

[Translation]

May 14, 2014

To whom it may concern

Company Name: Roland Corporation  
Name of Representative: Junichi Miki, President and Representative Director  
(Code No.: 7944, TSE First Section)  
Contact: Naoyuki Tamura  
Director, Executive Officer  
(Phone: 053-523-3652)

### **Announcement concerning Implementation of MBO and Recommendation to Tender**

Roland Corporation (the “Company”) hereby announces that at a meeting held as of the date hereof, the board of directors of the Company has resolved to express an opinion in favor of the tender offer (“Tender Offer”) by Tokowaka Co., Ltd. (“Tender Offeror”) for the Company’s ordinary shares (excluding the treasury shares held by the Company; “Company’s Ordinary Shares”), conducted as part of the management buyout (“MBO”) (Note) and to recommend the shareholders of the Company to accept the Tender Offer.

The decision of the board of directors has been made on the premises that the Tender Offeror intends to make the Company a wholly-owned subsidiary through the Tender Offer and subsequent transactions, and that the Company’s Ordinary Shares will be delisted.

(Note) A management buyout (MBO) generally refers to the acquisition of shares of a target company with funds provided, in whole or in part, by the management of the target company, based on the presumption that the target company’s business will continue.

#### 1. Overview of the Tender Offeror

(1) Name	Tokowaka Co., Ltd.
(2) Address	6-10-1 Roppongi, Minato-ku, Tokyo
(3) Name and title of representative	Junichi Miki, Representative Director
(4) Businesses	The principal business is the acquisition and retention, etc. of the share certificates, etc. of the Company
(5) Amount of capital	10,000 yen

(6)	Date of incorporation	April 21, 2014
(7)	Major shareholders and shareholding ratio (as of May 14, 2014)	Taiyo Jupiter Holdings, L.P. 100%
(8)	Relationship between the listed company and the Tender Offeror	
	Shareholding	Not applicable.
	Personnel	Mr. Junichi Miki, who is the President and Representative Director of the Company, is concurrently the Representative Director of the Tender Offeror.
	Trading	Not applicable.
	Applicability as a related party	Not applicable.

## 2. Purchase Price

1,875 yen per ordinary share

## 3. Content of the Opinion regarding the Tender Offer, and Basis and Reasons thereof

### (1) Content of the Opinion

The board of directors of the Company expresses an opinion in support of the Tender Offer and recommends to all of the shareholders of the Company to accept the Tender Offer based on the basis and reasons stated in “(2) Basis and Reasons of the Opinion” below.

### (2) Basis and Reasons of the Opinion

#### (i) Overview of the Tender Offer

The Company has received the following explanation from the Tender Offeror with respect to the overview of the Tender Offer.

Tender Offeror is a stock company established on April 21, 2014, mainly for the purpose of acquisition and retention of share certificates, etc. of the Company. As of the filing date of this document, Taiyo Jupiter Holdings, L.P. (“Taiyo HLD”) owns all of the shares issued by the Tender Offeror (1 share), and Mr. Junichi Miki (“Mr. Miki”), who is the Representative Director of the Company is the Representative Director of the Tender Offeror. The Tender Offeror plans to issue 1,000,000 new shares to Taiyo HLD through third party allotment by the settlement date of the Tender Offer.

Taiyo HLD is a special purpose investment fund established under the laws of the Cayman Islands on April 22, 2014, for the purpose of investing in the Tender Offeror. Its general partner is Taiyo Jupiter Holdings GP Ltd. of Taiyo Pacific Partners L.P. Group, and Taiyo Pacific Partners L.P. essentially handles the management of Taiyo HLD's operations. Taiyo Pacific Partners L.P. is an investment fund established under the laws of the State of Delaware of the United States in 2001, for the purpose of investment in the Japanese market. Based in the State of Washington of the United States, Taiyo Pacific Partners L.P. has invested USD 2.5 billion in public companies in Asia in order to become known as a friendly and active shareholder in Japan by providing strategic consulting, investment management and utilizing proficiency in the Japanese language. It has invested in the Company through several affiliate funds since 2003, and, as of the date of this document, its affiliate funds, in total, owns 2,183,300 ordinary shares of the Company (Holding Ratio 9.84% (such ratio rounded to the second decimal place; hereafter such percentages shall be rounded in the same manner unless otherwise specified)) which includes the total numbers that its affiliate funds hold.

(Note) Holding Ratio means the ratio of the shares held to the total number of issued ordinary shares of the Company as of March 31, 2014 stated in the Earnings Summary for the Fiscal Year Ending March 2014 [JGAAP] (consolidated) announced on May 14, 2014, by the Company (the "Earnings Summary for the Fiscal Year Ending March 2014") (23,835,796 shares) less the number of treasury shares held by the Company (1,638,142 shares) (22,197,654 shares). The same calculation for such ratios shall apply hereafter.

The Tender Offeror has decided to acquire all issued ordinary shares of the Company (excluding the treasury shares held by the Company), to make and to carry out the Tender Offer as part of a transaction to delist the ordinary shares of the Company and to make the Tender Offeror the sole shareholder of the Company (the "Transaction").

The Transaction is a management buyout (MBO). Mr. Miki is planning to invest in the Tender Offeror after the settlement of the Tender Offer and is planning to continue to engage in management of the Company after the Transaction.

The Tender Offeror has obtained consent from the second largest shareholder in relation to the ordinary shares of the Company (as of September 30, 2013), Taiyo Fund LP (Number of Ordinary Shares Held: 1,842,400 shares, Holding Ratio: 8.30%), Taiyo Fund Partners LP (Number of Ordinary Shares Held: 100 shares, Holding Ratio: 0.00%), Taiyo Blue Fund LP (Number of Ordinary Shares Held: 340,700 shares, Holding Ratio: 1.53%), Taiyo Blue Fund Partners LP (Number of Ordinary Shares Held: 100 shares, Holding Ratio 0.00%) to tender in the Tender Offer all of the ordinary shares of the Company (Total Number of Ordinary Shares Held: 2,183,300 shares, Holding Ratio in relation

to the Total Number of Ordinary Shares Held: 9.84%. The funds hereinafter shall be collectively called the “Taiyo Fund”). Further, the Tender Offeror has obtained consent from Mr. Miki, the Representative Director of the Tender Offeror and the Representative Director and President of the Company to tender in the Tender Offer all of the ordinary shares of the Company held by Mr. Miki (Number of Ordinary Shares Held: 13,629 shares, Holding Ratio 0.06%) (Note).

(Note) Mr. Miki is a member of the management shareholding group. He indirectly owns 7,229 shares of the Company’s ordinary shares (rounded to whole number, Holding Ratio: 0.03%) as equity interest in the management shareholding group and the Number of Ordinary Shares Held by Mr. Miki includes such Company’s ordinary shares held indirectly. Hereafter the same.

Tender Offeror, as stated in “(v) Establishment of a Minimum Number of Shares to be Purchased” of “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest”, has determined 14,798,500 shares, which corresponds to 66.67% Holding Ratio, as the minimum number of shares to be purchased during the Tender Offer. If the total number of tendered shares falls below the minimum number of shares to be purchased, none of the tendered shares will be purchased. On the other hand, for the purpose of making and carrying out the Tender Offer as part of the transaction to delist the ordinary shares of the Company by acquiring all issued ordinary shares of the Company (excluding treasury shares owned by the Company), the Tender Offeror has not determined any maximum number of shares to be purchased during the Tender Offer. Therefore, so long as the total number of tendered shares exceeds the minimum number of shares to be purchased, the Tender Offeror will purchase all of the tendered shares.

The Tender Offeror is planning to cover a part of the funds necessary for settlement of the Tender Offer with a loan from Resona Bank, Limited (“the Acquisition Loan”), and, subject to the settlement, etc. of the Tender Offer, the Tender Offeror plans to borrow up to 32.5 billion yen in total from Resona Bank, Limited by the business day preceding the date of commencement of the settlement of the Tender Offer. The details of the conditions of the Acquisition Loan shall be stipulated in the loan agreement for the Acquisition Loan upon separate consultation with Resona Bank, Limited. Regarding such loan agreement, the conditions for execution of the loan and the agreement’s conditions are those generally stipulated in the same type of loan agreements such as certain financial covenants, etc. For the Acquisition Loan, a security interest is planned to be created on the ordinary shares of the Tender Offeror held by Taiyo HLD as of the time of execution of the Acquisition Loan, and on the ordinary shares of the Company acquired by the Tender Offeror through the Tender Offer, and certain assets, etc. of the Tender Offeror. After the Tender Offeror becomes the sole shareholder of the Company through the Acquisition of All Shares as described below, the Company plans to be a

joint and several guarantor of the Tender Offeror and a security interest is planned to be created on certain assets of the Company.

Should the Tender Offeror fail to acquire all of the issued shares of the Company (excluding the treasury shares held by the Company) in the Tender Offer, then after the settlement of the Tender Offer, the Tender Offeror plans to implement a set of procedures stated in “(5) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)” below. Also, after implementation of the procedures, the Tender Offeror plans to implement an absorption-type merger with the Company. The details including the specific schedule, etc. are to be determined.

(ii) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer

a Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer

In April 1972, the Company was established in Suminoe-Ku, Osaka with the purpose of manufacturing and selling electronic musical instruments, and started manufacturing and selling instruments which can repeatedly play one or two bars of rhythm/patterns at various tempos and speakers and amplifiers for musical instruments. In the following year, the Company started manufacturing and selling the first synthesizers in Japan and electric pianos. In addition, during around 1975 to 1980, the Company focused on the integration of computers and electronic musical instruments, and made a huge contribution to the creation of the MIDI specification in 1983. Furthermore, in 1996, the Company developed a mesh head which was revolutionary throughout the world. This mesh head was able to duplicate the feel of acoustic drums, and as a result, the Company was able to become the global leader in the electronic drum market. Presently, the Company manufactures and sells keyboards such as electric pianos and synthesizers, guitar-related instruments, electronic drums, computer musical instruments, audio equipment/video equipment for professional use, etc. both in Japan and abroad. As stated above, the Company grew economically, and built a globally famous brand in the electronic music instrument industry.

In addition, the Company established AMDEK KK in order to utilize the digital technology accumulated in the electronic musical instruments industry to the computer peripheral equipment industry, and changed its name to Roland DG Corporation two years later. It expanded its business by selling products such as pen plotters for scoring, making use of the brand name of its parent company, the Company, in the early years after establishment, and grew rapidly with its pen plotters for CAD output during around 1985 to 1990. In 1986, it started selling three-dimensional milling

machines that had drills instead of pens, adding the z-axis to the control technology of the x- and y-axis, which was cultivated with plotters. After 1989, it entered into the sign market, handling advertisements and signboards through its start of sales of cutting machines which replaced the pens of pen plotters with cutters. After 1997, it continued to develop its technology, using the keywords “Color and 3D”, started selling large-sized ink-jet printers, and then, became a worldwide innovator through its creation of new products, and expanded operations and business performances as a group with the Company.

After the “Lehman Shock” of 2008, however, the management environment of the business of Company was changed and the business performance was significantly affected by the economic slump and the rapid and long term appreciation of the yen.

Specifically, sales of high-priced products, which were Company’s specialty, became weak because of price competition, especially in the electronic musical instrument business which is the core business of the Company. This price competition was accelerated by the falling prices of the products caused by the increase of cheaper imported products as a result of prolonged deflation and the appreciation of the yen. Furthermore, recently the Company has been gradually losing its market share for the products which it developed and has a dominant share because it cannot keep up with the changes in the preferences of users for designs and functions. As to product strategy, the Company is having trouble with anticipating the market’s demand for products, and is losing its market share to competitors. Consequently, after the “Lehman Shock”, stagnation in the Company’s business performance has been prolonged especially in the electronic musical instrument business which is the core business of Company, and the market value of its electronic musical instrument business is declining.

The Company is committed to the following actions to respond to such changes in the business environment:

(a) Low-Cost Operations; improving and making basis for earning capacity

The Company continues to reform its business structure and improve its earning capacity. In the medium- and long-term, it is focusing on the advancement of global purchases, intending to reduce sourcing costs and also fixed costs by the optimization of back office sections, etc. In addition, it is further strengthening its revenue management per category and product, and also it started to consider making the fiscal terms of all the group companies the same. Furthermore, it is not only reducing costs, but also optimizing the stocks of its products and materials by continuing intensive production, which it promoted in the fiscal year ending March, 2013 and by promoting the improvement of logistics mainly by using intensive overseas warehouses.

(b) Glocalization; enhancement of localization

While globalization is advancing in various areas with the development of the information society, the music and musical instrument industry still has different characteristics and features in each region. The Company will expand sales by advancing globalization and, at the same time, by conducting activities corresponding to regional characteristics. In Japan, Europe and the United States where there are huge changes such as overconcentration of logistics and expansion of internet sales, the Company intends to increase sales by enhancing communication with customers by using the internet and cultivating new contacts through means other than the existing distribution channel. In China and developing countries where the market is expanding, the Company, while facilitating the distribution, is carrying forward with working on contents such as products, sound and accompaniment style, which correspond to unique musical cultures, and is promoting market development.

(c) Innovation; strengthening of product capabilities

Since its establishment, the Company has made efforts to create a market and expand the population interested in music using the strengths of electronic musical instruments based on its technology. By using the internet and cloud, the possibilities of electronic musical instruments will further increase. By evolving its digital signal processing technology, and combining such technology with custom LSI, the Company has embodied them as core competences. The Company aims to realize product innovation. In the existing field, the Company is attempting to stabilize sales by capturing further market needs, setting reasonable prices and other means focusing on instruments with large market such as pianos, drums, guitar-related equipment. In addition, the Company is promoting the deepening and extension of musical instruments field such as dance and vocals, and commercial audio and video equipment. In the long term, the Company aims to promote the use of its technology outside the existing markets and expand its business into new areas.

While the Company has been carrying out various initiatives, it announced an upward revision of the earnings forecast for the fiscal year ending March 2014, on April 18, 2014. According to the Tender Offeror, in the revised earnings forecasts, the operating income of the electronic musical instrument business has increased compared to the initial forecast. However, this was mainly because the profits and sales increased due to currency fluctuations resulting from the yen being weaker than it was in the initial forecast. Excluding the impact of the weaker yen, sales decreased compared to the initial forecast, and the operating margin was never at an adequate level. The Tender Offeror does not believe that the above initiatives led to the upward revision. According to the Tender Offeror, although the recent currency rates have trend of weaker yen compared to previous years, future currency fluctuations are difficult to predict. Considering the increasingly severe competition in the

market, for its long-term growth, the Company considers that the selection and concentration of management resources including the sale of Roland DG Corporation (a consolidated subsidiary of the Company; the Company holds 40% of total number of issued stock of Roland DG Corporation (the “Company’s Subsidiary”) that is non-core businesses, utilization of external management resources, and further promotion of business restructuring, modifying its organizational structure, organizing its governance and distribution sales channels, etc. on a global level, and continuing to carry out the introduction of specific new products are necessary and that it should promptly engage in them. For the above, the Tender Offeror considers further strategic investment and prompt management decision are essential for the Company.

However, according to the Tender Offeror, there is a short-term risk of lower profit levels and decreasing cash flow which is likely to adversely affect the general shareholders of the Company if the Company executes such plan while maintaining its listing. On the other hand, reduction of or procrastination in adopting such measures in order to minimize this risk may lead to weakening of the long-term competitiveness and profitability of the Company.

According to the Tender Offeror, taking such situation into consideration, Mr. Miki, the Representative Director of the Tender Offeror, started the evaluation of the implementation of the Transaction, and evaluation and consultation with Taiyo Pacific Partners L.P., a major shareholder of the Company, from late January, 2014. As a result of considering the advantages and disadvantages of the Company maintaining the listing of its shares in the future, Mr. Miki concluded that for the Company to implement the above measures, delisting of the Company by a management buyout (MBO) is the most effective method to avoid the above adverse effects that may occur to the shareholders of the Company, and to quickly and decisively carry out a drastic and flexible business strategies from a medium- to long-term perspective. In addition, Mr. Miki considers that, by matching ownership and management to a certain extent by the management buyout (MBO), the acceleration of decision-making and improvement of the execution of the measures will be achieved so that every measure above can be practiced quickly and decisively.

With the background as stated above, on February 18, 2014, Mr. Miki and Taiyo Pacific Partners L.P. explained to the directors of the Company other than Mr. Miki that they wished to review the feasibility of a management buyout (MBO) of the Company, and after conducting due diligence to examine the feasibility of the management buyout (MBO) from March 5, 2014, submitted a proposal regarding the management buyout (MBO) to the Company on March 31, 2014, and established the Tender Offeror as a special purpose acquisition company to execute the Transaction on April 21, 2014.

Then, the Tender Offeror and Mr. Miki, who is the Representative Director, made a decision that the Tender Offeror should conduct the Tender Offer as a part of the Transaction on May 14, 2014 as a



result of the comprehensive consideration of the advantages and disadvantages involved in the Transaction and the significance of maintaining the listing of ordinary shares of the Company, etc. after discussions and negotiations with the Company on the terms and conditions of the Transaction.

b. Management Policy, etc. after Implementation of Tender Offer

This Transaction is a management buyout (MBO). Mr. Miki, the Representative Director and President of the Company, is planning to be responsible for the management of the Company continuously after the Transaction. The Tender Offeror plans, at present, that the number of directors of the Company after the Transaction will be around six, and one of the directors will be Mr. Miki, another director will be assigned from Taiyo Pacific Partners L.P., and two others will be experienced outside experts introduced by Taiyo Pacific Partners L.P. Other details are planned to be determined after the implementation of the Tender Offer upon consultation with the Company.

After implementation of the Tender Offer, the Tender Offeror is planning to evaluate feasibility of detailed countermeasures including active use of outside management resources for: (i) Low-Cost Operation, improving and making earning capacity a basis; (ii) “Glocalization”, enhancement of localization; and (iii) Innovation, strengthening of product capabilities, as stated in “a Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer” above.

As stated in “(iv) Sales of Part of Company’s Subsidiary Shares by the Company” below, Company’s Subsidiary is expected to become a related company on equity method from a consolidated subsidiary of the Company if the percentage of voting rights the Company holds falls below 40.00% as a result of completion of the Sales of Company’s Subsidiary Shares (as defined in “(iv) Sales of Part of Company’s Subsidiary Shares by the Company” below). As a result, management resources will be concentrated on the electronic musical instrument business.

