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(Stock Exchange Code: 2196)  
March 9, 2021

**To Shareholders with Voting Rights:**

Morihiro Shibutani  
Representative Director  
Escrit Inc.  
Kowa Nishi-Shinbashi Bldg. B  
14-1, Nishi-Shinbashi 2-chome,  
Minato-ku, Tokyo, Japan

**NOTICE OF AN EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

We would like to express our appreciation for your continued support and patronage.

We are pleased to notify you that an Extraordinary General Meeting of Shareholders (this “Meeting”) of Escrit Inc. (the “Company”) will be held as described below.

**In order to prevent the spread of coronavirus disease (COVID-19), you are kindly requested to refrain from attending the Meeting in person regardless of your health condition.** Please review the attached Reference Documents for the Extraordinary General Meeting of Shareholders and exercise your voting rights in writing or via the Internet by 6:00 p.m. Japan time on Wednesday, March 24, 2021.

- 1. Date and Time:** Thursday, March 25, 2021, at 10:00 a.m. Japan time (The reception desk opens at 9:30 a.m.)
- 2. Place:** Angelion au plaza TOKYO, SOGO KAN 110 TOWER 11F,  
7-1, Kyobashi 3-chome, Chuo-ku, Tokyo, Japan
- 3. Meeting Agenda:**  
**Proposals to be resolved:**
  - Proposal 1:** Partial Amendments to the Articles of Incorporation
  - Proposal 2:** Issuance of Class A Shares
  - Proposal 3:** Reduction of Share Capital and Legal Capital Surplus
  - Proposal 4:** Approval of Absorption-Type Merger Agreement with ESCRIT MANAGEMENT PARTNERS INC.

- If you are attending the Meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk.
- If any amendment occurs to the Reference Documents for the General Meeting of Shareholders, the revised versions will be disclosed on the Company’s web site (<https://www.escrit.jp/>).
- In order to prevent the spread of COVID-19, shareholders that are considering attending the Meeting in person are requested to check the situation of the infection and their physical condition on the day of the Meeting and take measures to prevent infection, such as wearing a face mask. Please note that, on the day of the Meeting, we will ask for your cooperation in using the alcohol sanitizers placed at the venue, and taking your temperature. If you have a fever of 37.5 degrees Celsius (99.5 degrees Fahrenheit) or higher, or appear to be unwell, you may be denied entrance.

# Reference Documents for the General Meeting of Shareholders

## Proposal 1: Partial Amendments to the Articles of Incorporation

### 1. Reasons of the proposal

In order to allow the Class Shares discussed in Proposal 2 (to be defined in Proposal 2; the same shall apply hereinafter) to be issued, the Company proposes to newly establish provisions regarding the Class Shares (Amended Articles 6, 8, and 12-2) and provisions regarding general meetings of class shareholders (Amended Article 18-2). These amendments to the Articles of Incorporation will take effect on condition that Proposal 2 is approved as proposed at this Meeting.

### 2. Details of the amendments

Details of the amendments are as follows.

(Amended portions are underlined.)	
Current Articles	Amended Articles
(Total Number of Authorized Shares) Article 6 The total number of shares authorized to be issued by the Company shall be forty-five million, six-hundred and forth-eight thousand (45,648,000).	(Total Number of Authorized Shares <u>and Total Numbers of Authorized Class Shares</u> ) Article 6 The total number of shares authorized to be issued by the Company shall be forty-five million, six-hundred and forth-eight thousand (45,648,000) <u>and the total numbers of shares authorized to be issued for each class of shares shall be as follows.</u> <u>Common shares: 45,648,000</u> <u>Class A shares: 3,000</u>
(Number of Shares Constituting One Unit) Article 8 The number of shares constituting one unit of shares in the Company shall be one hundred (100).	(Number of Shares Constituting One Unit) Article 8 The number of shares constituting one unit of <u>common</u> shares in the Company shall be one hundred (100) <u>and the number of shares constituting one unit of class A shares shall be one (1).</u>
(New)	Chapter 2-2 Class Shares (Class A Shares) <u>Article 12-2</u> <u>The contents of the class A shares issued by the Company shall be as follows.</u>  <u>1. Dividends of Surplus</u> <u>(1) Class A Preferred Dividend</u> <u>If the Company is to distribute dividends out of surplus setting a certain day belonging to a fiscal year as the record date, the Company shall make, in accordance with the order of priority of payment set forth in 9. (1) below, pecuniary distribution of surplus to the holders of the class A shares (the “Class A Shareholders”) or the registered pledgees of the class A shares (together with the Class A Shareholders, the “Class A Shareholders/Pledgees”) entered or recorded in the latest shareholders’ register as at the record date for the distribution of the relevant dividends (the “Dividend Record Date”) in the amount per class A share as set forth in (2) below (hereinafter such amount of money paid per class A shares as a dividend shall be referred to as the “Class A Preferred Dividend”). If the amount obtained by multiplying the Class A Preferred Dividend by the number of class A</u>

	<p><u>shares to which each Class A Shareholder/Pledgee is entitled includes any fractions of less than one (1) yen, such fraction shall be truncated.</u></p> <p><u>(2) Amount of Class A Preferred Dividend</u>  <u>The amount of the Class A Preferred Dividend shall be calculated (i) for the amount of money calculated by multiplying one million (1,000,000) yen (the “Amount Equivalent to Paid-in Amount”) by 7.5%, if the Dividend Record Date belongs to a fiscal year ending on or before March 31, 2023; and (ii) for the amount of money calculated by multiplying the Amount Equivalent to Paid-in Amount by 10.0%, if the Dividend Record Date belongs to any fiscal year starting on or after April 1, 2023, on a daily prorated basis based on a 365-day year (or a 366-day year if the relevant fiscal year has a leap day) by reference to the actual number of days from and including the first day of the fiscal year to which the relevant Dividend Record Date belongs (or March 31, 2021, if the relevant Dividend Record Date belongs to the fiscal year ending on March 31, 2021) to and including the relevant Dividend Record Date (or the actual number of days minus one (1) if the relevant Dividend Record Date belongs to the fiscal year ending on March 31, 2021) (the division shall be performed at the end of the computation and the amount shall be calculated to the second decimal place below one (1) yen and rounded off to the first decimal place.).</u>  <u>Provided, however, that if dividends of surplus have been paid to the Class A Shareholders/Pledgees with the record date being any day preceding the relevant Dividend Record Date within the fiscal year to which the relevant Dividend Record Date belongs, the amount of the Class A Preferred Dividend with respect to the relevant Dividend Record Date shall be the amount after the deduction of the total amount of the Class A Preferred Dividends for such preceding dividends.</u></p> <p><u>(3) Non-participation Clause</u>  <u>The Company shall not pay dividends of surplus to the Class A Shareholders/Pledgees in excess of the sum of the amount of the Class A Preferred Dividend and the Amount Equivalent to Class A Cumulative Accrued Dividends (as specified in (4) below). Provided, however, that the foregoing shall not apply to any dividends of surplus as stipulated in Article 758, Item 8, (b) or Article 760, Item 7, (b) of the Companies Act which are paid in any absorption-type split procedures conducted by the Company or any dividends of surplus as stipulated in Article 763, Paragraph 1, Item 12, (b) or Article 765, Paragraph 1, Item 8, (b) of the Companies Act which are paid in any incorporation-type split procedures conducted by the Company.</u></p> <p><u>(4) Accumulation Clause</u>  <u>If the total amount of dividends of surplus per share paid to the Class A Shareholders/Pledgees with each record date being a certain day belonging to a fiscal year (excluding the</u></p>
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dividend of the Amount Equivalent to Class A Cumulative Accrued Dividends (as defined below) accumulated in accordance with this (4) with respect to the Class A Preferred Dividends for each of the fiscal years preceding the relevant fiscal year) falls short of the amount of the Class A Preferred Dividends for the relevant fiscal year (which means the amount of the Class A Preferred Dividend calculated in accordance with (2) above assuming that a dividend of surplus is paid with the record date being the last day of the relevant fiscal year; provided, however, without applying the conditional clauses in (2) above to such calculation), the amount of such shortfall shall be accumulated for the fiscal years following that fiscal year (the “Fiscal Year Involving Shortfall” in this (4)). In such case, the accumulated amount shall be, from and including the day following the annual general meeting of shareholders for the Fiscal Year Involving Shortfall (the “Annual Meeting for Fiscal Year Involving Shortfall” in this (4)) to and including the day on which the accumulated amount is distributed to the Class A Shareholders/Pledgees, the amount so deferred plus interest thereon compounded annually for each of the fiscal years following the Fiscal Year Involving Shortfall (however, the first year shall be from and including the day following the Annual Meeting for Fiscal Year Involving Shortfall to and including the last day of the fiscal year following the Fiscal Year Involving Shortfall), calculated at the interest rate of 10.0% per annum. Such calculation shall be made on a daily prorated basis based on a 365-day year (or a 366-day year if the relevant fiscal year has a leap day). In such a calculation, the division shall be performed at the end of the computation and the amount shall be calculated to the second decimal place below one (1) yen and rounded off to the first decimal place. The amount accumulated pursuant to this (4) (the “Amount Equivalent to Class A Cumulative Accrued Dividends”) shall be distributed to the Class A Shareholders/Pledgees in accordance with the order of priority of payment set forth in 9. (1) below.

