for the fiscal year. For details, please refer to the "Announcement of revised dividend forecast for the fiscal year ending August 2020" released by the Target on October 2, 2020.

- 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 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.
- 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) and Section 14(d) the Securities Exchange Act of 1934 (as amended; “Securities Exchange Act”) and 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 financial information in this press release are equivalent to financial statements of companies in the United States. 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 all 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.
- The financial advisor of the Tender Offeror or the Target and their respective affiliates may, within their ordinary course of business, purchase, or conduct any act toward the purchase of, the shares of the common stock of the Target for their own account or for their customers’ accounts outside the Tender Offer prior to the commencement of, or during, the period of the Tender Offer, etc. in accordance with the requirements of Rule 14e-5(b) under the Securities Exchange Act to the extent permissible under the Financial Instruments and Exchange Act and other applicable laws and regulations in Japan. If any information concerning such purchase is disclosed in Japan, the disclosure of such information will be made in the United States in a similar manner.
- All the procedures in connection with the Tender Offer shall be taken in the Japanese language. While a part or all of the documents in connection with the Tender Offer may be prepared in English, the Japanese documents shall prevail in case of any discrepancies between Japanese documents and corresponding English documents.
- 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 Securities Exchange Act. The actual results may be significantly 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 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 the future events or circumstances.

- 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.

Nitori Holdings Co., Ltd.



Proposal to Shimachu Co., Ltd. for management integration and becoming a wholly-owned subsidiary through the tender offer.

October 29, 2020

Nitori Holdings Co., Ltd.

TSE, First Section, SSE (9843)

Proposal to the Board of Directors and the Special Committee of Shimachu Co., Ltd. for a management integration and becoming a wholly-owned subsidiary through the tender offer (the “Tender Offer”).

- We (the “Tender Offeror”, “Company” or “Nitori”) have long considered entering the home improvement industry through mergers and acquisitions. Given the recent COVID-19 developments, we believe that customers’ awareness of “residence” and lifestyles have changed, and the demands of customers who pursue “prosperous home living” have become apparent. In addition to the sale of furniture and interior products that Nitori and its group companies (the “Company Group” or “Nitori Group”) has marketed for many years, we believe that by offering a wider range of products to customers, we can enrich their lives even more.
- On September 18, 2020, it was reported that Shimachu Co., Ltd. (“Shimachu”) was considering to be a subsidiary of DCM Holdings Corporation (“DCM”) by way of a tender offer which led to our consideration of a business integration with Shimachu. As a result, we believe that welcoming Shimachu to Nitori Group will not only enable our Company to (1) enter new business areas in the home improvement industry, but also that (2) it will enable Shimachu to utilize the experience and strengths of our “Manufacturing, Logistics, IT and Retail Sales” since the various fields that Shimachu has already been working on are in common with those Nitori Group has cultivated to date, and therefore this will make a significant contribution to the expansion and development of both companies and maximize the corporate value of both companies.
- We believe that management integration through the Tender Offer and the acquisition of Shimachu as a wholly owned subsidiary will enable the two companies to work together to realize synergies, expand the scope of business further into home improvement products and general products in addition to existing furniture and interior products, and provide comprehensive services related to housing to customers, enabling the development of businesses that respond to various lifestyles of customers.
- The offer price of the Tender Offer (the “Tender Offer Price”) is JPY 5,500 per share which is set higher than the tender offer price (JPY 4,200 per share) for the tender offer by DCM, and Nitori believes that our offer is more attractive to Shimachu and its shareholders.
- In light of the fact that the Shimachu Board of Directors and the Shimachu Special Committee have expressed their willingness to accept competitive proposals, Nitori will submit proposals in a manner consistent with the process.
- In order to ensure that the Board of Directors and the Special Committee of Shimachu correctly understand our Company's proposal and agree with the Tender Offer, Nitori would like to have the opportunity to explain Nitori's proposal to the Board of Directors and the Special Committee of Shimachu, and we would like to do so as soon as possible.
- Nitori believes that the management integration between Shimachu and Nitori will generate synergies in both of Shimachu and Nitori, thereby maximizing corporate value for both companies.

Overview

Trade Name	Nitori Holdings Co., Ltd.
Head Office	1-2-39 Shinkotoni 7-jo, Kita-ku, Sapporo-shi
Representative	President and CEO Akio Nitori
	President and COO Toshiyuki Shirai
Capital	JPY 13.37 billion
Net sales Year ended Feb 2020	Consolidated: JPY 642,273 M Non-consolidated: JPY 30,411 M
Listed Stock Exchange	TSE, First Section and SSE (9843)
Employees As of Feb. 2020	Consolidated: 14,337 Non-consolidated: 558
Group Companies	Consolidated subsidiaries: 25 Equity affiliate: 1

Business

Manufacture and sale of furniture and interior products
Has a total of 607 stores in Japan and overseas. Handles everything from manufacturing to distribution and sales.

History

1967	Established as Nitori Furniture Store
1972	Founded as Nitori Furniture Wholesale Center Co., Ltd.
1978	Changed its trade name to Nitori Furniture Co., Ltd.
1986	Direct import of overseas products started Changed its trade name to Nitori Co., Ltd.
1989	Listed on the Sapporo Stock Exchange.
2002	Listed on the Tokyo Stock Exchange
2003	Achieved sales of 100 billion yen
2004	Entered the E-commerce market
2007	The first overseas store opened in Kaohsiung, Taiwan
2010	Switched to a holding company system and changed its trade name to Nitori Holdings Co., Ltd.
2013	Opened the first stores in the United States
2014	Started distributing Nitori Smartphone App Opened the first stores in China

Mission Statement

Enriching homes around the World

Vision Statement

1973-2002

First 30-Year Vision Statement

100 stores and JPY 100 billion in sales

2003-2032

Second 30-Year Vision Statement

3,000 stores / JPY 3 trillion in net sales

2003	Achieved 100 stores and JPY 100 billion in net sales
2009	Achieved 200 stores and JPY 200 billion in net sales
2012	Achieved 300 stores and JPY 340 billion in net sales
2017	Achieved 500 stores and JPY 550 billion in net sales Start to address transformation of Japanese lifestyles and global chain development
2022	1,000 stores and JPY 1 trillion in sales
2032	3,000 stores and JPY 3 trillion in sales

Continually striving to achieve our vision statement based on our mission to enrich homes around the World.

Here at Nitori Group, we have a mission statement of “Enriching homes around the World.” That vision is shared by each one of our employees, as this is the cornerstone of how we behave as a company. We are also committed to devoting all of our energy to achieve our long-term vision statement.

Issues to be Addressed by Nitori

Establish the path for the group's growth and take on new challenges

Offer products, stores and services for prosperous living

Reform the organization and structure that supports the global chain

New Potential from management integration between Shimachu and Nitori

Enable to provide a wider range of products

Shimachu can utilize the experience and strengths of Nitori Group's "Manufacturing, Logistics, IT and Retail Sales"