(iii) Decision-Making Process by the Company to Decide in Favor of the Tender Offer

Mr. Miki and Taiyo Pacific Partners L.P. explained to the directors of the Company excluding Mr. Miki on February 18, 2014, that they wished to review the feasibility of a management buyout (MBO) of the Company, and after conducting due diligence to examine the feasibility of the management buyout (MBO) from March 5, 2014, submitted a proposal regarding the management buyout (MBO) to the Company on March 31, 2014.

Upon receiving a proposal on the Transaction from Mr. Miki and Taiyo Pacific Partners L.P., the Company selected Nakamura, Tsunoda & Matsumoto as its legal advisor and Amidas Partners, Inc. (“Amidas Partners”) as a third party valuation firm in order to ensure the fairness of the purchase price

per ordinary share of the Company in the Tender Offer (the “Tender Offer Price”) and the fairness of other matters of the Transaction including the Tender Offer as stated in “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” below. The Company established an independent committee to consider the proposal for the Transaction (for the constitution of the members and other specific matters that were entrusted, etc., please refer to “(ii) Formation of an Independent Committee at the Company” of “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” below), and organized a system to consider the proposal concerning the Transaction from Mr. Miki and Taiyo Pacific Partners L.P. After that, the Company was offered 1,700 yen per share as the offer price in the Tender Offer from Mr. Miki and Taiyo Pacific Partners L.P. on April 14, 2014. In response thereto, the Company invited Mr. Miki and Taiyo Pacific Partners L.P. in a meeting of the independent committee and negotiated through the independent committee and by taking into consideration the result of such negotiation and the advice from the independent committee, requested Mr. Miki and Taiyo Pacific Partners L.P. to increase the offer price to 2,060 yen per share on May 1, 2014. After the second price proposal from the Tender Offeror and the Company based on respective negotiation results and the discussion and advice by the independent committee, on May 13, 2014, the Company received a final proposal of 1,875 yen per share as the offer price from the Tender Offeror. By this means, the Company has been negotiating the offer price on a continuous basis with Mr. Miki, the Representative Director of the Tender Offeror, and KPMG FAS Co., Ltd. (“KPMG FAS”), the financial advisor of the Tender Offeror. The independent committee convened 6 times in total from April 8, 2014 to May 13, 2014, and conducted interviews with Taiyo Pacific Partners, L.P., Mr. Miki, the Representative Director of the Tender Offeror, KPMG FAS, the financial advisor of the Tender Offeror, and TMI Associates, the legal advisor of the Tender Offeror, and conducted inquiries into Amidas Partners, the third party valuation firm of the Company, and the corporate auditor of the Company. The independent committee collected and reviewed necessary information and materials, etc. with respect to the overview of the Transaction including the Tender Offer, the background of the Transaction, the purpose of the Transaction, the status of the Tender Offeror and the Company, and the process of the decision-making and evaluation process of the Tender Offeror and the Company.

As stated in “(ii) Obtaining a Share Valuation Report from an Independent Third Party Valuation Firm by the Company” of “(3) Matters Related to the Valuation” and “(i) Obtaining a Share Valuation Report” and “(iii) Advice to the Company by an Independent Law Firm” of “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” below, the board of directors of the Company obtained, on April 30, 2014, a draft of the share valuation report concerning the ordinary shares of the Company from Amidas Partners, the third party valuation firm, and, on May 13, 2014, an official share valuation report. The board of directors of the Company also received legal advice from Nakamura, Tsunoda & Matsumoto,

its legal advisor, regarding the process and method of decision-making concerning the Transaction, and other points of attention for the decision-making concerning the Transaction including the Tender Offer. Further, the board of directors of the Company received the opinion letter on May 13, 2014 from the independent committee (for an overview of the opinion letter and the specific contents of its activities, etc. of the independent committee, please refer to “(ii) Formation of an Independent Committee at the Company” of “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” below). The board of directors of the Company, taking into consideration their contents, conducted a careful review from the perspective of whether the corporate value of the Company can be improved by the Transaction and of whether the Tender Offer Price of the Transaction and other conditions are reasonable.

Currently, the Company is subjected to severe changes in the management environment concerning related businesses such as intensified competition and falling prices in the electronic musical instruments industry, and it is confronted with many management challenges such as high fixed costs, the necessity of product development, marketing, and restructuring of its business structure, the necessity of medium and long-term growth strategies, and the decentralization of management resources. Under these circumstances, the Company has implemented the medium-term business plan announced on May 8, 2013.

According to such plan, the electronic musical instruments business is in a rebuilding phase. The Company promoted restructuring of its business structure starting from the fiscal year ending March 2013, and as a result, returned to profitability in the fiscal year ending March 2014, the first time in five fiscal years. However, this result was strongly influenced by the depreciation of yen more than restructuring. Therefore, the sales were decreased compared to the previous fiscal year if the impact of exchange rate fluctuations were excluded. The importance of business development in overseas countries will not change in the future and one of the major challenges is to create a profit structure that can absorb the impact of exchange rate fluctuations. In order for the Company to increase its corporate value in the medium and long-term and continue to exist in the future, it is essential for it to focus its management resources on the electronic musical instrument business and to more quickly and reliably resolve the management issues above.

In this regard, the selection and concentration of management resources including the sale of subsidiaries that are non-core businesses, utilization of external management resources, and further promotion of business restructuring, modifying its organizational structure, organizing its governance and distribution sales channels, etc. on a global level, and continuing to carry out the introduction of specific new products, that the Tender Offeror states as necessary, will quickly and effectively enable the following: (i) improvement of earning power by cost reduction, (ii) structuring global marketing

and sales structure, (iii) strengthening of product capabilities, and (iv) selection and concentration, and contribute to the increase of corporate value over the medium to long-term future. The Company also agrees with this recognition of facts and is currently discussing and studying further details of such plan with the Tender Offeror. The Company hopes to implement such plans going forward. The Company is working on various plans under the medium-term business plan such as efficiency of foreign subsidiary, consolidation of production facilities and product development for developing countries. The Company believes that the plans stated above which the Tender Offeror states necessary matches the purpose of these plans the Company is currently implementing.

However, there is a short-term risk of lower profit levels and decreasing cash flow in the case that the Company executes such plan while maintaining its listing. In addition, there is a possibility that the plan will lead to destabilization of operations due to major changes in the profit structure and the chain of command in the Company group. Further, there might be a possibility that the development of new products will be prolonged and fail. Therefore, there is no guarantee that the above plan can definitely achieve its intended purpose. Thus, to carry out the above-mentioned plan while maintaining the Company's listing may cause the general shareholders to bear the risk that the Company's stock price might become unstable. It is necessary to implement the Transaction to take the Company private in order to shield the general shareholders out of such risks.

As described above, the Company agrees with the recognition of facts of the Tender Offeror concerning the current severe business environment and future prospects of the Company. The Company considers, assuming such recognition of facts, it is essential to quickly and reliably promote structural reform of its business, etc. to increase its corporate value in the medium to long term and the above plan will contribute to increase such corporate value in such term. The Company also considers that it is not appropriate to cause the general shareholders to bear the risk of instability of its stock price and the Transaction is necessary to shield the general shareholders from such risks. Therefore, the Company determined to approve implementation of the Tender Offer.

In relation to the Tender Offer Price, the Company judged that the Tender Offer will provide the shareholders of the Company an opportunity to sell shares at a price with a reasonable premium attached thereto considering: (i) compared to the valuation results by Amidas Partners, the Tender Offer Price is close to the median of range of result of calculation under discounted cash flow method ("DCF Method"), exceeds the median of range of the valuation based on comparable company method and greatly exceeds the result of valuation under market price method; (ii) the Tender Offer Price is over 1,649 yen (highest price on May 12, 2014) which is the highest price of the Company's shares in the past 5 years from May 13, 2014; (iii) the Tender Offer Price is obtained with about 18.4% premium (rounded to the first decimal place) added to 1,584 yen, the ordinary transaction price of the ordinary shares at closing of the Company at the First Section of the Tokyo Stock Exchange, Inc. ("Tokyo

Stock Exchange”) on May 13, 2014, the business day immediately preceding the announcement of the Tender Offer; about 30.1% premium (rounded to the first decimal place) added to 1,441 yen (rounding off to the nearest whole number), the simple average of the ordinary transaction price at closing in the past one-month period(from April 14, 2014 to May 13, 2014); about 31.9% premium (rounded to the first decimal place) added to 1,422 yen (rounding off to the nearest whole number), the simple average of the ordinary transaction price at closing in the past three-month period(from February 14, 2014 to May 13, 2014); about a 34.4% premium (rounded to the first decimal place) added to 1,395 yen (rounding off to the nearest whole number), the simple average of the ordinary transaction price at closing in the past six-month period (from November 14, 2013 to May 13, 2014), and they are thought to be reasonable; and (iv) the Tender Offer Price is a price determined upon adopting measures appropriately to solve the conflict as stated in “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)” below.

As stated above, at the meeting of the board of directors of the Company held on May 14, 2014, it was resolved to express an opinion in favor of the Tender Offer and to recommend the shareholders of the Company to accept the Tender Offer. The above resolution of the board of directors was made in accordance with the method stated in “(iv) Approval of Directors and Auditors of the Company who are not Stakeholders” of “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” below.

#### (iv) Sales of Part of Company’s Subsidiary Shares by the Company

In conjunction with resolving to express an opinion in favor of the Tender Offer and to recommend to the shareholders of the Company to accept the Tender Offer, the Company has also resolved at the above meeting of the board of directors regarding the sell-off of a portion of the shares of the Company’s Subsidiary held by the Company (the “Sales of Company’s Subsidiary Shares”). Specifically, where the Company’s subsidiary has resolved to acquire its own ordinary shares by a tender offer (acquisition price of 3,208 yen per share; the “Self Tender Offer by Subsidiary”) at the board of directors meeting of the Company’s Subsidiary held on May 14, 2014, the Company is planning on selling off at most 3,560,000 shares of the shares of the Company’s Subsidiary by accepting the Self Tender Offer by Subsidiary for 3,560,000 shares of the shares of the Company’s Subsidiary held by the Company. As a result thereof, it is expected that the Company’s Subsidiary will no longer be a consolidated subsidiary of the Company but become a related company on equity method.

The number of Company’s Subsidiary shares that the Company can ultimately sell by tendering to Self Tender Offer by Subsidiary could depend on the offering conditions of other shareholders. However,

if the Company manages to sell all of 3,560,000 shares in Company's Subsidiary and Company's Subsidiary manages to purchase 3,916,000 shares which it is expected to purchase through Self Tender Offer by Subsidiary, the Company will become to hold 25.65% of the voting rights of all of the shareholders. In such case, since Taiyo Fund who currently owns 1,805,000 shares (13.00% of voting rights of all the shareholders after Self Tender Offer by Subsidiary), by adding Company's Subsidiary shares owned by the Company and Taiyo Fund, they own 38.65 % of the voting rights of all of the shareholders after Self Tender Offer by Subsidiary. (For the details of Self Tender Offer by Subsidiary, please refer to "Announcement on Share Buy Back and Self Tender Offer by the Subsidiary and on Change to Subsidiary with Resolving Transfer of Share of the Subsidiary" that the Company announced today and "Announcement on Share Buy Back and Self Tender Offer" the Subsidiary announced today.

In addition, the Company is expecting to use the funds acquired from the Sales of the Company's Subsidiary Shares for the repayment of the Acquisition Loan after the Company becomes wholly owned subsidiary of the Tender Offeror in order to achieve delisting by the Transaction that is necessary for the quick and reliable promotion of the structural reform of its business.

### (3) Matters Related to the Valuation

#### (i) Obtaining a Share Valuation Report from an Independent Third Party Valuation Firm by the Tender Offeror

In order to determine the Tender Offer Price, the Tender Offeror has requested KPMG FAS as a financial advisor, who is a third party valuation firm independent from the Tender Offeror and the Company. KPMG FAS does not fall under the related party of either the Tender Offeror or the Company, and has no material interest regarding the Transaction including the Tender Offer.

KPMG FAS has analyzed multiple methods of calculating the share value to determine the method for valuation to evaluate the value of the Company's Ordinary Shares, and based on the going concern assumption and the idea that the value of the Company's Ordinary Shares should be multilaterally evaluated, used the market price method and the DCF Method as methods for valuation to evaluate the value of the Company's Ordinary Shares. The Tender Offeror has obtained the share valuation report regarding the results of valuation of the ordinary shares of the Company from KPMG FAS on May 13, 2014.

The reasons why KPMG FAS has determined to use the above each method and the per-share value of the Company calculated by each of these methods are as follows respectively.

Market price method: From 1,395 yen to 1,441 yen  
DCF Method: From 1,718 yen to 2,086 yen

The market price method is a method which calculates the share value based on the market share price of the Company's Ordinary Shares, and it is an objective method to calculate the share value of listed companies. Under the market price method, by taking the recent conditions of the market trading of the Company's Ordinary Shares into consideration, the range of the per-share value was calculated from 1,395 yen to 1,441 yen based on the simple average of the closing price for regular transactions for the past one month (1,441 yen (rounded to whole numbers)), the simple average of the closing price for regular transactions for the past three months (1,422 yen (rounded to whole number)), and the simple average of the closing price for regular transactions for the past six months (1,395 yen (rounded to whole numbers)) of the ordinary shares of the Company with May 13, 2014 being the base date in each case.

The DCF Method is used because it is an evaluation method based on a company's future cash flow (profitability), and therefore, it can reflect the excess profitability and business risk into the valuation. Under the DCF Method, the range of the per-share value was calculated from 1,718 yen to 2,086 yen by analyzing the corporate value and the share value based on the future cash flow that the Company is expected to generate after the business year ending March 2015, calculated based on the business plan, etc. of the Company, and discounting such future cash flow from the present value by a certain discount rate. As stated in above "(iv) Sales of Part of Company's Subsidiary Shares by the Company" of "(2) Basis and Reasons of the Opinion", the Company plans to sell 3,560,000 shares of the Company's Subsidiary by tendering 3,560,000 shares of Company's Subsidiary it holds in the Self Tender Offer by Subsidiary. Therefore, since Company's Subsidiary is expected to become no longer a consolidated subsidiary of the Company, in the valuation under the DCF Method, all of the Company's Subsidiary shares that the Company holds are reflected into the value of the Company's Ordinary Shares as assets to be sold. Furthermore, in the business plan used as the basis of calculation of the share value under the DCF Method, a business year in which a significant increase in profit is expected compared to the preceding business year is included. This is mainly because of the expectation of the increase in revenue due to the recovery of the sales in foreign markets such as North America and Europe, etc. and the decrease in the fixed costs due to the optimization of the internal divisions, etc.

In order to determine the Tender Offer Price, the Tender Offeror considered that the results of evaluation under the DCF Method reflect the future profitability, growth and business risk of the Company. The Tender Offeror, therefore, mostly focused on the analysis results under the DCF Method and determined the Tender Offer Price within such analysis results.

Tender Offeror has determined that 1,875 yen will be fair consideration for the Tender Offer, and finally decided that the Tender Offer Price should be 1,875 yen on May 13, 2014 after the Tender Offeror comprehensively took into consideration the results of due diligence conducted with respect to the Company, the possibilities for the Company's support of the Tender Offer, the market trends for the price of the Company's Ordinary Shares in the past 6 months and the prospective numbers of tenders in the Tender Offer, referring to the analysis results of the share valuation by KPMG FAS.

1,875 yen, as the Tender Offer Price, is a price that is obtained by adding a 18.4% (rounded to the first decimal place) premium to 1,584 yen, the closing price of the ordinary shares of the Company for regular transactions on the Tokyo Stock Exchange on May 13, 2014, the business day immediately preceding the announcement of the Tender Offer; 30.1% (rounded to the first decimal place) premium to 1,441 yen (rounded to whole numbers), the simple average of the closing price of the ordinary shares for regular transactions in the past one- month period (from April 14, 2014 to May 13, 2014); 31.9% (rounded to the first decimal place) to 1,422 yen (rounded to whole numbers), the simple average of the closing price of the ordinary shares of the Company for regular transactions in the past three-month period (from February 14, 2014 to May 13, 2014); and 34.4 % (rounded to the first decimal place) to 1,395 yen (rounded to whole numbers), the simple average of the closing price of the ordinary shares of the Company for regular transactions in the past six- month period (from November 14, 2013 to May 13, 2014).

(ii) Obtaining a Share Valuation Report from an Independent Third Party Valuation Firm by the Company

The Company requested Amidas Partners, which is a third party valuation firm independent from the Company and the Tender Offeror, to value the Company's Ordinary Shares and obtained a share valuation report, dated May 13, 2014, in order to ensure the fairness in the process of making decision on the Tender Offer Price proposed by the Tender Offeror. Amidas Partners is not a related party of the Tender Offeror and the Company, and has no material interest regarding the Tender Offer to be disclosed.

Amidas Partners has received an explanation of information such as the current business circumstances and future prospects from the management of the Company (excluding Mr. Miki who has a special interest regarding the Tender Offer) in order to collect and determine necessary information to calculate the value of the Company's Ordinary Shares, and have calculated the value of the Company's Ordinary Shares based on such information.

The Company did not obtain a fairness opinion regarding the Tender Offer Price from Amidas Partners.



Amidas Partners has analyzed multiple methods of calculating the share value to determine the method for calculation to calculate the value of the Company’s Ordinary Shares, and based on the going concern assumption and the idea that the value of the Company’s Ordinary Shares should be multilaterally evaluated, used the market price method since the ordinary shares are listed so that it is possible to show the objective value formed in the market. Furthermore, Amidas Partners used the comparable company method in order to conduct a comparative analysis between the Company and a company, which conducts similar business and has similar business risks, as well as the DCF Method since it reflects the profitability and business risk of the Company to the share value. Amidas Partners has calculated the value of the Company’s Ordinary Share based on each method. The range of per-share value which Amidas Partners has calculated by each of these methods is as follows:

Market price method	From 1,395 yen to 1,441 yen
Comparable company method	From 1,741 yen to 1,945 yen
DCF Method	From 1,779 yen to 1,994 yen

Firstly, under the market price method, the range of 1,395 yen to 1,441 yen per-share value was calculated by using 1,441 yen, the simple average of the closing price at the Tokyo Stock Exchange for the past one-month period, 1,422 yen, the simple average of the closing price for the past three-month period, and 1,395 yen, the simple average of the closing price for the past six-month period, with May 13, 2014 being the base date in each case.