2. Distribution of Residual Assets

(1) Distribution of Residual Assets

If the Company distributes its residual assets, the Company shall pay to each Class A Shareholder/Pledgee the sum of the Amount Equivalent to Paid-in Amount, the Amount Equivalent to Class A Cumulative Accrued Dividends, and the Daily Prorated Accrued Preferred Dividend Amount as specified in (3) below per class A share (the “Class A Residual Assets Distribution Amount”) in cash in accordance with the order of priority of payment set forth in 9. (2) below. Provided, however, that in this (1), if the date on which the residual assets are distributed (the “Distribution Date”) is within the period from and including the day following a Dividend

	<p><u>Record Date to the date of payment of the dividend of surplus whose record date is the relevant Dividend Record Date, the Amount Equivalent to Class A Cumulative Accrued Dividends shall be calculated by deeming that no distribution of dividend of surplus whose record date is the relevant Dividend Record Date occurred. If the amount obtained by multiplying the Class A Residual Assets Distribution Amount by the number of the class A shares to which each Class A Shareholder/Pledgee is entitled includes any fractions of less than one (1) yen, such fraction shall be truncated.</u></p> <p><u>(2) Non-participation Clause</u>  <u>The Company shall not make distribution of residual assets to the Class A Shareholders/Pledgees other than as provided for in (1) above.</u></p> <p><u>(3) Daily Prorated Accrued Preferred Dividend Amount</u>  <u>The daily prorated accrued preferred dividend amount per class A share shall be the amount equivalent to the Class A Preferred Dividend calculated in accordance with 1. (2) above assuming that the Class A Preferred Dividends are paid in the fiscal year to which the Distribution Date belongs, with the record date being the Distribution Date (hereinafter the daily prorated accrued preferred dividend amount per class A share shall be referred to as the “Daily Prorated Accrued Preferred Dividend Amount.”).</u></p> <p><u>3. Voting Rights</u>  <u>Unless otherwise provided for by laws and regulations, the Class A Shareholders shall not be entitled to vote at general meetings of shareholders.</u></p> <p><u>4. Cash-based Put Option</u>  <u>(1) Cash-based Put Option</u>  <u>On or after April 1, 2021, each Class A Shareholder may at any time request the Company to acquire, in exchange for the delivery of such amount of money as specified in (2) below (the “Acquisition Price”), all or part of the class A shares held by that Class A Shareholder (the “Cash-based Put Option Exercise”). If a Cash-based Put Option Exercise is made, the Company shall deliver the Acquisition Price to the relevant Class A Shareholder in exchange for the acquisition of the class A shares underlying the relevant Cash-based Put Option Exercise, within the distributable amount (the distributable amount stipulated in Article 461, Paragraph 2 of the Companies Act, hereinafter the same shall apply) on the date of the relevant Put Option (the “Cash-based Put Option Exercise Date”) and to the extent permitted by laws and regulations. If Cash-based Put Option Exercise is made in excess of the distributable amount on the Cash-based Put Option Exercise Date, the number of class A shares to be acquired shall be determined on a pro rata basis according to the number of class A shares for which the Cash-</u></p>
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	<p>based Put Option Exercise is made, and it shall be deemed that no Cash-based Put Option Exercise had been made for the class A shares that were not acquired in accordance with this method.</p> <p>(2) <u>Acquisition Price</u></p> <p>(a) <u>Basic Acquisition Price</u>  The acquisition price per class A share shall be the price calculated using the following formula (the “Basic Acquisition Price”).</p> <p>(Formula for Basic Acquisition Price)  Basic Acquisition Price = Paid-in amount per class A share <math>\times (1 + 0.1)^{m + n/365}</math></p> <p>The number of days in the period from and including the payment date to and including the Cash-based Put Option Exercise Date shall be stated in “m years and n days.”</p> <p>(b) <u>Amount of Deduction</u>  Notwithstanding (a) above, if a Class A Preferred Dividend had been paid before the Cash-based Put Option Exercise Date (including the Amount Equivalent to Class A Cumulative Accrued Dividends paid before the Cash-based Put Option Exercise Date; the “Dividend Paid before the Put Option Exercise”), the acquisition price per class A share shall be the price obtained by subtracting the amount of deduction calculated using the following formula from the Basic Acquisition Price defined in (a) above. If a Dividend Paid before the Put Option Exercise has been paid multiple times, an amount of deduction shall be calculated for each Dividend Paid before the Put Option Exercise, and the total shall be deducted from the Basic Acquisition Price.</p> <p>(Formula for the Amount of Reduction)  Amount of Reduction = Dividend Paid before the Put Option Exercise <math>\times (1 + 0.1)^{x + y/365}</math></p> <p>The number of days in the period from and including the payment date of the Dividend Paid before the Put Option Exercise to and including the Cash-based Put Option Exercise Date shall be stated in “x years and y days.”</p> <p>(3) <u>Place for Acceptance of Cash-based Put Option Exercise</u>  Kowa Nishi-Shinbashi Bldg. B, 14-1, Nishi-Shinbashi 2-chome, Minato-ku, Tokyo, Japan</p> <p>(4) <u>Effectuation of Cash-based Put Option Exercise</u>  A Cash-based Put Option Exercise shall come into effect at a later of (i) the time when the documents necessary for the Cash-based Put Option Exercise reach the place for acceptance of the Cash-based Put Option Exercise as stated in (3) above or (ii) the intended effective date as stated in the above-mentioned documents.</p> <p>5. <u>Put Option Based on Common Shares</u></p> <p>(1) <u>Put Option Based on Common Shares</u>  On or after October 1, 2021, each Class A Shareholder may at any time request the Company to acquire, in exchange for the delivery of such number of common shares as</p>
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	<p><u>specified in (2) below (the “Common Shares subject to Request”), all or part of the class A shares held by that Class A Shareholder (the “Common Share-based Put Option Exercise”), and the Company shall deliver the Common Shares subject to Request to the relevant Class A Shareholder in exchange for the acquisition of the class A shares underlying the relevant Common Share-based Put Option Exercise, to the extent permitted by laws and regulations.</u></p> <p><u>(2) Number of Common Shares Delivered in Exchange for Acquisition of Class A Shares</u>  <u>The number of common shares delivered in exchange for the acquisition of the class A shares shall be the number obtained by dividing (a) the amount obtained by multiplying the number of the class A shares concerning the Common Share-based Put Option Exercise by the acquisition price calculated in accordance with 4. (2) above, by (b) the acquisition price set forth in (3) to (5) below. In this (2), the Acquisition Price is to be calculated by replacing “Cash-based Put Option Exercise Date” in the calculation of the Acquisition Price with the “effective date of the Common Share-based Put Option Exercise.”</u>  <u>If the total number of common shares delivered in exchange for the acquisition of the class A shares underlying the Common Share-based Put Option Exercise includes any fractions of less than one (1) share, such fraction shall be truncated. In such case, the Company shall not make the delivery of money as provided for in Article 167, Paragraph 3 of the Companies Act.</u></p> <p><u>(3) Initial Acquisition Price</u>  <u>365 yen</u></p> <p><u>(4) Revision of Acquisition Price</u>  <u>From April 1, 2021 onwards, the acquisition price shall be revised on every March 31 and September 30 (or on a trading day immediately following it if it falls on a non-trading day; the “Acquisition Price Revision Date”) to the price equivalent to 95% of the average value (calculated to the second decimal place below one (1) yen and rounded off to the first decimal place) of the volume weighted average price (the “VWAP”) in ordinary trading of the Company’s common shares published by Tokyo Stock Exchange, Inc. (“TSE”) over 30 consecutive trading days prior to each Acquisition Price Revision Date (in this (4), the “Acquisition Price Calculation Period”) (the “Acquisition Price after Revision”). Upon the occurrence of any of the events specified in (5) below during the Acquisition Price Calculation Period, the average value shall be reasonably adjusted with the event taken into account. However, if the Acquisition Price after Revision falls short of 183 yen (which shall be adjusted in accordance with (5) below upon the occurrence of any of the events specified in (5) below; the “Minimum Acquisition Price”), the Acquisition Price after Revision shall be the Minimum Acquisition Price. A trading day means a day on which ordinary trading of the</u></p>
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	<p><u>Company's common shares is conducted on TSE, and it does not include a day on which there is no VWAP announcement.</u></p> <p><u>(5) Adjustment of Acquisition Price</u></p> <p><u>(a) Upon the occurrence of any of the events listed below, the Acquisition Price shall be adjusted as follows:</u></p> <p><u>(i) If the Company's common shares are to undergo a share split or gratis allotment, the Acquisition Price shall be adjusted in accordance with the formula below. In the case of a gratis allotment of shares, "Number of common shares outstanding before split" and "Number of common shares outstanding after split" in the formula below shall be replaced with "Number of common shares outstanding before gratis allotment (excluding the common shares then held by the Company)" and "Number of common shares outstanding after gratis allotment (excluding the common shares then held by the Company), respectively.</u></p> $\frac{\text{Acquisition Price after adjustment}}{\text{Acquisition Price before adjustment}} = \frac{\text{Number of common shares outstanding before split}}{\text{Number of common shares outstanding after split}}$ <p><u>The Acquisition Price after adjustment shall apply as from the day following the record date for the share split or as from the effective date of the gratis allotment of shares (or if the record date for the gratis allotment has been set, as from the day following such record date), as the case may be.</u></p> <p><u>(ii) If the Company's common shares undergo a reverse share split, the Acquisition Price shall be adjusted in accordance with the formula below.</u></p> $\frac{\text{Acquisition Price after adjustment}}{\text{Acquisition Price before adjustment}} = \frac{\text{Number of common shares outstanding before reverse share split}}{\text{Number of common shares outstanding after reverse share split}}$ <p><u>The Acquisition Price after adjustment shall apply as from the effective date of the reverse share split.</u></p> <p><u>(iii) If the Company issues common shares or disposes of any of the common shares held by the Company at a paid-in amount below the fair value per common share as specified in (d) below (excluding by way of gratis allotment of shares, acquisition of shares in exchange for the delivery of common shares or acquisition of share acquisition rights (including those attached to bonds with share acquisition rights; hereafter the same shall apply in this (5)), exercise of share acquisition rights to acquire common shares, delivery of common shares by virtue of merger, share exchange or company split, or delivery of common shares under a restricted share compensation plan to directors, other officers, or employees of the Company or</u></p>
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its associated company (associated company as defined in Article 8, Paragraph 8 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements, hereinafter the same apply)), the Acquisition Price shall be adjusted in accordance with the formula below (the "Acquisition Price Adjustment Formula"). If any property other than money is contributed, "Paid-in amount per share" in the Acquisition Price Adjustment Formula shall be the appropriately appraised value of such property. The Acquisition Price after adjustment shall apply as from the day following the payment date (or if a payment period has been set, the last day of such payment period), or if a record date for the allotment to shareholders has been set, as from the day following such record date (the "Shareholder Allotment Date"), as the case may be. If the Company is to dispose of any of the common shares it holds, "Number of newly issued common shares" and "Number of common shares held by the Company" in the formula below shall be replaced with "Number of common shares held by the Company to be disposed of" and "Number of common shares held by the Company before the disposal," respectively.

