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December 14, 2021

Company name:	Adastria Co., Ltd.	
Representative:	Chairman of the Board	Michio Fukuda
Stock code:	2685	
Listing:	TSE 1st section	
Contact:	Senior Vice President, Head of Corporate Planning Office	Itsuo Iwakoshi
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To whom it may concern

Adastria subscribes for new shares to be issued through third-party allotment conducted by Zetton, Inc. and commences tender offer for Zetton, Inc.'s shares (Securities code: 3057) as well as executes capital and business alliance agreement associated therewith

We hereby announce that Adastria Co., Ltd. (the "Tender Offeror") resolved on December 14, 2021 to subscribe for new shares to be issued through a third-party allotment (the "Third-party Allotment") conducted by Zetton,Inc. (the "Target Company") on the same day, to acquire the Target Company's ordinary shares (the "Target Company Shares") listed on the Centrex section of Nagoya Stock Exchange, Inc. (the "Nagoya Stock Exchange Centrex") through a tender offer (the "Tender Offer," and together with the Third-party Allotment, collectively referred to as the "Transaction") as prescribed in the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the "FIEA") on condition that the Tender Offeror duly and validly subscribe for new shares issued through the Third-party Allotment and complete payment for the Third-party Allotment on December 30, 2021, and to execute a capital and business alliance agreement (the "Capital and Business Alliance Agreement") that stipulates terms and conditions of the Transaction by and between the Tender Offeror and the Target Company on December 14, 2021.

The tender Offeror will aim to acquire from 40% to majority of the voting rights of the Target Company and make the target company its consolidated subsidiary through the Transaction. The Tender Offer will be commenced on condition that certain requirements be satisfied such as the Tender Offeror having subscribed for new shares issued through the Third-party Allotment on December 30, 2021, and the board of directors of the Target Company having resolved to agree to the proposed commencement of the Tender Offer and such resolution having not been withdrawn. For more information on the conditions precedent to the commencement of the Tender Offer, please refer to "I. The Transaction and the Capital and Business Alliance" "1. Summary of the Transaction" The Target Company represented consent to the Tender Offer and resolved at a meeting of its board of directors that it would leave a decision on whether to tender shares owned by the Target Company's shareholders up to each of its shareholders.

I. The Transaction and the Capital and Business Alliance

1. Summary of the Transaction

(1) Summary of the Transaction

The Tender Offeror has developed multiple apparel brands and is mainly engaged in planning, manufacture and sale of clothing and miscellaneous goods, etc. The Tender Offeror's ordinary shares are listed on the first section of Tokyo Stock Exchange, Inc. (the "Tokyo Stock Exchange"). The Target Company is mainly engaged in management of restaurants. The Target Company Shares are listed on the Nagoya Stock Exchange Centrex. According to the Target Company, it resolved to conduct the Third-party Allotment under which it would issue the Target Company Shares to the Tender Offeror at the meeting of the Board of Directors on December 14, 2021. The payment date for the Third-party Allotment is December 30, 2021. The Tender Offeror will be allotted 1,621,400 shares of the Target Company Shares (a shareholding ratio of 33.58% as of the date hereof) on the same day.

The Tender Offeror resolved at the meeting of its board of directors held on December 14, 2021 that it commence the Tender Offer for the purpose of acquiring from 40% to a majority of the voting rights of the Target Company to make the Target Company its consolidated subsidiary on condition that all of the following requirements be satisfied: the Capital and Business Alliance Agreement is executed by and between the Tender Offeror and the Target Company; the Tender Offeror subscribes for new shares issued through the Third-party Allotment; and at the time of commencement of the Tender Offer, (1) the Tender Offeror has duly and validly subscribed for new shares issued through the Third-party Allotment and completed payment for the Third-party Allotment; (2) an agreement to subscribe for the total number of shares issued by the Target Company through the Third-party Allotment has been executed by and between the Tender Offeror and the Target Company and is validly existing in full force and effect; (3) the securities registration statement filed by the Target Company has validly taken effect; (4) the board of directors of the Target Company has resolved to agree to the proposed commencement of the Tender Offer and the resolution is maintained; (5) there is no event or incident occurred that has a material adverse effect on the Target Company's business, assets, liabilities, financial position, operating results, cash flows or future earnings plan; (6) the representations and warranties made by the Target Company are true and correct in all material respects; (7) the Target Company's obligations under the Capital and Business Alliance Agreement have been complied with and performed by the Target Company in all material respects; and (8) there is no judicial decision or government agency's decision, etc. that restricts or prohibits the Tender Offer or that identifies that the Tender Offer violates or is likely to violate laws and regulations. The payment date for the Third-party Allotment is December 30, 2021. The Tender Offeror will be allotted 1,621,400 shares of the Target Company Shares (a shareholding ratio of 33.58% as of the date hereof) on the same day.

