



Company BEENOS Inc.  
President and Group CEO Shota Naoi  
Tokyo Stock Exchange First Section Code: 3328  
Contact Vice President and Group CFO Koji Nakamura  
TEL +81-3-5739-3350

Company Defactostandard, Ltd.  
President and Representative Director Takato Ojima  
Tokyo Stock Exchange First Section Code: 3545  
Contact Director Takashi Maruo  
TEL +81-3-4405-8177

**BEENOS Inc. to make Defactostandard, Ltd. a Wholly Owned Subsidiary through Simple Share Exchange (Revised Abbreviated Version)**

BEENOS Inc. (BEENOS) and Defactostandard, Ltd. (Defacto) have both resolved in their respective board meetings that BEENOS will make Defacto a wholly owned subsidiary through a simple share exchange (the exchange) and have entered a share exchange agreement (the agreement) today (21 November 2019).

The exchange does not need to go through BEENOS's general shareholders meeting pursuant to Article 796 Section 2 of the Companies Act. Defacto will receive approval during its annual general shareholders meeting scheduled on 19 December 2019 and will take effect on 14 January 2020.

Prior to the date of entry into force (the date of entry) for the exchange, Defacto's shares that are currently listed on the first section of the Tokyo Stock Exchange (TSE) will be delisted on 9 January 2020 (the last day to trade will be 8 January 2020).

Details

1. Purpose of the Exchange

The BEENOS Group aims to be on the "Global Platform Frontier" to connect Japan with the world. We are using the "Data Expertise" of the E-Commerce Business and the "Global Networking" of the Incubation Business to construct new global markets.

The e-commerce business is comprised of 3 sub-segments: 1) The Cross Border Business which operates tenso.com, a service that forwards Japanese goods to consumers overseas and Buyee, a service that buys goods in proxy for consumers overseas; and sekaimon, a service that allows consumers in Japan to purchase goods from around the world in cooperation with the world's largest marketplace eBay. 2) The Value Cycle Business which operates two CtoBtoC businesses, Brandear which purchases brand goods, watches, accessories, etc. from customers and resells them on online shopping sites; and JOYLAB which purchases alcoholic beverages such as wine and whisky from customers through in-store or home delivery services and resells them on online shopping sites. 3) The Retailing and Licensing Business which includes the the global product business which produces

goods using celebrities and character licenses; and the entertainment business, which operates official goods and sales sites of Japan's leading artist groups. In the incubation business, the Group invests in Internet-related businesses overseas, primarily in emerging economies and in North America. Domestically, the Group invests in startup companies in the inbound consumption-related market in Japan. At the same time, the Group is actively promoting the creation of new businesses that will become the pillars of the Group's business in the future by leveraging the experienced accumulated in the e-commerce business and the network of companies built up through its investment portfolio.

BEENOS acquired Defacto as a subsidiary in 2006 in its efforts to diversify its business. At the time, BEENOS specialized in the gathering business, in which the prices of products declined in stages as the number of buyers increased. BEENOS saw potential in reuse business using the Internet and believed that its business would expand and increase corporate value by mutually referring customers to Defacto. Defacto became a consolidated subsidiary of BEENOS because Defacto believed that it could increase user convenience by specializing in delivery services instead of the conventional brick and mortar store or door-to-door appraisal purchasing methods. Defacto also decided that this change in business model would be able to further expand its business, while utilizing BEENOS's systems development capabilities, web promotion expertise and warehousing operations capabilities. Defacto continued to grow by expanding the reuse market and building its own position of specializing in Internet-focused reuse without brick and mortar stores and increased its name recognition through TV commercials etc. As BEENOS forecasted the further growth of the Defacto, it also foresaw the need to have a large amount of working capital on hand to purchase items in advance as well as the trust needed from users to send their items in for appraisal. The decision to list Defacto onto TSE Mothers in August 2016 allowed Defacto to not have to rely on the BEENOS Group's distribution of funds and attain the trust that comes from being a publicly listed company which would in turn increase the value of the BEENOS Group. Defacto aimed to further expand the market for the reuse of fashion brands and leverage its Internet-specific positioning through its listing. The BEENOS Group, including Defacto, had worked to generate intra-group synergy while maintaining its philosophy to keep Defacto independent of its own business operations as a listed company.