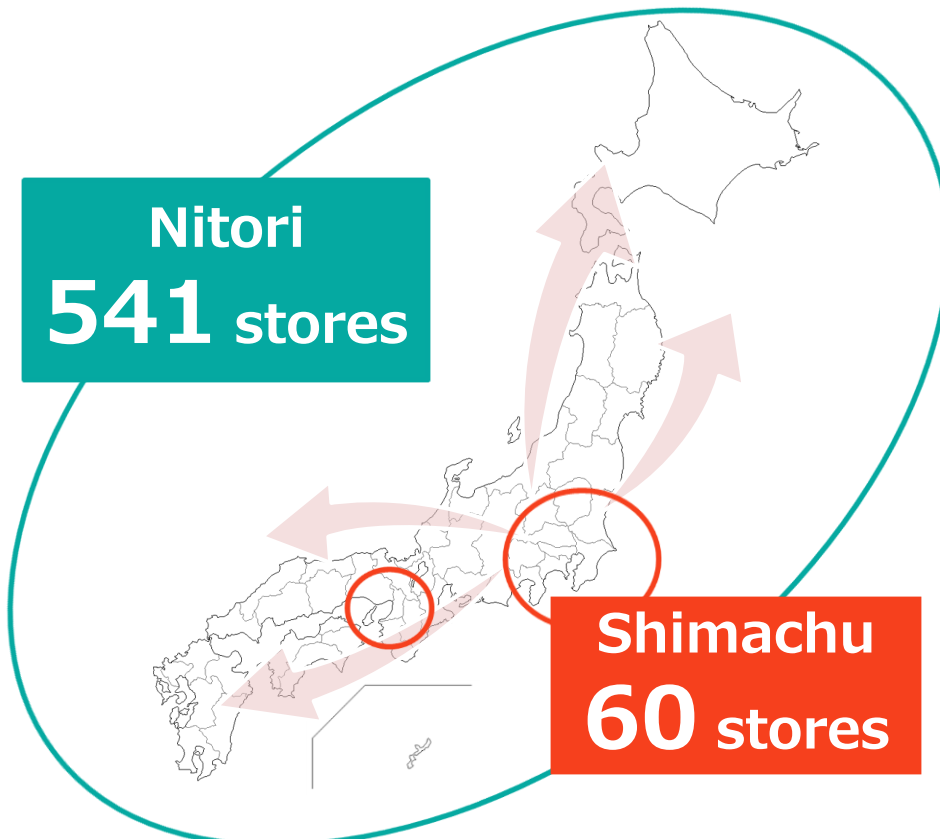
Strong collaboration between the two companies enables synergy, provides comprehensive services related to housing to customers, realizing the development of businesses that responds to various lifestyles of customers.

We believe that management integration with Shimachu through the Tender Offer and becoming a wholly owned subsidiary will maximize corporate value of both companies

- 1** Expanding sales opportunities for high-quality furniture and contributing to realization of enriched lifestyles for a wider range of customers by expansion of Shimachu's stores nationwide
- 2** Expansion of sales by mutual supplementation between Shimachu's home center (HC) products with Nitori's home fashion (HFa) products, and improvement of profit margin by the sharing of knowhow on the development of private brand (PB) products
- 3** Reduction of costs and improvement of asset efficiency through joint use of logistics functions
- 4** Acceleration of cost reduction and improvement by the provision of function and knowhow pertaining to the various supply chains possessed by Nitori Group in its capacity as a "Manufacturing, Logistics, IT and Retail Sales".
- 5** Pursuit of synergy with the Nitori Mall business and Deco Home businesses
- 6** Mutual opening of "shop in shop" stores in the Tokyo metropolitan and central areas, and strategic opening of stores in wider areas
- 7** Bolstering of e-commerce sales structure
- 8** Acquisition of mutual and new customers through the adoption of a shared reward points system
- 9** Sale of the Shimachu's products in overseas stores and realization of future overseas store openings

① Expanding sales opportunities and range of customers by expansion of Shimachu's stores nationwide

- Shimachu's carefully selected furniture... set at a higher price range than those of the Nitori's, and have received strong and enduring support from many customers
- Shimachu's furniture set as a different price range from Nitori will continue
- A nationwide deployment of Shimachu's product will contribute to the realization of even more enriched lifestyles for customers to meet their various needs



Shimachu will be able to utilize nationwide Nitori's

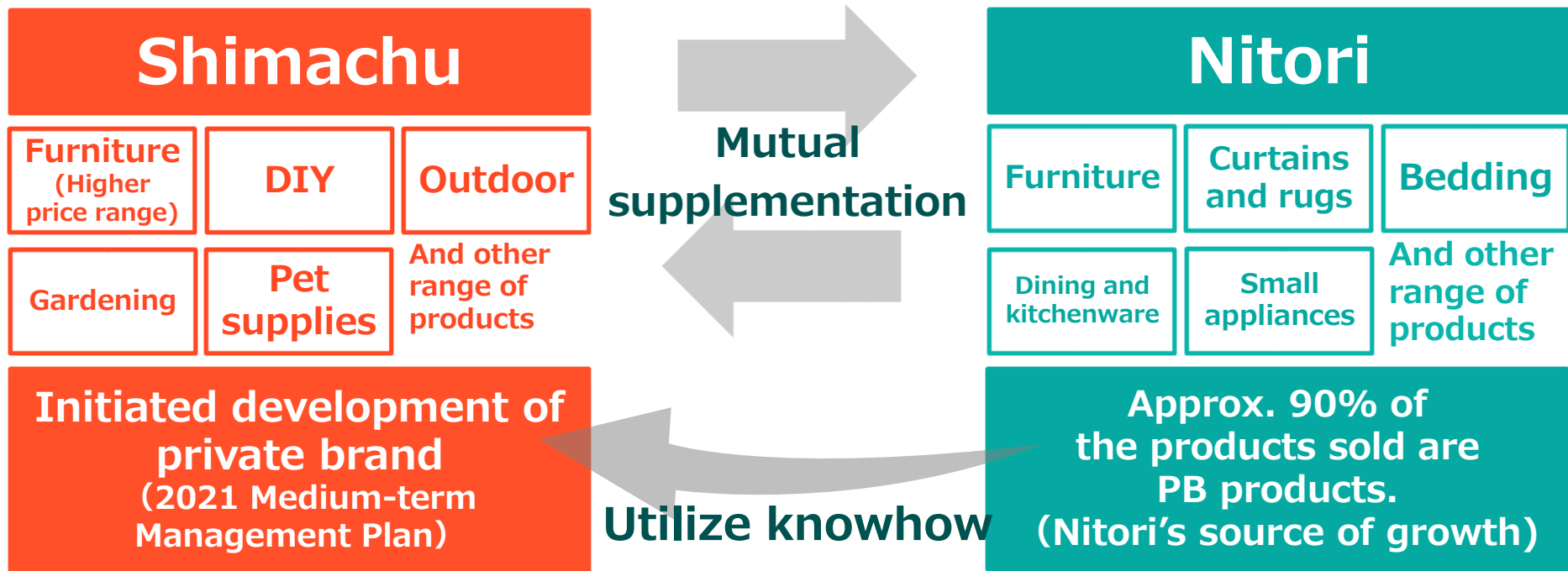
- **Store development capabilities**
- **E-commerce**
- **Furniture distribution networks**

Note. The number of Nitori stores is the number of domestic branches out of all stores as of the end of February 2020 (607 Stores). The number of Shimachu stores is based on Nitori's Home Page, as of October 27, 2020.

- ② Expansion of sales by mutual supplementation between Shimachu's home center products with Nitori's home fashion products, and improvement of profit margin by the sharing of knowhow on the development of private brand products



- The complementary products of both companies will make it possible to meet customers' needs for both exterior and interior living environments, contributing to the increase in revenue of both companies' preexisting stores.
- By utilizing the Nitori's PB development knowhow, it will become possible to further accelerate Shimachu's PB development efforts.
- The combination of the Nitori's product development capabilities and the knowhow of the Shimachu in the field of home center products development will make possible the creation of even more novel and attractive PB products by both companies, which will exceed the expectations of the customers.



Increase in revenue of both companies' preexisting stores

③ Reduction of costs and improvement of asset efficiency through joint use of logistics functions



- Nitori manages and operates all logistics on its own in order to achieve both cost efficiency and speed.
- With the addition of Shimachu's existing store network and logistics base to the distribution network possessed by Nitori, it will be able to build a more efficient logistics network
- By combining the both companies' volume of goods, the companies could enjoy a larger economic effect and Shimachu's logistics costs can be reduced while experiencing a more frequent product transfer.

