

I. Incorporation-Type Split and change to a holding company structure

1. Background and purpose

On December 23, 2019, the Company was listed in the 2nd Section of the Tokyo Stock Exchange. The Company's management philosophy is centered around its determination and preparedness to meet any customers' requests. The Company's stores are named *Anything Liquor Store Kakuyasu*, reflecting the philosophy. When listed, the Company's growth strategy was to transform into a delivery platform company by leveraging its existing distribution infrastructure and to implement the Kakuyasu model in major provincial cities. On May 1, 2020, the Company acquired Sannoh Co., Ltd. in Fukuoka as its first step towards expansion into provincial cities.

The domestic liquor market is on a downward trend and is facing a major turning point due to the coronavirus pandemic. The Company expects that changes in the business environment will accelerate.

To achieve sustainable growth in the business environment, the Company believes it needs to create a flexible and dynamic management structure that allows the Company to quickly respond to rapidly changing market environments. The Company has thus decided to establish a holding company structure.

The new structure will clearly separate the Kakuyasu Group's strategic management function and business execution function. As a result, the operating company will have the responsibility and authority to establish a flexible business structure that enables it to respond to changes. This allows the company to execute business operations efficiently and meet customer expectations. The holding company aims to develop management strategies for sustainable growth of the Group, planning to consolidate operations within the Company to strengthen and streamline the management infrastructure. The holding company structure will allow the Company to boldly allocate management resources towards growth areas. The Company will take advantage of the structure to accelerate business domain expansion. To achieve this goal, the Company will leverage business and capital alliances and M&A.

2. Summary of the corporate split

(1) Schedule of the corporate split

- | | |
|--|-----------------------------|
| • Record date of Annual Shareowners meeting | March 31, 2020 |
| • Board Resolution approving the Incorporation-Type Split Plan | May 25, 2020 |
| • Resolution of Annual Shareowners meeting | June 26, 2020 (scheduled) |
| • Effective date of the split | October 1, 2020 (scheduled) |

(2) Method of the split

(i) Form of the split

The Company is planning a spin-off where it will become the parent company, and the spin-off company will take over the Company's existing businesses. The spin-off company, Kakuyasu Co., Ltd., will be responsible for the businesses that primarily sell liquor and related goods that are owned by the Company.

(Note) The Company's business name will change to Kakuyasu Group Co., Ltd.

(ii) Reason for choosing this form of split

The Company has adopted this form of split to facilitate an efficient change to the new structure.

(3) Allotment of stock associated with the reorganization

In the Incorporation-Type Split, the new company, Kakuyasu Co., Ltd., will issue 500 common stocks and allot all of them to the Company.

(4) Treatment of share acquisition rights and bonds with stock acquisition rights associated with the reorganization

The handling of stock acquisition rights issued by the Company will remain unchanged post-split. The Company has not issued any bonds with stock acquisition rights.

(5) Change in share capital as a result of the company split

There will be no change in the Company's capital as a result of the split.

(6) Rights and obligations to be assumed by the succeeding company

The newly formed company will assume ownership of all rights and obligations, including assets, liabilities, and contracts, belonging to the businesses to be spun off and employment contracts as of the date of split in the range specified in the incorporation-type split plan. The Company's liabilities that are being taken over by the new company will be the joint and several obligations of the Company and the new company.

(7) Prospect of fulfillment of debt obligations

After the split, both the Company and the newly formed company are expected to have more assets than liabilities. Furthermore, there are no anticipated situations that could prevent the Company and the new company from fulfilling their obligations in their business activities. The Company therefor expects that all obligations will be met.

3. Overview of the Companies involved in the Corporate Split

(1) Overview of the Companies

	Splitting Company	Succeeding Company
(1) Corporate Name	Kakuyasu Co.,Ltd. ※ The company name will be changed to Kakuyasu Group Co., Ltd. on October 1, 2020.	Kakuyasu Co.,Ltd.
(2) Headquarters	2-3-1 Toshima, Kita-ku, Tokyo	2-3-1 Toshima, Kita-ku, Tokyo
(3) Name and Title of the Representative	Junichi Sato Representative Director and President	Junichi Sato Representative Director and President
(4) Business	Selling liquor and goods	Selling liquor and goods
(5) Paid-in Capital	JPY 355 million	JPY 10 million
(6) Establishment	June 15, 1982	October 1, 2020 (scheduled)
(7) # of Issued shares	7,693,000 shares	500 shares
(8) Fiscal year end	March 31	March 31
(9) Major Shareowners and their ownership	SKY Group Holdings Co.,Ltd. 63.93% Japan Trustee Services Bank, Ltd. (trust account) 7.62% Kakuyasu Employee Shareholding Association 4.52% Shigeki Okamura 1.40% TAKARA SHUZO CO.,LTD 0.64% Japan Master Trust Bank, Ltd. (trust account) 0.62% Daiwa Securities Co.,Ltd. 0.35% Akito Iida 0.30% Yoshikawa Method Co.,Ltd. 0.29% Nomura Securities 0.27%	Kakuyasu Group Co.,Ltd. 100%

(2) Consolidated Financial Conditions and Results of the

Fiscal year ending	March 31, 2018	March 31, 2019	March 31, 2020
Net Assets	JPY 4,315 million	JPY 4,682 million	JPY 5,162 million
Total Assets	JPY 28,551 million	JPY 28,920 million	JPY 28,472 million
BVPS	JPY 596.09	JPY 646.82	JPY 671.02
Sales	JPY 110,044 million	JPY 108,715 million	JPY 108,562 million
Operating Profit	JPY 927 million	JPY 1,779 million	JPY 1,259 million
Recurring Profit	JPY 1,071 million	JPY 1,806 million	JPY 1,259 million

Net Profit Attributable to Owners of the Parent company	JPY 434 million	JPY 745 million	JPY 513 million
EPS	JPY 60.04	JPY 103.03	JPY 69.86
BPS	JPY 850.00	JPY 996.00	JPY 49.80

4. Outline of the Splitting Business

(1) Details of the Splitting Business

Sale of liquor and goods including foods and wholesale

(2) Financial results of businesses to be split or succeeded

	Splitting Business (a)	Succeeding Business (b)	(a/b)
Sales	JPY 108,401 million	JPY 108,401 million	100.0%
Gross Profit	JPY 21,436 million	JPY 21,436 million	100.0%

(3) Assets and liabilities to be split or succeeded and their book value as of March 31, 2020

Assets		Liabilities	
	Book value		Book value
Current Assets	JPY 13,383 million	Current Liabilities	JPY 14,161million
Non-current Assets	JPY 5,672 million	Non-current Liabilities	JPY 1,030 million
Total Assets	JPY 19,055 million	Total Liabilities	JPY 15,192 million

※ Assets and liabilities will be confirmed subject to any increase or decrease up to the day before the effective date.

5. Post-split corporate structure

	Splitting company	Newly established company
(1) Name	Kakuyasu Group Co.,Ltd.	Kakuyasu Co.,Ltd.
(2) Headquarters	2-3-1 Toshima, Kita-ku, Tokyo	2-3-1 Toshima, Kita-ku, Tokyo
(3) Representative	Junichi Sato Representative Director and President	Junichi Sato Representative Director and President
(4) Business	Pure holding company	Selling liquor and goods
(5) Paid-in Capital	JPY 355 million	JPY 10 million
(6) Fiscal year end	March 31	March 31

6. Future Outlook

This transaction constitutes inter-corporate restructure. As a consequence, the impact entailing the transaction to the Company will be minor.