Defacto then advanced to be listed on TSE First Section in September 2018 and established their business model to go against the trend of brick and mortar stores to purchasing via mail-order. It went on to become an internet exclusive reuse business purchasing and reselling fashion items (handbags, clothes, watches, accessories, wallets, etc.) on the internet in a growing reuse market.

Defacto's business is characterized by its non-face-to-face service utilizing the Internet. The company does not have stores for purchasing or selling reused fashion items but are instead sent directly to its warehouse to be appraised. Sales are made through in-house and external auction and e-commerce websites Defacto separated its product into three tiers depending on its selling unit price: high brand (+10,000JPY), second brand (1,000 ~ 10,000 JPY) and casual brand (<1,000 JPY). Defacto's target market since its founding has been toward the second brand market.

Currently the reuse market has seen an even larger influx due to the emergence of flea market apps that allow CtoC selling and purchasing. More specifically, according to an article in "The Reuse Business Journal" published by the Remodeling Business Journal on 11 May 2019 ("The latest edition of the data reuse market"), the market for domestic retail reuse in FY2017 was 1.9 Trillion JPY (of which 525.9 Billion JPY was for brand goods, apparel and accessories). The market is expected to expand to 3 Trillion JPY by 2022. Unfortunately, as these flea market apps and sharing

trends have stimulated the reuse market, the choices of services have also increased which has made the market even more competitive.

The second brand, that was Defacto's forte, as well as the casual brand were being overtaken as flea market apps quickly rose in popularity. Defacto responded by shifting its focus to purchase items in the higher region of the second brand called "Second High" (around 10,000 JPY) in FY2019. However, as a warmer winter stunted the sales of winter clothing and the purchase of items prior to the increase in consumption tax did not accelerate as expected led to a decrease in net sales. Furthermore, Defacto spent additional costs in advertising (including TV commercials) to channel users to use its in-house services. These costs came at a great sacrifice to Defacto's profits and its financial results were very poor. As a result, Defacto announced that it had decided in its board meeting that it will not payout dividends for FY2019 (refer to the "Notification of difference in annual forecast and results and dividends" released on 6 November 2019).

The business strategies for 2019 fiscal year, the year following Defacto's switch to TSE First Section in September 2018, did not result in the expected outcome. As performance was worsening, BEENOS came to the conclusion that in order for Defacto's business to grow, or even sustain, the current business strategy to try to increase convenience to the purchasing process and to increase notoriety and acquire new users through television commercials would not suffice and that it would need to adapt to the evolving market with the emergence of flea market apps and sharing services without delay and understand the needs of the users as their selections increase and they become more accustomed to the market. Furthermore, BEENOS feels that Defacto will need the full assistance of the BEENOS Group's resources on the Global Platform Frontier to create new opportunities such as globalization and new purchasing strategies in addition to the current domestic internet based Brandear model. Furthermore, BEENOS intends to valiantly challenge new business opportunities to differentiate Defacto from its competitors and provide users with a solution with an added value.

BEENOS intends to use its networks from its existing E-Commerce services including "tenso.com", "Buyee" and "sekaimon" as well as its network of investees in the Incubation Business to expand overseas BtoC and BtoB sales channels and increase domestic purchasing alliances. It also plans to use the experience and knowledge that JOYLAB has to create brick and mortar stores for Brandear. BEENOS will also aid in the human resources front and provide producers, engineers, designers, SEO specialists, data analysts, etc. to find and create new business opportunities and services revolving the reuse business as well as using its customer, purchasing and vending database to apply to things such as fintech and other ways that may not necessarily yet be linked to the reuse business. In order to accomplish these things as quickly as possible to get ahead of the competition, BEENOS will need to use its management resources immediately to Defacto.