Secondly, under the comparable company method, the range of 1,741 yen to 1,945 yen per-share value was calculated by first selecting CASIO COMPUTER CO, LTD., YAMAHA CORPORATION, and Kawai Musical Instruments Manufacturing Co, Ltd. as comparable companies by considering the similarity of these companies in the electronic musical instruments business, which is the main business of the Company, and the business risks, and second by conducting a comparative analysis of the EBIT and EBITDA which are the financial indicators showing the market share value and profitability of these listed companies.

Lastly, under the DCF Method, the range of the per-share value was calculated from 1,779 yen to 1,994 yen by analyzing the corporate value and the share value based on the future cash flow that the Company is expected to generate, and discounting such future cash flow to the present value by a certain rate, taking the business risks, etc. of the Company into consideration. The future cash flow value was obtained based on the profit forecast of the Company within the three fiscal years from the fiscal year ending March, 2014 to the fiscal year ending March, 2016 (the fiscal year ending March, 2014 is a three- month period from January, 2014 to March, 2014), with the last day of December, 2013 being the base date in each case, considering the business plan based on the medium-term

business plan which the Company announced on May 8, 2013 with reasonable adjustments reflecting recent economic conditions including expected currency rates provided by the Company, interviews of the Company’s management, information used as base for the medium-term business plan and other various factors. Upon such calculation, the discounting rate is from 9.3 % to 11.3 % and a perpetuity growth model is used in order to calculate the going-concern value with the rate of perpetuity growth being 0 %.

The consolidated financial forecast which Amidas Partners has used as the base for its calculation under the DCF Method is as follows:

(Unit : million yen)

	Fiscal year ending March, 2014 (3 months)	Fiscal year ending March, 2015	Fiscal year ending March, 2016
Sales Amount	12,248	46,807	50,556
Operating Income	704	2,527	4,000
EBITDA	1,165	2,742	4,238
Free Cash Flow	816	1,449	2,402

(Note) As stated in “(iv) Sales of Part of Company’s Subsidiary Shares by the Company” of “(2) Basis and Reasons of the Opinion”, the Company plans to implement Sales of Company’s Subsidiary Shares, and as a result, the Subsidiary will be excluded from the consolidated companies of the Company. Therefore, the above is the financial forecast of the electronic musical instrument business of the Company. In calculating the value of the shares of the Company under the DCF Method and the comparable company method by Amidas Partners, the value of the Company’s Subsidiary shares held by the Company has been taken into account as assets to be sold whether or not such shares are to be sold through Self Tender Offer by Subsidiary. The value of the Company’s Subsidiary shares as assets to be sold is calculated based on price per share at the Self Tender Offer by Subsidiary.

Furthermore, in the business plan used as the basis of calculation of the share value under the DCF Method, a business year in which a significant increase in profit is expected compared to the preceding business year is included. This is mainly because of the expectation of the increase in revenue due to the recovery of the sales in foreign markets such as North America and Europe, etc. and the decrease in the fixed costs due to the optimization of the internal divisions, etc. The business plan that was used as basis for the DCF Method reflects the idea that effect of improvement of profitability as a

result of the business structural reform which is key challenge for the Company will realize over a few years but the business plan is not created based on the assumption that the Transaction will take place and thus, synergy which is expected to arise as a result of this Transaction is not taken into account.

The above consolidated financial forecast of the electronic musical instrument business of the Company is different from the sales amount and operating income of the electronic musical instrument business of the Company stated in the “Medium-term Business Plan March, 2016” (the sales amount of the electronic musical instrument business in the fiscal year ending March 2016: 47 billion yen; operating income: 2.5 billion yen). This is because the exchange rate in such medium-term business plan has been replaced with the exchange rate based on the current circumstances since there was a gap between the exchange rate expected as of the announcement of such medium-term business plan (90 yen/US dollar and 120 yen/Euro) and the current exchange rate and an improvement in the profit rate is anticipated due to the improvement in the plant operation rate due to production of new products and review, etc. of cost structure.

The Company determined that considering the appropriateness of the Tender Offer Price by calculating the objective and reasonable share value of the Company, based on the financial forecast, which is more in line with the current situation by taking into consideration the changes in the economic environment after the announcement of the medium-term business plan, is more suitable. Therefore the Company used the above consolidated financial forecast in order to calculate the share value.

The Company disclosed the added extraordinary loss and the amendment of the earnings forecast on April 18, 2014, due to the dissolution and liquidation of a foreign subsidiary pursuant to the timely disclosure standard of the Tokyo Stock Exchange. However, such amendment of the earnings forecast was not made in relation to or based on the Transaction. In the business plan which the Company provided and Amidas Partners has based its calculation on under the DCF Method is based on the medium-term business plan the Company announced on May 8, 2013 with adjustments in the expected currency rates taking into consideration the recent economic conditions. In the business plan, the consolidated financial forecast of the electronic musical instrument business in the business year ending in March, 2014 after such amendment which includes the extraordinary loss due to the dissolution and liquidation of the foreign subsidiary is used. Under the market price method, the market price of the Company after April 18, 2014, is included in the calculation as well. The earnings forecast of the fiscal year ending March, 2015, which the Company has announced today, is the forecast for the electronic musical instrument business reflecting the review of above medium-term business plan.

Due to the above reasons, the range of the per-share value of the Company in the share valuation

report which the Company has received from Amidas Partners is, from 1,395 yen to 1,441 yen under the market price method, from 1,741 yen to 1,945 yen under the comparable company method, and from 1,779 yen to 1,994 yen under the DCF Method.

The board of directors of the Company, has confirmed the reasonableness of the above result of calculation by Amidas Partners through the explanation about the method to calculate the value of the Company's Ordinary Shares, conditions precedent and process of calculation from Amidas Partners.

#### (4) Prospect of Being Delisted and the Grounds for Aiming at Being Delisted

The Company's Ordinary Shares are listed on the First Section of the Tokyo Stock Exchange Market as of today. However, since the Tender Offeror has not set the maximum number of shares to be purchased in the Tender Offer, depending on the results of the Tender Offer, the Company's Ordinary Shares may be delisted in accordance with the prescribed procedures, pursuant to the delisting standards of the Tokyo Stock Exchange. Furthermore, even if the relevant standards do not apply at the time of completion of the Tender Offer, if the Tender Offer is completed, the Tender Offeror plans to implement the procedures to acquire all of the Company's issued ordinary shares (excluding the treasury shares held by the Company) ("Acquisition of All Shares") in order for the Tender Offeror to hold all of the Company's issued shares, and in the case each of the procedures set forth in "(5) Policy of Reorganization After the Tender Offer (Matters Related to the So-Called Two-Tiered Acquisition)" above is implemented after the Tender Offer is completed, the Company's Ordinary Shares will be delisted in accordance with the prescribed procedures. After the delisting, the Company's Ordinary Shares may not be traded on the First Section of the Tokyo Stock Exchange Market.

#### (5) Policy of Reorganization After the Tender Offer (Matters Related to the So-Called Two-Tiered Acquisition)

The Tender Offeror, as stated in above "(i) Overview of the Tender Offer" of "(2) Basis and Reasons of the Opinion", plans to take the procedures stated below in order to acquire all of the issued shares of the Company (excluding the treasury shares held by the Company) to implement the Acquisition of All Shares after the Tender Offer is completed, in the event the Tender Offeror does not acquire all of the issued shares of the Company (excluding the treasury shares held by the Company) when the Tender Offer is completed.

Specifically, after the Tender Offer is completed, the Tender Offeror plans to request the Company to hold an extraordinary general shareholders' meeting (the "Extraordinary Shareholders' Meeting"), which is to include the following proposals: (i) to partially amend the articles of incorporation to include a clause which allows the Company to issue shares of a class separate from ordinary shares, in

order for the Company to become a company with class shares as provided for in the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same); (ii) to partially amend the articles of incorporation to make all ordinary shares issued by the Company subject to a compulsory acquisition provision (meaning the provision on the matters provided in Article 108, Paragraph 1, Item 7 of the Companies Act; hereinafter the same); and (iii) to acquire all ordinary shares of the Company subject to the compulsory acquisition provision (excluding the treasury shares held by the Company), and deliver the separate class of shares of the Company in exchange for such acquisition.

In the event proposal (i) above is approved by the Extraordinary Shareholders' Meeting, the Company will become a company that issues classes of shares under the Companies Act. In order for the partial amendment of the articles of incorporation regarding (ii) above to take effect, a resolution of a shareholders' meeting of holders of a share class consisting of the shareholders who own the Company's Ordinary Shares subject to the compulsory acquisition provision is necessary in addition to the resolution of the Extraordinary Shareholders' Meeting regarding (ii) above, pursuant to Article 111, Paragraph 2, Item 1 of the Companies Act. Therefore, the Tender Offeror plans to request the Company to hold a shareholders' meeting of holders of a share class (the "Class Shareholders' Meeting"), which includes the partial amendment of the articles of incorporation in (ii) above as a proposal, on the same day as the date of the Extraordinary Shareholders' Meeting.

Where the proposals above are proposed at the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting, the Tender Offeror plans to vote in favor of each of the proposals above at such shareholders' meetings.

If each of the above procedures is implemented, all ordinary shares issued by the Company will be subject to the compulsory acquisition provision and all of these shares (excluding the treasury shares held by the Company) will be acquired by the Company, and the Company's shareholders (excluding the Company) will receive a separate class of shares of the Company as consideration for the acquisition. However, the Company's shareholders who are to receive fractions of shares of less than one (1) share of the separate class of shares will receive cash obtained through the sale of the shares equivalent to the total of such fractions (any fractions of less than one (1) share in such total will be rounded off), pursuant to the procedures provided in Article 234 of the Companies Act and other relevant laws and regulations. The amount of cash to be paid to each shareholder as a result of sale of such shares of the Company equivalent to the total of such fractions is planned to be calculated to be equal to the price obtained by multiplying the Tender Offer Price by the number of the Company's Ordinary Shares held by such shareholder. Furthermore, although the class and the number of shares of the Company to be delivered as consideration for the acquisition of the Company's Ordinary Shares subject to the compulsory acquisition provision has not been determined as of today, the number of shares of the Company is planned to be determined so that the number of the separate class of shares

of the Company that must be delivered to the Company's shareholders besides the Tender Offeror will be a fraction of less than one (1) share, in order for the Tender Offeror to hold all of the Company's issued shares.

An application for listing has not been contemplated for the separate class of shares of the Company to be delivered as consideration for the acquisition of the Company's Ordinary Shares subject to the compulsory acquisition provision.

The Tender Offeror plans to request the Company to hold the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting in or around September 2014 in principle, and according to the Company Press Release, the Company plans to announce the specific procedures and timing of the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting promptly upon determination.

Under the provisions under the Companies Act purporting to protect the rights of minority shareholders related to the procedures above, if the acquisition of all of the Company's Ordinary Shares subject to the compulsory acquisition provision in (iii) above is resolved at the Extraordinary Shareholders' Meeting, it is provided that the shareholders may petition for determination of the price for acquisition of the relevant shares pursuant to the provisions of Article 172 of the Companies Act and other relevant laws and regulations. Under this procedure, the acquisition price per share will ultimately be determined by the courts.

Aside from the petition for determination of the price for acquisition of shares pursuant to Article 172 of the Companies Act provided above, in relation to the amendment of the articles of incorporation in (ii) above, it is provided that the shareholders may demand the purchase of the shares they own and petition for determination of the purchase price of the shares, pursuant to the provisions of Articles 116 and 117 of the Companies Act and other relevant laws and regulations. However, if the acquisition of the shares pursuant to the compulsory acquisition provision comes into effect, the shareholders may be determined as lacking standing to petition for determination of the purchase price as provided in Article 117, Paragraph 2 of the Companies Act.

Furthermore, the procedures above may be changed to other methods with equivalent effects or may require time for the implementation of the procedures above or such other methods, depending on the status of the holding of the Company's Ordinary Shares by the Tender Offeror after the Tender Offer, the status of the holding of the Company's Ordinary Shares by the Company's shareholders other than the Tender Offeror, or circumstances of the relevant authorities' interpretation of the relevant laws and regulations.

However, in the case of such change to other methods, it has been planned to ultimately pay cash to the Company's shareholders other than the Tender Offeror who did not accept the Tender Offer in order for the Tender Offeror to hold all of the Company's issued shares. In that case, the amount of cash to be paid to each shareholder of the Company other than the Tender Offeror has been planned to be calculated to be equal to the price obtained by multiplying the Tender Offer Price by the number of the Company's Ordinary Shares held by such shareholder. The specific procedures in such circumstances are planned to be announced promptly upon determination after consultation between Tender Offeror and the Company.

The Tender Offeror plans to conduct a merger with the Company (the "Merger") after the completion of the Acquisition of All Shares. The specific date and time thereof have not been fixed.

Furthermore, the Tender Offer is not intended to solicit support by the shareholders of the Company at the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting, and shall not be interpreted in such way.

(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

The Tender Offeror and the Company recognize that the Tender Offer is implemented as a step in the transaction conducted for a management buyout (MBO), and that there may be issues of structural conflicts of interest. Therefore, the Tender Offeror and the Company have primarily taken the following measures in order to ensure fairness of the Transaction including the Tender Offer, from the perspective of ensuring fairness of the Tender Offer Price, eliminating arbitrariness in the process of decision-making regarding the decision to make the Tender Offer, and avoiding conflicts of interest.

(i) Obtaining a Share Valuation Report

To ensure the fairness in the decision making process regarding the price of the Tender Offer presented by the Tender Offeror, the Company selected Amidas Partners as a third party valuation firm independent from the Company and the Tender Offeror and obtained a share valuation report concerning the Company's Ordinary Shares, dated May 13, 2014. Please refer to "(ii) Obtaining a Share Valuation Report from an Independent Third Party Valuation Firm by the Company" of "(3) Matters Related to the Valuation" above for an overview of such share valuation report.

(ii) Formation of an Independent Committee at the Company

As the Tender Offer is implemented as a step in the Transaction conducted for a management buyout

(MBO), and as there may be issues of structural conflicts of interest, on April 1, 2014 the Company formed an Independent Committee that consists of members who are independent from both the Company and the Tender Offeror and includes external experts (Mr. Shinji Mizuno (committee chairman, attorney), Mr. Fujio Nishida (external director of the Company), and Mr. Tetsuya Sano (certified public accountant), who are independent from both the Company and the Tender Offeror, were selected as the members of the Independent Committee. The Company has selected these three persons as the member of the Independent Committee from the outset and has not made any changes since) in order to deliberate the Transaction carefully, exclude arbitrariness of the decision-making with respect to the Tender Offer at the Company, and to establish a decision-making process that ensures fairness, transparency and objectivity with the purpose to protect the interests of the Company's shareholders. The following items were delegated to the Independent Committee, (a) deliberate on whether the board of directors of the Company should support and express recommendation regarding the Tender Offer, and give recommendation to that effect to the board of directors of the Company, (b) discuss or negotiate with Taiyo Pacific Partners L.P. or the Tender Offeror on behalf of the Company or shareholders of the Company regarding the Transaction, if necessary, and (c) deliberate on whether the transaction of the Tender Offeror obtaining all outstanding shares of the Company based on the Transaction would be disadvantageous to minority shareholders of the Company, and to present such opinion to the board of directors of the Company (collectively the "Consulted Items").

The Independent Committee was convened a total of 6 times during the period between April 8, 2014 and May 13, 2014 and deliberated and discussed the Consulted Items thoroughly. Further, the Independent Committee discussed with Mr. Miki and Taiyo Pacific Partners L.P. and also negotiated the Tender Offer Price with them multiple times through the board of directors of the Company by advising or by expressing opinion to the board of directors.

Specifically, this included: (i) gathering and deliberating on each material for review submitted from the Company and Tender Offeror as well as other necessary information and material; (ii) sending written inquiries to Taiyo Pacific Partners L.P.; (iii) conducting investigation through interviews with Taiyo Pacific Partners L.P., Mr. Miki, who concurrently serves as Representative Director of Tender Offeror, KPMG FAS, who serves as the financial advisor of the Tender Offeror, and TMI Associates, who serves as the legal advisor of the Tender Offeror; (iv) conducting hearings with director(s) of the Company and holding question and answer sessions as well as receiving explanation on the outline of the Transaction including the Tender Offer, background of the Transaction, meaning and purpose of the Transaction, status of the Tender Offeror and Company, and background and deliberation process of the decision-making of the Tender Offeror and Company. Further, after the Independent Committee held a question and answer session as well as received explanation of the business plan from the director(s) of the Company, the Independent Committee received explanation from Amidas



Partners, the Company's third party valuation firm, regarding the share valuation report which was prepared by Amidas Partners and conducted a hearing concerning the preconditions of the said valuation. The Independent Committee is said to have received legal advice from Nakamura, Tsunoda & Matsumoto, who serves as the legal advisor of the Company regarding the decision-making process, the manner of decision-making of the Transaction including the Tender Offer, and other points to be noted regarding the decision-making of the Transaction including the Tender Offer.