Nitori Group's logistic system: Last mile furniture distribution network



Joint use of logistics functions will improve efficiency of transportation

+

Expand customer base and increase customer satisfaction

④ Acceleration of cost reduction and improvement by the provision of various supply chains possessed by Nitori

Nitori's unique vertically integrated supply chain

**“Manufacturing, Logistics,
IT and Retail Sales”**



Through firmly linking, and sharing this supply chain with Shimachu, Shimachu will enjoy

- **improvement of profitability by the Nitori's utilization of its overseas supplier**
- **cost reduction by joint procurement of materials**
- **cost-effective advertisement and promotional activities**

⑤ Pursuit of synergy with the Nitori Mall and Deco Home businesses

- Shimachu has been taking aggressive measures including the introduction of a varied range of tenants, the development of franchising businesses and expansion its stores in densely populated areas.
- Nitori Group has also been taking measures, including the development of the Nitori Mall business and the Deco Home business that attracted a variety of tenants and developed alternative operational styles suitable for densely populated areas.
- By sharing Nitori's know-how of expanding stores and the relationships built between potential tenant companies with Shimachu, it will be able to improve the speed of Shimachu's business development.



Nitori Mall business:

Operation of shopping mall (a shopping mall that focuses on specialty stores including Nitori)



Deco Home business:

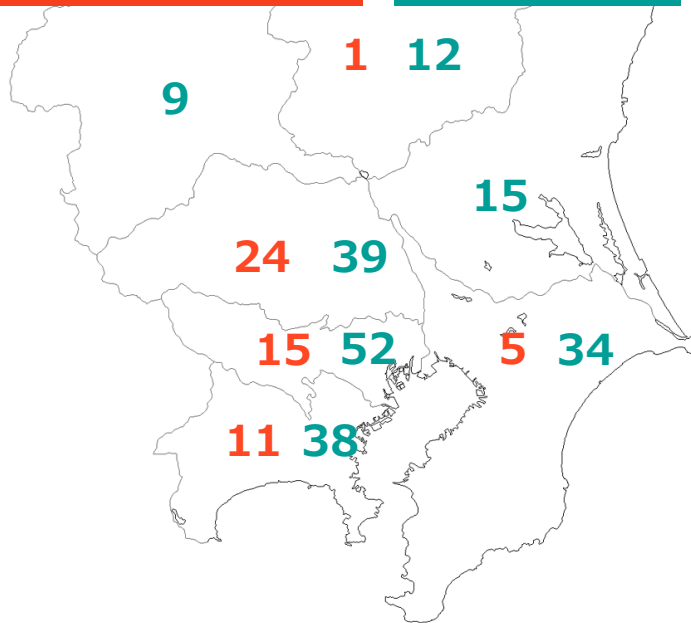
A small-scale home fashion stores business with a goal of creating stores where customer can drop by every day, with a variety of popular basic items mainly for daily necessities

⑥ Mutual opening of Shop in Shop stores in the Tokyo metropolitan area and other urban areas, and strategic opening of stores in wider areas

- Shimachu's understanding is that in light of the demographic trends in Japan, making efforts towards opening new stores in the Tokyo metropolitan and other urban areas is a key issue.
- Nitori has been one of the first in the home improvement retail and furniture sectors to promote the opening of stores in urban areas, beginning with the opening of a store in Printemps Ginza (currently known as Marronnier Gate Ginza 2) in 2015.

Number of Shimachu stores

Number of Nitori stores



Unique business model of “Manufacturing, Logistics, IT and Retail Sales”

- By making use of Nitori's business infrastructure, Shimachu will be able to open stores in various forms that are not tied to its own properties.
- Shimachu will be able to open stores in a wider range of areas, not only in the Tokyo metropolitan areas but also in various regions throughout Japan, as a brand that provides high-quality furniture within a price range different to that of Nitori's and Shimachu will be able to realize further growth even in the shrinking domestic market.

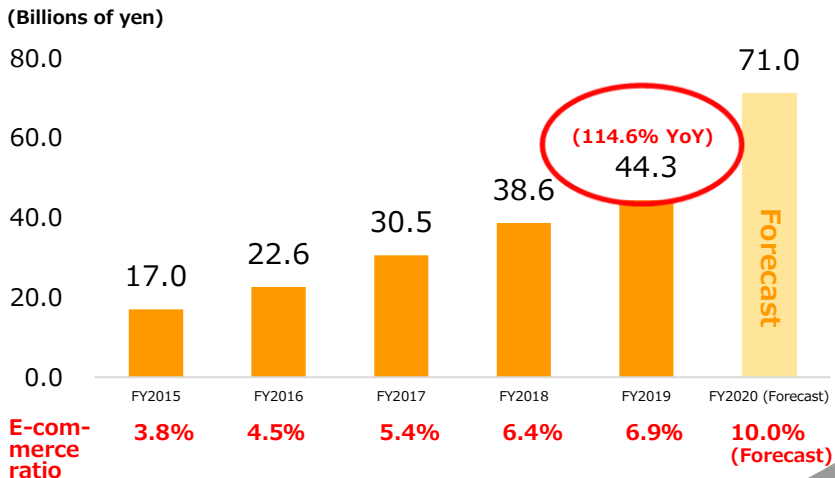
Note. The number of Shimachu stores is based on its homepage as of October 27, 2020

⑦ Bolstering of e-commerce sales structure

- Shimachu is currently selling furniture and interior products through e-commerce.
- With a focus on its own Nitori Net, Nitori sells a wider range of products in e-commerce than at its offline stores. The total number of members, including Nitori Card members, app members and Nitori Net members, is around 40 million. In recent years, Nitori has been actively promoting transfer to and new subscriptions for the app membership program.
- Sharing Nitori's e-commerce foundations will further strengthen Shimachu's e-commerce operations framework.

E-commerce sales: 44.3 billion yen

E-commerce demand surged under the COVID-19 pandemic.



E-commerce ratio

Total number of Nitori members
Approx. **40.0 million**

Enhanced promotion of the transfer to and new subscriptions for the app membership program underway

Nitori's e-commerce foundations

Number of app members: 7.8 million
FY2020 target number: 9.0 million

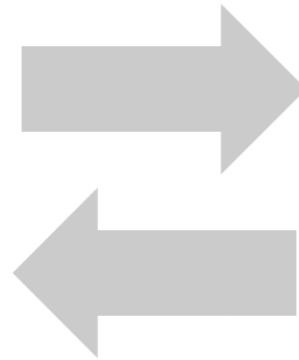


Post-merger mutual product complementation will enable us to introduce a wider range of products to customers at a lower prices through e-commerce channels.

⑧ Acquisition of mutual and new customers through the adoption of a shared reward points system

- Nitori has developed its Nitori Card, app, and Nitori Net online membership systems, and a total of approx. 40 million people have become members
- Nitori has adopted a unique points reward system, which gives customers the opportunity to purchase products at discounted prices, and has been well received. Nitori believes that the introduction of shared reward points will lead to the introduction of both companies' products to customers of both, at more reasonable prices.

Shimachu
Shimaho Net
Subscribers



Nitori
Number of Nitori Membership
Subscribers

Approx. **40 M**
App Subscribers

Approx. **7.8 M**

Target in the fiscal year ended February 2021 9.0M

Acquisition of mutual and new customers through the adoption of a shared reward points system

⑨ Sale of the Shimachu's products in overseas stores and realization of future overseas store openings

- Nitori opened its first overseas store in Taiwan in 2007, and has since continued its expansion into overseas markets. As of the end of the fiscal year ended February 2020, Nitori has 66 overseas stores, mainly in Asia.
- As the domestic market shrinks, Shimachu will be able to utilize Nitori Group's overseas development know-how to strive towards medium to long-term growth.



Shimachu will be able to utilize the overseas development know-how to strive towards medium to long-term growth overseas.

Key figures related to synergies proposed by Nitori (Summary)



	Shimachu	Nitori	Note
Number of stores in Japan (room for expansion)	60	541	Management integration will make possible to increase sales at existing stores of both companies
Private brand (PB) strategy (growth driver)	Started developing PBs	PBs make up approx. 90% of products handled	
Operating profit to net sales ratio (cost reduction)	6.1%	16.7%	TSE 1st Section retail trade average: 5.0%
ROA (asset efficiency improvement)	2.5%	11.0%	TSE 1st Section retail trade average: 2.5%
Membership foundation Number of members in the e-commerce customer base	Shimaho Net	Total number of members: Approx. 40.0 million Number of app members: 7.8 million FY2020 target number: 9.0 million	
Overseas expansion	-	66 stores	

Note. The Operating profit ratio and ROA of each company are calculated by the Company from the immediately preceding annual securities report. Our Company calculated the TSE First Section retail average from SPEEDA. The number of Shimachu stores is in accordance with the number released on its website as of October 27, 2020.