However, as Defacto is currently publicly listed and operates independently, it is difficult to integrate BEENOS Group's resources and expertise, in its current business environment, that would be efficient and mutually beneficial.

BEENOS has considered, as of September 2019, the delisting and wholly owning of Defacto so that the BEENOS Group could maximize its synergy to quickly adapt to the changing reuse market and create a business scheme that would yield continual growth.

The BEENOS Group considers the following to be the benefits of wholly owning Defacto:

1. The acceleration of growth strategies using the BEENOS Group's business resources  
Once Defacto becomes a wholly owned subsidiary of BEENOS, Defacto will have quicker access to BEENOS's resources on the global platform frontier including strong foreign sales

channel networks in E-Commerce, domestic purchasing alliances, brick and mortar purchasing store experience, funding, reliability and human resources as a wholly owned subsidiary. As a result, Defacto will see growth and be an accelerator to the BEENOS Group's growth strategy.

2. The realization of operating business as a unified Group

As Defacto becomes a wholly owned subsidiary, the BEENOS Group will be able to conduct its business as a unified whole which will be able to more quickly adapt to the rapidly changing market and accelerate the Group's growth strategy.

3. The implementation of low-cost operations within the BEENOS Group

When Defacto is delisted, BEENOS will be able to consolidate overlapping operations such as customer service, warehouse operations and administrative functions that will reduce costs and burdens for the entire Group and will lead to improved profitability.

BEENOS is concerned of Defacto's current financial outlook as well as its forecast for this fiscal year and does not believe that the market is properly valuating the forecast. As it is likely that Defacto will not reach its forecasted goals to increase in sales and profits, now is the time that BEENOS needs to make Defacto a wholly owned subsidiary and make changes in the imminent future or else it would devalue the Brandear brand that Defacto had spent so much in advertising which would subsequently hurt the stock prices of Defacto and be disadvantageous to its shareholders.

As a result of the aforementioned conditions and concerns, BEENOS has decided that the best option to decrease the risk for Defacto's minority shareholders, to eliminate all conflict of interests between BEENOS and Defacto both being publicly listed, to optimize the BEENOS Group's business resources and to maximize the BEENOS Group's and Defacto's corporate value in the mid-long term is to make Defacto a wholly owned subsidiary. BEENOS formally submitted the offer to Defacto of the exchange in mid-October 2019.

Given that the competitive environment is expected to continue to intensify in the future, Defacto believes it is increasingly important to increase sales and increase profits by proactively adding new formats, expanding sales channels and developing new services more quickly and effectively, premised on the shift that new operators such as flea market apps emerge which will eventually create a red ocean in this industry. In light of intensifying competition in the mainstay battlefields, Defacto has announced a policy to aggressively enhance purchases in the second brand market as well from FY2019 onward in the higher ticketed "Second High Brands" (unit price around 10,000 JPY). In addition, by acquiring the market business of waja Co., Ltd., the Group is working to expand its product lineup by adding new imported products and new merchandise that have not yet been released in Japan. Defacto has implemented various measures aimed at improving profitability, including the development of peripheral services such as trial fitting and rental services.

Nevertheless, these measures are based on Defacto's current business conditions. Defacto forecasts sales for FY2020 at JPY10,537 million (For details, please refer to Defactostandard's Consolidated Financial Results for the Fiscal Year Ended 30 September 2019 [Japanese GAAP]). While maintaining the level of sales in recent years, Defacto does not anticipate an increase in sales compared to the previous fiscal year. Therefore, they recognize the need to further accelerate its current initiatives from the perspective of effectively capturing market opportunities amid the rapid expansion of the market for the reuse industry.

However, Defacto only has 92 employees (excluding temporary employees as of September 2019) and does not have high ranked engineers or other human resources highly skilled in

IT. Though their current employees have abundant knowledge and experience in the second brand market exclusive to internet reuse, they do not have sufficient experience in other fields of expertise.