Since the Tender Offeror intends to keep the Target Company Shares listed after the Transaction, the maximum number of shares to be purchased has been set to 1,668,000 shares (a shareholding ratio of 34.55% as of the date hereof) that is calculated by subtracting the number of shares (1,621,400 shares) to be acquired by the Tender Offeror through the Third-party Allotment from the number of shares (3,289,400 shares) to be acquired by the Tender Offeror so that the ratio of voting rights owned by the Tender Offeror reaches 51.00% after the completion of the Transaction. If the total number of share certificates, etc. offered for sale, etc. in response to the Tender Offer (the "Tendered Share Certificates, Etc.") exceeds the maximum number of shares to be purchased (1,668,000 shares), the Tender Offeror will, instead of purchasing all or part of the excess portion, conduct delivery or other settlement for purchase, etc. of the share certificates, etc. through proportional distribution. Meanwhile, the Tender Offeror has set the minimum number of shares to be purchased to 958,600 shares (a shareholding ratio of 19.85% as of the date hereof) that is calculated by subtracting the number of shares (1,621,400 shares) to be acquired by the Tender Offeror through the Third-party Allotment from the number of shares (2,580,000 shares) to be acquired by the Tender Offeror so that the ratio of voting rights owned by the Tender Offeror reaches 40.00%, which is the shareholding ratio that enables the Tender Offeror to effectively control the Target Company, after the completion of the Transaction. If the total number of the Tendered Share Certificates, Etc. is less than the minimum number of shares to be purchased (958,600 shares), the Tender Offeror will not purchase any of the Tendered Share Certificates, Etc. If the shareholding ratio of the Tender Offeror in the Target Company Shares does not reach 51.00% as a result of the Tender Offer, the Tender Offeror will, for the purpose of effectively controlling the Target Company and making the Target Company its consolidated subsidiary, execute a memorandum of understanding that satisfies requirements for the Tender Offeror to hold a controlling interest in the Target Company.

In addition, the Tender Offeror has executed a tender offer agreement (the "Tender Offer Agreement") in connection with the Tender Offer with Mr. Kenichi Inamoto who is the founder and a former president and representative director of the Target Company (the number of shares held by him as of the date hereof is 308,500 shares and the shareholding ratio as of the date hereof is 6.39%; "Mr. Inamoto") and Mr. Shinsuke Suzuki who is the representative director of the Target Company (the number of shares held by him as of the date hereof is 176,600 shares and the shareholding ratio as of the date hereof (Note) is 3.66%; "Mr. Suzuki" and Mr. Inamoto and Mr. Suzuki are hereinafter collectively referred to as the "Prospective Tendering Shareholders"), respectively. The Tender Offeror has obtained consent from Mr. Inamoto to tender 241,500 shares (a shareholding ratio (Note) of 5.00% as of the date hereof) out of the number of the Target Company Shares held by Mr. Inamoto, and from Mr. Suzuki to tender 35,000 shares (a shareholding ratio (Note) of 0.72%) out of the number of the Target Company Shares held by Mr. Suzuki (276,500 shares in total, the shareholding ratio of 5.73%; the "Shares to Be Tendered").

Note that, according to the Target Company's press release, all the directors (including audit and supervisory committee members) of the Target Company attended the meeting of the board of directors held on December 14, 2021 to discuss the Tender Offer and unanimously agreed to the Tender Offer, and came to a decision from a neutral standpoint that the Target Company should leave a decision on whether to tender shares owned by the Target Company's shareholders up to each of its shareholders since the maximum number of shares to be purchased was set for the Tender Offer and the Target Company Shares was intended to be kept listed after the

Tender Offer.

(2) Reasons for selecting the Transaction's structure

The Transaction is a combination of the Third-party Allotment and the Tender Offer. As stated in "(1) Summary of the Transaction" above, the commencement of the Tender Offer is subject to the conditions precedent that the Tender Offeror has duly and validly subscribed for new shares issued through the Third-party Allotment and completed payment for the Third-party Allotment. The Tender Offeror has selected such structure for the Transaction for the following reasons:

(i) Reasons for implementing the Third-party Allotment

As stated in "2. Reasons for the capital and business alliance," "(1) Purpose and background of the capital and business alliance," according to the Target Company, since its group was significantly affected by the COVID-19 pandemic, with net sales of 4.7 billion yen in the fiscal year ended February 2021, down 5.6 billion yen (54%) from the previous year, and operating loss of 1.7 billion yen, down 2.2 billion yen from the previous year, it has a substantial need for procuring funds. The funds will be used for working capital, business expenses as the designated manager of Nagoya City Tokugawaen, new shop openings in parks, etc., and to repay a total of 600 million yen in group financing and its late payment charges from DD Holdings, Co., Ltd. ("DDHD") that is a capital and business partner of the Target Company with a repayment date of the end of September 2021 (the "Loan"). In addition, according to the Target Company, it has judged there may be a risk that the Target Company cannot continue its business due to the following reasons: (a) in May 2021, DDHD requested the Target Company to present a repayment plan ofthe Loan; (b) no direct financing has been approved by DDHD; (c) procuring funds from a third party has not been approved by DDHD pursuant to the MOU)with DDHD that stipulates issuance of new shares resulting in DDHD's shareholding ratio being one third or less requires prior approval of DDHD; and (d) the Target Company was communicated from an outside financial institution that as long as the debts of 600 million yen in total payable to DDHD remain accelerated and unpaid even after the end of December 2021, such financial institution would have to withdraw lending to the Target Company.