Major Conditions of the Tender Offer



Tender Offeror	Nitori Holdings Co., Ltd. (Securities Code: 9843 First Section of TSE, SSE)			
Target	Shimachu Co., Ltd. (Securities Code: 8184 First Section of TSE)			
Tender Offer Period (Planned)	Scheduled to start from Mid-November, 2020 (Planned) (30 business days (Planned))			
Commencement Date of Settlement (Planned)	To be decided (however, if commenced in mid-Nov 2020, commencement date of settlement will be scheduled for Dec 2020 or Jan 2021)			
Tender Offer Price	5,500 yen per share			
Premium	Reference date I: 9/18	Closing Price: 91.10%	Reference date II: 10/28	Closing Price: 12.47%
		Average over Past one month: 88.10%		Average over Past one month: 28.93%
		Average over Past three months: 86.76%		Average over Past three months: 60.26%
		Average over Past six months: 93.05%		Average over Past six months: 74.22%
Minimum Planned Purchase Quantity	50.00%			
Maximum Planned Purchase Quantity	Not Set Forth			
Aggregate Tender Offer Price	214,253,528,500 yen (using borrowing from Mizuho Bank, Ltd. and its own funds)			
Tender Offer Agent	Daiwa Securities Co., Ltd.			

Note: See page 27 for Conditions of Tender Offer.

To be decided (however, if commenced in mid-Nov 2020, commencement date of settlement will be scheduled for Dec 2020 or Jan 2021)

5,500 yen per share

Reference date I: 9/18	Closing Price: 91.10%	Reference date II: 10/28	Closing Price: 12.47%
	Average over Past one month: 88.10%		Average over Past one month: 28.93%
	Average over Past three months: 86.76%		Average over Past three months: 60.26%
	Average over Past six months: 93.05%		Average over Past six months: 74.22%

50.00%

Not Set Forth

214,253,528,500 yen (using borrowing from Mizuho Bank, Ltd. and its own funds)

Daiwa Securities Co., Ltd.

Attractive Premium Level – Comparison with share price–

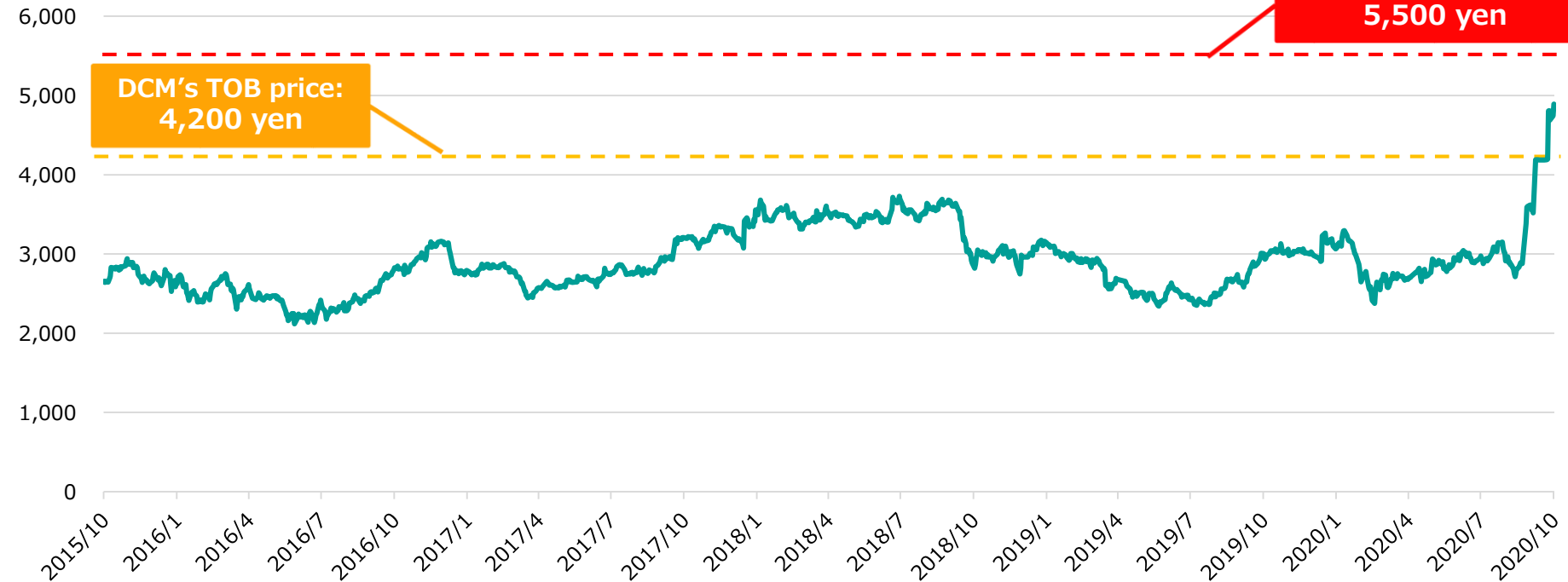


Tender Offer Price: 5,500 yen per share

	Share price of Shimachu	Premium
Trade date nearest to the date of media report of DCM's tender offer (Sep. 18, 2020)	2,878 yen	91.10%
Monthly average (Aug. 18, 2020 to Sep. 18, 2020)	2,924 yen	88.10%

Share price of Shimachu for the past five years

(Closing stock price: yen)



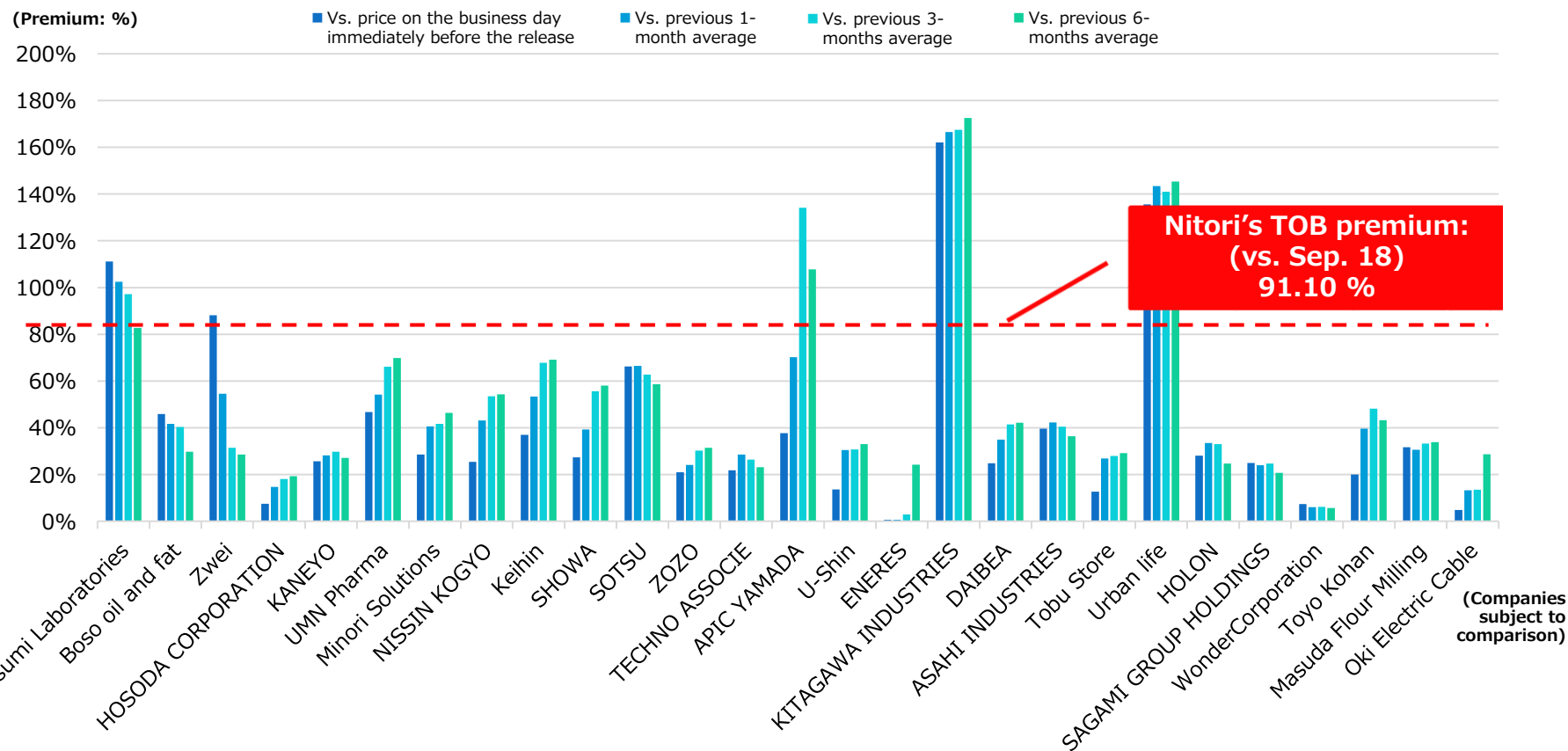
Note. Information from Bloomberg. October 28, 2015 – October 28, 2020