As a result, Defacto accepted BEENOS's offer to conduct a share exchange. Defacto has taken various measures as described in "3. Basis of Allocation Related to the Share Exchange, (4) Measures to Ensure Fairness, and (5) Measures to Avoid Conflicts of Interest." After carefully considering these measures and consulting with the BEENOS, Defacto has reached the conclusion to become a wholly-owned subsidiary of BEENOS through a share exchange, and the following benefits are expected to be realized at Defacto.

(a) The expectation to create new business formats and increase sales channels through BEENOS Group's management resources

I. Expectations from creating new profit axis's such as brick and mortar stores and new EC sites

By thoroughly utilizing the BEENOS Group's management resources, Defacto is aiming to enter markets in which it has not been involved. For example, the Group is considering 1) the development of new brick and mortar stores and adding to its traditional online store format for purchases and 2) to expand sales by constructing new EC sites and aggressively conducting sales in Japan and overseas.

Regarding the management resources of the BEENOS Group to be invested in such measures, JOYLAB, a subsidiary of the BEENOS Group that purchases and sells alcoholic beverages, has already accumulated a considerable amount of experience on the development and operation of brick and mortar stores, and can be expected to utilize its expertise and the expertise on overseas expansion accumulated by tenso, inc. and Shop Airlines Co., Ltd. Furthermore, BEENOS will construct a new EC site fully utilizing its human resources (producers, engineers, designers, etc.) that have ample experience in creating and operating websites.

II. Expectations from increasing foreign sales channels

The Cross Border Business is the focal business in the BEENOS Group and has accumulated a lot of experience in the logistics of cross border transactions as well as a wide network of foreign counterparts to do business with. BEENOS aims to use these resources for Defacto to rapidly increase its foreign presence.

(b) The foreseeable outcome of having a long-term business strategy and swift decision making

As described above, the competition in the reuse business is rapidly intensifying and Defacto is in dire need to pursue new business categories, increase sales channels and create new and effective services as quickly as possible. BEENOS Group's management resources are able to make it happen and improve Defacto's earnings.

However, these drastic changes that need to happen immediately will cost money and resources which could lead to losses in the short term. These losses would negatively impact minority shareholders of Defacto which would make it difficult to receive their understanding or blessing on the aforementioned strategies.

As a result, it will be easier to formulate flexible business strategies from a long-term perspective by making Defacto a wholly owned subsidiary of BEENOS,. In addition, by completely aligning the interests of Defacto with BEENOS, the Group will be able to avoid conflicts of interest between the parent company and other minority shareholders. This will enable BEENOS to make swift and flexible decisions based on bold management policies that are not susceptible to short-term performance.

Defacto was listed on TSE Mothers in August 2016 and switched to TSE First Section

in September 2018 and has been listed for about 3 years. Defacto initially looked at the possibility of raising funds from the market, but as a result did not produce the expected results, and from this perspective Defacto was not able to enjoy the benefits of being listed. Defacto's market environment rapidly changed over the 3 years it has been listed.

Defacto must adapt to the changes in the market environment as mentioned above and is currently taking measures to improve profitability, but they are all based on their current business conditions which BEENOS does not believe is enough to fully turn the business around. The BEENOS Group will use its business resources to take immediate and bold measures that cannot be realized by Defacto's management resources alone.

(c) Relieving managerial stress that comes from being listed.

Recently, the government-led Council for Future Investment has been discussing the risk of conflict of interest in terms of parent-subsidary listing and countermeasures to it. The Practical Guidelines for Group Governance Systems formulated by the Ministry of Economy, Trade and Industry on 28 June 2019 also stipulated that listed subsidiaries should aim to increase the ratio of independent outside directors to the Board of Directors (more than 1/3 or a majority of directors, etc.). Thus, the supervision of parent-subsidary listing is becoming increasingly stringent. In light of these discussions, in order for Defacto to maintain its listing while ensuring that it will be able to withstand the severe oversight of the market, it will be essential to strengthen corporate governance, including the consideration of increasing the ratio of outside directors to a majority of the Board of Directors, with the risk of conflicts of interest in mind even more than in the past. In addition, as stipulated in Paragraph 1 of Article 311 of the Securities Listing Regulations, Defacto has less than the number of shareholders as of 30 September 2018 required (2,000 persons) to continue to be listed on the First Section of the Tokyo Stock Exchange and could be transferred to the Second Section of the Tokyo Stock Exchange. Accordingly, on 10 January 2019, Defacto announced that it had entered the grace period to be deferred from the First Section of the Tokyo Stock Exchange. In order to maintain its listing on the First Section of the Tokyo Stock Exchange in the future, Defacto will need to implement measures to increase the number of shareholders in order to meet these requirements. This is causing a burden for Defacto's management and BEENOS believes that the realization of unlisted shares through this share exchange will have a considerable effect on resolving the management's burden.

