

15 June 2020

NICHIIGAKKAN CO.,LTD.
2-9 Kanda-Surugadai
Chiyoda-ku
Tokyo, Japan

To: The Board of Directors of NichiiGakkan Co. Ltd (the “Board”) and the Special Committee advising the Board established on 10 March 2020 (the “Special Committee”)

Dear Members of the Board and the Special Committee,

We write to you on behalf of the funds that we advise or manage (together, “LIM Advisors” or “we”), which are shareholders of NichiiGakkan Co., Ltd. (“NichiiGakkan” or the “Company”). Unless otherwise defined in this letter, terms have the meanings assigned in the Notice Regarding Implementation of Management Buyout and Recommendation to Tender Shares release by the Company on 8 May 2020⁽¹⁾ (the “Notice”).

In our letter to the Company dated 3 June 2020 (the “Letter”) we requested a meeting with you which has still not been granted, to our deep regret. Your investor relations (“IR”) team responded to some other requests to the Board at the end of our Letter but the IR team, in our opinion, simply repeated statements made in the Notice. In our opinion, they did not address shareholder concerns about the fairness of the transaction and they failed to dispel our concerns that the buyer group appears to control the Board regarding this Transaction. As a shareholder of NichiiGakkan, we continue to be very concerned about the weak governance process surrounding the Board’s approval and recommendation of the Tender Offer.

We note the Tender Offer was announced on 8 May 2020 during unprecedented times with social distancing norms and an ongoing state of emergency, when people were obliged to work “remotely.” An IR call, which we understand invited only a limited number of investment research analysts and press reporters, seems to have been hosted in haste right after the disclosure at the Tokyo Stock Exchange that same day. No transcript of the IR call was published, as far as we are aware, but we understand it was a short call with limited opportunity for meaningful questions about the Transaction.

Given the matters above and the serious governance concerns raised in the Letter, we request you to demand an extension of the Tender Offer period, so that minority shareholders can have more time to properly consider the issues. If you genuinely believe that the governance process relating to the Transaction was fair and followed the spirit of METI’s Fair M&A Guidelines⁽²⁾ (the “Guidelines”), then we propose a public debate about the Transaction in front of the press, investment research analysts and institutional shareholders (the “Public Debate”) where you can explain your rationale and decisions and participants can share views and ask questions to you. The Public Debate will allow the whole of Japanese society and its market participants from around the world to hear all sides of the story. As Tokyo has now entered the second phase in its relaxation of business restrictions over Covid-19, we are happy to co-host the Public Debate in Japanese at a venue in Tokyo to be mutually agreed or alternatively on an online format. In the spirit of “Abenomics” and fair disclosure, the Public Debate will serve the interest of all of your stakeholders, especially your shareholders who are keen to understand what is the true cost of the Company going private under current offer terms and why the Guidelines, which specially cover management buyouts (“MBO”), were apparently completely ignored. We quote again from the Guidelines; *“the fair conduct of MBOs and acquisitions of a controlled company by the controlling shareholder is crucial for raising confidence in Japanese capital markets, both in Japan and abroad.”*

As outlined in detail in the Letter, we believe that there are inherent conflicts of interest in the proposed management buyout given that the Board is dominated by members of the buyer group (including the founder’s relatives, the CEO and Bain Capital) and other long-serving members of management. In order to secure a fair outcome for minority shareholders, we repeat our request to the Board to:

- Demand an extension to the Tender Offer;

- Demand a change in the takeover condition to majority of the minority;
- Allow the Special Committee to hire their own financial and legal advisors to provide advice and commission a fairness opinion;
- Review and make public all the assumptions behind Deloitte's valuation and seek a review of management projections to take into account reasonable restructuring assumptions; and
- Negotiate a fairer offer price, especially considering that we have calculated the reasonable and fair price to be ¥2,400 per share.

Extend or explain. If you continue to believe that you have followed a fair process and the Tender Offer price is fair, then please join us in a Public Debate so that the press and the public will have the chance to listen to the both sides of to the story with regard to issues raised above.

Yours sincerely,

LIM Advisors

(1)

<https://www.nichiigakkan.co.jp/en/topics/assets/Notice%20Regarding%20Implementation%20of%20Management%20Buyout%20and%20Recommendation%20to%20Tender%20Shares.pdf>

(2)

Fair M&A Guidelines – Enhancing Corporate Value and Securing Shareholders' Interests issued on 28 June 2019 by Japan's Ministry of Economy, Trade and Industry ("METI")

About LIM Advisors

LIM Advisors is a multi-strategy investment manager with over 24 years of experience in equity and credit investments across the Asia-Pacific region. LIM Advisors was founded in 1995 and has its headquarters in Hong Kong with offices in Tokyo and London. LIM Advisors has been investing in Japan for over 20 years and opened its Tokyo office in 2002.

Contacts

Please reach out to any of the contacts below with any questions or inquiries regarding the matters set out in this statement.

VOX Global Japan K.K.
Minoru Koshida
Minoru.Koshida@voxglobalasia.com
TEL: 080-2208-9698

Rie Sugiyama
Rie.Sugiyama@voxglobalasia.com
TEL: 080-2042-2852