As of early November 2021, it was necessary to procure 156 million yen in working capital, 450 million yen in expenses for responding to the public offering under the PARK-PFI system*, and 50 million yen in expenses for new shop openings during December 2021, due to concerns about the deterioration of business conditions caused by the sixth wave of the new coronavirus infection. The Target Company has determined that it is extremely important to procure these funds by December 2021 through a third-party allotment in order to maintain the Target Company's corporate value.

(* Newly established by the amendment of the Urban Park Law in 2017, this system is designed to select, through public solicitation, those who will establish park facilities that contribute to the convenience of park users, such as restaurants and shops, and who will use the revenue generated from such facilities to develop and renovate specific park facilities that can be used by general park users, such as parkways and squares in the surrounding area. The system is based on a public call for proposals.)

Accordingly, since the Target Company urgently needs to procure funds during December 2021, the Target Company has decided to conduct the Third-party Allotment for the Tender Offeror with the payment date being December 30, 2021.

(ii) Reasons for implementing the Tender Offer

The Tender Offeror has decided to conduct the Tender Offer to make the Target Company its consolidated subsidiary since it believes that making the Target Company its consolidated subsidiary will lead to acquisition of future business opportunities in the relevant field and strengthening of its profitability, which in turn contributes to the enhancement of the Target Company's enterprise value.

(iii) Reasons for implementing the Tender Offer subject to completion of the Third-party Allotment

As stated above, the Tender Offeror aims to make the Target Company its consolidated subsidiary and has set the minimum number of shares to be purchased for the Tender Offer to the number of shares (2,580,000 shares) so that the ratio of voting rights owned by the Tender Offeror reaches 40.00%.

In this respect, the Tender Offeror has executed the Tender Offer Agreements with Mr. Inamoto and Mr. Suzuki on December 14, 2021 as stated above; however, in light of the status of the shareholders of the Target Company, the Tender Offeror anticipates that the total number of the Tendered Share Certificates, Etc. is highly likely to be less than the aforementioned minimum number of shares to be purchased only with the Tender Offer by the Tender Offeror.

Meanwhile, DDHD has not yet approved the Target Company's procurement of funds from a third party as of the date hereof. The Third-party Allotment will be conducted without approval of DDHD. Therefore, there is a certain risk that DDHD may seek an injunction against the Third-party Allotment (including a provisional disposition). The Target Company has been advised by its legal advisors that, in light of the specific circumstances of this case, it is sufficiently reasonable to conclude that the execution of the Third-Party Allotment by the Target Company does not constitute a breach of the MOU, and that such execution does not constitute a breach of the Target Company's directors' duty of care.

In addition, the Target Company urgently needs to procure funds as above.

Due to the reasons stated above, if the Third-party Allotment and the Tender Offer are conducted at the same time and an injunction is approved against the issuance of the Target Company Shares through the Third-party Allotment, the Tender Offeror's purpose of making the Target Company its consolidated subsidiary may not be achieved.

To avoid such circumstances and to achieve the purpose of making the Target Company its consolidated subsidiary, the Tender Offeror has adopted the structure to commence the Tender Offer subject to the conditions precedent that the Tender Offeror has duly and validly subscribed for new shares issued through the Third-party Allotment and completed payment for the Third-party Allotment.

Note that the difference between the paid-in value for the Third-party Allotment (797 yen) and the purchase price of the Target Company Shares (the "Tender Offer Price") (950 yen) has been set due to the following reasons: in respect of the Third-party Allotment, since the Target Company Shares will be acquired in exchange for provision of business funds to enhance the Target Company's enterprise value in future and the Tender Offeror will take the Target Company's business risk, the paid-in value has been discounted from the market value as a fair consideration for such risk taken, whereas, in respect of the Tender Offer, since the Target Company Shares will be acquired for the purpose of gaining synergies from making the Target Company the Tender Offer's consolidated subsidiary, the Tender Offer Price has been set to the market value with a premium in order to distribute the enterprise value gained from the synergies to minority shareholders.

2. Reasons for the capital and business alliance

(1) Purpose and background of capital and business alliance

The Tender Offeror Group is committed to "more customers" and "more value for customers" as growth strategies for 2025. One of such strategies is to start new businesses linked to enjoyable and fulfilling lives. Amid the diversification of lifestyles from young to senior generations, the Tender Offeror Group aims to propose customers with timely proposals of diverse lifestyles beyond the apparel domain.