Attractive Premium Level

-Comparison with similar tender offer cases-



Comparison with similar tender offer cases (past 3 years)



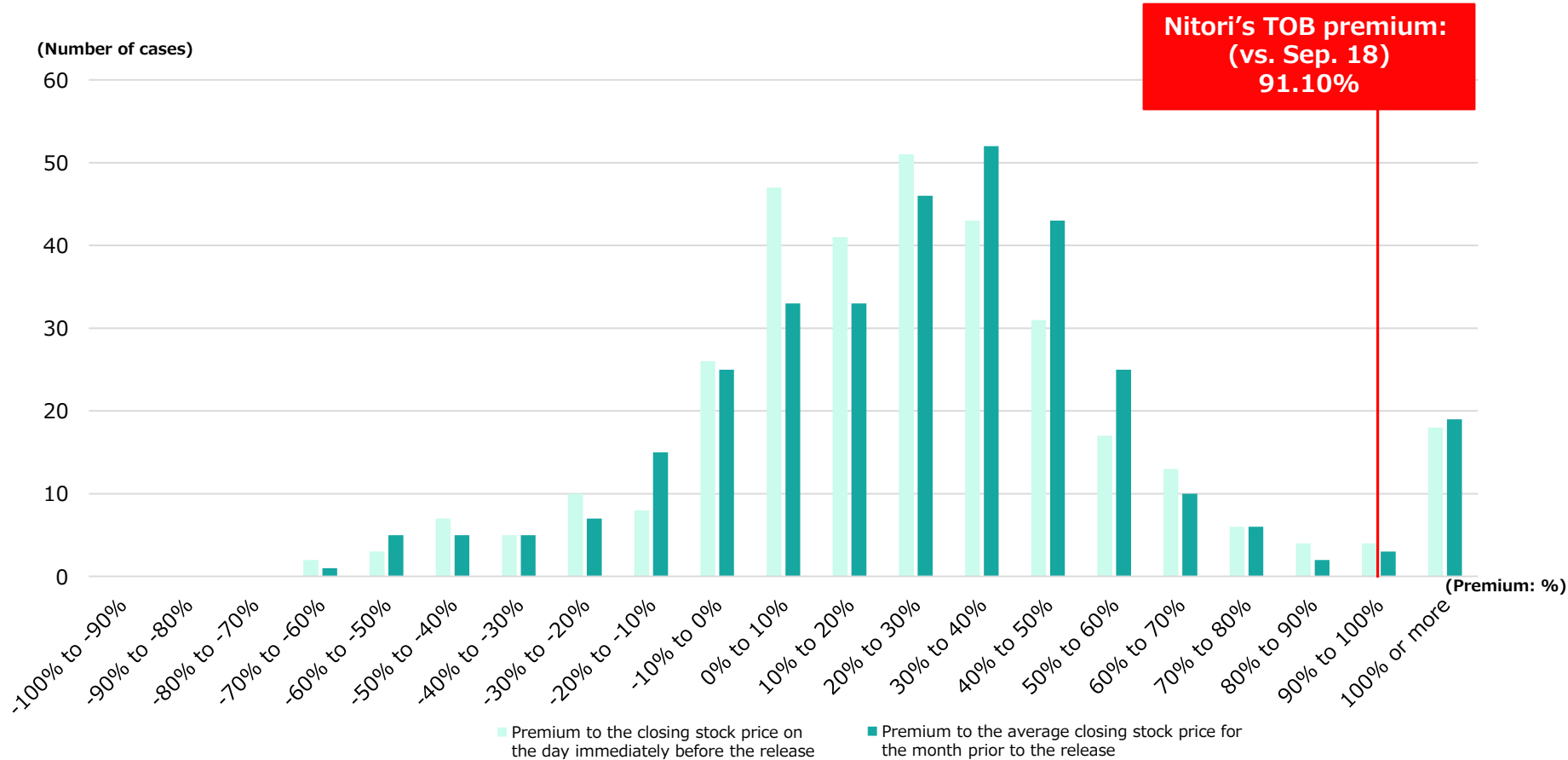
Note. Similar tender offer cases published in the last 3 years (Sep. 2017- Sep. 2020), completed the purchase and meet the all of following conditions are shown: (1) tender offeror is a listed company, (2) target is a listed company, (3) is not an acquisition of shares by an issuing company, (4) ownership of voting rights before tender offer is less than 50%, (5) ownership of voting rights after tender offer is more than 50%, (6) TOB price is not a discount price.

(Source) Press releases of the companies, calculated by using SPEEDA

Attractive Premium Level -TOB cases in the past 10 years-



TOB premium in the last 10 years



Note. TOB cases published in the last 10 years (Oct. 2010-Oct. 2020) and meet all of the following conditions are shown: (1) target is a listed company, (2) is not an acquisition of shares by an issuing company, (3) is not generally recognized as an MBO (Management Buyout)