Acquisition Price after adjustment =  

$$\frac{\text{Acquisition Price before adjustment} \times ((\text{Number of common shares outstanding} - \text{Number of common shares held by the Company} + (\text{Number of newly issued common shares} \times \text{Paid-in amount per share} / \text{Fair value per common share})) / (\text{Number of common shares outstanding} - \text{Number of common shares held by the Company} + \text{Number of newly issued common shares}))}{1}$$

- (iv) If the Company makes an issuance or disposal of shares (including gratis allotment of shares) which entitles the holders thereof to receive, by having or letting the Company acquire such shares, the delivery of common shares at an Acquisition Price per common share below the fair value per common share as set forth in (d) below, the Acquisition Price after adjustment shall be the amount calculated by substituting "Paid-in amount per share" in the Acquisition Price Adjustment Formula with the amount determined by deeming that all of the shares issued or disposed of have been acquired in accordance with the initial terms and conditions, and common shares have been delivered on the payment date for such shares (if a payment period has been set, on the last day of such payment period; hereafter the same shall apply in this (iv)), on the effective date of gratis allotment of shares (or if a record date for gratis allotment of shares has been set, on such record date; hereafter the same shall apply in this (iv)), or on the Shareholder Allotment Date, if any, as the case may be. The Acquisition Price after adjustment shall apply as from the