Defacto has formulated financial forecasts for the fiscal year ending 30 September 2020 and beyond, without assuming this share exchange. In this financial forecast, Defacto expects to achieve a certain recovery in earnings through various measures based on Defactostandard's current business conditions. However, as mentioned previously, amid the rapidly intensifying competition in the market environment and considering that in the fiscal year ending September 2019, Defacto fell far short of its forecast. In order to further increase the possibility of future increases in sales and profits, Defacto must take immediate measures, but cannot be realized by Defacto's management resources alone. As BEENOS takes the helm with their resources, Defacto will be able to be sustainable and improve its corporate value in the long term.

Based on this understanding, as a result of repeated discussions and negotiations between the 2 companies, BEENOS has come to realize that the acquisition of Defacto as a wholly owned subsidiary, it will enable both companies to utilize their management resources more swiftly and smoothly, and that by enabling the Group as a whole to implement investment and business strategies swiftly, Defacto's corporate value can be expected further increase, as well as the corporate value of the BEENOS Group as a whole.

In order for Defacto's shareholders to enjoy the improvement in corporate value brought about by the conversion of Defacto into a BEENOS wholly owned subsidiary, Defacto came to recognize that it was the optimal option for its minority shareholders to continue to be BEENOS shareholders after the share exchange through the share exchange in which BEENOS shares are issued in exchange for consideration, rather than in cash. Accordingly, the Board of Directors of both companies resolved to implement the share exchange today and concluded the share exchange agreement between the two companies.

## 2. Overview of the Exchange

### (1) Exchange Schedule

Effective date for the Annual General Shareholders Meeting (Defacto)	30 September 2019
Extraordinary Board Meeting regarding the signing of the contract for the exchange (both companies)	21 November 2019 (today)
Signing the contract for the exchange (both companies)	21 November 2019 (today)
Annual General Shareholders Meeting to approve the contract for the exchange (Defacto)	19 December 2019 (scheduled)
Last trading day for Defacto (Defacto)	8 January 2020 (scheduled)
Defacto delisting date (Defacto)	9 January 2020 (scheduled)
Entry into force date	14 January 2020 (scheduled)

\*1 The schedule above is subject to change upon the agreement of both parties for reasons including procedural and administrative developments regarding the exchange

\*2 BEENOS does not need approval from the General Shareholders Meeting pursuant to Article 796 Section 2 of the Companies Act

### (2) Exchange Method

BEENOS will hold 100% ownership in Defacto and become the wholly owning parent company with Defacto as the wholly owned subsidiary. BEENOS will conduct a simple share exchange pursuant to Article 796 Section 2 of the Companies Act and will not receive approval from the General Shareholders Meeting. Defacto will receive approval for the exchange in its Annual General Shareholders Meeting scheduled 19 December 2019 and will entry into force on 14 January 2020.

### (3) Details of allotment of shares under the exchange

	BEENOS (Wholly owning parent of all exchanged shares)	Defacto (Wholly owned subsidiary with all shares exchanged)
Share exchange ratio for allotment of shares under the exchange	1	0.29
Allotted shares from the exchange	BEENOS Common Stock: 1,133,895 shares (tentative)	

### (4) Handling of stock acquisition rights and bonds with stock acquisition rights accompanying the stock exchange

Defacto plans to acquire all of the stock acquisition rights issued by Defacto by the day before the effective date and retire them free of charge from the holders of stock acquisition rights. Defacto does not issue corporate bonds with stock acquisition rights.