As a result, on May 13, 2014, the Independent Committee resolved that (a) purpose of the Transaction including the Tender Offer can be judged as reasonable to certain extent aiming to increase the corporate value and there is no specific fact that is against such judgment. The Tender Offer Price can be viewed as adding enough premium to the current value of shares of the Company as described below. It can be judged that the Transaction provides opportunity to recover the invested capital in order to evade excessive loss that could arise by implementing various plans under the Company's business plan. As such, the purpose of the Transaction can be judged valid. (b) (i) the Tender Offer Price provides about 30 % premium compared to the lowest valuation (1,395 yen) or the highest valuation (1,441 yen), both under the market price method obtained from the independent valuation firm for the Company. It can be said that this Tender Offer Price adds comparable premium to the current value of the shares compared to the level of premium for other management buyouts (MBOs) conducted in the past 1 year and (ii) as a result of the arms-length negotiation conducted through advice from the independent committee, the Tender Offer Price is higher than the initial proposed price by 175 yen and thus, it can be judged that such Tender Offer Price is reasonable and appropriate to certain extent. (c) Obtaining share valuation report from independent third party valuation firm, formation of independent committee, advice from independent law firm and deliberation by directors and auditors who do not have conflict of interest, ensuring fairness of the Tender Offer Price, elimination of arbitrariness from decision making process for resolving the Tender Offer and avoid measures to avoid conflict of interest were taken. (d) The period for the Tender Offer is relatively long with 30 business days. It allows shareholders of the Company appropriate judgment opportunity for tendering their shares and also provides offeror other than the Tender Offeror opportunity to purchase the ordinary shares of the Company. (e) (i) It is represented at the start of the Tender Offer that the amount of cash to be paid to the shareholders of the Company at the Acquisition of All Shares is expected to be equal to the Tender Offer Price times the number of ordinary shares held by each shareholder of the Company and (ii) the shareholders meeting to implement squeeze out is scheduled to be held within about two months from the last day of the Tender Offer and as such, it can be said that measure to avoid coerciveness which structurally arises by conducting management buyout (MBO) through two-tiered steps is implemented. (f) There is no agreement between the Tender Offeror and the Company in relations to the Company's Ordinary Shares that would hinder other offeror to make purchases. It is expected that the board of directors of the Company will resolve to suspend and completely discontinue the "Policies Dealing with Acquisition of a Substantial

Number of Our Company's Shares (Take-over Defense Measures)" and thus, opportunities for purchases by others is ensured. Therefore, it can be regarded that the fairness of the Tender Offer is ensured. Based on the above, the Independent Committee gave unanimous approval that it is appropriate for the Company's board of directors to express its opinion in favor of the Tender Offer and to recommend the shareholders of the Company to accept the Tender Offer and the acquisition of all of the Company's issued shares by this transaction is not adversarial to the minority shareholders, and submitted an opinion letter to that effect to the Company's board of directors.

(iii) Advice to the Company by an Independent Law Firm

In order to ensure the transparency and the rationality of the decision-making process of the Company's board of directors regarding the Transaction, including the Tender Offer, the Company appointed Nakamura, Tsunoda & Matsumoto as its legal advisor independent from the Company and the Tender Offeror. The Company received legal advice regarding the decision-making process, manner of decision-making of the Transaction, including the Tender Offer, and other points to be noted regarding the decision-making of the Transaction, including the Tender Offer.

By referring to the legal advice received from Nakamura, Tsunoda & Matsumoto regarding the decision-making process, the manner of decision-making of the Transaction, including the Tender Offer, and other points to be noted regarding the decision-making of the Transaction, including the Tender Offer, the Company carefully discussed and deliberated on the specific conditions of the Transaction, including the Tender Offer.

(iv) Approval of All Directors and Auditors of the Company who are not Stakeholders

The Company took into consideration the contents of the share valuation report obtained from Amidas Partners and the legal advice from Nakamura, Tsunoda & Matsumoto and gave the utmost consideration to the results of the discussion and negotiation between the Independent Committee and Tender Offeror and the contents of the opinion letter prepared by the Independent Committee, and carefully discussed and deliberated whether (i) the corporate value of the Company is likely to increase from the Transaction and (ii) whether the Tender Offer Price and other conditions of the Transaction are reasonable.

As a result, the board of directors of the Company determined that in relation to the Transaction, as the measures planned to be implemented after the Transaction will contribute to the increase of the medium to long-term corporate value of the Company, concurrently it is improper to have general shareholders bear the risk of unstable stock prices, and thus the Transaction is necessary in order to shield the general shareholders from the above risk and it will provide an opportunity for the shareholders of the Company to sell their stocks at a price with a reasonable premium.

Therefore, at the board of directors meeting held on May 14, 2014, the Company resolved to support the Tender Offer and recommend that the shareholders accept the offer.

At the above board of directors meeting, the 7 directors (out of the 8 directors, 7 directors present excluding Mr. Miki) present at the discussion and resolution unanimously resolved in favor of the foregoing. Further, all auditors attended the above board of directors meeting and stated that they do not object to the said resolution. (Out of the 3 auditors, 3 auditors (including 2 external statutory auditors) were present. Since the part-time auditor of the Company passed away on January 31, 2014, the statutory number of auditors could not be met. As a result, a temporary auditor was appointed on March 18, 2014 from the Hamamatsu Branch of the Shizuoka District Court.).

Within the directors of the Company, Mr. Miki concurrently serves as the Representative Director of the Tender Offeror, and based on structural conflicts of interest with the Company in regard to the Transaction, he did not participate at all in the discussion or resolution regarding the Transaction, including the Tender Offer, at the board of directors meeting of the Company, and also did not participate in any discussion or negotiation with the Tender Offeror on behalf of the Company.

(v) Establishment of a Minimum Number of Shares to be Purchased

The Tender Offeror established the minimum number of shares to be purchased at the Tender Offer at 14,798,500 shares (Holding Ratio: 66.67%), and if the total number of tendered shares does not reach the minimum number of shares to be purchased, it will not purchase any of the tendered shares. On the other hand, as the intent of this Tender Offer is for the Tender Offeror to purchase all of the outstanding shares of the Company (excluding the treasury shares held by the Company), the Tender Offeror has not determined any maximum number of shares to be purchased, and if the number of tendered shares exceeds the minimum number of tendered shares to be purchased, the Tender Offeror will purchase all of the Tendered Shares.

The minimum number of shares to be purchased (14,798,500 shares) is equivalent to over two-thirds (147,985 rights) of the total voting rights (221,976 rights), representing the total number of outstanding ordinary shares (23,835,796 shares) as of March 31, 2014, as indicated on the Company's Earnings Summary for the Fiscal Year Ending March 2014, less the number of treasury shares (1,638,142 shares) held by the Company as of March 31, 2014 (22,197,654 shares). The minimum number of shares to be purchased (14,798,500 shares) is greater than the majority (10,000,363 shares, shareholding ratio: 45.05% ) of the total number of outstanding shares of the Company's Ordinary Shares (23,835,796 shares) as of March 31, 2014, indicated on the Company's Earnings Summary for the Fiscal Year Ending March 2016, less the number of treasury shares (1,638,142 shares) held by the

Company, and the number of the Company's Ordinary Shares held by Mr. Miki and Taiyo Fund who have special interest with the Tender Offeror (total 2,196,929 shares, Holding Ratio: 9.90% ), (20,000,725 shares). Accordingly, the opinions of the Company's shareholders other than the person with a special interest on the side of the Tender Offeror will be respected and if less than half of the relevant shareholders are willing to give their support, the Transaction including the Tender Offer will not be implemented.

(vi) Measures to Ensure Purchase Opportunities for other Purchasers

The Tender Offeror, by setting the tender offer period of the Tender Offer to be a comparatively long period of 30 business days, while the shortest period set forth by law is 20 business days, provide the opportunity to the shareholders of the Company for making appropriate decisions regarding the acceptance of the Tender Offer and opportunity for other purchasers to purchase the Company's Ordinary Shares. Further, there are no agreements between the Tender Offeror and the Company inhibiting other purchasers from emerging or carrying out their purchase of the Company's Ordinary Shares.

In addition, the Company's annual shareholder's meeting held on June 22, 2012 decided to continue the implementation of the "Policies Dealing with Acquisition of a Substantial Number of Our Company's Shares (Take-over Defense Measures)." However, the board of directors of the Company resolved to suspend the "Policies Dealing with Acquisition of a Substantial Number of Our Company's Shares (Take-over Defense Measures)" during the tender offer period (if the tender offer period is extended, such suspension will include the extended period) of the Tender Offer (and other purchases of the Company's Ordinary Shares commenced by those other than the Tender Offeror during the tender offer period of the Tender Offer), as well as completely discontinue them, provided that either of the above tender offers succeeds, which would act as a condition for suspension at the meeting which it decided to support the Tender Offer.

4. Matters on Material Agreement(s) regarding the Acceptance of the Tender Offer between the Tender Offeror and the Company's Shareholders

Please refer to "(i) Overview of the Tender Offer" in "(2) Basis and Reasons of the Opinion" of "3. Content of the Opinion regarding the Tender Offer, and Basis and Reasons thereof."

5. Benefits Offered by the Tender Offeror or its Special Interested Party

Not applicable.

## 6. Policy regarding Fundamental Policy on Control of the Company

As stated in “(vi) Measures to Ensure Purchase Opportunities for other Purchasers” of “(6) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest” of “3. Content of the Opinion regarding the Tender Offer, and Basis and Reasons thereof,” the board of directors of the Company has continued to implement the “Policies Dealing with Acquisition of a Substantial Number of Our Company’s Shares (Take-over Defense Measures)” in the annual general shareholders meeting of the Company held on June 22, 2012, but in order to ensure the opportunity to receive the offers from third parties and consider the fairness of the Transaction, the board of directors of the Company resolved to suspend the “Policies Dealing with Acquisition of a Substantial Number of Our Company’s Shares (Take-over Defense Measures)” during the tender offer period (if the tender offer period is extended, such suspension will include the extended period) of the Tender Offer (and other purchases of the shares of the Company commenced by those other than the Tender Offeror during the tender offer period of the Tender Offer), as well as completely discontinue them on condition that either of the above tender offers succeeds.

## 7. Questions to the Tender Offeror

Not applicable.

## 8. Request for Extension of the Tender Offer Period

Not applicable.

## 9. Outlook after the Tender Offer

Please refer to “(4) Prospect of Being Delisted and the Grounds for Aiming at Being Delisted” of “3. Content of the Opinion regarding the Tender Offer, and Basis and Reasons thereof” above.

Attachment :

Tokowaka Co., Ltd. "Announcement concerning Commencement of Tender Offer for Ordinary Shares of Roland Corporation (Code No.: 7944)" (May 14, 2014)

[Translation]

May 14, 2014

To Whom It May Concern:

Company Name: Tokowaka Co., Ltd.  
Representative: Junichi Miki,  
Representative Director

**Announcement concerning Commencement of Tender Offer  
for Ordinary Shares of Roland Corporation (Code No.: 7944)**

Tokowaka Co., Ltd. (the “Tender Offeror”) hereby announces that on May 14, 2014, it has decided to acquire the ordinary shares of Roland Corporation (Code Number: 7944, First Section of the Tokyo Stock Exchange; the “Target Company”) through a tender offer (the “Tender Offer”) pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended; the “Act”) as described below.

1. Purpose of the Purchase

(1) Overview of the Tender Offer

Tender Offeror is a stock company established on April 21, 2014, mainly for the purpose of acquisition and retention of stock, etc. of the Target Company. As of today, Taiyo Jupiter Holdings, L.P. (“Taiyo HLD”) owns the total number of shares issued by the Tender Offeror (1 share), and Mr. Junichi Miki (“Mr. Miki”), who is the Representative Director of the Target Company, represents the Representative Director of the Tender Offeror. The Tender Offeror plans to issue 1,000,000 new shares to Taiyo HLD through third party allotment by the settlement date of the Tender Offer.

Taiyo HLD is a special purpose investment fund established under the laws of the Cayman Islands on April 22, 2014, for the purpose of investing in the Tender Offeror. Its general partner is Taiyo Jupiter Holdings GP Ltd. of Taiyo Pacific Partners L.P. Group, and Taiyo Pacific Partners L.P. essentially handles the management of Taiyo HLD’s operations. Taiyo Pacific Partners L.P. is an investment fund established under the laws of the State of Delaware

of the United States in 2001, for the purpose of investment in the Japanese market. Based in the State of Washington of the United States, Taiyo Pacific Partners L.P. has invested USD 2.5 billion in public companies in Asia in order to become a friendly and active shareholder in Japan by providing strategic consulting, investment management and utilizing proficiency in the Japanese language. It has invested in the Target Company through several affiliate funds since 2003, and, as of today, its affiliates funds, in total, owns 2,183,300 ordinary shares of the Target Company (Holding Ratio 9.84% (such ratio rounded to the second decimal place; hereafter such percentages shall be rounded in the same manner unless otherwise specified)).

(Note) Holding Ratio means the ratio of the shares held to the total number of issued ordinary shares of the Target Company as of March 31, 2014 stated in the Earnings Summary for the Fiscal Year Ending March 2014 [JGAAP] (consolidated) announced on May 14, 2014, by the Target Company (the “Earnings Summary for the Fiscal Year Ending March 2014”) (23,835,796 shares) less the number of treasury shares held by the Target Company (1,638,142 shares). The same calculation for such ratios shall apply hereafter.

The Tender Offeror has decided to acquire all issued ordinary shares of the Target Company (excluding the treasury shares held by the Target Company), to make and to carry out the Tender Offer as part of a transaction to delist the ordinary shares of the Target Company and to make the Tender Offeror the sole shareholder of the Target Company (the “Transaction”).

The Transaction is a management buyout (MBO) (Note). Mr. Miki is planning to invest in the Tender Offeror after the settlement of the Tender Offer and is planning to continue to engage in management of the Target Company after the Transaction.

(Note) A management buyout (MBO) generally refers to the acquisition of shares of a target company with funds provided, in whole or in part, by the management of the target company, based on the presumption that the target company’s business will continue.

The Tender Offeror has obtained consent from Taiyo Fund, L.P. (Number of Ordinary Shares Held: 1,842,400 shares, Shareholding Ratio: 8.30%), the second largest shareholder in relation to the ordinary shares of the Target Company(as of September 30, 2013), Taiyo Fund Partners, L.P. (Number of Ordinary Shares Held: 100 shares, Holding Ratio: 0.00%), Taiyo Blue Fund, L.P. (Number of Ordinary Shares Held: 340,700 shares, Holding Ratio: 1.53%), Taiyo Blue Fund Partners, L.P. (Number of Ordinary Shares Held: 100 shares, Holding Ratio 0.00%) to



tender in the Tender Offer all of the ordinary shares of the Target Company (Total Number of Ordinary Shares Held: 2,183,300 shares, Holding Ratio in relation to the Total Number of Ordinary Shares Held: 9.84%.) (The funds hereinafter shall be collectively called the “Taiyo Fund”). Further, the Tender Offeror has obtained consent from Mr. Miki, the Representative Director of the Tender Offeror and the Representative Director and President of the Target Company to tender in the Tender Offer all of the ordinary shares of the Target Company held by Mr. Miki (Number of Ordinary Shares Held: 13,629 shares, Holding Ratio 0.06%).

(Note) Mr. Miki is a member of the management shareholding group. He indirectly owns 7,229 shares of Company’s Ordinary Shares (rounded to whole number, Holding Ratio: 0.03%) as equity interest in the management shareholding group and the Number of Ordinary Shares Held by Mr. Miki includes such Company’s Ordinary Shares held indirectly. Hereafter the same.

Tender Offeror, as stated in “(ii) Process of Valuation” of “(4) Basis for Calculating the Purchase Price” of “2. Overview of the Purchase” has determined 14,798,500 shares, which corresponds to 66.67% Holding Ratio, as the minimum number of shares to be purchased during the Tender Offer. If the total number of tendered shares falls below the minimum number of shares to be purchased, none of the tendered shares will be purchased. On the other hand, for the purpose of making and carrying out the Tender Offer as part of the transaction to delist the ordinary shares of the Target Company by acquiring all issued ordinary shares of the Target Company (excluding treasury shares owned by the Target Company), the Tender Offeror has not determined any maximum number of shares to be purchased during the Tender Offer. Therefore, so long as the total number of tendered shares exceeds the minimum number of shares to be purchased, the Tender Offeror will purchase all of the tendered shares.

The Tender Offeror is planning to cover a part of the funds necessary for settlement of the Tender Offer with a loan from Resona Bank, Limited (the “Acquisition Loan”), and, subject to the settlement, etc. of the Tender Offer, the Tender Offeror plans to borrow up to 325 billion yen in total from Resona Bank, Limited by the business day preceding the date of commencement of the settlement of the Tender Offer. The details of the conditions of the Acquisition Loan shall be stipulated in the loan agreement for the Acquisition Loan upon separate consultation with Resona Bank, Limited. Such loan agreement is expected to have the conditions for execution of the loan as listed in the commitment letter, which is attached to the tender offer notification, and other conditions generally stipulated in the same type of loan agreements such as certain financial covenants, etc. For the Acquisition Loan, a security interest is planned to be created

on the ordinary shares of the Tender Offeror held by Taiyo HLD as of the time of execution of the Acquisition Loan, and on the ordinary shares of the Target Company acquired by the Tender Offeror through the Tender Offer, and on certain assets, etc. of the Tender Offeror. After the Tender Offeror becomes the sole shareholder of the Target Company through the Acquisition of All Shares as described below, the Target Company plans to be a joint and several guarantor of the Tender Offeror and a security interest is planned to be created on certain assets of the Target Company.

Should the Tender Offeror fail to acquire all of the issued shares of the Target Company (excluding the treasury shares held by the Target Company) in the Tender Offer, then after the settlement of the Tender Offer, the Tender Offeror plans to implement a set of procedures stated in “(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)” below. In addition, after implementation of the procedures, the Tender Offeror plans to implement an absorption-type merger with the Target Company. The details including the specific schedule, etc. are to be determined.

According to “Announcement concerning Implementation of MBO and Recommendation to Tender” announced by the Target Company on May 14, 2014 (the “Target Press Release”), at the meeting of the board of directors of the Target Company held on May 14, 2014, it was resolved to express support for the Tender Offer and to recommend the shareholders of the Target Company to accept the Tender Offer. The resolution of the board of directors of the Target Company was made on the condition that the Tender Offeror will make the Target Company a wholly-owned subsidiary after the Tender Offer and a series of procedures following the Tender Offer, and that the ordinary shares of the Target Company are planned to be delisted. For the details, please refer to the Target’s Press Release and “(ii) Process of Valuation” of “(4) Basis for Evaluating the Purchase Price” of “2. Overview of Purchase” below.