	<p>day following the payment date, as from the day following the effective date of gratis allotment of shares, or as from the day following the Shareholder Allotment Date, if any, as the case may be. Notwithstanding the foregoing, if the consideration for the common shares delivered upon the acquisition has not been determined at the above-mentioned time point, the Acquisition Price after adjustment shall be calculated by deeming that at the time of determination of such consideration, all of the shares issued or disposed of will have been acquired in accordance with the terms and conditions as of the time of determination of such consideration and common shares will have been delivered, and such Acquisition Price after adjustment shall apply as from the day following the date on which such consideration has been determined.</p> <p>(v) If the Company makes an issuance of share acquisition rights (including gratis allotment of share acquisition rights) which entitles the holders thereof to receive, by exercising or having the Company acquire such share acquisition rights, the delivery of common shares at a price wherein the sum of the paid-in amount of such share acquisition right per common share and the amount per common share of the property contributed upon the exercise of such share acquisition rights (if any property other than money is contributed, the appropriately appraised value of such property; hereafter the same shall apply in this (v)) is below the fair value per common share as set forth in (d) below, the Acquisition Price after adjustment shall be the amount calculated by substituting "Paid-in amount per share" in the Acquisition Price Adjustment Formula with the sum of the paid-in amount of share acquisition right per common share and the amount per common share of the property contributed upon the exercise of share acquisition rights, deeming that all of the share acquisition rights issued have been exercised or acquired in accordance with the initial terms and conditions and common shares have been delivered on the allotment date of such share acquisition rights, on the effective date of gratis allotment of share acquisition rights (or if a record date for gratis allotment of share acquisition rights has been set, on such record date; hereafter the same shall apply in this (v)), or on the Shareholder Allotment Date, if any, as the case may be. The Acquisition Price after adjustment shall apply as from the day following the allotment date of such share acquisition rights, as from the day following the effective date of the gratis allotment of share acquisition rights, or as from the day following the Shareholder Allotment Date, if any, as the case may be. Notwithstanding the foregoing, if the consideration for the common shares delivered upon the acquisition or exercise has not been determined at the above-mentioned time point, the Acquisition Price after adjustment shall be</p>
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	<p>calculated by deeming that at the time of determination of such consideration, all of the share acquisition rights issued will have been exercised or acquired in accordance with the terms and conditions as of the time of determination of such consideration and common shares will have been delivered, and such Acquisition Price after adjustment shall apply as from the day following the date on which such consideration has been determined. Provided, however, that the adjustment of the Acquisition Price under this (v) shall not apply to any share acquisition rights to acquire common shares that are issued for the purpose of granting stock options to any of the directors, corporate auditors, executive officers or other officers or employees of the Company or any subsidiary of the Company.</p> <p>(b) In addition to the events set forth in (a) above, if there is any circumstance falling under any of (i) through (iii) below, the Company shall submit to the Class A Shareholders/Pledgees a prior written notice to that effect, stating the Acquisition Price after adjustment, the date of application and any other necessary matters, and shall appropriately adjust the Acquisition Price.</p> <p>(i) If an adjustment of the Acquisition Price is required for a merger, share exchange, acquisition of all shares outstanding in another stock company by way of share exchange, share transfer, absorption-type company split, succession of all or part of the rights and obligations held by another company in relation to its business by way of absorption-type company split or incorporation-type company split;</p> <p>(ii) Where two (2) or more events requiring adjustment of the Acquisition Price have occurred in succession, and the determination of the fair value to be used in the calculation of the Acquisition Price after adjustment for one of the events requires consideration of the effects of the other event(s); or</p> <p>(iii) If an adjustment of the Acquisition Price is otherwise required owing to a change in the number of common shares outstanding (excluding the number of common shares held by the Company) or the occurrence of any event which may result in such a change.</p> <p>(c) In the calculations needed for an adjustment of the Acquisition Price, the price shall be calculated to the second decimal place below one (1) yen and rounded off to the first decimal place.</p> <p>(d) The fair value per common share as used in the Acquisition Price Adjustment Formula shall be the average value (calculated to the second decimal place below one (1) yen and rounded off to the first decimal place; hereinafter the same shall apply) of the VWAP in ordinary trading of the Company's common shares published by TSE over 30 consecutive trading days prior to the day from which the Acquisition Price after adjustment applies (or if</p>
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	<p>any event requiring an adjustment of the Acquisition Price is published through the Timely Disclosure Browsing Service provided by TSE, the date of such publication).</p> <p>(e) If the difference between the Acquisition Price after adjustment and the Acquisition Price before adjustment as calculated for the purpose of adjustment of the Acquisition Price is less than 0.1 yen, the Acquisition Price shall not be adjusted. Provided, however, that any adjustment deemed unnecessary under this (e) shall be carried over and taken into account in the subsequent calculations for the adjustment.</p> <p>(6) Place for Acceptance of Common Share-based Put Option Exercise Kowa Nishi-Shinbashi Bldg. B, 14-1, Nishi-Shinbashi 2-chome, Minato-ku, Tokyo, Japan</p> <p>(7) Effectuation of Common Share-based Put Option Exercise A Common Share-based Put Option Exercise shall come into effect at a later of (i) the time when the documents necessary for the Common Share-based Put Option Exercise reach the place for acceptance of the Common Share-based Put Option Exercise as stated in (6) above or (ii) the intended effective date as stated in the above-mentioned documents.</p> <p>(8) Method of Delivery of Common Shares After the effectuation of the Common Share-based Put Option Exercise, the Company shall deliver common shares to each Class A Shareholder which has made the Common Share-based Put Option Exercise by recording an increase in the number of transferred shares in the “Shares Held” section of the transfer account book managed by Japan Securities Depository Center, Incorporated or of any account management institution designated by the relevant Class A Shareholder.</p> <p>6. Cash-based Call Option</p> <p>(1) Details of the Call Option At any time on or after April 1 2023, upon the arrival of the date separately specified by the Board of Directors of the Company (the “Cash Redemption Date”), the Company may acquire all or part of class A shares in exchange for such amount of money as stipulated (2) below, within the distributable amount on the Cash Redemption Date, and to the extent permitted by laws and regulations (the “Redemption Price”) by giving written notice (which shall be irrevocable) to the Class A Shareholders/Pledgees at least 14 days prior to the Cash Redemption Date (the “Cash Redemption”). In the case of a partial acquisition of class A shares, the number of class A shares to be acquired from each Class A Shareholder shall be determined on a pro rata basis or by any other reasonable method specified by the Board of Directors of the Company.</p> <p>(2) Redemption Price</p> <p>(a) Basic Redemption Price The Redemption Price per class A share shall be the price calculated using the following formula</p>
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	<p><u>(the “Basic Redemption Price”).</u></p> <p><u>(Formula for Basic Redemption Price)</u>  <u>Basic Redemption Price = Paid-in amount per</u>  <u>class A share <math>\times (1 + 0.1)^{m + n/365}</math></u></p> <p><u>The number of days in the period from and</u>  <u>including the payment date to and including the</u>  <u>Cash Redemption Date shall be stated in “m</u>  <u>years and n days.”</u></p> <p><u>(b) Amount of Deduction</u>  <u>Notwithstanding (a) above, if a Class A</u>  <u>Preferred Dividend had been paid before the</u>  <u>Cash Redemption Date (including the Amount</u>  <u>Equivalent to Class A Cumulative Accrued</u>  <u>Dividends paid before the Cash Redemption</u>  <u>Date; the “Dividend Paid before the Request for</u>  <u>Redemption”), the Redemption Price per class</u>  <u>A share shall be the price obtained by</u>  <u>subtracting the amount of deduction calculated</u>  <u>using the following formula from the Basic</u>  <u>Redemption Price defined in (a) above. If a</u>  <u>Dividend Paid before the Request for</u>  <u>Redemption had been paid multiple times, an</u>  <u>amount of deduction shall be calculated for</u>  <u>each Dividend Paid before the Request for</u>  <u>Redemption, and the total shall be deducted</u>  <u>from the Basic Redemption Price.</u></p> <p><u>(Formula for the Amount of Deduction)</u>  <u>Amount of Deduction = Dividend Paid before</u>  <u>the Request for Redemption <math>\times (1 + 0.1)^{x + y/365}</math></u></p> <p><u>The number of days in the period from and</u>  <u>including the payment date of the Dividend</u>  <u>Paid before the Request for Redemption to and</u>  <u>including the Cash Redemption Date shall be</u>  <u>stated in “x years and y days.”</u></p> <p><u>7. Exclusion of Right to Request Addition as a</u>  <u>Selling Shareholder in relation to Acquisition of</u>  <u>Treasury Shares</u>  <u>The provisions of Paragraphs 2 and 3 of Article</u>  <u>160 of the Companies Act shall not apply in the</u>  <u>case where the Company resolves at a general</u>  <u>meeting of shareholders to acquire all or part of</u>  <u>the class A shares held by certain Class A</u>  <u>Shareholders by agreement with such Class A</u>  <u>Shareholders.</u></p> <p><u>8. Reverse Split or Split of Shares; Allotment of</u>  <u>Shares for Subscription, etc.</u>  <u>(1) The Company’s class A shares shall not undergo</u>  <u>a split or a reverse split.</u>  <u>(2) The Company shall not grant the Class A</u>  <u>Shareholders rights for allotment of shares for</u>  <u>subscription or rights for allotment of share</u>  <u>acquisition rights for subscription.</u>  <u>(3) The Company shall not make a gratis allotment</u>  <u>of shares or gratis allotment of share acquisition</u>  <u>rights to the Class A Shareholders.</u></p> <p><u>9. Priority</u>  <u>(1) The order of priority of payment of the Class A</u>  <u>Preferred Dividend, the Amount Equivalent to</u>  <u>Class A Cumulative Accrued Dividends, and the</u>  <u>dividends of surplus to the holders of common</u>  <u>shares and the registered pledgees of common</u></p>
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	<p><u>shares (collectively, the “Common Shareholders/Pledgees”) shall be as follows: (i) the Amount Equivalent to Class A Cumulative Accrued Dividends; (ii) the Class A Preferred Dividends; and (iii) the dividends of surplus to the Common Shareholders/Pledgees.</u></p> <p><u>(2) The order of priority of payment of distribution of residual assets for class A shares and common shares shall be as follows: (i) distribution of residual assets for class A shares; and (ii) distribution of residual assets for common shares.</u></p> <p><u>(3) If the amount available for the dividends of surplus or distribution of residual assets by the Company falls short of the total amount necessary for the dividends of surplus or the distribution of residual assets for a certain priority rank, the payment of dividends of surplus or distribution of residual assets shall be made on a pro rata basis according to the amount necessary to make the payment of dividends of surplus or distribution of residual assets with respect to that rank.</u></p>
(New)	<p><u>(General Meeting of Class Shareholders)</u></p> <p><u>Article 18-2</u></p> <p><u>Provisions under Article 12 shall be applied mutatis mutandis to a general meeting of class shareholders held on the same day as an annual general meeting of shareholders.</u></p> <p><u>2. Provisions under Articles 14, 15, 16, and 18 shall be applied mutatis mutandis to a general meeting of class shareholders.</u></p> <p><u>3. Provisions under Article 17, Paragraph 1 and provisions under Article 17, Paragraph 2 shall be applied mutatis mutandis to the resolutions at a general meeting of class shareholders as set forth in Article 324, Paragraph 1 of the Companies Act and the resolutions at a general meeting of class shareholders as set forth in Article 324, Paragraph 2 of the Companies Act, respectively.</u></p>

## **Proposal 2: Issuance of Class A Shares**

Pursuant to the provisions of Article 199 of the Companies Act, for the purposes described in 1. below, and based upon the details described in 2. below, the Company requests approval for issuing class A shares in Escrit Inc. (the “Class Shares”) through third-party allotment to Sumitomo Mitsui Finance and Leasing Company, Limited (the “Issuance of Class Shares”).

The Issuance of Class Shares is subject to several conditions including the condition that the amendments to the Articles of Incorporation presented in Proposal 1 are approved.

### **1. Reasons for the Issuance of Class Shares**

#### **(1) Background to the Issuance of Class Shares**

The Group manages wedding ceremony and reception facilities in highly convenient locations primarily in the 23 wards of Tokyo and ordinance-designated cities, in a variety of styles. The Group is strengthening the system to promote group management and continuously working toward maximizing consolidated financial results centered on the Company and SHIBUTANI & Co., which provides solutions related to architecture and real estate, such as design and construction of stores and offices, planning, sales, and construction of custom-made construction containers, and sales of construction materials and used materials from all over the world, and takes charge of interior construction and management of the Group’s facilities.