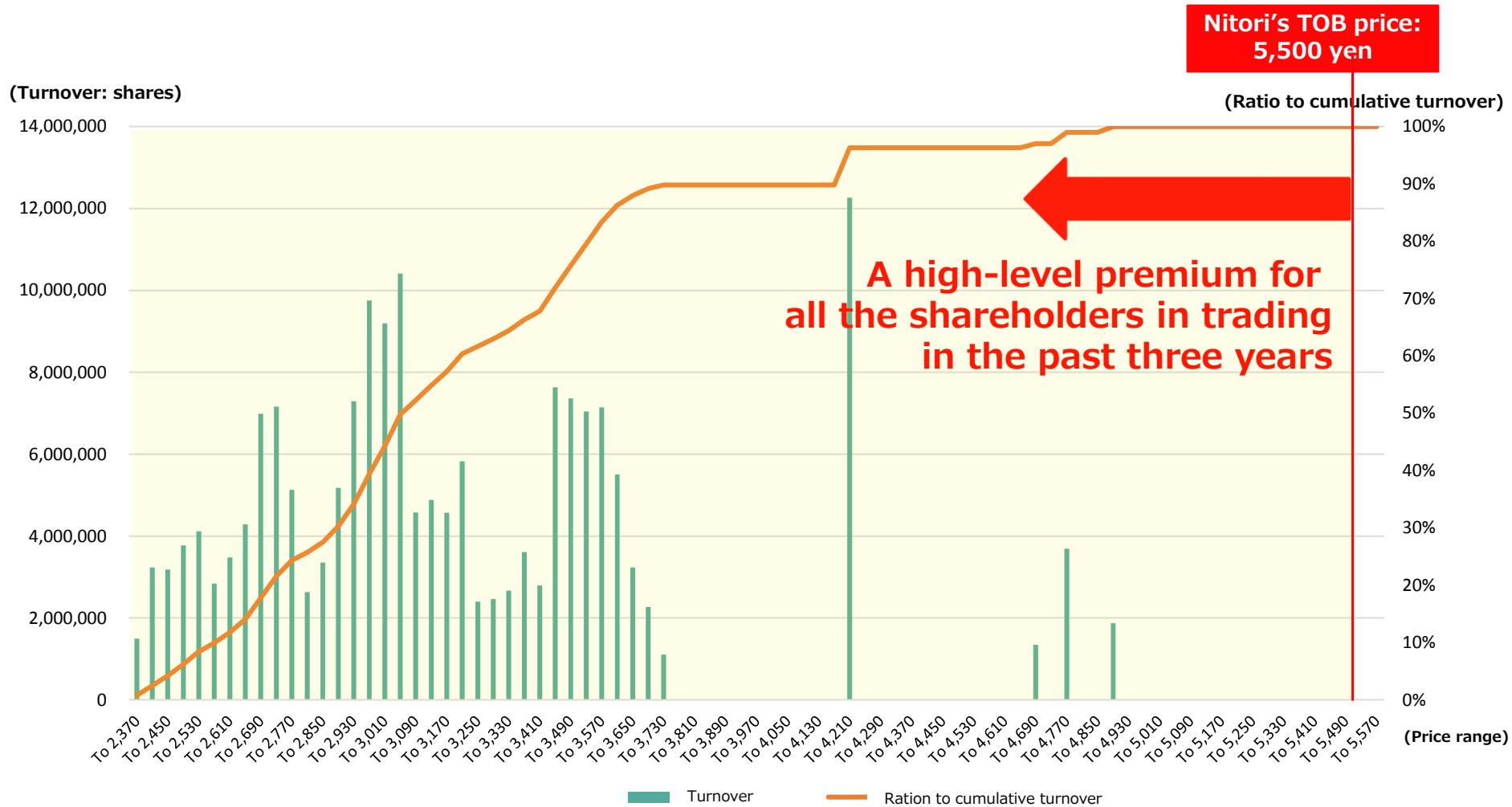
(Source) Press releases of the companies, calculated by using SPEEDA

Attractive Premium Level

-Cumulative share volume ratio according to price range-



Cumulative share volume ratio according to price range in the last 3 years



Note. Calculated from share price (VWAP:Volume Weighted Average Price) and share volume from Oct. 24, 2017-Oct. 23, 2020

(Source) Bloomberg

- **Comparison of Nitori/DCM proposal**
- **Condition of Tender Offer by Nitori**
- **Reference Index**

Comparison Between Nitori/DCM (1)



	Nitori	DCM
TOB Price	5,500 yen per share	4,200 yen per share
TOB Period	Scheduled to commence around mid November of 2020 (30 business days (Planned))	From October 5 (Monday), 2020 to November 16 (Monday), 2020 (30 business days)
Minimum Planned Purchase Quantity	50.00%	50.00%
Maximum Planned Purchase Quantity	Not Set Forth	Not Set Forth
Tender Offer Agent	Daiwa Securities Co. Ltd.	SMBC Nikko Securities Inc.

Comparison Between Nitori/DCM (2)



	Nitori	DCM
Matters regarding two-step acquisition	<p>Plans to make Shimachu a wholly owned subsidiary after the completion of the Tender Offer</p> <ul style="list-style-type: none">■ If Nitori acquires 9/10th or more of the voting rights in the TOB, Nitori plans to request Shimachu shareholders who did not tender their shares to sell their shares (Demand for Sale of Shares)■ If Nitori fails to acquire 9/10th of the voting rights in the TOB, Nitori plans to request Shimachu to hold an extraordinary shareholder meeting to carry out share consolidation (Share Consolidation)	Same as Nitori
Management structure after TOB	<ul style="list-style-type: none">■ Nitori has offered the Board of Directors and the Special Committee of Shimachu that it will make a decision upon consultation■ Since Nitori wishes to discuss with Shimachu and decide on specific details after consultation with Shimachu, at the moment, Nitori has no specific plan to change the current management structure and the employment and terms thereof of Shimachu	DCM will appoint 1 director of Shimachu (Shimachu will appoint 2 directors of DCM)
Employment		Will retain employment of employees for at least 3 years

Comparison Between Nitori/DCM (3)



Nitori

<Synergy>

1. Expanding sales opportunities for high-quality furniture and contributing to the realization of enriched lifestyles for a wider range of customers by the expansion of Shimachu's stores nationwide
2. Expansion of sales by mutual supplementation between the Shimachu's home center (HC) products with Nitori's home fashion (HFa) products, and improvement of profit margin by the sharing of know-how on the development of private brand (PB) products
3. Reduction of costs and improvement of asset efficiency through joint use of logistics functions
4. Acceleration of cost reduction and improvement by the provision of function and know-how pertaining to the various supply chains possessed by Nitori Group in its capacity as a "Manufacturing, Logistics, IT and Retail Sale" business
5. Pursuit of synergy with the Nitori Mall and Deco Home businesses
6. Mutual opening of "Shop in Shop" stores in the Tokyo metropolitan area and other urban areas, and strategic opening of stores in wider areas
7. Bolstering of e-commerce sales structure
8. Acquisition of mutual and new customers through the adoption of a shared reward points system
9. Sale of Shimachu's products in overseas stores and realization of future overseas store openings

DCM

<Synergy>

1. Improvement of sales and profit margins through mutual supply, etc. of PB products
2. Improvement of product development ability
3. Improvement of profit margin utilizing economies of scale
4. Use cross-company membership points to entice customers to visit both companies' stores and attract new customers
5. Cross-company use of business resources and know-how
6. Lower selling and administration costs
7. Coordination and cooperation in EC business

<Planned Business Alliance>

1. Cooperative purchasing of national brand products
2. Sharing of private brand products (including joint development)
3. Provision of the DCM's home-improvement and housing materials to Shimachu
4. Provision of Shimachu's furniture and home fashion products to DCM Group
5. Consolidation of mutual supply chains and logistics, etc.
6. Cooperation and collaboration in EC business
7. Sharing of know-how and other forms of mutual cooperation in the opening of new stores, renovation of existing stores and other management matters
8. Other matters to be separately agreed upon by both DCM and Shimachu