(2) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer

(i) Background, etc. of the Tender Offer

In April 1972, the Target Company was established in Suminoe-Ku, Osaka with the purpose of manufacturing and selling electronic musical instruments, and started manufacturing and selling instruments which can repeatedly play one or two bars of rhythm/patterns at various tempos and

speakers and amplifiers for musical instruments. In the following year, the Target Company started manufacturing and selling the first synthesizers in Japan and electric pianos. In addition, during around 1975 to 1980, the Target Company focused on the integration of computers and electronic musical instruments, and made a huge contribution to the creation of the MIDI specification in 1983. Furthermore, in 1996, the Target Company developed a mesh head which was revolutionary throughout the world. This mesh head was able to duplicate the feel of acoustic drums, and as a result, the Target Company was able to become the global leader in the electronic drum market. Presently, the Target Company manufactures and sells keyboards such as electric pianos and synthesizers, guitar-related instruments, electronic drums, computer musical instruments, audio equipment/video equipment for professional use, etc. both in Japan and abroad. As stated above, the Target Company grew economically, and built a globally famous brand in the electronic music instrument industry.

In addition, the Target Company established AMDEK KK in order to utilize the digital technology accumulated in the electronic musical instruments industry to the computer peripheral equipment industry, and changed its name to Roland DG Corporation two years later. It expanded its business by selling products such as pen plotters for scoring, making use of the brand name of its parent company, the Target Company, in the early years after establishment, and grew rapidly with its pen plotters for CAD output during around 1985 to 1990. In 1986, it started selling three-dimensional milling machines that had drills instead of pens, adding the z-axis to the control technology of the x- and y-axis, which was cultivated with plotters. After 1989, it entered into the sign market, handling advertisements and signboards through its start of sales of cutting machines which replaced the pens of pen plotters with cutters. After 1997, it continued to develop its technology, using the keywords “Color and 3D”, started selling large-sized ink-jet printers, and then, became a worldwide innovator through its creation of new products, and expanded operations and business performances as a group with the Target Company.

After the “Lehman Shock” of 2008, however, the management environment of the business of Target Company was changed and the business performance was significantly affected by the economic slump and the rapid and long term appreciation of the yen.

Specifically, sales of high-priced products, which were Target Company’s specialty, became weak because of price competition, especially in the electronic musical instrument business which is the core business of the Target Company. This price competition was accelerated by the falling prices of the products caused by the increase of cheaper imported products as a result

of prolonged deflation and the appreciation of the yen. Furthermore, recently the Target Company has been gradually losing its market share for the products which it developed and has a dominant share because it cannot keep up with the changes in the preferences of users for designs and functions. As to product strategy, the Target Company is having trouble with anticipating the market's demand for products, and is losing its market share to competitors. Consequently, after the "Lehman Shock", stagnation in the Target Company's business performance has been prolonged especially in the electronic musical instrument business which is the core business of Target Company, and the market value of its electronic musical instrument business is declining.

The Target Company is committed to the following actions to respond to such changes in the business environment:

a. Low-Cost Operations; improving and making basis for earning capacity

The Target Company continues to reform its business structure and improve its earning capacity. In the medium- and long-term, it is focusing on the advancement of global purchases, intending to reduce sourcing costs and also fixed costs by the optimization of back office sections, etc. In addition, it is further strengthening its revenue management per category and product, and also it started to consider making the fiscal terms of all the group companies the same. Furthermore, it is not only reducing costs, but also optimizing the stocks of its products and materials by continuing intensive production, which it promoted in the fiscal year ending March, 2013 and by promoting the improvement of logistics mainly by using intensive overseas warehouses.

b. "Glocalization"; enhancement of localization

While globalization is advancing in various areas with the development of the information society, the music and musical instrument industry still has different characteristics and features in each region. The Target Company will expand sales by advancing globalization and, at the same time, by conducting activities corresponding to regional characteristics. In Japan, Europe and the United States where there are huge changes such as overconcentration of logistics and expansion of internet sales, the Target Company intends to increase sales by enhancing communication with customers by using the internet and cultivating new contacts through means other than the existing distribution channel. In China and developing countries where the market is expanding, the Target Company, while facilitating the distribution, is

carrying forward with working on contents such as products, sound and accompaniment style, which correspond to unique musical cultures, and is promoting market development.

c. Innovation; strengthening of product capabilities

Since its establishment, the Target Company has made efforts to create a market and expand the population interested in music using the strengths of electronic musical instruments based on its technology. By using the internet and cloud, the possibilities of electronic musical instruments will further increase. By evolving its digital signal processing technology, and combining such technology with custom LSI, the Target Company has embodied them as core competences. The Target Company aims to realize product innovation. In the existing field, the Target Company is attempting to stabilize sales by capturing further market needs, setting reasonable prices and other means focusing on instruments with large market such as pianos, drums, guitar-related equipment. In addition, the Target Company is promoting the deepening and extension of musical instruments field such as dance and vocals, and commercial audio and video equipment. In the long term, the Target Company aims to promote the use of its technology outside the existing markets and expand its business into new areas.

While the Target Company has been carrying out various initiatives, it announced an upward revision of the earnings forecast for the fiscal year ending March 2014, on April 18, 2014. In the revised earnings forecasts, the operating income of the electronic musical instrument business has increased compared to the initial forecast. However, this was mainly because the profits and sales increased due to currency fluctuations resulting from the yen being weaker than it was in the initial forecast. Excluding the impact of the weaker yen, sales decreased compared to the initial forecast, and the operating margin was never at an adequate level. The Target Company does not believe that the above initiatives led to the upward revision. Although the recent currency rates have trend of weaker yen compared to previous years, future currency fluctuations are difficult to predict. Considering the increasingly severe competition in the market, for its long-term growth, the Target Company considers that the selection and concentration of management resources including the sale of Roland DG Corporation (a consolidated subsidiary of the Target Company; the Target Company holds 40% of total number of issued stock of Roland DG Corporation (the “Target’s Subsidiary”) that is non-core business, utilization of external management resources, and further promotion of business restructuring, modifying its organizational structure, organizing its governance and distribution sales channels, etc. on a global level, and continuing to carry out the introduction of specific new products are necessary and that it should promptly engage in them. For the above, the Target Company

considers further strategic investment and prompt management decision are essential.

However, there is a short-term risk of lower profit levels and decreasing cash flow which is likely to adversely affect the general shareholders of the Target Company if the Target Company executes such plan while maintaining its listing. On the other hand, reduction of or procrastination in adopting such measures in order to minimize this risk may lead to weakening of the long-term competitiveness and profitability of the Target Company.

Taking such situation into consideration, Mr. Miki, the Representative Director of the Tender Offeror, started the evaluation of the implementation of the Transaction, and evaluation and consultation with Taiyo Pacific Partners L.P., a major shareholder of the Target Company, from late January, 2014. As a result of considering the advantages and disadvantages, etc. of the Target Company maintaining the listing of its shares in the future, Mr. Miki concluded that for the Target Company to implement the above measures, delisting of the Target Company by a management buyout (MBO) is the most effective method to avoid the above adverse effects that may occur to the shareholders of the Target Company, and to quickly and decisively carry out a drastic and flexible business strategies from a medium- to long-term perspective. In addition, Mr. Miki considers that, by matching ownership and management to a certain extent by the MBO, the acceleration of decision-making and improvement of the execution of the measures will be achieved so that every measure above can be practiced quickly and decisively.

With the background as stated above, on February 18, 2014, Mr. Miki and Taiyo Pacific Partners L. P. explained to the directors of the Target Company other than Mr. Miki that they wished to review the feasibility of a management buyout (MBO) of the Target Company, and after conducting due diligence to examine the feasibility of the MBO from March 5, 2014, submitted a proposal regarding the management buyout (MBO) to the Target Company on March 31, 2014, and established the Tender Offeror as a special purpose acquisition company to execute the Transaction on April 21, 2014.

Then, the Tender Offeror and Mr. Miki, who is the Representative Director, made a decision that the Tender Offeror should conduct the Tender Offer as a part of the Transaction on May 14, 2014 as a result of the comprehensive consideration of the advantages and disadvantages involved in the Transaction and the significance of maintaining the listing of ordinary shares of Target Company, etc. after discussions and negotiations with the Target Company on the terms and conditions of the Transaction.

(ii) Management Policy, etc. after Implementation of Tender Offer

This Transaction is a management buyout (MBO). Mr. Miki, the Representative Director and President of the Target Company, is planning to be responsible for the management of the Target Company continuously after the Transaction. The Tender Offeror plans, at present, that the number of directors of the Target Company after the Transaction will be around six, and one of the directors will be Mr. Miki, another director will be assigned from Taiyo Pacific Partners L.P., and two others will be experienced outside experts introduced by Taiyo Pacific Partners L.P. Other details are planned to be determined after the implementation of the Tender Offer upon consultation with the Target Company.

After implementation of the Tender Offer, the Tender Offeror is planning to evaluate feasibility of detailed countermeasures including active use of outside management resources for: (i) Low-Cost Operation, improving and making earning capacity a basis; (ii) “Glocalization”, enhancement of localization; and (iii) Innovation, strengthening of product capabilities, as stated in “(i) Background of the Tender Offer” above. In addition, the Target’s Subsidiary will not be a consolidated subsidiary of the Target Company after completion of the sale of part of Target’s Subsidiary Shares held by the Company (“Sales of Target’s Subsidiary Shares”). As a result, management resources will be concentrated on the electronic musical instrument business.

(3) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

The Tender Offeror and the Target Company recognize that the Tender Offer is implemented as a step for a management buyout (MBO), and that there may be issues of structural conflicts of interest. Therefore, the Tender Offeror and the Target Company have primarily taken the following measures in order to ensure fairness of the Transaction including the Tender Offer, from the perspective of ensuring fairness of the purchase price per one ordinary share of the Company in the Tender Offer (“Tender Offer Price”), eliminating arbitrariness in the process of decision making regarding the decision to make the Tender Offer, and avoiding conflicts of interest.

- (a) Obtaining a share valuation report from an independent valuation firm by the Tender Offeror
- (b) Obtaining a share valuation report from an independent valuation firm by the Target

Company

- (c) Formation of the independent committee at the Target Company
- (d) Advice to the Target Company from an outside law firm
- (e) Unanimous approval of directors and auditors who are not stakeholders of the Target Company
- (f) Establishment of a minimum number of shares to be purchased
- (g) Measures to secure purchase opportunities from other offeror(s)

For details stated above, please refer to “(i) Basis of Valuation” and “(ii) Process of Valuation” of “(4) Basis for Calculating the Purchase Price” of “2. Overview of the Purchase.”

(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)

The Tender Offeror, as stated in above “(1) Overview of the Tender Offer”, plans to take the procedures stated below in order to acquire all of the issued shares of the Target Company (excluding the treasury shares held by the Target Company) (the “Acquisition of All Shares”) after the Tender Offer is completed, in the event the Tender Offeror does not acquire all of the issued shares of the Target Company (excluding the treasury shares held by the Target Company) when the Tender Offer is completed.

Specifically, after the Tender Offer is completed, the Tender Offeror plans to request the Target Company to hold an extraordinary general shareholders’ meeting (the “Extraordinary Shareholders’ Meeting”), which is to include the following proposals: (i) to partially amend the articles of incorporation to include a clause which allows the Target Company to issue shares of a class separate from ordinary shares, in order for the Target Company to become a company with class shares as provided for in the Companies Act (Act No. 86 of 2005, as amended; hereinafter the same); (ii) to partially amend the articles of incorporation to make all ordinary shares issued by the Target Company subject to a compulsory acquisition provision (meaning the provision on the matters provided in Article 108, Paragraph 1, Item 7 of the Companies Act; hereinafter the same); and (iii) to acquire all ordinary shares of the Target Company subject to the compulsory acquisition provision (excluding the treasury shares held by the Target Company), and deliver the separate class of shares of the Target Company in exchange for such acquisition.

In the event proposal (i) above is approved by the Extraordinary Shareholders’ Meeting, the



Target Company will become a company that issues classes of shares under the Companies Act. In order for the partial amendment of the articles of incorporation regarding (ii) above to take effect, a resolution of a shareholders' meeting of holders of a share class consisting of the shareholders who own the Target Company's ordinary shares subject to the compulsory acquisition provision is necessary in addition to the resolution of the Extraordinary Shareholders' Meeting regarding (ii) above, pursuant to Article 111, Paragraph 2, Item 1 of the Companies Act. Therefore, the Tender Offeror plans to request the Target Company to hold a shareholders' meeting of holders of a share class (the "Class Shareholders' Meeting"), which includes the partial amendment of the articles of incorporation in (ii) above as a proposal, on the same day as the date of the Extraordinary Shareholders' Meeting.

Where the proposals above are proposed at the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting, the Tender Offeror plans to vote in favor of each of the proposals above at such shareholders' meetings.

If each of the above procedures is implemented, all ordinary shares issued by the Target Company will be subject to the compulsory acquisition provision and all of these shares (excluding the treasury shares held by the Target Company) will be acquired by the Target Company, and the Target Company's shareholders (excluding the Target Company) will receive a separate class of shares of the Target Company as consideration for the acquisition. However, the Target Company's shareholders who are to receive fractions of shares of less than one (1) share of the separate class of shares will receive cash obtained through the sale of the shares equivalent to the total of such fractions (any fractions of less than one (1) share in such total will be rounded off), pursuant to the procedures provided in Article 234 of the Companies Act and other relevant laws and regulations. The amount of cash to be paid to each shareholder as a result of sale of such shares of the Target Company equivalent to the total of such fractions is planned to be calculated to be equal to the price obtained by multiplying the Tender Offer Price by the number of the Target Company's ordinary shares held by such shareholder. Furthermore, although the class and the number of shares of the Target Company to be delivered as consideration for the acquisition of the Target Company's ordinary shares subject to the compulsory acquisition provision has not been determined as of today, the number of shares of the Target Company is planned to be determined so that the number of the separate class of shares of the Target Company that must be delivered to the Target Company's shareholders besides the Target Company will be a fraction of less than one (1) share, in order for the Tender Offeror to hold all of the Target Company's issued shares.

An application for listing has not been contemplated for the separate class of shares of the Target Company to be delivered as consideration for the acquisition of the Target Company's ordinary shares subject to the compulsory acquisition provision.

The Tender Offeror plans to request the Target Company to hold the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting in or around September 2014 in principle, and according to the Target Company Press Release, the Target Company plans to announce the specific procedures and timing of the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting promptly upon determination.

Under the provisions under the Companies Act purporting to protect the rights of minority shareholders related to the procedures above, if the acquisition of all of the Target Company's ordinary shares subject to the compulsory acquisition provision in (iii) above is resolved at the Extraordinary Shareholders' Meeting, it is provided that the shareholders may petition for determination of the price for acquisition of the relevant shares pursuant to the provisions of Article 172 of the Companies Act and other relevant laws and regulations. Under this procedure, the acquisition price per share will ultimately be determined by the courts.

Aside from the petition for determination of the price for acquisition of shares pursuant to Article 172 of the Companies Act provided above, in relation to the amendment of the articles of incorporation in (ii) above, it is provided that the shareholders may demand the purchase of the shares they own and petition for determination of the purchase price of the shares, pursuant to the provisions of Articles 116 and 117 of the Companies Act and other relevant laws and regulations. However, if the acquisition of the shares pursuant to the compulsory acquisition provision comes into effect, the shareholders may be determined as lacking standing to petition for determination of the purchase price as provided in Article 117, Paragraph 2 of the Companies Act.

Furthermore, the procedures above may be changed to other methods with equivalent effects or may require time for the implementation of the procedures above or such other methods, depending on the status of the holding of shares of the Tender Offeror in the Target Company after the Tender Offer, the status of the holding of shares of the Target Company's shareholders other than the Tender Offeror in the Target Company, or circumstances of the relevant authorities' interpretation of the relevant laws and regulations. However, in the case of such change to other methods, it has been planned to ultimately pay cash to the Target Company's shareholders other than the Tender Offeror who did not accept the Tender Offer in order for the

Tender Offeror to hold all of the Target Company's issued shares. In that case, the amount of cash to be paid to each shareholder of the Target Company other than the Tender Offeror has been planned to be calculated to be equal to the price obtained by multiplying the Tender Offer Price by the number of the Target Company's ordinary shares held by such shareholder. The specific procedures in such circumstances are planned to be announced promptly upon determination after consultation between Tender Offeror and the Target Company.

The Tender Offeror plans to conduct a merger with the Target Company (the "Merger") after the completion of the Acquisition of All Shares. The specific date and time thereof have not been fixed.

Furthermore, the Tender Offer is not intended to solicit support by the shareholders of the Target Company at the Extraordinary Shareholders' Meeting and the Class Shareholders' Meeting, and shall not be interpreted in such way.

#### (5) Prospect of Being Delisted and the Grounds for Aiming at Being Delisted

The Target Company's ordinary shares are listed on the First Section of Tokyo Stock Exchange Inc. ("Tokyo Stock Exchange Market") as of today. However, since the Tender Offeror has not set the maximum number of shares to be purchased in the Tender Offer, depending on the results of the Tender Offer, the Target Company's ordinary shares may be delisted in accordance with the prescribed procedures, pursuant to the delisting standards of the Tokyo Stock Exchange. Furthermore, even if the relevant standards do not apply at the time of completion of the Tender Offer, if the Tender Offer is completed, the Tender Offeror plans to implement the Acquisition of All Shares in order for the Tender Offeror to hold all of the Target Company's issued shares, and in the case each of the procedures set forth in "(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)" above is implemented after the Tender Offer is completed, the Target Company's ordinary shares will be delisted in accordance with the prescribed procedures. After the delisting, the Target Company's ordinary shares may not be traded on the First Section of the Tokyo Stock Exchange.

#### (6) Matters on Material Agreement(s) regarding the Acceptance of the Tender Offer between the Tender Offeror and the Target Company's Shareholders

The Tender Offeror has obtained consent from Taiyo Fund that it will tender all of the Target Company's ordinary shares it holds (total Number of Ordinary Shares Held: 2,183,300 shares,

Holding Ratio relating to such total number: 9.84%), and from Mr. Miki who is the Representative Director of the Tender Offeror and the the Representative Director and President of the Target Company, that he will tender all of the Target Company's ordinary shares he holds (Number of Ordinary Shares Held: 13,629 shares, Holding Ratio relating to such total number: 0.06%) to the Tender Offer.