In the bridal market, to which the primary business of the Group belongs, according to “Wedding Industry 2020” published by Yano Research Institute Ltd., the size of the wedding ceremony and reception market in 2019 was 1,364.0 billion yen (99.6% of the previous year), and it has been gradually shrinking since 2014 due to factors such as a decrease in the number of people of marriageable age, which is the target customer group, and an increase in the lifetime non-marriage rate. In addition, based on our estimates, due to the above factors, we expect that the market will continue to gradually shrink, though the size will stay above a little more than 1 trillion yen for the next decade.

In such a business environment, by means of strategies including store opening strategies to minimize the impact of the shrinking market, in-house production of major wedding items, such as clothes and flowers, establishment of a system to equalize sales capabilities, and unique efforts to attract customers in collaboration with famous characters, the Group had continued to increase revenue and income since the fiscal year ended March 31, 2016 and anticipated a record-high income for the fiscal year ended March 31, 2020.

However, due to the impact of the COVID-19 pandemic, many of the wedding ceremonies and receptions scheduled for March 2020 were rescheduled, resulting in a significant decrease in net sales for the fiscal year ended March 31, 2020, which forced us to revise downwards the forecast of the financial results for the fiscal year ended March 31, 2020. Furthermore, as a state of emergency was declared in April 2020 and extended in May 2020 in response to the COVID-19 pandemic, we decided that we should place a priority on the safety of customers and employees and the social responsibility of preventing the spread of the infectious disease, and thus temporarily suspended the operation of all our facilities during this period. Though the state of emergency was lifted later, the number of cases started to increase again from July to August 2020 and then from December 2020 onwards, and a state of emergency was declared for the second time in January 2021. Consequently, many of the wedding ceremonies and receptions scheduled during the fiscal year ending March 31, 2021 were rescheduled for the fiscal year ending March 31, 2022 or later.

As a result, net sales for the fiscal year ending March 31, 2021 are expected to decline significantly, and we are expected to post operating loss, ordinary loss, and loss attributable to owners of the parent. In addition, net assets as of September 30, 2020 stood at 4.7 billion yen (a decrease of 2.7 billion yen compared to March 31, 2020) and capital-to-asset ratio was low at 17.4% (32.2% as of March 31, 2020).

Under these circumstances, the Company has been working to reduce cost, such as advertising expenses, rent expenses, and personnel expenses, while raising funds through borrowing, etc. from financial institutions. In addition, the Company signed a syndicated commitment line agreement with a credit limit of 6.0 billion yen in July 2020, and raised 0.6 billion yen through third-party allotment of new shares to SBI Financial Services Co., Ltd. in August 2020. As of December 31, 2020, cash and deposits amounted to 5.3 billion yen and the unused commitment amount totaled 5.0 billion yen, indicating that the Company has adequate cash on hand. However, as it is still difficult to predict when the COVID-19 pandemic will be contained, it is expected to take a certain period of time to see recovery and improvement in our financial results. We determined that, amid such an uncertain outlook, it is necessary to work to secure liquidity at hand as well as further increase capital and strengthen the financial base, and thus resolved to raise funds through the Issuance of Class Shares.

#### **(2) Reasons for selecting the Issuance of Class Shares**

For raising funds on this occasion, the Group compared and examined several methods of raising funds, such as borrowing from financial institutions, issuance of corporate bonds, public offering, and issuance of share acquisition rights through third-party allotment. As a result, we have come to the conclusion that it is best to

issue class shares through third-party allotment. The following are the specific details of our examination that led us to select this method of raising funds.

Concerning borrowing from financial institutions, in preparation for a prolonged impact of the recent spread of COVID-19, we have already borrowed 7.5 billion yen from private financial institutions, etc. during the six-month period from April to September 2020. In addition, we signed a syndicated commitment line agreement with a credit limit of 6.0 billion yen as a line of credit in July 2020. On this occasion, if we raise funds through debt financing, such as borrowings and subordinated loans from financial institutions, it will further increase debts, which will result in an additional decline in the capital-to-asset ratio. We have thus decided that it is not appropriate as a method of raising funds on this occasion and it is necessary to raise funds through equity financing, which will raise the capital-to-asset ratio.

As for equity financing, (1) public offering or third-party allotment of common shares will enable us to raise funds at once, but will have a larger impact on the share price as earnings per share will be diluted at one time, and (2) the issuance of share acquisition rights through a third-party allotment will leave us uncertain as to whether we can secure the planned amount of funds, given the business environment surrounding the Company and the financial situation of the Company. We thus decided that they are not appropriate.

On the other hand, issuance of class shares will allow us to control the immediate dilution of common shares and promptly and securely raise the necessary funds at the timing desired by us, while working to stabilize our financial position. For reasons including the above, we have decided that increasing capital through the Class Shares is the optimal method for raising funds.

Put options based on the Company's common shares are attached to the Class Shares. However, as stated in "(4) Grounds on which the Company determined that the number of shares to be issued and the scale of the share dilution are reasonable" below, we have taken measures to minimize the dilution as a result of an increase in our common shares due to exercise of put options in future, and we have made the above decision in consideration of this point as well.

### (3) Reasons for the decision that the amount to be paid in is reasonable

In determining the terms and conditions for the Issuance of Class Shares, in order to ensure fairness, the Company requested Plutus Consulting Co., Ltd., a third-party valuation organization independent of the Company and the planned allottee, for valuation of the Class Shares and obtained an evaluation report for the Class Shares (the "Valuation Report").

Plutus Consulting Co., Ltd., a third-party valuation organization, considered several methods to calculate the share value of the Class Shares, adopted a valuation method based on the discounted cash flow method, which is a standard valuation model, and calculated the fair value of the Class Shares on certain assumptions (the conversion price of the Class Shares, the period until the allottee will exercise common share-based or cash-based put options, the initial share price of the common shares, volatility of the share price, the dividend yield, the risk-free interest rate, the discount rate, etc.). The Valuation Report states that the value of the Class Shares calculated based on the closing price at the Tokyo Stock Exchange on February 12, 2021 is 1,070,300 yen per share.

The Company took into consideration wide-ranging factors, including the above valuation result presented in the Valuation Report by Plutus Consulting Co., Ltd., a third-party valuation organization independent of the Company and the planned allottee, and the fact that the terms and conditions for the Issuance of Class Shares were determined based on the business environment and financial condition of the Company after a number of careful negotiations and discussions with the planned allottee, and decided that the Issuance of Class Shares is not an issuance of shares with particularly favorable terms and conditions.

However, as there is no objective market price for the Class Shares, and the valuation of class shares is so sophisticated and complicated that there may be various views on the valuation. Therefore, the probability cannot completely be eliminated that the amount to be paid in for the Class Shares is considered to be particularly favorable to the planned allottee under the Companies Act. We thus decided that it is appropriate to confirm the intent of the shareholders and, by way of caution, to issue the Class Shares on condition that approval by a special resolution of the general meeting of shareholders regarding an issuance of shares with particularly favorable terms and conditions is obtained, pursuant to Article 199, Paragraph 2 of the Companies Act, at this Meeting. This proposal has also been made to carry out the procedures for confirming the intent of shareholders stipulated in Rule 432 of the Securities Listing Regulations set forth by Tokyo Stock Exchange, Inc.

### (4) Grounds on which the Company determined that the number of shares to be issued and the scale of the share dilution are reasonable

The Company will raise a total of 3.0 billion yen by issuing 3,000 shares of the Class Shares. Considering the aforementioned purposes, etc. of issuing the Class Shares, the Company has determined that the number of the Class Shares to be issued is reasonable.



Though the Class Shares do not carry voting rights at general meetings of shareholders, existing shareholders may be affected by an impact of significant dilution due to exercise of common share-based put options. If the common share-based put options are exercised for all of the Class Shares when there is no daily prorated accrued preferred dividend amount or amount equivalent to class A cumulative accrued dividends and at the minimum acquisition price, the maximum number of voting rights related to the Company's common shares to be distributed will be 172,131 units, which is 127.5% of the number of voting rights related to the Company's common shares outstanding as of February 15, 2021 (135,042 units).

As described above, dilution of the Company's common shares will occur if the common shares in the Company are distributed by exercise of the put options attached to the Class Shares. However, (i) the Issuance of Class Shares will contribute to the improvement of the corporate value of the Company; (ii) in adjusting the acquisition price, the minimum acquisition price after adjustment is fixed at a certain amount; and (iii) cash-based call options are attached to the Class Shares, a design which allows the Company to control to a certain extent the dilution caused by exercise of the common share-based put options by carrying out a mandatory redemption of the Class Shares based on its own judgment. As shown by the above, the Company implemented measures to mitigate the potential impact of dilution on the existing shareholders.