On the other hand, the Target Company was established in Nagoya City by Mr. Inamoto, a Prospective Tendering Shareholder, in October 1995 with the main business purpose of restaurant management. It opened its first restaurant in Naka-ku, Nagoya City, in November 1995. Subsequently, the Target Company opened its first restaurant in Tokyo in March 2001, expanded into the Kanto region, and then moved its head office from Nagoya to Tokyo in May 2010. The Target Company listed its shares on the Nagoya Stock Exchange Centrex in October 2006 and has been listed on the same exchange until now. In October 2008, the Target Company established ZETTON, INC. in Hawaii, U.S.A. as a consolidated subsidiary (hereinafter referred to as the "Target Company's Subsidiary" and the Target Company and the Target Company's Subsidiary are collectively referred to as the "Target Company Group").

The Target Company Group is engaged in the Aloha Table business, which is a cafe and dining business that advocates a lifestyle based on Hawaiian culture; the dining business of the multi-brand business expanded based on the development of brands that match the characteristics of the region and location where the restaurant is located; the outdoor business, which is an event business that develops beer gardens and BBQ venues for a limited period, mainly during the summer season; the restaurant and bridal business in historic buildings; and the international business, which is an overseas expansion business centered on Hawaii, U.S.A. As of the end of September 2021, the Target Company Group has 74 restaurants, 65 in Japan and 9 overseas.

The Target Company Group has developed a wide variety of brands under the management philosophy of "Restaurant development involves developing human resources and community." Through restaurant development, the Target Company Group has been promoting various community development. The Target Company Group aims to develop communities based on strategies to promote sustainable management while solving social issues. Specifically, the group aims to contribute to local communities and grow themselves by strengthening new businesses for parks through the acquisition of public projects under the PARK-PFI system* and public facility redevelopment to revitalize old public facilities. (*The system was newly established under the Urban Park Act revised in 2017 to establish park facilities subject to public offering that contribute to the improvement of convenience for park users such as restaurants and shops, and to select, through public offerings, persons who utilize profits generated from such facilities to develop and renovate specified park facilities that can be used by general park users, such as garden paths and open spaces in the vicinity of the park facilities.)

However, the Target Company Group was significantly affected by the COVID-19 pandemic, with net sales of 4.7 billion yen in the fiscal year ended February 2021, and operating profit of negative 1.6 billion yen, net loss attributable to owners of the parent 1.2billion yen year on year.

The restaurant business is an important factor for the Tender Offeror Group to propose diverse lifestyles to customers in every aspect of their lives beyond apparel. We, therefore, have been considering the possibility of discontinuous growth through alliances and M&A with other companies to expand the restaurant business. We have been in contact with the Target Company since September 2017, when the Tender Offeror Group launched the restaurant business. We have been closely monitoring the movement of the Target Company Group, which aims to brand the entire city by creating stores and brands that symbolize the area. In addition, as the Tender Offeror Group seeks to propose lifestyles, we evaluated that the Target Company Group's brands, products, services, and other content can appeal to fashion-conscious consumers through high-quality space design and are highly compatible with the Tender Offeror Group's brands. On the other hand, the Target Company also independently recognized that in order to promote sustainable strategies such as new business for parks and redevelopment of public facilities, it is necessary to jump beyond the boundaries of the restaurant business while taking advantage of the strengths of the restaurant business and also considering collaboration with other industries. As a result, in early January 2021, the Target Company independently started considering various options including a capital alliance with other companies.

In such business environment surrounding the Tender Offeror Group and the Target Company Group (hereinafter the "Groups"), the Tender Offeror and the Target Company (hereinafter the "Companies") believed that building a capital relationship between the Companies and making the Target Company a consolidated subsidiary by the Tender Offeror would contribute to improving the enterprise value. Therefore, the Tender Offeror commenced a dialogue with the Target Company in April 2021. Under an agreement between the Companies, the Tender Offeror conducted due diligence on the Target Company from early June to early July 2021. After that, the Tender Offeror began discussions and negotiations on specific benefits and conditions arising from the Transaction. The Target Company had been considering the Transaction on the assumption that the approval of DDHD would be obtained. However, DDHD was having difficulty responding within the negotiation deadline presented by the Tender Offeror, and as the Tender Offeror was ultimately unable to obtain the approval of DDHD for these transactions. Therefore, in late September of the same year, the Tender Offeror canceled its plan to make the Target Company a consolidated subsidiary by subscribing for new shares to be issued through the Third-party Allotment and conducting the Tender Offer.