#### (7) Sales of Part of Target's Subsidiary Shares by the Target Company

Since middle of February 2014, Target's Subsidiary, having obtained information that the Target Company is considering conducting the Transaction and the Sales of Target's Subsidiary Shares, started detailed analysis of purchasing the common shares of the Target's Subsidiary that the Target holds as treasury shares as it considered comprehensively the impact of changes in composition of shareholders as a result of the Transaction, impact on liquidity of the shares of Target's Subsidiary and the market price that would be created as a result of certain number of shares being sold to the market at one time by the sales of common shares of the Target's Subsidiary that is owned by the Target, Target's Subsidiary's financial conditions and other various factors. As a result, the Target Subsidiary determined that purchasing of the ordinary shares of the Target's Subsidiary as treasury shares will contribute in improving efficiency of capital such as earnings per share (EPS) and return on equity (ROE) of Target's Subsidiary and thus, will result in providing profit to the shareholders. In addition, the Self Tender Offer by Target's Subsidiary as described below and tendering by the Target Company to it will lower the Holding Ratio of the ordinary shares of Target's Subsidiary held by the Target Company (after the settlement of the Transaction, Holding Ratio of ordinary shares of the Target's Subsidiary directly or indirectly held by the sponsor to the Transaction) and will make it possible for the Target's Subsidiary to establish a growth strategy not affected by the business plan of the Company's Target which is focused more on the improvement of the corporate value of the Target's Subsidiary itself that will allow further improvement of the corporate value.

The Target's Subsidiary has conducted sufficient analysis of the detailed method of purchasing the treasury shares from the perspective of equality amongst shareholders, transparency of the transaction (tender offer by Target's Subsidiary, hereinafter shall be referred to as "Self Tender Offer by Target's Subsidiary"). In addition, in order to determine the purchase price for the Self Tender Offer by Target's Subsidiary, it determined that it should focus on market price for the appropriate price of the ordinary shares of the Subsidiary due to clarity and objectivity of the standard. Further, Target's Subsidiary decided that it is preferable to purchase at a price which is discounted to certain degree compared to the market price. For the number of shares subject

to Self Tender Offer by Target's Subsidiary, the Target's Subsidiary has decided taking into consideration sound and safe financial position of the Target's Subsidiary that it shall purchase 3,560,000 shares (20% of the total number of issued shares. Hereafter "Offering Shares") and in order to provide opportunity for shareholders other than the Target Company, it determined that it is appropriate to set 3,916,000 shares as the maximum number (22% of the total number of issued shares).

The Target Company, at the meeting of board of directors held on May 14, 2014, in addition to resolving that it expresses its opinion in favor of the Tender Offer and that it recommends shareholders of the Target Company to accept the Tender Offer, also resolved the Sales of Target's Subsidiary Shares. The Target offered 3,560,000 shares of Target's Subsidiary it holds to Self Tender Offer by Target's Subsidiary intending to sell up to 3,560,000 shares. As a result, it is expected that the Target's Subsidiary will cease to be consolidated subsidiary and become related party on equity method. In addition, the number of Target's Subsidiary shares that Target Company can ultimately sell by tendering to Self Tender Offer by Target's Subsidiary could depend on the offering conditions of other shareholders. However, if the Company's Target managed to sell all of 3,560,000 shares in Target's Subsidiary and Target's Subsidiary manages to purchase 3,916,000 shares which it is expected to purchase through Self Tender Offer by Target's Subsidiary, the Target Company will become to hold 27.65% of the voting rights of all of the shareholders. In such case, since Taiyo Fund who currently owns 1,805,000 shares (13.00% of voting rights of all the shareholders after the Self Tender Offer by Target's Subsidiary), by adding Target's Subsidiary shares owned by the Target Company and Taiyo Fund, they own 38.65 % of the voting rights of all of the shareholders after the Self Tender Offer by Target's Subsidiary.

The Target Company has recognizes the future capital relationship including termination of relationship where both the Target Company and the Target's Subsidiary are listed as long term management challenge. While it also regards restructuring of musical instrument business as management challenge, it believes that establishing further independence of the Target's Subsidiary from the Target Company on its business activities and business judgment will enhance the corporate value of the Target's Subsidiary. On the other hand, for the Target Company, such tender will allow smooth delisting through the Transaction which will be necessary for the structural reform of the business quickly and reliably. In addition, the Target Company is expecting to use the funds acquired from the sales of the Company's Subsidiary Shares for the repayment of the bank loan related to the Transaction after the Company becomes wholly owned subsidiary of the Tender Offeror in order to achieve delisting by the Transaction

that is necessary for the quick and reliable promotion of the structural reform of its business

## 2. Overview of the Purchase

### (1) Overview of the Target Company

(i) Name	Roland Corporation
(ii) Address	2036-1 Nakagawa Hosoe-cho, Kita-ku, Hamamatsu Shizuoka, Japan
(iii) Name and title of representative	Junichi Miki, Representative Director and President
(iv) Businesses	Manufacturing, marketing, importing and exporting of electronic musical instruments, electronic equipment and software
(v) Amount of capital	9,274 million yen (As of March 31, 2013)
(vi) Date of incorporation	April 18, 1972
(vii) Major shareholders and Shareholding Ratio (as of September 30, 2013)	<p>Roland Foundation 9.79%</p> <p>TAIYO FUND, L.P. 7.72%</p> <p>Ikutaro Kakehashi 6.32%</p> <p>Japan Trustee Services Bank, Ltd. (Trust Account) 5.53%</p> <p>NORTHERN TRUST CO. (AVFC) SUB A/C AMERICAN CLIENTS 4.69%</p> <p>Roland Employee Stock Ownership 3.18%</p> <p>Resona Bank, Limited. 2.35%</p> <p>The Master Trust Bank of Japan, Ltd. (Trust Account) 1.97%</p> <p>CREDIT SUISSE SECURITIES(EUROPE) LIMITED PB SEC INT NON-TR CLIENT 1.89%</p> <p>NORTHERN TRUST CO. AVFC RE U.S. TAX EXEMPTED PENSION FUNDS 1.79%</p>

(viii) Relationship between the Tender Offeror and the Target Company	
Shareholding	Not applicable
Personnel	Mr. Miki, who is the Representative Director and President of the Target Company, also holds the post of the Representative Director of the Tender Offeror.
Trading	Not applicable
Applicability as a related party	Not applicable

(Note) The shareholding ratio is the ratio of shares held against the total number of issued shares of the Target Company (rounded to the nearest hundredth digit).

(2) Schedule, etc.

(i) Schedule

Board of directors resolution	Wednesday, May 14, 2014
Date of public notice for commencement of tender offer	Thursday, May 15, 2014 Notices will be posted electronically, and a notice to this effect will be published in the <i>Nihon Keizai Shinbun</i> . (Address for electronic notices: <a href="http://disclosure.edinet-fsa.go.jp/">http://disclosure.edinet-fsa.go.jp/</a> )
Tender offer registration statement submission date	Thursday, May 15, 2014

(ii) Period of purchase at initial filing

Thursday, May 15, 2014 to Wednesday, June 25, 2014 (30 business days)

(iii) Possibility of extension at the request of the Target Company

Not applicable

(3) Purchase Price

1,875 yen per ordinary share

(4) Basis of Evaluating the Purchase Price

(i) Basis of Valuation

In determining the Tender Offer Price, the Tender Offeror requested KPMG FAS Co., Ltd. (“KPMG FAS”), a financial advisor who is a third party valuation firm independent from the Tender Offeror and the Target Company, to calculate the value of the Target Company’s ordinary shares. KPMG FAS does not fall under the related party of either the Tender Offeror or the Target Company, and has no material interest regarding the Transaction including the Tender Offer.

KPMG FAS has analyzed multiple methods of calculating the share value to determine the method for valuation to evaluate the value of the Target Company’s ordinary shares, and based on the going concern assumption and the idea that the value of the Target Company’s ordinary shares should be multilaterally evaluated, used the market price method and discounted cash flow method (“DCF Method”) as methods for valuation to evaluate the value of the Target Company’s ordinary shares. The Tender Offeror has obtained the share valuation report regarding the results of valuation of the ordinary shares of the Target Company from KPMG FAS on May 13, 2014.

The reasons why KPMG FAS has determined to use the above each method and the per-share value of the Target Company calculated by each of these methods are as follows respectively.

Market price method:	From 1,395 yen to 1,441 yen
DCF Method:	From 1,718 yen to 2,086 yen

The market price method is a method which evaluates the share value based on the market share price of the Target Company’s ordinary shares, and it is an objective method to calculate the share value of listed companies. Under the market price method, by taking the recent conditions



of the market trading of the Target Company's ordinary shares into consideration, the range of the per-share value was evaluated from 1,395 to 1,441 yen based on the simple average of the closing price for regular transactions for the past one month (1,441 yen (rounded to whole numbers)), the simple average of the closing price for regular transactions for the past three-months (1,442 yen (rounded to whole numbers)), and the simple average of the closing price for regular transactions for the past six months (1,395 yen (rounded to whole numbers)) of the ordinary shares of the Target Company with May 13, 2014 being the base date in each case.

The DCF Method is used because it is an evaluation method based on a company's future cash flow (profitability), and therefore, it can reflect the excess profitability and business risk into the valuation. Under the DCF Method, the range of the per-share value was calculated from 1,718 yen to 2,086 yen by analyzing the corporate value and the share value based on the future cash flow that the Target Company is expected to generate after the business year ending March 2015, calculated based on the business plan, etc. of the Target Company, and discounting such future cash flow from the present value by a certain discount rate. As stated in above "(7) Sales of Part of Target's Subsidiary Shares by the Target Company" of "1. Purpose of the Purchase", the Target Company plans to sell 3,560,000 shares of the Target's Subsidiary Shares by tendering 3,560,000 Target's Subsidiary Shares it holds in the Self Tender Offer by Target's Subsidiary. Therefore, since Target's Subsidiary is expected to become no longer a consolidated subsidiary of the Target Company, in the valuation under the DCF method, all of the Target's Subsidiary Shares that the Target Company holds are reflected into the value of the Target Company's ordinary shares as assets to be sold. Furthermore, in the business plan used as the basis of valuation of the share value under the DCF Method, a business year in which a significant increase in profit is expected compared to the preceding business year is included. This is mainly because of the expectation of the increase in revenue due to the recovery of the sales in foreign markets such as North America and Europe, etc. and the decrease in the fixed costs due to the optimization of the internal divisions, etc.

In order to determine the Tender Offer Price, the Tender Offeror considered that the results of evaluation under the DCF Method reflect the future profitability, growth and business risk of the Target Company. The Tender Offeror, therefore, mostly focused on the analysis results under the DCF Method and determined the Tender Offer Price within such analysis results.

Tender Offeror has determined that 1,875 yen will be fair consideration for the Tender Offer, and on May 13, 2014, finally decided that the Tender Offer Price should be 1,875 yen after the Tender Offeror comprehensively took into consideration the results of due diligence conducted

with respect to the Target Company, the possibilities for the Target Company's support of the Tender Offer, the market trends for the price of the Target Company's ordinary shares in the past 6 months and the prospective numbers of tenders in the Tender Offer, referring to the analysis results of the share valuation by KPMG FAS.

1,875 yen, as the Tender Offer Price, is a price that is obtained by adding a 18.4% (rounded to the first decimal place) premium to 1,584 yen, the closing price of the Target Company's ordinary shares for regular transactions on the Tokyo Stock Exchange on May 13, 2014, the business day immediately preceding the announcement of the Tender Offer; 30.1% (rounded to the first decimal place) premium to 1,441 yen (rounded to whole numbers), the simple average of the closing price of the Target Company's ordinary shares for regular transactions in the past one-month period (from April 14, 2014 to May 13, 2014); 31.9% (rounded to the first decimal place) to 1,422 yen (rounded to whole numbers), the simple average of the closing price of the Target Company's ordinary shares for regular transactions in the past three-month period (from February 14, 2014 to May 13, 2014); and 34.4 % (rounded to the first decimal place) to 1,395 yen (rounded to whole numbers), the simple average of the closing price of the Target Company's ordinary shares for regular transactions in the past six-month period (from November 14, 2013 to May 13, 2014).

(ii) Process of Valuation

(Process to determine the Tender Offer Price)

Mr. Miki, the Representative Director of the Tender Offeror, around the end of January, 2014, began to consider and to discuss the implementation of the Transaction with Taiyo Pacific Partners L.P., which is a major shareholder of the Target Company, and has carefully reviewed the advantages and disadvantages, etc. for maintaining the listing of the Target Company's shares. As a result of such review, Mr. Miki has reached the conclusion that taking the Target Company private by the method of a management buyout ("MBO") is the most effective method in order to avoid the disadvantages that may occur to the shareholders of the Target Company as well as to implement the drastic and flexible business strategies from a medium to long-term viewpoint. In addition, Mr. Miki believes that making the ownership and the management correspond to a certain extent will achieve prompt decision-making and strengthen the execution of policies so that the Target Company can execute each policy more decisively.

After the above process, Mr. Miki and Taiyo Pacific Partners L.P. have, on February 18, 2014, explained to the directors of the Target Company excluding Mr. Miki that they wish to discuss

the possibility of a MBO of the Target Company. They began to conduct the due diligence with respect to the Target Company in order to examine the possibility of the MBO on March 5, 2014, and after the submission of a written proposal regarding the MBO to the Target Company on March 31, 2014, they established a special purpose company to implement the Transaction on April 21, 2014.

The Tender Offeror and Mr. Miki, the Representative Director thereof, have decided to conduct the Tender Offer as a part of the Transaction on May 14, 2014 after continuously discussing and negotiating the terms and conditions with the Target Company and comprehensively taking the advantages and disadvantages of the Transaction and importance of maintaining the listing of the Target Company's ordinary shares into consideration (for the details of such decision, please see "(2) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer" of "1. Purpose of the Purchase."

In order to determine the Tender Offer Price, the Tender Offeror considered that the results of the evaluation under the DCF Method reflect the future profitability, growth and business risk of the Target Company. The Tender Offeror, therefore, mostly focused on the analysis results under the DCF Method and determined the Tender Offer Price within such analysis results.

Tender Offeror has determined that 1,875 yen will be fair consideration for the Tender Offer, and finally decided that the Tender Offer Price should be 1,875 yen after the Tender Offeror comprehensively took into consideration the results of due diligence conducted with respect to the Target Company, the possibilities for the Target Company's support of the Tender Offer, the market trends for the price of the Target Company's ordinary shares in the past 6 months and the prospective numbers of tenders in the Tender Offer, referring to the analysis results of the share valuation by KPMG FAS.

(Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest)

The Tender Offeror and the Target Company recognize that the Tender Offer is implemented as a step in the Transaction conducted for a management buyout (MBO), and that there may be issues of structural conflicts of interest. Therefore, the Tender Offeror and the Target Company have primarily taken the following measures in order to ensure fairness of the Transaction including the Tender Offer, from the perspective of ensuring fairness of the Tender Offer Price, eliminating arbitrariness in the process of decision-making regarding the decision to make the

Tender Offer, and avoiding conflicts of interest. The measures taken by the Target Company stated below are based on the explanation from the Target Company.

(a) Obtaining a Share Valuation Report from an Independent Third Party Valuation Firm  
Independent

According to the Target Company Press Release, the Target Company requested Amidas Partners, Inc. (“Amidas Partners”), a third party valuation firm independent from the Target Company and the Tender Offeror, to value the Target Company’s ordinary shares and obtained a share valuation report, dated May 13, 2014, in order to ensure the fairness in the process of making decision on the Tender Offer Price proposed by the Tender Offeror. Amidas Partners is not a related party of the Tender Offeror and the Target Company, and has no material interest regarding the Tender Offer to be disclosed.

Amidas Partners has received an explanation of information such as the current business circumstances and future prospects from the management of the Target Company (excluding Mr. Miki who has a special interest regarding the Tender Offer) in order to collect and determine necessary information to calculate the value of the Target Company’s ordinary shares, and have calculated the value of the Target shares based on such information.

The Target Company did not obtain a fairness opinion regarding the Tender Offer Price from Amidas Partners.

Amidas Partners has analyzed multiple methods of calculating the share value to determine the method for valuation to evaluate the value of the Target Company’s ordinary shares, and based on the going concern assumption and the idea that the value of the Target Company’s ordinary shares should be multilaterally evaluated, used the market price method since the Target Company’s ordinary shares are listed so that it is possible to show the objective value formed in the market. Furthermore, Amidas Partners used the comparable company method in order to conduct a comparative analysis between the Target Company and a company which conducts similar business and has similar business risks, as well as the DCF Method since it reflects the profitability and business risk of the Target Company to the share value. Amidas Partners has calculated the value of the Target Company’s ordinary shares based on each method.

The range of per-share value which Amidas Partners has calculated by each of these methods is as follows.

Market price method	From 1,395 yen to 1,441 yen
Comparable company method	From 1,741 yen to 1,945 yen
DCF Method	From 1,779 yen to 1,994 yen

Firstly, under the market price method, the range of 1,395 yen to 1,441 yen per-share value was calculated by using 1,441 yen, the simple average of the closing price at the Tokyo Stock Exchange for the past one-month period, 1,422 yen, the simple average of the closing price for the past three-month period, and 1,395 yen, the simple average of the closing price for the past six-month period, with May 13, 2014 being the base date in each case.

Secondly, under the comparable company method, the range of 1,741 yen to 1,945 yen per-share value was calculated by first selecting CASIO COMPUTER CO, LTD., YAMAHA CORPORATION, and Kawai Musical Instruments Manufacturing Co, Ltd. as comparable companies by considering the similarity of these companies in the electronic musical instruments business, which is the main business of the Target Company, and the business risks, and second by conducting a comparative analysis of the EBIT and EBITDA which are the financial indicators showing the market share value and profitability of these listed companies.

Lastly, under the DCF Method, the range of the per-share value was calculated from 1,779 yen to 1,994 yen by analyzing the corporate value and the share value based on the future cash flow that the Target Company is expected to generate, and discounting such future cash flow to the present value by a certain rate, taking the business risks, etc. of the Target Company into consideration. The future cash flow value was obtained based on the profit forecast of the Target Company within the three fiscal years from the fiscal year ending March, 2014 to the fiscal year ending March, 2016 (the fiscal year ending March, 2014 is a three-month period from January, 2014 to March, 2014), with the last day of December, 2013 being the base date in each case, considering the business plan which is based on the medium-term business plan the Company announced on May 8, 2013 with adjustments in the expected currency rates taking into consideration the recent economic conditions provided by the Target Company, interviews of the Target Company's management, information used as base for the medium-term business plan and other various factors medium-term business plan. Upon such calculation, the discounting rate is from 9.3 % to 11.3 % and a perpetuity growth model is used in order to calculate the going-concern value with the rate of perpetuity growth being 0 %.