From these points of view, we believe that the scale of the share dilution resulting from the Issuance of Class Shares is reasonable.

## 2. Details of the offering of the Class Shares

(1) Class and number of shares offered	Class A Shares of Escrit Inc.: 3,000 shares
(2) Amount to be paid in for shares offered	1,000,000 yen per share
(3) Total amount to be paid in	3,000,000,000 yen
(4) Payment date	March 31, 2021
(5) Share capital and legal capital surplus to be increased	Share capital to be increased: 1,500,000,000 yen Legal capital surplus to be increased: 1,500,000,000 yen
(6) Method of offering or allotment (the planned allottee)	Through third-party allotment, all the shares offered will be allotted to Sumitomo Mitsui Finance and Leasing Company, Limited.

### **Proposal 3:       Reduction of Share Capital and Legal Capital Surplus**

In order to prepare for a flexible and agile capital policy in the future and in an attempt to reduce tax burdens, the Company proposes to reduce its share capital and legal capital surplus in accordance with the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act (the “Reduction of Share Capital, etc.”) and to transfer the share capital and the legal capital surplus to other capital surplus. The Reduction of Share Capital, etc. is subject to the conditions that Proposals 1 and 2 are approved and the issuance of the class A shares takes effect.

#### **1. Details of the reduction of share capital**

##### **(1) Amount of share capital to be reduced**

The Company proposes to reduce the amount of share capital after the issuance of the class A shares takes effect, i.e., 2,408,839,100 yen, by 2,358,839,100 yen to 50,000,000 yen in accordance with the provisions of Article 447, Paragraph 1 of the Companies Act and transfer the entire amount of share capital so reduced to other capital surplus.

##### **(2) Effective date of the reduction of share capital**

March 31, 2021 (planned)

#### **2. Details of the reduction of legal capital surplus**

##### **(1) Amount of legal capital surplus to be reduced**

The Company proposes to reduce the amount of legal capital surplus after the issuance of the class A shares takes effect, i.e., 2,366,839,100 yen, by 2,316,839,100 yen to 50,000,000 yen in accordance with the provisions of Article 448, Paragraph 1 of the Companies Act and transfer the entire amount of legal capital surplus so reduced to other capital surplus.

##### **(2) Effective date of the reduction of legal capital surplus**

March 31, 2021 (planned)

\* The amounts stated above have been calculated based on the respective amounts of share capital and legal capital surplus as of February 15, 2021.

**Proposal 4:** Approval of Absorption-Type Merger Agreement with ESCRIT MANAGEMENT PARTNERS INC.

1. Reasons for the absorption-type merger

The Company resolved at a meeting of the Board of Directors held on February 15, 2021 to conduct an absorption-type merger, whereby the Company is the surviving company and ESCRIT MANAGEMENT PARTNERS INC. (EMP), which is our wholly-owned subsidiary, is the absorbed company with the effective date of April 1, 2021 in order to respond flexibly and agilely to the change in the management environment due to the impact of the COVID-19 pandemic and further improve efficiency of Group management. Accordingly, the Company executed an absorption-type merger agreement (the “Absorption-Type Merger Agreement”), which is presented in “2. Outline of the details of the Absorption-Type Merger Agreement.”

As a result of this absorption-type merger, a merger loss is expected to be incurred by the Company. The Company therefore requests in this proposal your approval of the Absorption-Type Merger Agreement.

2. Outline of the details of the Absorption-Type Merger Agreement

Details of the Absorption-Type Merger Agreement, which the Company and EMP executed on February 15, 2021, are as follows.

Absorption-Type Merger Agreement (Copy)

Escrit Inc. (“Escrit”) and ESCRIT MANAGEMENT PARTNERS INC. (“EMP”) enter into the following absorption-type merger agreement (this “Agreement”) on February 15, 2021 (the “Execution Date”).

Article 1 (Method for the Merger)

Escrit and EMP shall, in accordance with the provisions of this Agreement, execute an absorption-type merger (the “Merger”), whereby Escrit is the surviving company and EMP is the absorbed company.

Article 2 (Trade Names and Addresses)

The trade names and addresses of Escrit and EMP are as follows.

(1) Escrit: The surviving company

Trade Name: Escrit Inc.

Address: Kowa Nishi-Shinbashi Bldg. B, 14-1, Nishi-Shinbashi 2-chome, Minato-ku, Tokyo, Japan

(2) EMP: The absorbed company

Trade Name: ESCRIT MANAGEMENT PARTNERS INC.

Address: Kowa Nishi-Shinbashi Bldg. B, 14-1, Nishi-Shinbashi 2-chome, Minato-ku, Tokyo, Japan

Article 3 (Matters Related to Cash, etc. Delivered upon the Merger and Their Allotment)

Escrit shall not deliver cash, etc. to shareholders of EMP in exchange for their shares in EMP upon the Merger.

Article 4 (Matters Related to Amounts of Share Capital and Reserves of Escrit)

The amount of share capital and reserves of Escrit shall not increase through the Merger.

Article 5 (Effective Date)

The date on which the Merger takes effect (the “Effective Date”) shall be April 1, 2021. However, if it is deemed necessary over the course of the procedures of the Merger or other reasons, the Effective Date may be changed upon negotiation and agreement between Escrit and EMP.

Article 6 (Resolution at a General Meeting of Shareholders)

1. Escrit must request a resolution regarding the approval of this Agreement at its general meeting of shareholders by the day immediately preceding the Effective Date.
2. EMP shall conduct the Merger without obtaining the approval of this Agreement by a resolution at a general meeting of shareholders stipulated by Article 783, Paragraph 1 of the Companies Act pursuant to the provision of the main clause of Article 784, Paragraph 1 of the same Act.

Article 7 (Amendment to Terms and Conditions for the Merger and Cancellation of this Agreement)

If, during the period from the date of execution of this Agreement to the Effective Date, an event which could materially impede the execution of the Merger occurs or becomes likely to occur, or it otherwise becomes difficult to achieve the purposes of the Merger, Escrit and EMP may, upon negotiation and agreement, amend the terms and conditions of the Merger or any other contents of this Agreement or cancel this Agreement.

Article 8 (Effectiveness of the Merger)

This Agreement shall cease to be effective if Escrit fails to obtain the approval by a resolution at its general meeting of shareholders stipulated in Article 6 by the day immediately preceding the Effective Date, or this Agreement is canceled in accordance with the preceding Article.

Article 9 (Matters to be Negotiated)

In addition to the matters stipulated in this Agreement, any matters necessary with respect to the Merger shall be determined upon negotiation and agreement between Escrit and EMP in accordance with the purposes of this Agreement.

To bear witness to the execution of this Agreement, one copy of this document shall be prepared, Escrit and EMP shall each sign and seal it, and Escrit will hold the original.

February 15, 2021

Escrit: Morihiro Shibutani (Seal)  
Representative Director  
Escrit Inc.  
Kowa Nishi-Shinbashi Bldg. B  
14-1, Nishi-Shinbashi 2-chome, Minato-ku, Tokyo, Japan

EMP: Morihiro Shibutani (Seal)  
Representative Director  
ESCRIT MANAGEMENT PARTNERS INC.  
Kowa Nishi-Shinbashi Bldg. B  
14-1, Nishi-Shinbashi 2-chome, Minato-ku, Tokyo, Japan

3. Outline of the details of the particulars listed in each item of Article 191 of the Regulation for Enforcement of the Companies Act

(1) Particulars regarding the appropriateness of the consideration

The Company is the wholly owning parent company of EMP, and will not deliver shares, cash or other assets in the absorption-type merger. The amount of share capital and legal capital surplus of the Company will not increase through the absorption-type merger.

(2) Content of non-consolidated financial statements, etc. for the most recent fiscal year of EMP

Please refer to the attached.