However, with the prolonged impact of COVID-19, the Target Company still needs to raise funds. On November 8, 2021, the Target Company requested DDHD to switch to long-term borrowings for group financing totaling 600 million yen. It also requested DDHD to provide funds by lending or subscribing for the Target Company's shares for 700 million yen, consisting of 156 million yen for working capital, 200 million yen for business costs as a designated manager of the Tokugawaen, Nagoya, and 300 million yen for new store openings in parks and other facilities. The Target Company also requested DDHD to, if DDHD is unable to respond to such request, approve that the Target Company procures such funds from a third party by means including the issuance of shares for subscription at a new market price, and to inform them of the possibility of responding to the requests by November 23, 2021. As of today, DDHD has not clearly responded to the Target Company's request for the above-mentioned financial support, nor has DDHD given its consent to implement the above-mentioned fund procurement from a third party other than DDHD.

Therefore, to meet the above-mentioned fund demand, the Target Company has reviewed again to conduct the Third-Party Allotment to the Tender Offeror and discussed and negotiated with the Tender Offeror again. Through such discussions and negotiations, the Target Company has carefully considered the synergies to be obtained by making the Target Company a consolidated subsidiary of the Tender Offeror and has determined that the following synergies can be expected.

- *Developing new promotions*
  In the past, the Target Company mainly attracted customers from other companies' gourmet media such as Gurunavi and Tabelog. However, attracting customers through these media had problems with commissions and low repeat rates. Therefore, the Target Company had targeted to attract customers through so-called owned media, such as its official website, SNS accounts, membership system, and in-house point system. Still, the construction of owned media requires considerable investment and know-how. The Tender Offeror Group owns ".st" as its own e-commerce site as an apparel company. It has 12.7 million customer members, making it one of the leading e-commerce sites for apparel companies. Each of the brands owned by the Tender Offeror Group also has strong promotional power in their SNS accounts.

  Therefore, the Target Company thought that developing promotion activities through the Tender Offeror Group's owned media would attract customers more cost-effectively. The Target Company estimates that tens of millions of yen or more in promotion costs will not be required.

  In addition, the Tender Offeror Group has abundant experience and knowledge about powerful promotion activities through owned media and believes that acquiring new promotion skills through business alliances will greatly strengthen the Target Company's strategy to attract customers.

- *Enhancing brands and proposing lifestyles*
  The Target Company is developing the Aloha Table business as a cafe and dining business that advocates a lifestyle based on Hawaiian culture. In this business style, enhancing the brand value by building a world view is important, so the manufacture and sale of items, such as tableware and clothing, bearing the brand name had been planned by the Target Company for some time.

  As an apparel company, the Tender Offeror Group engages in planning, manufacturing, distribution, and sales. Concerning general merchandise, the Tender Offeror Group has a planning and manufacturing unit capable of handling multi-brands. It can outsource the manufacturer of high-quality items that are more competitive than those outsourced to other companies.

  Collaboration with the Tender Offeror Group will enable the Company to strengthen the brand power of each of its businesses and realize the Target Company's strategy of developing stores that offer lifestyle proposals.

- *Accelerating overseas expansion*
  The Target Company has established a subsidiary in Hawaii, U.S.A. to expand overseas but does not have a base in Asia. The Tender Offeror Group already has bases in China, Taiwan, Hong Kong, and the U.S. mainland. As a result of the strong performance in China and Taiwan even in the COVID-19 pandemic, overseas sales for the interim period of the fiscal year ended February 28, 2022 were 5,937 million yen (126.8% year on year).
  The Target Company has not materialized its business expansion into China based on the judgment that it is challenging to clear issues such as the selection of local partners. However, the Tender Offeror Group has a

large flagship store in Shanghai, China, and operates a food court in the same building. It also has a business base for procuring raw materials for the restaurant business. Therefore, the Target Company believes that it will accelerate its expansion into Asian countries, including China, by collaborating with the Tender Offeror Group.

- *Strengthening negotiation power with commercial facilities*
  The Tender Offeror Group owns 1,378 stores in commercial facilities in Japan and has strong bargaining power over large-scale commercial facilities. The Target Company believes that it will be able to open new stores under more favorable conditions by using the pipes of the Tender Offeror Group in the future.

Furthermore, as a result of the Third-Party Allotment, it will be possible for the Target Company to strengthen its equity capital, which has decreased due to the significant decrease in operating profit caused by COVID-19, and at the same time secure investment funds for growth.

The Tender Offeror informed the Target Company on November 24th, 2021 that the Tender Offer will be conducted with the Tender Offer Price of 950 yen. (No request for a price increase has been received from the Target Company since then.) In late November 2021, we approached the Prospective Tendering Shareholders about tendering their shares in the Tender Offer. In early December 2021, we obtained the consent of Mr. Inamoto and Mr. Suzuki to tender a certain percentage of the Target Company Shares and therefore proceeded with the adjustment of the tender agreement.

After the discussions and negotiations, the Board of Directors of the Tender Offeror resolved at its meeting held on December 14, 2021, to subscribe for new shares to be issued through the Third-party Allotment and start Tender Offer. The board entered the Tender Offer Agreement with the Prospective Tendering Shareholders and the Capital and Business Alliance Agreement with the Target Company on December 14, 2021.