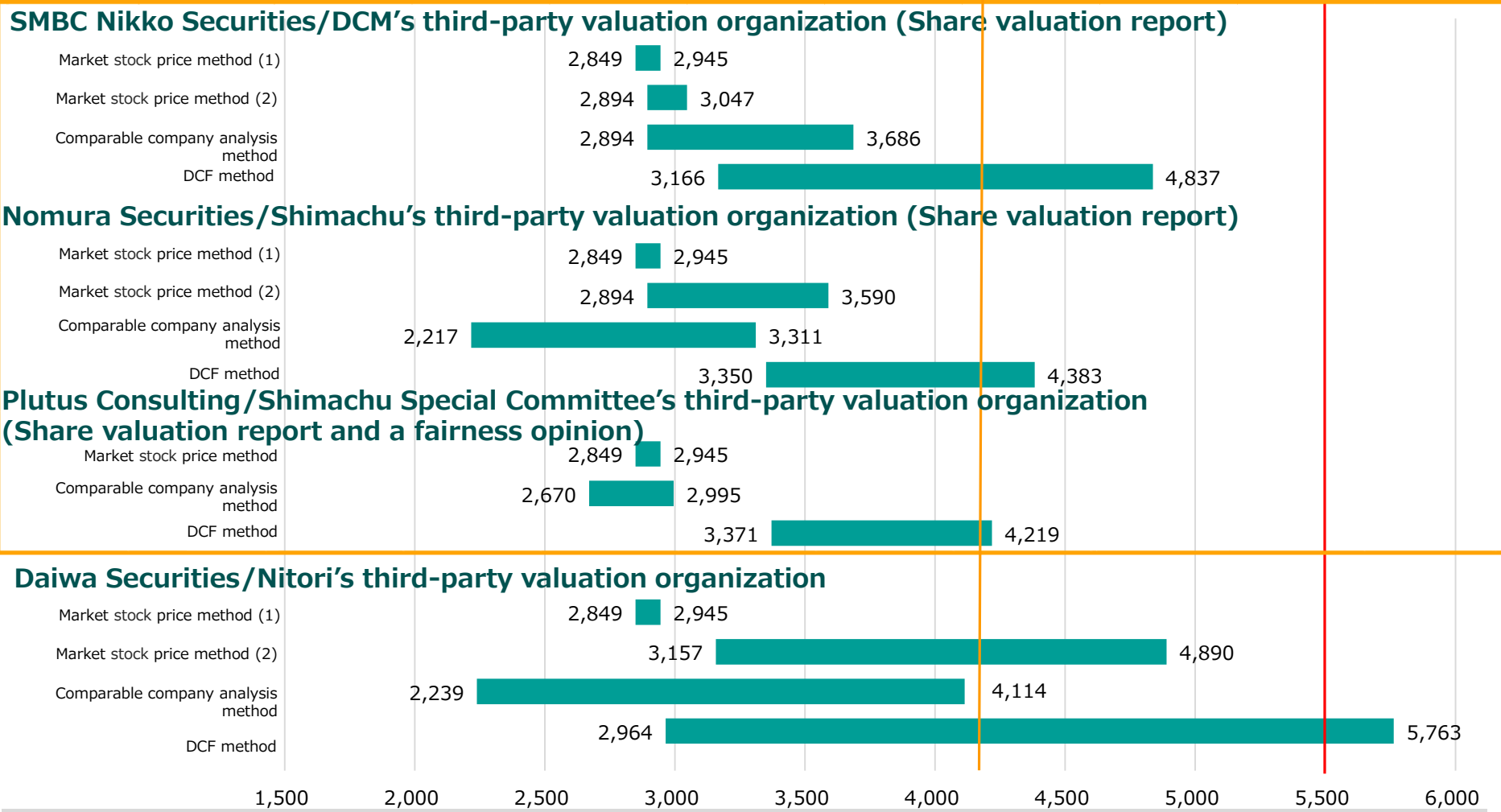
Details of Alliance, synergy effect

Share Value Calculation Result



DCM's TOB price:
4,200 yen

Nitori's TOB price:
5,500 yen



* Shimachu Special Committee obtained a fairness opinion from Plutus Consulting stating that the Tender Offer Price of 4,200 yen per share is fair from a financial perspective

Note. Based on DCM Holding's Tender Offer Registration Statement

Conditions of Tender Offer by Nitori



No material obstacles to the fulfillment of the conditions for the commencement of the Tender Offer by Nitori as of Today

	Details	Understanding of Nitori
License and Approval	<p>The implementation of the Tender Offer does not conflict, in any material respect, with any of the licenses and approvals under applicable laws and regulations or any of the terms and conditions of such licenses and approvals (the "License and Approval"), or violate any of the procedures necessary for the License and Approval, nor is any such conflict or violation reasonably expected to occur (With respect to the expiration of the Non-acquisition Period and the Period for Measures under the Antitrust Act required for the implementation of the Tender Offer, this condition will be deemed to have been satisfied if Nitori determines that these periods are reasonably expected to expire on or before the day preceding the last day of the tender offer period under the Tender Offer).</p>	<p>The obtainment of the License and Approval required for the implementation of the Tender Offer is the expiration of the Non-Acquisition Period and the Period for Measures under the Antitrust Act, and the expiration of these periods can be determined by mid-November at the latest. Therefore, the condition in the left column is expected to be fulfilled.</p>
No grounds for withdrawal	<p>There has occurred no event that would give rise to a material adverse effect on Shimachu's financial status (which means any event justifying withdrawal of a tender offer as provided in the proviso to Article 27-11, Paragraph 1 of the Financial Instruments and Exchange Act).</p>	<p>Nitori is not aware of any grounds for withdrawal and the condition in the left column is expected to be fulfilled.</p>
Non-completion of TOB by DCM	<p>DCM's Tender Offer has not been successfully completed (including a situation where DCM's Tender Offer is continuing).</p>	<p>Nitori aims to commence the Tender Offer before DCM completes its Tender Offer, so the condition in the left column is expected to be fulfilled.</p>

Comparison of Major Management Indices of Nitori/DCM



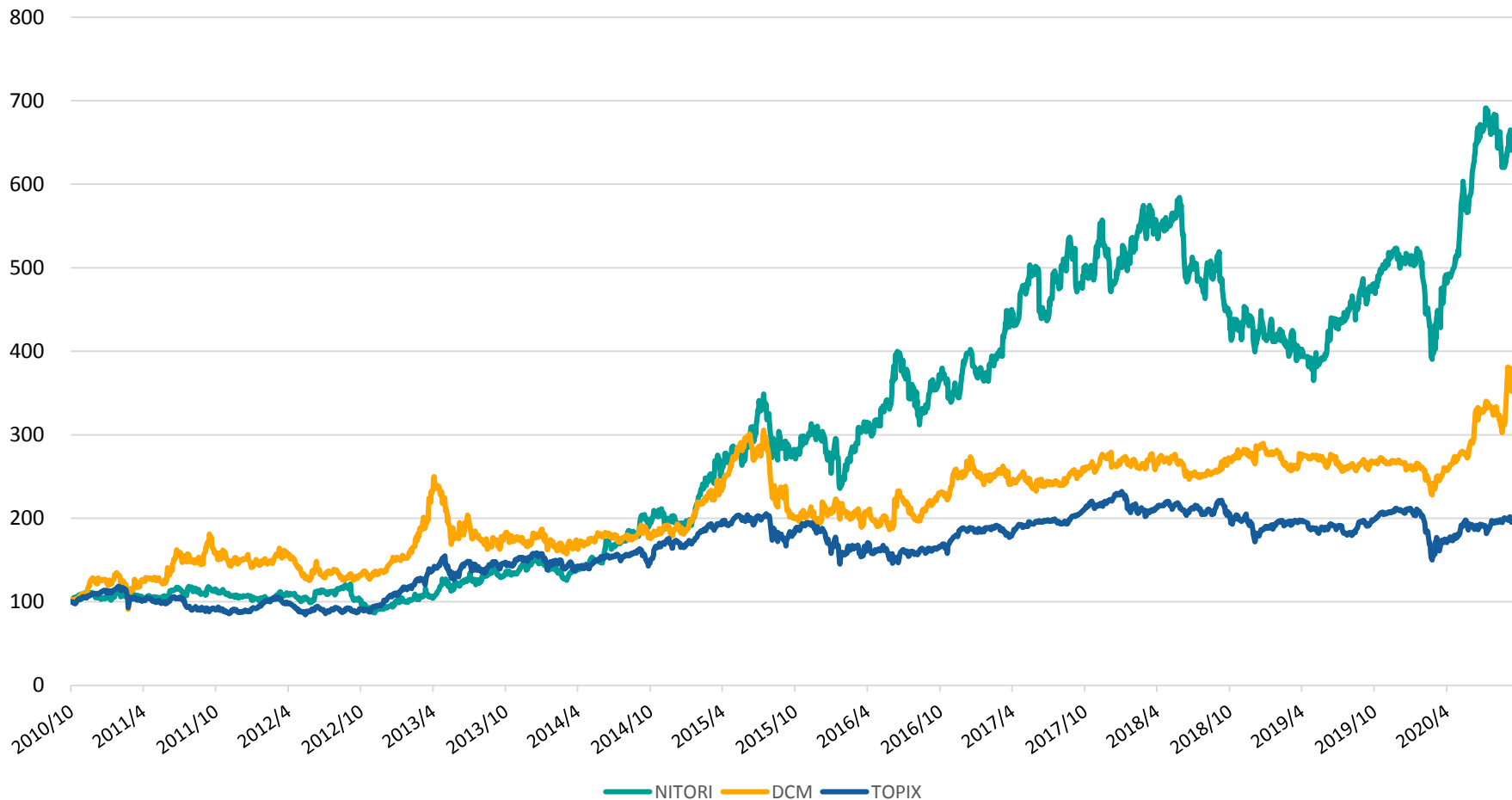
Nitori		DCM	
2,481.1 billion yen	Market value	209.3 billion yen	
642.3 billion yen	Net sales	437.4 billion yen	
107.5 billion yen	Operating income	20.8 billion yen	
71.4 billion yen	Net income	13.8 billion yen	
13.5%	ROE	7.1%	
11.0%	ROA	3.2%	
28.7x	P/E Estimate	10.1x	
4.0x	PBR	0.9x	
607 stores	Number of stores	677 stores	
Approx. 40.0 million Aggregate number of Nitori card members, app members, and Nitori-net members	Number of members	Number of Myvot members: Approx. 3.4 million	