The consolidated financial forecast by the Target Company which Amidas Partners has based its valuation under the DCF Method is as follows:

(Unit : million yen)

	Fiscal year ending March, 2014 (3 months)	Fiscal year ending March, 2015	Fiscal year ending March 2016
Sales Amount	12,248	46,807	50,556
Operating Income	704	2,527	4,000
EBITDA	1,165	2,742	4,238
Free Cash Flow	816	1,449	2,402

(Note) As stated in “(7) Sales of Part of Target’s Subsidiary Shares by the Target Company” of “1.Purpose of the Purchase”, the Target Company plans to sell the Target’s Subsidiary Shares, and as a result, it is expected that the Target’s Subsidiary will be excluded from the consolidated companies of the Target Company. Therefore, the above is the financial forecast of the electronic musical instrument business of the Target Company. In addition, the Target’s Subsidiary Shares has been taken into account in the share value of the Target Company under the DCF Method and comparable company method as assets to be sold by Amidas Partners regardless of whether such shares are scheduled to be sold through Self Tender Offer by Target’s Subsidiary. The value of the Target’s Subsidiary Shares as assets to be sold is calculated based on price per share at the Self Tender Offer by Target’s Subsidiary.

Furthermore, in the business plan used as the basis of valuation of the share value under the DCF Method, a business year in which a significant increase in profit is expected compared to the preceding business year is included. This is mainly because of the expectation of the increase in revenue due to the recovery of the sales in foreign markets such as North America and Europe, etc. and the decrease in the fixed costs due to the optimization of the internal divisions, etc. The business plan that was used as basis for the DCF Method reflects the idea that effect of improvement of profitability as a result of the business structural reform which is key challenge for the Company will realize over a few years but the business plan is not created based on the assumption that the Transaction will take place and thus, synergy which is expected to arise as a result of this Transaction is not taken into account.

The above consolidated financial forecast of the electronic musical instrument business of the Target Company is different from the sales amount and operating income of the electronic

musical instrument business of the Target Company stated in the “Mid-term Business Plan March, 2016” (which states that the sales amount of the electronic musical instrument business in the fiscal year ending March 2016: 47 billion yen; operating income: 2.5 billion yen). This is because the exchange rate in such mid-term business plan has been replaced with the exchange rate based on the current circumstances since there was a gap between the exchange rate expected as of the announcement of such mid-term business plan and the current exchange rate and an improvement in the profit rate is anticipated due to the improvement in the plant operation rate due to production of new products and review, etc. of cost structure.

The Target Company determined that considering the appropriateness of the Tender Offer Price by calculating the objective and reasonable share value of the Target Company, based on the financial forecast, which is more in line with the current situation by taking into consideration the changes in the economic environment after the announcement of the mid-term business plan, is more suitable. Therefore the Target Company used the above consolidated financial forecast in order to calculate the share value.

The Target Company disclosed the added extraordinary loss and the amendment of the earnings forecast on April 18, 2014, due to the dissolution and liquidation of a foreign subsidiary pursuant to the timely disclosure standard of the Tokyo Stock Exchange. However, such amendment of the earnings forecast was not made in relation to or based on the Transaction.

In the business plan which the Company provided and Amidas Partners has based its calculation on under the DCF Method is based on the medium-term business plan the Company announced on May 8, 2013 with adjustments in the expected currency rates taking into consideration the recent economic conditions. In the business plan, the consolidated financial forecast of the electronic musical instrument business in the business year ending in March, 2014 after such amendment which includes the extraordinary loss due to the dissolution and liquidation of the foreign subsidiary is used. Under the market price method, the market price of the Target Company after April 18, 2014, is included in the valuation as well. The earnings forecast of the fiscal year ending March, 2015, which the Target Company has announced today, is the forecast for the electronic musical instrument business reflecting the review of above mid-term management plan.

Due to the above reasons, the range of the per-share value of the Target Company in the share valuation report which the Target Company has received from Amidas Partners is, from 1,395 yen to 1,441 yen under the market price method, from 1,741 yen to 1,945 yen under the

comparable company method, and from 1,779 yen to 1,994 yen under the DCF Method.

The board of directors of the Target Company, has confirmed the reasonableness of the above result of valuation by Amidas Partners through the explanation about the method to calculate the value of the Target Company's ordinary shares, conditions precedent and process of valuation from Amidas Partners.

(b) Formation of an Independent Committee at the Target Company

According to the Target Company Press Release, as the Tender Offer is implemented as a step in the Transaction conducted for an management buyout (MBO), and as there may be issues of structural conflicts of interest, on April 1, 2014 the Target Company formed an Independent Committee that consists of members who are independent from both the Target Company and the Tender Offeror and includes external experts (Mr. Shinji Mizuno (committee chairman, attorney), Mr. Fujio Nishida (external auditor of the Target Company), and Mr. Tetsuya Sano (certified public accountant), who are independent from both the Target Company and the Tender Offeror, were selected as the members of the Independent Committee. The Target Company has selected these three persons as the member of the Independent Committee from the outset and has not made any changes since) in order to deliberate the Transaction carefully, exclude arbitrariness of the decision-making with respect to the Tender Offer at the Target Company, and to establish a decision-making process that ensures fairness, transparency and objectivity with the purpose to protect the interests of the Target Company's shareholders. The following items were delegated to the Independent Committee, (a) deliberate on whether the board of directors of the Target Company should support and express recommendation regarding the Tender Offer, and give recommendation to that effect to the board of directors of the Target Company, (b) discuss or negotiate with Taiyo Pacific Partners L.P. or the Tender Offeror on behalf of the Target Company or shareholders of the Target Company regarding the Transaction, if necessary, and (c) deliberate on whether the transaction of the Tender Offeror obtaining all outstanding shares of the Target Company based on the Transaction would be disadvantageous to minority shareholders of the Target Company, and to present such opinion to the board of directors of the Target Company (collectively the "Consulted Items").

The Independent Committee was convened a total of 6 times during the period between April 8, 2014 and May 13, 2014 and deliberated and discussed the Consulted Items thoroughly. Further, the Independent Committee discussed with Mr. Miki and Taiyo Pacific Partners L.P. and also negotiated the Tender Offer Price with them multiple times through the board of



directors of the Target Company by advising or by expressing opinion to the board of directors

Specifically, this included: (i) gathering and deliberating on each material for review submitted from the Target Company and Tender Offeror as well as other necessary information and material; (ii) sending written inquiries to Taiyo Pacific Partners L.P.; (iii) conducting investigation through interviews with Mr. Miki, who concurrently serves as Representative Director of Taiyo Pacific Partners L.P. and Tender Offeror, KPMG FAS, who serves as the financial advisor of the Tender Offeror, and TMI Associates, who serves as the legal advisor of the Tender Offeror; and (iv) conducting hearings with director(s) of the Target Company and holding question and answer sessions as well as receiving explanation on the outline of the Transaction including the Tender Offer, background of the Transaction, meaning and purpose of the Transaction, status of the Tender Offeror and Target Company, and background and deliberation process of the decision-making of the Tender Offeror and Target Company. Further, after the Independent Committee held a question and answer session as well as received explanation of the business plan from the director(s) of the Target Company, the Independent Committee received explanation from Amidas Partners, the Target Company's third party valuation firm, regarding the share valuation report which was prepared by Amidas Partners and conducted a hearing concerning the preconditions of the said valuation. The Independent Committee received legal advice from Nakamura, Tsunoda & Matsumoto, who serves as the legal advisor of the Target Company, regarding the decision-making process, the manner of decision-making of the Transaction including the Tender Offer, and other points to be noted regarding the decision-making of the Transaction including the Tender Offer.

As a result, on May 13, 2014, the Independent Committee resolved that (a) purpose of the Transaction including the Tender Offer can be judged as reasonable to certain extent aiming to increase the corporate value and there is no specific fact that is against such judgment. The Tender Offer Price can be viewed as adding enough premium to the current value of shares of the Target Company as described below. It can be judged that the Transaction provides opportunity to recover the invested capital in order to evade excessive loss that could arise by implementing various plans under the Target Company's business plan. As such, the purpose of the Transaction can be judged valid. (b) (i) the Tender Offer Price provides about 30 % premium compared to the lowest valuation obtained under market price method from the independent valuation firm for the Target Company (1,395 yen) or the highest valuation (1,441 yen). It can be said that this Tender Offer Price adds comparable premium to the current value of the shares compared to the level of premium for other management buyouts (MBOs) conducted in the past 1 year and (ii) as a result of the arms-length negotiation conducted

through advice from the independent committee, the Tender Offer Price is higher than the initial proposed price by 175 yen and thus, it can be judged that such Tender Offer Price is reasonable and appropriate to certain extent. (c) Obtaining share valuation report from independent third party, formation of independent committee, advice from independent law firm and deliberation by directors and auditors who do not have conflict of interest, ensuring fairness of the Tender Offer Price, elimination of arbitrariness from decision making process for resolving the Tender Offer and avoid measures to avoid conflict of interest were taken. (d) The period for the Tender Offer is relatively long with 30 business days. It allows shareholders of the Target Company appropriate investment opportunity for tendering their shares and also provides offeror other than the Tender Offeror opportunity to purchase the ordinary shares of the Target Company. (e) (i) It is represented at the start of the Tender Offer that the amount of cash to be paid to the shareholders of the Target Company at the Acquisition of All Shares is expected to be equal to the Tender Offer Price times the number of ordinary shares held by each shareholder of the Target Company and (ii) the shareholders meeting to implement squeeze out is scheduled to be held within about two months from the last day of the tender offer and as such, it can be said that measure to avoid coerciveness which structurally arises by conducting management buyout (MBO) through two-tiered steps is implemented. (f) There is no agreement between the Tender Offeror and the Target Company in relations to the ordinary shares of the Target Company that would hinder other offeror to make purchases. It is expected that the board of directors of the Company will resolve to suspend and completely discontinue the “Policies Dealing with Acquisition of a Substantial Number of Our Company’s Shares (Take-over Defense Measures)” is implemented and thus, opportunities for purchases by others is ensured. Therefore, it can be regarded that the fairness of the Tender Offer is ensured. Based on the above, the Independent Committee gave unanimous approval that it is appropriate for the Target Company’s board of directors to express its opinion in favor of the Tender Offer and to recommend the shareholders of the Target Company to accept the Tender and the acquisition of all of the Target Company’s issued shares by this transaction is not adversarial to the minority shareholders, and submitted an opinion letter to that effect to the Target Company’s board of directors.

#### (c) Advice to the Target Company by an Independent Law Firm

According to the Target Company Press Release, in order to ensure the transparency and the rationality of the decision-making process of the Target Company’s board of directors regarding the Transaction, including the Tender Offer, the Target Company appointed Nakamura, Tsunoda & Matsumoto as its legal advisor independent from the Target Company and the Tender Offeror.

The Target Company received legal advice regarding the decision-making process, manner of decision-making of the Transaction, including the Tender Offer, and other points to be noted regarding the decision-making of the Transaction, including the Tender Offer.

By referring to the legal advice received from Nakamura, Tsunoda & Matsumoto regarding the decision-making process, the manner of decision-making of the Transaction, including the Tender Offer, and other points to be noted regarding the decision-making of the Transaction, including the Tender Offer, the Target Company carefully discussed and deliberated on the specific conditions of the Transaction, including the Tender Offer.

(d) Approval of All Directors and Auditors who are not Stakeholders of the Target Company

According to the Target Company Press Release, the Target Company took into consideration the contents of the share valuation report obtained from Amidas Partners and the legal advice from Nakamura, Tsunoda & Matsumoto and gave the utmost consideration to the results of the discussion and negotiation between the Independent Committee and Tender Offeror and the contents of the opinion letter prepared by the Independent Committee, and carefully discussed and deliberated whether (i) the corporate value of the Target Company is likely to increase from the Transaction and (ii) whether the Acquisition Loan and other conditions of the Transaction are reasonable.

As a result, the board of directors of the Target Company determined that in relation to the Transaction, as the measures planned to be implemented after the Transaction will contribute to the increase of the medium to long-term corporate value of the Target Company, concurrently it is improper to have general shareholders bear the risk of unstable stock prices, and thus the Transaction is necessary in order to shield the general shareholders from the above risk and it will provide an opportunity for the shareholders of the Target Company to sell their stocks at a price with a reasonable premium.

Therefore, at the board of directors meeting held on May 14, 2014, the Target Company resolved to support the Tender Offer and recommend that the shareholders accept the offer.

At the above board of directors meeting, the 7 directors (out of the 8 directors, 7 directors present excluding Mr. Miki) present at the discussion and resolution, unanimously resolved in favor of the foregoing. Further, all auditors attended the above board of directors meeting and stated that they do not object to the said resolution. (Out of the 3 auditors, 3 auditors (including

2 external statutory auditors) were present. Since the part-time auditor of the Target Company passed away on January 31, 2014, the statutory number of auditors could not be met. As a result, a temporary auditor was appointed on March 18, 2014 from the Hamamatsu Branch of the Shizuoka District Court.)

Within the directors of the Target Company, Mr. Miki concurrently serves as the Representative Director of the Tender Offeror, and based on structural conflicts of interest with the Target Company in regard to the Transaction, he did not participate at all in the discussion or resolution regarding the Transaction, including the Tender Offer, at the board of directors meeting of the Target Company, and also did not participate in any discussion or negotiation with the Tender Offeror on behalf of the Target Company.

(e) Establishment of a Minimum Number of Shares to be Purchased

The Tender Offeror established the minimum number of shares to be purchased at the Tender Offer at 14,798,500 shares (Holding Ratio: 66.67%), and if the total number of tendered shares does not reach the minimum number of shares to be purchased, it will not purchase any of the tendered shares. On the other hand, as the intent of this Tender Offer is for the Tender Offeror to purchase all of the outstanding shares of the Target Company (excluding the treasury shares held by the Target Company), the Tender Offeror has not determined any maximum number of shares to be purchased, and if the number of tendered shares exceeds the minimum number of tendered shares to be purchased, the Tender Offeror will purchase all of the Tendered Shares..

The minimum number of shares to be purchased (14,798,500 shares) is equivalent to over two-thirds (147,985 rights) of the total voting rights (221,976 rights), representing the total number of outstanding ordinary shares (23,835,796 shares) as of March 31, 2014, as indicated on the Target Company's Earnings Summary for the Fiscal Year Ending March 2014 less the number of treasury shares (1,638,142 shares) held by the Target Company as of March 31, 2014 (22,197,654 shares). The minimum number of shares to be purchased (14,798,500 shares) is greater than the majority (10,000,363 shares, shareholding ratio: 45.05% ) of the total number of outstanding ordinary shares (23,835,796 shares) as of March 31, 2014, indicated on the Target Company's Earnings Summary for the Fiscal Year Ending March 2014, less the number of treasury shares (1,638,142 shares) held by the Target Company (22,197,654 shares), and the number of ordinary shares of the Target Company held by Mr. Miki and Taiyo Fund who have special interest with the Tender Offeror (total 2,196,929 shares, Holding Ratio: 9.90% ), (10,000,363 shares). Accordingly, the opinions of the Target Company's shareholders other

than the person with a special interest on the side of the Tender Offeror will be respected and if less than half of the relevant shareholders are willing to give their support, the Transaction including the Tender Offer will not be implemented.

(f) Measures to Ensure Purchase Opportunities for other Purchasers

The Tender Offeror, by setting the tender offer period of the Tender Offer to be a comparatively long period of 30 business days, while the shortest period set forth by law is 20 business days, provide the opportunity to the shareholders of the Target Company for making appropriate decisions regarding the acceptance of the Tender Offer and opportunity for other purchasers to purchase the ordinary shares of the Target Company. Further, there are no agreements between the Tender Offeror and the Target Company inhibiting other purchasers from emerging or carrying out their purchase of the ordinary shares of the Target Company.

In addition, the Target Company's annual shareholder's meeting held on June 22, 2012 decided to continue the implementation of the "Policies Dealing with Acquisition of a Substantial Number of Our Company's Shares (Take-over Defense Measures)." However, the board of directors of the Target Company resolved to suspend the "Policies Dealing with Acquisition of a Substantial Number of Our Company's Shares (Take-over Defense Measures)" during the tender offer period (if the tender offer period is extended, such suspension will include the extended period) of the Tender Offer (and other purchases of the ordinary shares of the Target Company commenced by those other than the Tender Offeror during the tender offer period of the Tender Offer), as well as completely discontinue them on condition that either of the above tender offers succeeds.

(iii) Relationship with the Appraisal Institution

In determining the Tender Offer Price, the Tender Offeror requested KPMG FAS, a financial advisor who is a third party valuation firm independent from the Tender Offeror and the Target Company, to calculate the value of the Target Company's ordinary shares. KPMG FAS does not fall under the related party of either the Tender Offeror or the Target Company, and has no material interest regarding the Transaction including the Tender Offer.

(5) Number of Shares to be Purchased

Number of Shares to be	Minimum Number of Shares	Maximum Number of Shares
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Purchased	to be Purchased	to be Purchased
22,197,654 shares	14,798,500 shares	-

Notes:

- (1) If the total number of tendered shares does not reach the minimum number of shares to be purchased (14,798,500 shares), none of the tendered shares will be purchased. If the total number of tendered shares exceeds the minimum number of shares to be purchased, all of the tendered shares will be purchased.
- (2) Shares less than one unit are also subject to the Tender Offer. If the shareholders in accordance with the Companies Act exercise repurchase rights for shares less than one unit, the Target Company may repurchase its shares during the tender offer period in compliance with the statutory procedures.
- (3) The Tender Offeror does not plan to purchase any treasury shares held by the Target Company.
- (4) As the Tender Offeror has not established any maximum number of shares to be purchased at the Tender Offer, the number of shares to be purchased represents the maximum number of the Target Company's ordinary shares which may be acquired by the Tender Offeror (22,197,654 shares) during the Tender Offer. Such maximum number of shares is the total number of outstanding ordinary shares (23,835,796 shares) of the Target Company as of March 31, 2014 indicated on Earnings Summary for the Fiscal Year Ending March 2014 less the number of treasury shares (1,638,142 shares) owned by the Target Company.