### 3. Grounds for Allotment Related to the Share Exchange

#### (1) Rationale and reasons for the allocation

In order to ensure the fairness and appropriateness of the calculation of the share allotment ratio as described in 2. (3) Allocation of Shares Related to the Share Exchange, BEENOS and Defacto have individually requested a third-party calculation institution independent from the two companies to calculate the share exchange ratio. BEENOS has appointed Daiwa Securities Co., Ltd. ("Daiwa Securities") and Defacto has appointed AGS Consulting Co., Ltd. ("AGS Consulting") as their respective third-party calculation institutions. In addition, as a legal advisor independent of the two companies, BEENOS selected the Nishimura Asahi Law Office and Defacto selected the City Uwa Law Office.

As described in "(4) Measures for Assurance of Fairness," BEENOS determined that the Share Exchange Ratio was reasonable as a result of careful consultation and deliberation as a result of the calculation of the Share Exchange Ratio submitted on 20 November 2019 by Daiwa Securities, a third-party calculation institution, and judgment that the Share Exchange Ratio is reasonable and contributes to the interests of BEENOS shareholders, in light of the advice from Daiwa Securities Legal Advisor, Nishimura Asahi, and also considering the financial condition, performance trends, share price trends, and the level of premiums given in the share exchange ratio determined in the past share exchange cases between the domestic listed companies and the parent companies of the said companies.

As described in "(4) Measures to Ensure Fairness, and (5) Measures to Prevent Conflicts of Interest," Defacto's results of the calculation of the share exchange ratio received from AGS Consulting, a third-party accounting institution, as of 20 November 2019, are provided in "(5) Measures to Avoiding Conflicts of Interest" by the Special Committee, which is composed entirely of independent members who have no interest in the Company's legal advisor or the Company's controlling shareholder. Defacto carefully discussed and examined the content of the report received on 20 November 2019, as well as the financial status of BEENOS and Defacto, share price trends, and the level of premiums allocated to the share exchange ratio in other share exchanges aimed at making listed subsidiaries wholly owned subsidiaries by listed parent companies. The Share Exchange Ratio (a) exceeds the upper limit of the calculation range based on the market price method and is referred to as the "Discounted Cash Flow Method. The premiums based on the closing price of BEENOS shares (1,702 JPY) and the closing price of Defacto standard shares (364 JPY) on the First Section of the Tokyo Stock Exchange on 20 November 2019, which is reasonable in light of the calculation range of (b) the premiums granted by the listed parent company for other share exchanges in order to make the listed subsidiary a wholly owned subsidiary of the Company, can be evaluated as being comparable to the premiums granted to the share exchanges. As described in (c), (4) Measures to Ensure Fairness, (5) Measures to Avoiding Conflicts of Interest, the Company has taken steps to ensure the fairness of the terms of the share exchange. Considering that consideration is given to the interests of minority shareholders and other factors, the Company has determined that the share exchange is not disadvantageous to the minority shareholders of Defacto. Accordingly, the Company has determined that it is appropriate to implement the share exchange based on the share exchange ratio.

As a result of repeated negotiations and discussions between the two companies based on the deliberations described above, BEENOS and Defacto decided that it would be appropriate to conduct the share exchange based on the share exchange ratio and that it would contribute to the interests of their respective shareholders. Accordingly, BEENOS and Defacto both resolved in their respective Board of Directors meeting to enter into the share exchange agreement today.

In accordance with the Share Exchange Agreement, the Share Exchange Ratio is subject to change after consultation between the two companies in the event of any material change in the terms and conditions.

(2) Matters relating to the calculation

① Name and relationship of the calculation organization

BEENOS's financial advisor, Daiwa Securities, and Defacto's financial advisor, AGS Consulting, neither fall under the category of a related party of BEENOS nor Defacto and do not have any material interests to be described in respect of this Share Exchange.