(3) Events that have material impact on the status of company property after the last day of the most recent fiscal year of the companies involved in the merger

(i) The Company

- On July 15, 2020, the Company signed a syndicated commitment line agreement as a new line of credit. The primary terms and conditions are as follows.  
Credit limit: 6.0 billion yen  
Commitment Period: July 20, 2020 to July 16, 2021  
Use of funds: Working capital  
Agent and arranger: Sumitomo Mitsui Banking Corporation  
Repayment method: Lump sum repayment on due date  
Collateral: None
- In the six-month period from April to September 2020, the Company borrowed a total of 6,048 million yen from private financial institutions, etc.
- On August 3, 2020, the Company issued new shares through third-party allotment to SBI Financial Services Co., Ltd. (Number of shares issued: 1,800,000 common shares, Issuance price: 334.4 yen per share, Total issuance price: 601,920,000 yen). As a result, SBI Financial Services Co., Ltd. has become the major and largest shareholder of the Company.
- On July 31, 2020, 1,700,000 common shares in the Company were transferred from Blocks Co., Ltd., which was a major shareholder of the Company, to TKP Corporation. As a result, TKP Corporation has become a major shareholder of the Company and Blocks Co., Ltd. is no longer a major shareholder of the Company.
- At a meeting of the Board of Directors held on February 15, 2021, the Company resolved to issue class A shares through third-party allotment to Sumitomo Mitsui Finance and Leasing Company, Limited (Number of shares issued: 3,000 class A shares, Issuance price: 1,000,000 yen per share, Total issuance price: 3,000,000,000 yen), which is subject to an approval by a special resolution at the Extraordinary General Meeting of Shareholders to be held on March 25, 2021.
- At a meeting of the Board of Directors held on February 15, 2021, the Company resolved to reduce share capital by 2,358,839,100 yen and legal capital surplus by 2,316,839,100 yen, on condition that share capital and legal capital surplus will increase through the issuance of class A shares based on the resolution at the Extraordinary General Meeting of Shareholders to be held on March 25, 2021.

(ii) EMP

Not applicable.

## **Business Report**

(April 1, 2019 to March 31, 2020)

### **1. Present State of the Company**

#### **(1) Progress and Results of Operations**

During the fiscal year ended March 31, 2020, business conditions in Japan continued on a gradual improvement spanning the decade, after bottoming-out in November 2012. The duration of this recovery may equal that of the longest post-War period of economic recovery in Japan (the 14th business cycle, comprising the 73 months from February 2002 to February 2008).

Turning to the real GDP growth rate trend since April 2018, a high growth of 0.7% year on year was recorded from April to June, 2018, driven mainly by increases in personal consumption and capital investment. This was followed by a 0.6% contraction from July to September, as successive natural disasters resulted in a slowdown in production and logistics and a decrease in consumption, against the backdrop of a fall in customer traffic as well as a decline in exports. Excluding the temporary effect of natural disasters however, moderate growth continued, driven mainly by domestic demand such as consumption and capital investment. Meanwhile, underlying growth in exports was flat, as growth in IT-related goods slowed due to a subsidence in the previously persistent high growth in demand for use in smartphones and data centers, and some weakness surfaced in orders for capital goods due to a halt in the recovery of the Chinese economy.

As the moderate recovery in business conditions continues, the GDP gap, which represents the difference between a country's aggregate demand (actual GDP) and its average output capacity throughout the economic cycle (potential GDP), has been in a positive trend (with demand exceeding supply) since 2017. Potential GDP is growing at around 1%, while actual GDP has been tending to grow at a higher rate. With the GDP gap trending positive, the challenge is now to raise the potential growth rate by increasing productivity.

Under these conditions, ESCRIT MANAGEMENT PARTNERS INC. ("EMP") implemented measures such as the renewal of existing facilities, resulting in strong response and visitor numbers. In addition, EMP reduced selling, general and administrative expenses by improving productivity through enhanced operational efficiency. EMP also strengthened operational coordination with its wholly-owning parent company, Escrit Inc., which aims to reinforce the Group management structure, and proceeded with measures to improve control and order at its business sites and enhance the efficiency of operations.

As a result, net sales amounted to 2,706,363 thousand yen, operating profit was 37,973 thousand yen, ordinary profit was 27,006 thousand yen, and profit was 30,515 thousand yen.

#### **(2) Capital Investment**

The total amount of capital investment by EMP during the fiscal year ended March 31, 2020 was 361,554 thousand yen. Capital investment primarily consisted of store repair and improvement expenses.

#### **(3) Financing**

During the fiscal year ended March 31, 2020, EMP obtained funds through borrowings of 200,000 thousand yen from Escrit Inc.

During the fiscal year ended March 31, 2020, EMP repaid 295,324 thousand yen as per the agreement.

#### **(4) Issues to be Addressed**

##### **1) Improvement in the rate of orders received and the number of orders executed**

The outlook for the domestic bridal market is not promising. Despite being regarded as generally resilient to economic downturns, the domestic bridal market is suffering from the rise in the lifetime non-marriage rate, an issue gaining attention in recent year, as well as an increase in couples choosing to marry without holding a wedding reception, or without holding either a wedding ceremony or reception.

Under these conditions, EMP will continue to regard the reduction of lost customer contact opportunities through the resolution of human resource shortages, the improvement of the new contract rate, and the reduction of cancellation rates as vital challenges. EMP will strive to improve the rate of orders received, and the number of orders executed at each business site.

2) Enhancement of internal control systems, and improvement in overall control and order

Since its establishment, EMP has been progressively acquiring business sites, which initially operated as separate companies. Therefore, EMP strengthened workflow control and order, including internal control systems, at each business site. Today, EMP's overall enhancement of control is achieved to some extent. EMP considers that it has now reached the phase of implementing comprehensive and integrated internal control systems and workflow systems in collaboration with its wholly-owning parent company, Escrit Inc., which aims to strengthen Group management systems.

EMP will continue to engage in developing operational systems that facilitate comprehensive control, in order to maximize its business performance, and in turn the consolidated business performance of the whole Group.

**2. Status of Shares (As of March 31, 2020)**

- (1) Total number of authorized shares 10,000  
 (2) Total number of shares outstanding 10,000  
 (3) Number of shareholders 1

**(4) Major shareholders**

Name of shareholder	Number of shares held	Shareholding ratio
Escrit Inc.	10,000	100%

**3. Status of Corporate Officers****(1) Directors and Corporate Auditors (As of March 31, 2020)**

Position at EMP	Name	Responsibilities and significant concurrent positions
Representative Director	Morihiro Shibutani	President and Representative Director, Escrit Inc.
Representative Director	Hiroshi Iwamoto	Chairman and Representative Director, Escrit Inc.
Director	Itaru Kichise	Executive Officer, Escrit Inc.
Corporate Auditor	Itsuro Akiyama	Full-time Corporate Auditor, Escrit Inc.

**(2) Directors and Corporate Auditors Who Retired During the Fiscal Year**

Position at the time of retirement	Name	Date of retirement
Not applicable		



**Non-consolidated Financial Statements**
**Non-consolidated Balance Sheet**

(As of March 31, 2020)

(Unit: Yen)

Assets		Liabilities	
Current assets	351,818,697	Current liabilities	583,057,562
Cash and deposits	312,415,169	Accounts payable - trade	123,323,314
Accounts receivable - trade	5,466,959	Current portion of long-term borrowings	109,040,000
Merchandise and finished goods	832,312	Lease obligations	30,833,934
Raw materials and supplies	6,487,632	Accounts payable - other	72,648,496
Prepaid expenses	17,977,228	Accrued expenses	51,251,828
Other	10,955,447	Income taxes payable	0
Allowance for doubtful accounts	(2,316,050)	Accrued consumption taxes	14,858,200
Non-current assets	2,194,298,275	Advances received	171,546,377
Tangible fixed assets	1,915,702,198	Deposits received	6,423,598
Buildings	1,027,314,976	Other	3,131,815
Structures	51,067,609	Non-current liabilities	1,841,199,858
Machinery and equipment	1	Bonds payable	0
Vehicles	2,585,064	Long-term borrowings	1,342,820,000
Tools, furniture and fixtures	83,088,806	Lease obligations	154,186,148
Leased assets	179,800,511	Asset retirement obligations	333,916,710
Land	569,172,231	Deferred tax liabilities	0
Construction in progress	2,673,000	Other	10,277,000
Intangible assets	541,382	Total liabilities	2,424,257,420
Software	310,201	Net assets	
Goodwill	231,181	Shareholders' equity	243,995,627
Leased assets	0	Share capital	100,000,000
Other	0	Capital surplus	20,000,000
Investments and other assets	278,054,695	Other capital surplus	20,000,000
Investment securities	4,129,376	Retained earnings	123,995,627
Shares of subsidiaries and associates	0	Other retained earnings	123,995,627
Long-term prepaid expenses	0	Retained earnings brought forward	123,995,627
Leasehold and guarantee deposits	202,292,663	Treasury shares	0
Deferred tax assets	69,622,656	Valuation and translation adjustments	(122,136,075)
Other	2,010,000	Share acquisition rights	0
Allowance for doubtful accounts	0	Total net assets	121,859,552
Total assets	2,546,116,972	Total liabilities and net assets	2,546,116,972

# Non-consolidated Statement of Income

(From April 1, 2019 to March 31, 2020)

(Unit: Yen)