(6) Change in Shareholding Ratio as a Result of the Purchase

Number of voting rights represented by the shares held by the Tender Offeror prior to the purchase	- rights	(shareholding ratio before the purchase: - %)
Number of voting rights represented by the shares held by persons with special interests prior to the purchase	21,969 rights	(shareholding ratio before the purchase: 9.90 %)
Number of voting rights represented by the shares to be purchased	221,976 rights	(shareholding ratio after the purchase: 100 %)
Number of voting rights of all shareholders, etc. of the	237,672 rights	

Target Company		
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Notes:

- (1) The “Number of voting rights represented by the shares held by persons with a special interest prior to the purchase” indicates the total of the voting rights represented by the shares held by each person with a special interest. The share certificates, etc. owned by persons with special interest is also subject to the Tender Offer and thus, “Number of voting rights represented by the shares held by persons with special interests prior to the purchase” is not included in the numerator for the calculation of shareholding ratio after the purchase.
- (2) The “Number of voting rights represented by the shares to be purchased” indicates the number of voting rights represented by the number of shares to be purchased in the Tender Offer (22,197,654 shares).
- (3) The “Number of voting rights of all shareholders, etc. of the Target Company” indicates the number of voting rights of all the shareholders as of December 31, 2013 (with 100 shares as 1 unit), as stated in the 42nd Term Q3 Report submitted by the Target Company on February 12, 2014. However, as shares less than one unit are also subject to the Tender Offer, for the Tender Offer, “shareholding ratio before the purchase” and “shareholding ratio after the purchase” are calculated using a denominator of the number of voting rights (221,976 rights) represented by the number of shares (22,197,654 shares), which is the total number of outstanding ordinary shares (23,835,796 shares) of the Target Company as of March 31, 2014, indicated on the Earnings Summary for the Fiscal Year Ending March 2014 less the number of treasury shares (1,638,142 shares) owned by the Target Company.
- (4) With respect to “shareholding ratio before the purchase” and “shareholding ratio after the purchase,” any fraction less than one-thousandth is rounded off to the closest hundredth.

(7) Purchase Price 41,620,601,250 yen

(Note) The “purchase price” is the amount obtained by multiplying the share purchase price (1,875 yen) by the number of shares to be purchased (22,197,654 shares).

(8) Settlement Method

(i) Name and address of the principal office of the financial instruments business operator, banks that will settle the Tender Offer

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

(ii) Commencement date of the settlement

Wednesday, July 2, 2014

(iii) Settlement Method

Without delay after the conclusion of the tender offer period, a notice of purchase by the Tender Offer will be sent by postal mail to the address of each tendering shareholder (or, in the case of foreign shareholders, to their standing proxies). When the electronic delivery of text has been accepted through Nomura Net & Call, it will be delivered electromagnetically through Nomura Net & Call's web page (<http://nc.nomura.co.jp/>).

Purchases will be made in cash. The tendering shareholders may receive the sales proceeds of the Tender Offer through means which are designated by the tendering shareholder such as money transfer (remittance fees may be charged).

(iv) Method for returning share certificates

If none of the share certificates tendered are purchased in accordance with the conditions set out in “(i) Existence and content of conditions provided in each item under Article 27-13(4) of the Act” or “(ii) Existence and content of conditions for withdrawal of the tender offer and method of disclosing withdrawal” of “(9) Other Conditions and Methods of Purchase” below, the tender offer agent will, promptly after 2 business days after the last day of the tender offer period (or, if the Tender Offer is revoked, the date the revocation was made), return the share certificates that are required by changing the accounts of the tendering shareholder, etc. to the most recent record of the tendering (when transferring the share certificates, etc. to accounts of the tendering shareholders, etc. set for other financial instruments business operators, please contact the head office or any of the domestic branch offices of the tender offer agent which handled the tendering).

(9) Other Conditions and Methods of Purchase

(i) Existence and content of conditions provided in each item under Article 27-13 (4) of the Act

If the total number of tendered shares does not reach the minimum number of shares to be purchased (14,798,500 shares), none of the tendered shares will be purchased. If the total



number of tendered shares is equal to or exceeds the minimum number of shares to be purchased (14,798,500 shares), all of the tendered shares will be purchased.

(ii) Existence and content of conditions for withdrawal of the tender offer and method of disclosing withdrawal

If any of the matters arise that are provided for in Article 14, Paragraph 1, Item 1, Sub-items A through I or L through R or Item 3, Sub-items A through H or J, of the Order for Enforcement of the Financial Instruments Exchange Act (Cabinet Order No.321 of 1965; as amended, the “Order”) or Items 3 through 6 of Paragraph 2 of that Article, the Tender Offeror may revoke the Tender Offer.

When the business decision making body of the Target Company decides to distribute a surplus (excluding distributions under which the amount of monetary payment or the monetary value equivalent to the assets distributed to the shareholders is deemed to not reach the monetary value equivalent to 10.48% (Note: 3,664,267,205yen) of the book value of the net assets on the balance sheet of the last day of the Target Company’s most recent fiscal year) having a date prior to the commencement date of the settlement of the Tender Offer set as the record date, the Tender Offeror may revoke the Tender Offer by regarding such event as corresponding to events listed in Article 14, Paragraph 1, Item 1, Sub-items A through R of the Order as provided for in Sub-item S of that Item. In the context of the Tender Offer, examples of matters that correspond to the events listed in Article 14, Paragraph 1, Item 3, Sub-items A through I of the Order as provided for in Sub-item J of that Item are the following: (i) where a false statement concerning a material matter is found in a statutory disclosure document submitted by the Target Company in the past or where a statement of a material matter required to be included in such a document is found to have been omitted, and where the Tender Offeror was not aware or had no way of knowing, despite due care, the existence of such false statement, and (ii) where matters provided under Item 3, Sub-items A through I arise in a material subsidiary of the Target Company.

If the Tender Offeror is to revoke the Tender Offer, it will give electronic public notice and will publish a notice to that effect in the Nihon Keizai Shimbun. However, if it is difficult to give public notice by the last day of the tender offer period, the Tender Offeror will make a public announcement in accordance with the method provided for in Article 20 of the Cabinet Office Ordinance Relating to Disclosure of Tender Offer for Share Certificates by a Person Other than the Issuer (Ministry of Finance Ordinance No. 38 of 1990; as amended, the “Ordinance”) and then immediately give the public notice.

(Note) The above amount is the estimated amount of the year-end dividend, 7.5 yen per share, of the fiscal year ending March 2014, indicated on the Earnings Summary for the Fiscal Year Ending March 2014, multiplied by the difference of the total number of outstanding ordinary shares (23,835,796 shares) as of March 31, 2014, indicated on the Target Company's Earnings Summary for the Fiscal Year Ending March 2014, and the number of treasury shares (1,638,142 shares) held by the Target Company (22,197,654 shares, referred to as "Number of Shares Subject to Dividend" in this Note), then rounding off the fraction under 1 yen of such amount (166,482,405 yen) and adding the amount equivalent to 10% (3,497,784,800 yen) of the book value of the net assets on the balance sheet of the last day of the Target Company's most recent business year. Assuming that there is no fluctuation of the number of outstanding shares and number of treasury shares, the dividend per share equals 166 yen (To be specific, it is calculated by dividing 3,664,267,205 yen by the number of shares subject to dividends and rounding off any fraction under 1 yen.).

(iii) Conditions for reduction in purchase price and method of disclosure of reduction

In accordance with Article 27-6, Paragraph 1, Item 1, of the Act, if the Target Company carries out an act provided for in Article 13, Paragraph 1, of the Order during the tender offer period, the Tender Offeror may reduce the purchase price in accordance with the criteria provided for in Article 19, Paragraph 1, of the Ordinance. If the Tender Offeror is to reduce the purchase price, it will give electronic public notice and will publish a notice to that effect in the Nihon Keizai Shimbun. However, if it is difficult to give public notice by the last day of the tender offer period, the Tender Offeror will make a public announcement in accordance with the method provided for in Article 20 of the Ordinance and then immediately give the public notice. If the Tender Offeror does reduce the purchase price, the share certificates tendered on or before the day of the public notice will also be purchased at the reduced price.

(iv) Matters relating to tendering shareholders' rights to cancel contracts

Any tendering shareholder may cancel his/her contract relating to the Tender Offer at any time during the tender offer period. If you wish to do so, please deliver or send a written document stating to the effect that you are cancelling your contract relating to the Tender Offer (the "Cancellation Notice") to the head office or domestic branch office of the entity designated below where you tendered the shares, by 3:30 p.m. on the last day of the tender offer period.

However, if you are sending the Cancellation Notice, it must be delivered by 3:30 p.m. on the last day of the tender offer period. When cancelling contracts tendered through Nomura Net & Call, cancellation may be handled through the Nomura Net & Call web page (<https://nc.nomura.co.jp/>) or a Cancellation Notice may be physically sent to Nomura Net & Call. If you are to cancel through the Nomura Net & Call web page, please make sure to follow the directions indicated on the said web page and complete the cancellation process by 3:30 p.m. on the last day of the tender offer period. When cancelling by physically sending the Cancellation Notice, please request the Cancellation Notice form from Nomura Net & Call customer service in advance, and send it to Nomura Net & Call. For Nomura Net & Call also, the Cancellation Notice must be delivered by 3:30 p.m. on the last day of the tender offer period.

The below entity is entitled to receive the Cancellation Notice:

Nomura Securities Co., Ltd.

1-9-1 Nihonbashi, Chuo-ku, Tokyo

(and other domestic branch offices of Nomura Securities Co., Ltd.)

Further, the Tender Offeror will not make claims for damages or for payment of penalty charges against the tendering shareholders, when the tendering shareholders request cancellation of their contract. Expenses in relation to returning the share certificates will also be borne by the Tender Offeror.

(v) Method of disclosure in the event of amendment to purchase conditions, etc.

The Tender Offeror may amend the purchase conditions during the tender offer period, except for where doing so is prohibited under Article 27-6, Paragraph 1, of the Act and Article 13 of the Order. If the Tender Offeror is to amend a purchase condition, it will give electronic public notice on the content of the amendment and will publish a notice to that effect in the Nihon Keizai Shimbun. However, if it is difficult to give public notice by the last day of the tender offer period, the Tender Offeror will make a public announcement in accordance with the method provided for in Article 20 of the Ordinance and then immediately give the public notice. If a purchase condition is amended, the share certificates tendered on or before the day of the public notice will also be purchased in accordance with the amended purchase condition.

(vi) Method of disclosure in the event of filing of an amendment statement

If the Tender Offeror files an amendment statement with the Director of the Kanto Finance Bureau, it will immediately give public announcement, by the method provided for in Article 20 of the Ordinance, of details in the statement that relate to details that were set out in the tender offer commencement public notice. It will also immediately amend the tender offer explanatory statement and amend and deliver the amended tender offer explanatory statement to tendering shareholders who had already received delivery of the pre-amendment tender offer explanatory statement. However, if the scope of the amendments is only minor, the Tender Offeror will make the amendments by preparing a document setting out the reasons for the amendments, the amended matters, and their details after amendment and delivering that document to tendering shareholders.

(vii) Method of disclosure of the results of the tender offer

The results of the Tender Offer will be publicly announced by the method provided for in Article 9-4 of the Order and Article 30-2 of the Ordinance on the day immediately following the last day of the tender offer period.

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

Thursday, May 15, 2014

(11) Tender Offer Agent

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

3. Policies and Outlook after the Tender Offer

For policies after the Tender Offer, please see “(2) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer”, “(4) Policy of Reorganization After the Tender Offer (Matters related to the So-Called Two-Tiered Acquisition)”, and “(5) Prospect of Being Delisted and the Grounds Therefor” of “1. Purpose of the Purchase”.

4. Miscellaneous

(1) Existence and Content of Agreements between the Tender Offeror and the Target Company or its Officers

(i) Existence and Content of Agreements between the Tender Offeror and the Target Company

According to the Target Company Press Release, at the board of directors meeting held on May 14, 2014, the Target Company resolved to express support of the Tender Offer and recommend that the shareholders of the Target Company accept the offer. Please refer to “(ii) Process of Valuation” of “(4) Basis of Evaluating the Purchase Price” of “2. Overview of the Purchase” for details of the related decision-making process of the Target Company.

(ii) Existence and Content of Agreements between the Tender Offeror and Officers of the Target Company

Mr. Miki, who serves as the Representative Director of the Tender Offeror and the Representative Director and President of the Target Company, has agreed to tender all of the ordinary shares of the Target Company he owns (Number of Ordinary Shares Held: 13,629 shares, Holding Ratio: 0.06%) for the Tender Offer (please refer to “(6) Matters on Material Agreement(s) regarding the Acceptance of the Tender Offer between the Tender Offeror and the Target Company’s Shareholders” of “1. Purpose of the Purchase”).

An overview of what has been agreed between Taiyo Pacific Partners L.P., who in effect operates and manages the Tender Offeror, and Mr. Miki, regarding the implementation of the Transaction is as follows:

- (a) Taiyo Pacific Partners L.P. and Mr. Miki will exert their utmost efforts for the implementation of the Tender Offer, the Acquisition of All Shares, and the Merger.
- (b) Taiyo Pacific Partners L.P. and Mr. Miki have agreed that after the completion of the Acquisition of All Shares, the number of directors for the Target Company shall be 6, of which Taiyo Pacific Partners L.P. will appoint 3 directors and Mr. Miki will appoint 3 directors. Further the Representative Director will be a director appointed by Mr. Miki.
- (c) After the completion of the Acquisition of All Shares, Mr. Miki will not resign from the director position of the Target Company until the conclusion of the annual shareholder’s meeting of the last fiscal year ending within 3 years from when Mr. Miki first assumed the position of a director, unless there are inevitable reasons. However, Taiyo Pacific Partners L.P. reserves the right to request Mr. Miki to resign under certain circumstances.

- (d) Upon completion of the Tender Offer, Taiyo Pacific Partners L.P. and Mr. Miki will promptly conclude a shareholders agreement regarding the assignment of the Tender Offeror's shares (After the completion of the Merger, they shall be called the shares of the surviving company of the Merger.).
- (e) Upon completion of the Tender Offer, Taiyo Pacific Partners L.P. and Mr. Miki will promptly conclude a management entrustment agreement to set forth the basic points of the Target Company's management including compensation of the management and main employees as well as the incentive plan.

(iii) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer

Please refer to “(2) Background to, Purpose of and Decision-Making Process of the Decision to Implement the Tender Offer; Management Policy after the Tender Offer” of “1. Purpose of the Purchase” above.

(iv) Measures to Ensure Fairness for the Tender Offer, such as Measures to Ensure Fairness of the Tender Offer Price and to Avoid Conflicts of Interest

Please refer to “(ii) Process of Valuation” of “(4) Basis for Evaluating the Purchase Price” of “2. Overview of the Purchase”.

(2) Other Information Necessary for Investors to Determine whether or not to Accept the Tender Offer

The Target Company announced the earnings briefing for the fiscal year ending March 2014 (Japanese standard) (consolidated) on May 14, 2014. The overview of the earnings briefing of the Target Company based on the announcement is as follows. The earnings briefing has not been audited by an audit firm. The following overview of the announcement is an extract of the announcement made by the Target Company. For the details, please refer to the announcement of the Target Company.

(i) Profits and Losses (consolidated)

Business Year	March 2014 (42 <sup>nd</sup> Term)
Sales	85,607 million yen

Cost of sales	46,022 million yen
Selling and general administrative expenses	31,788 million yen
Non-operating income	716 million yen
Non-operating expenses	751 million yen
Net profit for the term	470 million yen

(ii) Per share basis (consolidated)

Business Year	March 2014 (42nd Term)
Net profit per share	20.28 yen
Dividend per share	15 yen
Net asset per share	1,969.67 yen

- This press release is intended to announce to the general public the Tender Offer for shares of the target by the Company. This press release is not prepared for the purpose of soliciting an offer of sales or offering sales of shares pertaining to the Tender Offer. When offering sales, etc., the shareholders are required to review the tender offer instructions of the Tender Offer and make judgments on their own.
- This press release shall not be construed as an offer or solicitation of sales of securities or solicitation of offer of purchases, and does not constitute any part thereof. This press release (or any part thereof) or the fact that this release has been distributed shall not be the basis of any agreement pertaining to the Tender Offer and may not be relied upon when executing any such agreement.
- This press release contains business forecasts based on the views of the management of Roland Corporation and Tokowaka Co., Ltd. The actual results may be significantly different from these forecasts due to various factors.
- This Tender Offer is implemented in compliance with the procedures and information disclosure standards prescribed in the Financial Instruments and Exchange Act of Japan. However, such procedures and standards are not necessary the same as the procedures and information disclosure standards in the U.S. Specifically, the regulations set forth in Article 13(e) or Article 14 (d) and Article 14 do not apply to the Tender Offer, and the Tender Offer does not follow these procedures and standards.
- Unless otherwise specifically provided, all procedures pertaining to the Tender Offer will be conducted in Japanese. If any part of the documents pertaining to the Tender Offer is prepared in English, and there is a discrepancy between the English document and the Japanese document, the Japanese document will prevail.
- This press release also contains a “forward-looking statement” as defined in Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. Due to known or unknown risks, uncertainties or other factors, the actual results may materially differ from any forecast, expressly or implicitly, indicated as a “forward-looking statement”. The Tender Offeror and its affiliated companies do not guarantee that any forecast, expressly or implicitly, indicated as a “forward-looking statement” will turn out to be accurate. All “forward-looking statements” in this press release are prepared based on information held by the Tender Offeror as of the date hereof, and the Tender Offeror and its affiliated companies do not intend, and disclaim any obligation, to update or modify any such statement to reflect future events or developments, except as may be required by any applicable laws and regulations.
- The financial advisors to each of the Tender Offeror and the Target Company and tender offer agent (including their related companies) may, to the extent of their regular



business, as permitted under the Japanese securities trading regulations, acquire the shares of the Target Company not by the Tender Offer for itself or on the account of their customers before the commencement of the Tender Offer during the tender offer period of the Tender Offer pursuant to the requirements under 14e-5 (b) of the Securities Exchange Act of 1934 (as amended) of the United States of America. If information related to the purchase is disclosed in Japan, it will be also made available on the English website of Financial Advisors or tender offer agent (or on other disclosure method).