② Please see the full Japanese release for details regarding the calculation

(3) Prospects and reasons for delisting

As a result of the share exchange, Defacto will become a wholly owned subsidiary of BEENOS on 14 January 2020 (scheduled), the effective date of the share exchange, and Defacto will be delisted on 9 January 2020 (the final trading date is 8 January 2020) in accordance with the delisting standard of the Tokyo Stock Exchange. In this regard, BEENOS shares, which are the consideration for the Share Exchange, are listed on the First Section of the Tokyo Stock Exchange, and since BEENOS shares to be allotted as consideration for the Share Exchange can be traded on the Tokyo Stock Exchange even after the Share Exchange, BEENOS will be able to continue to provide liquidity to Defacto shareholders who receive 100 or more BEENOS shares. On the other hand, among Defacto's shareholders, shareholders with BEENOS shares allotted to less than 100 shares may not sell shares of less than 1 unit on the Tokyo Stock Exchange or other financial instruments exchanges as they are less than 1 unit. However, at the request of shareholders who hold such shares of less than 1 unit, they may use the system of requesting the purchase of shares of less than 1 unit. For details, please refer to "(Note 3) Handling of Shares Less than 1 Unit" in 2. (3) above. For details on the processing of fractions of less than 1 share due to the share exchange, please refer to "(4) Processing fractions of less than 1 share" in 2. (3) above. Defacto shareholders may continue to trade Defacto shares on the Tokyo Stock Exchange until the final trading date of 8 January 2020 (scheduled).

(4) Measures to ensure fairness

Both companies have taken the following measures to ensure fairness in addition to the fact that BEENOS is already the parent company of Defacto, owning 5,215,000 common shares (as of 30 September 2019) which amounts to 57.15% of Defacto's issued shares (9,140,000 shares) excluding treasury stock (15,016) as well as BEENOS Vice President and Group CFO, Koji Nakamura, and BEENOS External Director (Audit Supervisory Committee Member), Yasukazu Joho, are both respectively a Director and Auditor for Defacto.

① Acquisition of a Statement of Account from an Independent Third Party Accounting Agency.

② Advice from an independent law firm.

(5) Measures to avoid conflict of interest

Both companies have taken the following measures to ensure avoidance of conflict of interest in addition to the fact that BEENOS is already the parent company of Defacto, owning 5,215,000 common shares (as of 30 September 2019) which amounts to 57.15% of Defacto's issued shares (9,140,000 shares) excluding treasury stock (15,016) as well as BEENOS Vice President and Group CFO, Koji Nakamura, and BEENOS External Director (Audit Supervisory Committee Member), Yasukazu Joho, are both respectively

a Director and Auditor for Defacto.

- ① Acquisition of written opinions from the non-interested special committee at Defacto
- ② Approval of all directors, excluding directors with interests, and the opinion that there is no objection from all corporate auditors

4. Overview of Companies involved in the Share Exchange (as of 30 September)

	Parent Company	Subsidiary		
(1) Name	BEENOS Inc.	Defactostandard, Ltd.		
(2) Location	4-7-35 Kita-shinagawa, Shinagawa-ku, Tokyo	3-3-8 Heiwajima, Ota-ku, Tokyo		
(3) Representative	President and Group CEO: Shota Naoi	President and CEO: Takato Ojima		
(4) Business Description	Cross Border EC, Invest in domestic and International venture companies	Purchase and sales of used fashion items via the internet		
(5) Capital	2,775 Million JPY	1,209 Million JPY		
(6) Date of Establishment	25 November 1999	27 April 2004		
(7) Common Shares Issued	12,332,600 Shares	9,140,000 Shares		
(8) Fiscal Year End	30 September	30 September		
(9) Employees	346 (Consolidated)	92		
(10) Main Customers	Yahoo Japan Corporation eBay Inc.	Yahoo Japan Corporation Rakuten, Inc.		
(11) Main Bank Transactions	Sumitomo Mitsui Banking Corporation Resona Bank, Limited MUFG Bank	Sumitomo Mitsui Banking Corporation MUFG Bank Chiba Bank		
(12) Major Shareholders	Teruhide Sato	14.50%	BEENOS	57.15%
	Japan Trustee Services Bank, Ltd.	9.97%	Takato Ojima	7.23%
	Digital Garage, Inc.	6.93%	ITOCHU Corporation	4.93%
	Goldman, Sachs & Co. REG	3.38%	The Master Trust Bank of Japan	4.72%
	BNYM SA/NV for BNYM for BNY GCM Client Accounts	3.12%	Japan Trustee Services Bank, Ltd.	4.45%
	UBS AG London A/C IPB Segregated Client Account	2.07%	Naoki Yoshikawa	2.62%
	Ueda Yagi Tanshi Co., Ltd.	1.94%	Shoji Nagai	1.10%
	HSBC Bank PLS A/C/ IB Main Account	1.87%	Kazuya Ishida	0.77%
	MSCO Customer Securities	1.73%	Kimihito Mizumoto	0.69%
	The Master Trust Bank of Japan	1.68%	BNYM SA/NV for BNYM for BNY GCM Client Accounts	0.44%