Item	Amount	
Net sales		2,706,363,250
Cost of sales		1,441,533,530
Gross profit		1,264,829,720
Selling, general and administrative expenses		1,226,855,801
Operating profit		37,973,919
Non-operating income		
Interest and dividend income	150,948	
[Interest income]	3,208	
[Dividend income]	147,740	
Rental income	0	
Gain on reversal of allowance for doubtful accounts	0	
Other	11,110,779	11,261,727
Non-operating expenses		
Interest expenses	17,577,299	
Financing fees	0	
Commission expenses	0	
Other	4,652,250	22,229,549
Ordinary profit		27,006,097
Extraordinary income		
Gain on reversal of share acquisition rights	0	0
Extraordinary losses		
Impairment loss	2,958,622	
Loss on valuation of shares of subsidiaries and associates	0	
Other	0	2,958,622
Profit before income taxes		24,047,475
Income taxes - current	2,227,103	
Income taxes - deferred	(8,695,215)	(6,468,112)
Profit		30,515,587

# Non-consolidated Statement of Changes in Equity

(From April 1, 2019 to March 31, 2020)

(Unit: Yen)

	Shareholders' equity				
	Share capital	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings
				Retained earnings brought forward	
Balance at beginning of period	100,000,000	0	20,000,000	93,480,040	93,480,040
Changes during period					
Issuance of new shares	0	0	0		0
Dividends of surplus			0		0
Profit			0	30,515,587	30,515,587
Purchase of treasury shares			0		0
Net changes in items other than shareholders' equity			0		0
Total changes during period	0	0	0	30,515,587	30,515,587
Balance at end of period	100,000,000	0	20,000,000	123,995,627	123,995,627

	Shareholders' equity		Valuation and translation adjustments	Total net assets
	Treasury shares	Total shareholders' equity		
Balance at beginning of period	0	213,480,040		213,480,040
Changes during period				
Issuance of new shares		0		0
Dividends of surplus		0		0
Profit		30,515,587		30,515,587
Purchase of treasury shares	0	0		0
Net changes in items other than shareholders' equity		0	(122,136,075)	(122,136,075)
Total changes during period	0	30,515,587	(122,136,075)	(91,620,488)
Balance at end of period	0	243,995,627	(122,136,075)	121,859,552

## Notes to Non-consolidated Financial Statements (From April 1, 2019 to March 31, 2020)

### I. Accounting Standards

#### (1) Notes concerning matters related to significant accounting policies

##### 1) Standards and methods for valuation of securities

###### Available-for-sale securities

###### Securities with fair value

Fair value method based on the market price, etc. on the fiscal closing date (valuation differences are recognized as a component of net assets, and the cost of securities sold is measured using the moving average method)

###### Securities without fair value

Moving average cost method

##### 2) Standards and methods for valuation of derivatives

###### Derivatives

Fair value method

##### 3) Inventories

###### Raw materials and supplies

Last purchase cost method (method of reducing book value based on declines in profitability)

#### (2) Depreciation methods for significant depreciable assets

##### 1) Tangible fixed assets (excluding leased assets)

The straight-line method is applied.

Low-value assets for which the purchase price was 100,000 yen or more, and less than 200,000 yen are depreciated as lump-sum depreciable assets over three years using the straight-line method as stipulated under the Corporation Tax Act.

For assets acquired on or before March 31, 2007, the straight-line method are applied over five years beginning from the year after they have been depreciated to the depreciable limit.

##### 2) Intangible assets (excluding leased assets)

The straight-line method is applied.

The depreciation of software for internal use is based on its internal useful life (five years).

##### 3) Leased assets

Leased assets pertaining to finance lease transactions involving transfer of ownership

The same methods of depreciation are applied as for non-current assets held by EMP.

Non-current assets pertaining to finance lease transactions involving transfer of ownership are not classified as leased assets, but are presented in the relevant items under tangible fixed assets.

Leased assets pertaining to finance lease transactions not involving transfer of ownership

The straight-line method is applied, with the lease period as the useful life and zero residual value.

##### 4) Long-term prepaid expenses

The straight-line method is applied.

#### (3) Amortization method and amortization period for goodwill

Goodwill is amortized using the straight-line method over five years.

#### (4) Other significant matters forming the basis of preparation of financial statements

Accounting treatment of consumption taxes

Consumption tax and local consumption tax are accounted for using the tax-exclusion method.

## II. Notes on Non-consolidated Balance Sheet

Accumulated depreciation on tangible fixed assets 721,764 thousand yen

## III. Notes on Non-consolidated Statement of Income

EMP has recorded an impairment loss pertaining to the following asset groups.

Place	Use	Type	Amount
St. Michelle GARDEN WEDDING (Echizen City, Fukui Prefecture)	Business-use assets	Buildings, structures, etc.	2,958 thousand yen

EMP groups its assets by business base, which is the minimum cash-generating unit.

The book value of an asset group that continually incurs negative operating cash flow is reduced to the recoverable amount, and the amount of this reduction is recorded as an impairment loss in extraordinary losses.

Details of the impairment loss are shown below.

Buildings and structures	1,502 thousand yen
Tools, furniture and fixtures	1,456
Total	2,958

The recoverable amount for the asset group is based on value in use, which is assessed to be zero, because future cash flows are estimated to be negative.

## IV. Notes on Non-consolidated Statement of Changes in Equity

### (1) Matters concerning the class and number of shares outstanding

Class of shares	Number of shares at beginning of the period	Increase in the number of shares during the period	Decrease in the number of shares during the period	Number of shares at end of the period
Common shares	10,000	-	-	10,000

### (2) Matters concerning treasury shares

Not applicable

### (3) Matters concerning dividends

Not applicable

### (4) Matters concerning share acquisition rights, etc.

Not applicable

## V. Notes on Tax Effect Accounting

### (1) Breakdown of the main causes giving rise to deferred tax assets and deferred tax liabilities

Deferred tax assets (non-current)	
Retained loss	1,406 thousand yen
Accrued bonuses	4,098
Asset retirement obligations	155,788
Excess depreciation	359,037
Legal welfare expenses	655
Leasehold deposits	1,520
Telephone subscription right	201
Lease obligations	62,129
Deferred tax assets (non-current) - Subtotal	584,963
Valuation allowance	(414,526)
Deferred tax assets (non-current) - Total	170,436
Deferred tax liabilities (non-current)	
Leased assets	60,250 thousand yen
Asset retirement obligations	38,249
Repudiated accrued interest	1,602
Accrued enterprise tax	584
Deferred tax liabilities (non-current) - Total	100,687
Net deferred tax assets (non-current)	69,749

### (2) Breakdown of the main causes giving rise to any significant difference between the statutory effective tax rate and the actual income tax rate after tax effect accounting

Statutory effective tax rate	34.59%
(Adjustments)	
Entertainment expenses, etc.	1.97%
Per-capita resident tax	9.46%
Change in valuation allowance	(71.86)%
Difference due to change in tax rate	(0.03)%
Other	(0.73)%
Actual income tax rate after tax effect accounting	(26.61)%

## VI. Notes on Per-share Information

(1) Net assets per share	12,185.96 yen
(2) Earnings per share	3,051.56 yen

## VII. Notes on Significant Subsequent Events

Not applicable

## **Corporate Auditor's Report**

With respect to the execution of duties by Directors during the 5th Fiscal Year (from April 1, 2019 to March 31, 2020), I have prepared this audit report, and hereby report as follows.

### **1. Method and Contents of the Audit**

I endeavored to communicate with Directors, employees and other members, collect information, and improve the auditing environment. I attended the meetings of the Board of Directors and other important meetings, received reports from Directors, employees and other members regarding the status of execution of their duties, and requested explanations as necessary. I inspected important internal approval documents, etc., and investigated the status of operations and assets at the head office and major business sites. In accordance with the procedures mentioned above, I reviewed the business report and supplementary schedules for the fiscal year ended March 31, 2020.

I also investigated EMP's accounts and related materials, and reviewed the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity, and notes to non-consolidated financial statements) and supplementary schedules for the fiscal year ended March 31, 2020.

### **2. Results of Audit**

#### **(1) Results of Audit of Business Report, etc.**

- (i) I acknowledge that the business report and supplementary schedules fairly present the status of EMP in accordance with the applicable laws and regulations and the Articles of Incorporation.
- (ii) I acknowledge that no misconduct or material fact constituting a violation of any law or regulation or the Articles of Incorporation was found with respect to the execution of duties by Directors.

#### **(2) Result of Audit of the Financial Statements and Supplementary Schedules**

I acknowledge that the financial statements and supplementary schedules present fairly, in all material respects, EMP's financial position and the results of operations.

May 29, 2020

Itsuro Akiyama  
Full-time Corporate Auditor  
ESCRIT MANAGEMENT PARTNERS INC.