Note. Performance numbers and ROE of each company are based on latest ASR. ROA and PER and PBR is obtained by using SPEEDA, share price is closing price of October 28, 2020, number of DCM stores is based on DCM's financial explanatory materials for the second quarter ending Feb. 2021.

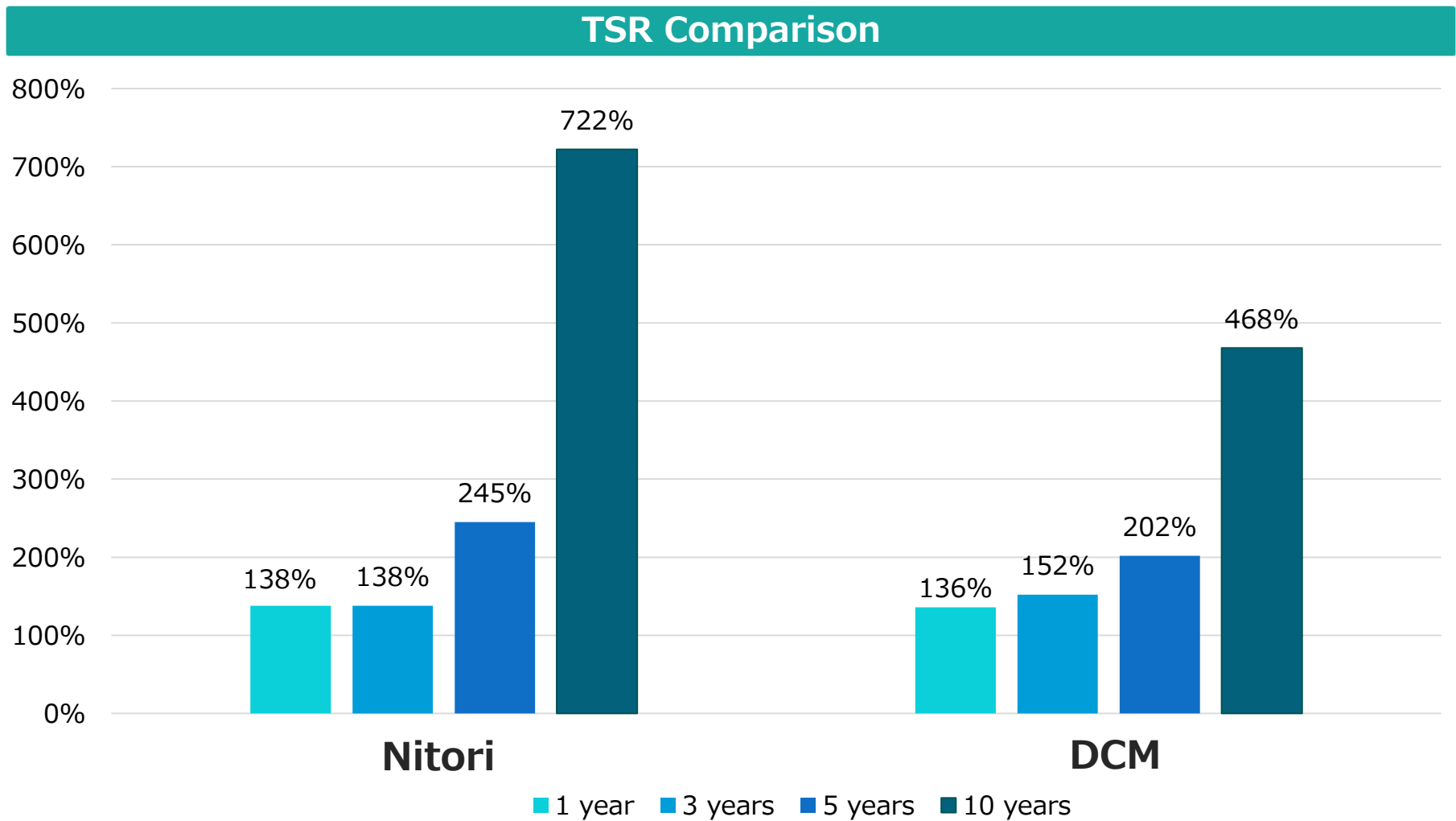
Reference Index: Relative Share Price



Comparison of share price growth rate in the last 10 years



Note. Calculated with October 20, 2010 as 100. Changes from October 20, 2010 to October 20, 2020



Note. Information from Bloomberg. Calculated based on October 13, 2020.

- This presentation is intended to explain the Tender Offer to the Board of Directors of Shimachu and the Shimachu Special Committee and has not been prepared for the purpose of soliciting an offer to sell shares. If shareholders wish to make an offer to sell their shares, they should first read the Tender Offer Explanation Statement concerning the Tender Offer and make an offer to sell their shares at their own discretion. This presentation 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 presentation (or a part of this presentation) nor its distribution shall be interpreted to constitute the basis of any agreement in relation to the Tender Offer, and this presentation may not be relied upon at the time of entering into any such agreement.
- 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) and Section 14(d) the Securities Exchange Act of 1934 (as amended; "Securities Exchange Act") and 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 financial information in this presentation are equivalent to financial statements of companies in the United States. It may be difficult to enforce any right or claim arising under U.S. federal securities laws because the Tender Offeror and Shimachu are incorporated outside the United States and all 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.
- The financial advisor of the Tender Offeror or Shimachu and their respective affiliates may, within their ordinary course of business, purchase, or conduct any act toward the purchase of, the shares of the common stock of Shimachu for their own account or for their customers' accounts outside the Tender Offer prior to the commencement of, or during, the period of the Tender Offer, etc. in accordance with the requirements of Rule 14e-5(b) under the Securities Exchange Act to the extent permissible under the Financial Instruments and Exchange Act and other applicable laws and regulations in Japan. If any information concerning such purchase is disclosed in Japan, the disclosure of such information will be made in the United States in a similar manner.
- All the procedures in connection with the Tender Offer shall be taken in the Japanese language. While a part or all of the documents in connection with the Tender Offer may be prepared in English, the Japanese documents shall prevail in case of any discrepancies between Japanese documents and corresponding English documents.
- This presentation contains "forward-looking statements" as defined in Section 27A of the Securities Act of 1933 (as amended) and Section 21E of the Securities Exchange Act. The actual results may be significantly 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, Shimachu or any of their respective 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 presentation 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 the future events or circumstances.
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[Warning concerning forward-looking statements]

This document contains forward-looking statements regarding the future plans, strategies and performance of Nitori and its affiliates. These statements are not historical facts, but rather forecasts based on assumptions and beliefs based on information currently available to Nitori. They are also subject to risks and uncertainties related to economic trends, consumer spending, market demand, taxation and regulatory systems, among other factors. It is therefore important to note that actual results may differ materially from those projected by Nitori.

This material contains unaudited reference figures and is rounded to the nearest whole number.