(13) Relationship Between Companies						
Capital	BEENOS owns 57.15% (5,215,000 shares) of Defacto common stock (excluding the 15,016 treasury stock from the issued 9,140,000 shares) and is Defacto's parent company.					
Personnel	1 of Defacto's 6 Directors and 1 of 3 Auditors concurrently hold positions at BEENOS.					
Business	Defacto has business relations with BEENOS's subsidiary tenso, inc. and has business transactions (112 Million JPY in FY2019) with their proxy purchasing business. These transactions are done via auctions and are normal retail transactions with the normal consumer.					
Relevant Circumstances to Related Parties	Defacto is a BEENOS subsidiary and they are mutually relevant to each other.					
(14) Financial Results and Status (Unit: Million JPY)						
	BEENOS (Consolidated)			Defacto (Non-consolidated)		
Fiscal Year	FY2017	FY2018	FY2019	FY2017	FY2018	FY2019
Net Assets	9,240	9,791	10,171	3,314	3,619	3,614
Total Assets	14,749	15,693	18,811	4,058	4,348	4,270
Net Assets/Share (JPY)	638.13	673.52	713.16	368.99	396.61	396.03
Net Sales	20,711	22,768	25,276	10,514	11,568	11,460
Operating Income	1,507	1,533	1,707	439	423	33
Ordinary Income	1,552	1,728	1,713	441	429	60
Net Income per Share (JPY)	82.44	75.57	89.58	33.50	32.54	4.42
Dividen per Share (JPY)	18	13	18	—	5	0

1. The shareholding ratio excludes treasury stock
2. Sales of both companies do not include consumption tax

#### 5. Post Share Exchange Status

	Wholly Owned Parent Company
(1) Name	BEENOS Inc.
(2) Location	4-7-35 Kita-shinagawa, Shinagawa-ku, Tokyo
(3) Representative	President and Group CEO: Shota Naoi
(4) Business Description	Cross Border EC, Invest in domestic and International venture companies
(5) Capital	2,775 Million JPY
(6) Fiscal Year-end	30 September
(7) Net Assets	TBD
(8) Total Assets	TBD

#### 6. Outline of Accounting Procedure

The share exchange is expected to fall under the category of transactions under common control under the Accounting Standard for Business Combinations.

7. Outlook

As Defacto is already a subsidiary of BEENOS, the effect of the exchange to BEENOS and Defacto's forecast is minor.

(Reference) This year's forecast and last year's results:

BEENOS

(Unit: Million JPY)

	Consolidated Net Sales	Consolidated Operating Income	Consolidated Ordinary Income	Profit Attributable to Owners of Parent
FY2020 Forecast	26,000	3,000	3,000	1,800
FY2019 Results	25,276	1,707	1,713	1,077

Defacto

(Unit: Million JPY)

	Net Sales	Operating Income	Ordinary Income	Net Income
FY2020 Forecast	10,537	219	249	173
FY2019 Results	11,460	33	60	40

-END-