(2) Management policy following the capital and business alliance

The Tender Offeror plans to maintain the listing of the Target Company shares on the Nagoya Stock Exchange Centrex even after the Tender Offer to preserve and respect the autonomy of the Target Company's management.

The Tender Offeror and the Target Company aim to further achieve the growth strategy through the Transaction by converting the Target Company into a consolidated subsidiary of the Tender Offeror. In addition, the Tender Offeror considers the current management and employees of the Target Company will remain at the core of the business operations to focus on business development, and the Tender Offeror will not request the Target Company to make specific changes. On the other hand, the Tender Offeror and Target Company will dispatch a director from the Tender Offeror to the Target Company based on the Capital and Business Alliance Agreement, to deepen mutual understanding of the management status. More specifically, the Tender Offeror will request the Target Company to submit to the 27th General Meeting of Shareholders of the Target Company scheduled in May 2022, a proposal of selecting a director candidate nominated by the Tender Offeror.

The Tender Offeror Group has enhanced its business structure, responding to the recent penetration of SNS and increasing design-conscious consumers, while expanding the potential of apparel. The Group goes beyond the boundaries of apparel by extending its horizon to fashionable products and services in every stage of life, to achieve the growth strategy. In particular, in the post-COVID19 society, the Tender Offeror considers reigniting demand for "enjoyable life style" is important under the growth strategy of its Group, by offering chances to go out which were negatively affected by the COVID-19 travel restrictions, and providing a forum to get people gather for some fun. In this respect, the Tender Offeror considers acquiring the attractive contents of the Target Company Group is effective.

In addition, Target Company Group can also utilize the customer base including 12.7 million EC site membership the Tender Offeror Group has; know-how including branding and brand management gained through its apparel business; brand appeals, to efficiently expand its business and improving attractiveness. Both Groups will mutually utilize their expertise, knowledge and personnel. By building a complementary relationship, they will generate a joyful and exciting time and space allowing everyone from children to the senior citizens gather with a smile and enjoy food, clothing and housing in a completely new way.

In addition, by leveraging the relationship the Tender Offeror Group has so far built with retail facilities, measures to increase the enterprise value of the Target Company will be available such as joint store development, uncovering overseas areas untapped by the Target Company Group (Asian countries including China), personnel exchange at the management division and sharing know-how on efficient operations. Furthermore, as a result of the Third-Party Allotment, it will be possible for the Target Company to strengthen its equity capital, which has decreased due to the significant decrease in operating profit caused by the impact of COVID-19, and at the same time secure investment funds for growth. As a result, the Tender Offeror aims to drive growth of both Groups by developing the management base of the Target Company.

3. Details of the business alliance etc.

(1) Details of the business alliance

The Tender Offeror and the Target Company have entered into the Capital and Business Alliance Agreement on December 14, 2021. Both parties have agreed based on the Capital and Business Alliance Agreement as below:

i. Details of the business alliance

The Tender Offeror and the Target Company shall conduct a business alliance for the businesses outlined below:

(a) Offer mutual products and brands, and operate business in overseas markets where both parties can compete
(b) Operate mutual products, brands, businesses in their existing brand businesses
(c) Enhance handling of the Target Company's products on the EC platform of the Tender Offeror

ii. The Target Company will allocate, by way of the Third-party Allotment, the Target Company Shares as stated below and the Tender Offeror will subscribe for the shares.
Type of share certificates: Ordinary shares
Number of shares to be tendered: 1,621,400 shares
Amount to be paid in: 797 yen per share to be tendered
Total amount to be paid in: 1,292,255,800 yen
Payment period: December 30, 2021
Allocation method: Allocate all shares to the Tender Offeror by way of the third-party allotment

(2) Acquisition cost of shares or equity of the counterpart company that the Tender Offeror will newly acquire

The Tender Offeror will tender all shares of ordinary shares to be newly issued by the Target Company through the Third-party Allotment 1,621,400 shares (ratio of total number of issued shares after the tender offer 25.14%, Ratio of voting rights 25.14% (rounded to the nearest hundredth percentage point).

The Target Company will use the proceeds from the Third-party Allotment for (1) Working capital, (2) Cost for PARK-PFI, (3) Cost for new store openings, (4) Repayment of borrowings from DDHD.

In addition, the tender offer by the Tender Offeror through the Third-party Allotment of the Target Company's shares is as outlined below: For the details of the Third-party Allotment, please refer to the "Notice Concerning the Issues of New Shares through Third-party Allotment" announced today.

(i) No. of shares to be subscribed for	Ordinary shares 1,621,400 shares (No. of voting rights 16,214 voting rights)
(ii) Amount to be paid in	797 yen per share
(iii) Total amount to be paid in	1,292,255,800 yen
(iv) Scheduled payment date	December 30, 2021

4. Profile of the Target Company

(1) Name	Zetton.Inc.
(2) Location	3-12-23 Sakae, Naka-ku, Nagoya, Aichi
(3) Title and Name of Representative	Shinsuke Suzuki, Representative and President
(4) Description of business	Management, development and consulting of restaurants etc.
(5) Stated capital	561 million yen (as of August 31, 2021)
(6) Date of establishment	October 26, 1995

(7) Major shareholders and their shareholding ratio (as of August 31, 2021)	DD Holdings Co., Ltd. Kenichi Inamoto Shinsuke Suzuki SKY Group Investment Co., Ltd. OIE SANGYO Co., Ltd. KEY COFFEE INC Tomotsugu Kajita Motoki Jinno Hiroshi Otani Marutoh Mizutani Co.,Ltd.		37.47% 6.39% 3.66% 2.99% 2.26% 1.95% 1.82% 1.71% 1.22% 1.13%
(8) Relationship between the listing company and the company concerned	Capital relationship	There is no notable capital relationship between the Tender Offeror and the Target Company. Furthermore, there is no notable capital relationship between the affiliates and affiliated companies of the Tender Offeror, and the affiliates and affiliated companies of the Target Company.	
	Personnel relationship	There is no notable personnel relationship between the Tender Offeror and the Target Company. Furthermore, there is no notable capital relationship between the affiliates and affiliated companies of the Tender Offeror, and the affiliates and affiliated companies of the Target Company.	
	Business relationship	There is no notable business relationship between the Tender Offeror and the Target Company. Furthermore, there is no notable capital relationship between the affiliates and affiliated companies of the Tender Offeror, and the affiliates and affiliated companies of the Target Company.	
	Applicability as a related party	Not applicable	

(9) Consolidated operating results and financial position for the past 3 years of the company concerned

Fiscal year	FY2019	FY2020	FY2021
Net assets (million yen)	741	1,078	149
Total assets (million yen)	2,747	3,225	3,541
Net assets per share (yen)	171.86	249.87	30.91
Net sales (million yen)	9,727	10,284	4,716
Operating profit (million yen)	463	467	(1,692)
Ordinary profit (million yen)	491	473	(1,577)
Net income (million yen)	210	345	(1,251)
Earnings per share (yen)	48.80	80.00	(279.70)
Dividend per share (yen)	5.00	—	—

5. Schedule

(1) Date of resolution by the Board of Directors	December 14, 2021
(2) Execution date of the capital and business alliance agreement	December 14, 2021
(3) Payment date of the third-party allotment	December 30, 2021 (Scheduled)

II. About the Tender Offer

1.Summary of the tender offer

(1) Schedule

We plan to commence the Tender Offer on January 4, 2022 (Tuesday) on condition that the requirements set above are fulfilled. In the event we are unable to commence the Tender Offer on January 4, 2022, we will inform so through timely disclosure.

Resolution by the Board of Directors	December 30, 2021 (Thursday)
Date of announcement to commence the tender offer	January 4, 2022 (Tuesday) (URL of electronic public notice: https://disclosure.edinet-fsa.go.jp/)
Date of filing of the Tender Offer Statement	January 4, 2022 (Tuesday)

(2) Tender offer period

From January 4, 2022 (Tuesday) to February 16, 2022 (Wednesday) (30 business days)

(3) Tender offer price

950 yen per Target Company Share in cash

(4) Basis for the calculation etc. of the tender offer price

i) Basis of calculation

In determining the Tender Offer Price, the Tender Offeror requested Plutus Consulting Co., Ltd. ("Plutus"), a third-party evaluator independent of the Target Offeror and the Target Company, to value the Target Company Shares to ensure the fairness of the Tender Offer Price. The Tender Offeror has received a report on the valuation of the Target Company Shares (hereinafter the "Share Valuation Report") from Plutus on December 13, 2021.

After assessing a number of share valuation methods, Plutus adopted the market share price method and the DCF method for valuing the Target Company Shares. Specifically, Plutus performed valuation of the Target Company Shares using the market price method as the Target Company is listed on the Nagoya Stock Exchange Centrex and thus have market price; and also using the DCF method in order to reflect its future business activities in the valuation.

The range of per share value of the Target Company Shares calculated using each of the above methods is as follows:

Market share price method: 798 yen to 885 yen

DCF method: 695 yen to 1,220 yen

The market share price method has resulted in a per share value of the Target Company Shares ranging from 798 yen to 885 yen, based on the simple averages of the following closing prices on the Nagoya Stock Exchange Centrex, with the base date for calculation on December 13, 2021: the simple average of the closing prices during the most recent one-month period up to the base date for calculation (from November 14, 2021 to December 13, 2021) (rounded to the nearest whole number; the same applies to the calculation of simple averages of closing prices hereinafter), the simple average of the closing prices during the most recent three-month period (from September 14, 2021 to December 13, 2021), and the simple average of closing prices for the most recent six-month period (from June 14, 2021 to December 13, 2021).

In the DCF method, the value of the Target Company Shares has been estimated to range from 695 yen to 1,220 yen per share based on various elements, including the business plans prepared by the Tender Offeror for the period from the fiscal year ending February 28, 2022 (the second quarter onwards) to the fiscal year ending February 28, 2026, the results of due diligence on the Target Company conducted by the Tender Offeror from early June to early July 2021, and publicly available information. Specifically, the DCF method has valued the Target Company Shares based on the enterprise and share values of the Target Company calculated by discounting the amount of free cash flows that the Target Company is expected to generate in the second quarter of the fiscal year ending February 28, 2021 and beyond to the present value at a certain discount rate.

Plutus has noted that the business plans of the Target Company, which the evaluator used for valuation, cover the fiscal years in which profits are expected to increase/decrease significantly year-on-year. To be specific, operating profit is expected to increase significantly from the fiscal year ending February 28, 2022 to the fiscal year ending February 28, 2023 based on the assumption that the business of the Target Company will recover to near pre-pandemic levels in the fiscal year ending February 28, 2023 and later. In addition, the amount of synergies expected from the execution of the Transaction is not reflected in the business plans since estimating the concrete amount of such synergies is difficult at the moment.

The Tender Offeror, while referring to the valuation results in the Share Valuation Report received from Plutus, has determined the Tender Offer Price to be 950 yen per share on December 14, 2021, based on the results of the consultation and negotiation with Mr. Inamoto and Mr. Suzuki, and the results of the due diligence on the Target Company conducted from early June to early July 2021 which suggested no need for adjusting the share valuation and no other material risks. In setting the Tender Offer Price, the Tender Offeror also comprehensively took into account the historical changes in the prices of the Target Company Shares, whether the Target Company's Board of Directors approves the Transaction, and the likelihood of the Prospective Tendering Shareholders to actually tender their shares.

Note that the Tender Offer Price of 950 yen is at premium of 7.34% (rounded to the nearest hundredth percentage point; the same applies to the calculation of premiums hereinafter) to the closing price of the Target Company Shares of 885 yen on the Nagoya Stock Exchange Centrex on December 13, 2021, the business day immediately preceding the date of announcement of the Tender Offer; at a premium of 10.98 % to the simple average of the closing prices during the most recent one-month period until the same date; at a premium of 14.60% to the simple average of the closing prices during the most recent three-month period until the same date; and at a premium of 19.05% to the simple average of the closing prices during the most recent six-month period until the same date.

(5) Number of share certificates etc. to be purchased

Number of shares to be purchased	Minimum number of shares to be purchased	Maximum number of shares to be purchased
1,668,000 shares	958,600 shares	1,668,000 shares

(Note 1) In cases where the total number of tendered share certificates etc. falls below the minimum number of shares to be purchased (958,600 shares), none of the tendered share certificates etc. will be purchased.

(Note 2) In cases where the total number of tendered share certificates etc. exceeds the maximum number of shares to be purchased (1,668,000 shares), the Tender Offeror will not purchase all or part of excess shares and will conduct settlement through delivery or other such means of settlement through the proportional allocation method stipulated in Article 27-13, Paragraph 5 of the Financial Instruments and Exchange Act and Article 32 of the Cabinet Office Ordinance.

(Note 3) Shares less than one share unit are also subject to the Tender Offer. In cases where the holders of shares less than one share unit demand that the Target Company purchase their shares that are less than one share unit pursuant to the Companies Act, the Target Company may purchase its own shares during the Tender Offer Period according to the procedures set forth by the relevant laws and regulations.

(Note 4) None of the treasury shares held by the Target Company are planned to be acquired through the Tender Offer.

(6) Changes in the ownership ratio of share certificates etc. after the purchase

Number of voting rights relating to share certificates etc. held by the Tender Offeror before the purchase	16,214	(Ownership ratio of share certificates etc. before the purchase 25.14%)
Number of voting rights relating to share certificates etc. held by specially related parties before the purchase	0	(Ownership ratio of share certificates etc. before the purchase 0%)
Number of voting rights relating to share certificates etc. held by the Tender Offeror after the purchase	32,894	(Ownership ratio of share certificates etc. after the purchase 51.00%)
Number of voting rights relating to share certificates etc. held by specially related parties after the purchase	0	(Ownership ratio of share certificates etc. after the purchase 0%)
Number of voting rights of all shareholders of the Target Company	48,280	

(7) Purchase price 1,585 million yen (planned)

(Note) The purchase price is the amount obtained by multiplying the number of shares to be purchased in the Tender Offer (1,668,000 shares), which is described in (5) Number of share certificates etc. to be purchased, by the Tender Offer Price of 950 yen. The amount of payment may vary in cases the actual number of shares to be purchased in the Tender Offer differs from the number mentioned above due to changes from today onwards.

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