Public Relations in Japan: The Analysis of the Influence of Culture and Political Economy on Corporate Communication during Mergers and Acquisition Cases

Koichi Yamamura
University of Miami, koichi.yamamura.55@gmail.com

Follow this and additional works at: https://scholarlyrepository.miami.edu/oa_dissertations

Recommended Citation
https://scholarlyrepository.miami.edu/oa_dissertations/459
PUBLIC RELATIONS IN JAPAN: THE ANALYSIS OF THE INFLUENCE OF CULTURE AND POLITICAL ECONOMY ON CORPORATE COMMUNICATION DURING MERGERS AND ACQUISITION CASES

By
Koichi Yamamura

A DISSERTATION

Submitted to the Faculty of the University of Miami in partial fulfillment of the requirements for the degree of Doctor of Philosophy

Coral Gables, Florida
August 2010
UNIVERSITY OF MIAMI

A dissertation submitted in partial fulfillment of
the requirements for the degree of
Doctor of Philosophy

PUBLIC RELATIONS IN JAPAN: THE ANALYSIS OF THE INFLUENCE OF
CULTURE AND POLITICAL ECONOMY ON CORPORATE COMMUNICATION
DURING MERGERS AND ACQUISITION CASES

Koichi Yamamura

Approved:

________________________________________  _________________________________________
Don W. Stacks, Ph.D.  Terri A. Scandura, Ph.D.
Professor of Public Relations  Dean of the Graduate School

________________________________________  _________________________________________
Michael J. Beatty, Ph.D.  Samuel A. Terilli, J.D.
Vice Dean for Graduate Studies and Research  Associate Professor of Journalism
School of Communication

________________________________________  _________________________________________
Donald K. Wright, Ph.D.
Professor of Public Relations
Boston University
This study seeks to understand the scope and types of public relations practices in Japan, how public relations practices of Japanese and foreign companies differ, how media respond differently to the public relations activities of Japanese and foreign companies, and how "foreignness" affects public relations activities of multinational enterprises in Japan. The sole academic journal in the field of public relations in Japan and the single commercially published public relations industry magazine were submitted to an empirical content analysis. Additionally, three cases of contest for corporate control, two of which were between an American activist fund and a Japanese company, and one between a Japanese investment fund and a Japanese company, were analyzed using a case study approach. Press releases and newspaper articles about these cases were also content analyzed. The results show that among public relations activities, crisis category appeared the most frequently in the public relations industry journal and corporate communication category appeared the most frequently in the public relations academic journal. The analysis of the cases shows that the American fund at first faced problems
communicating with its stakeholders but improved its communication activities in subsequent years with better results. The content analysis of the press releases shows that American fund uses more quotes and persuasive messages in the press releases and Japanese newspapers do not treat domestic and foreign entities differently. The overall results confirm the importance of culture in public relations practices.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>LIST OF FIGURES</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>v</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIST OF TABLES</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>vi</td>
</tr>
</tbody>
</table>

## Chapter

1. **INTRODUCTION**
   - Studies on Public Relations Practices in East Asia.......................... 1
   - Understanding the Japanese Market................................................ 2
   - Japanese Market for Public Relations Firms................................. 4
   - Public Relations as a Young Industry........................................ 7
   - Communication as Key Factor in Market Entry............................. 7
   - How is Communication in Japan Different?.................................. 9

2. **LITERATURE REVIEW**
   - Culture............................................................................................. 11
   - Infrastructure.................................................................................. 18
   - Media Environment........................................................................... 22
   - Japanese Culture.............................................................................. 24
   - Political Economic System of Japan............................................ 41
   - Media Environment.......................................................................... 47
   - Stakeholder versus Shareholder.................................................... 50
   - Liability of Foreignness................................................................... 51
   - What We Know about Public Relations Practice in Japan............... 53
   - Research Questions......................................................................... 57

3. **METHOD**
   - Case Study....................................................................................... 60
   - Overview of the Cases to be Analyzed.......................................... 61
   - Content Analysis............................................................................. 63

4. **CONTENT ANALYSIS RESULTS**
   - Intercoder Reliability....................................................................... 71
   - Research Articles............................................................................. 72
   - Public Relations Industry Magazine Articles.................................. 73
   - Press Releases................................................................................. 78
   - Newspaper Articles.......................................................................... 82
   - Summary............................................................................................ 85

iii
| 5 | CASE STUDIES                                                                                           | 90 |
|   | Mergers and Acquisitions                                                                           | 90 |
|   | Steel Partners                                                                                      | 94 |
|   | Bull-Dog Sauce versus Steel Partners                                                                | 95 |
|   | Aderans versus Steel Partners                                                                       | 111|
|   | TOC versus DaVinci Advisors                                                                         | 128|
| 6 | DISCUSSION                                                                                                | 139|
|   | Research Questions                                                                                  | 139|
|   | Conclusion                                                                                          | 160|
|   | Limitations of this Study                                                                           | 162|
|   | Implications for Future Research                                                                   | 164|
|   | REFERENCES                                                                                          | 167|
|   | APPENDICES                                                                                         | 181|

<table>
<thead>
<tr>
<th></th>
<th>PRESS RELEASES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Steel Partners on Bull-Dog Sauce case</td>
<td>185</td>
</tr>
<tr>
<td>B</td>
<td>Steel Partners on Aderans case</td>
<td>216</td>
</tr>
<tr>
<td>C</td>
<td>Aderans</td>
<td>299</td>
</tr>
<tr>
<td>D</td>
<td>DaVinci Advisors</td>
<td>459</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

Figure 2.1. Political Ideology................................................................. 19
Figure 2.2. Economic Ideology............................................................. 19
Figure 2.3. External Acts of Influence.................................................... 21
LIST OF TABLES

Table 3.1. IPR Research Categories .......................................................... 66
Table 3.2. Public Relations Activity Items .............................................. 68
Table 4.1. Intercoder Reliability ............................................................... 72
Table 4.2. Research Categories of Articles in the Corporate Communication Studies .................................. 74
Table 4.3. Research Methodologies Adopted by the Corporate Communication Studies ......................... 77
Table 4.4. Public Relations Activity Categories ........................................ 79
Table 4.5. Models of Public Relations Advocated ........................................ 81
Table 4.6. Press Releases (Bull-Dog Sauce vs. Steel Partners) ....................... 82
Table 4.7. Press Releases (Aderans vs. Steel Partners) .................................. 82
Table 4.8. Press Releases (TOC vs. DaVinci Advisors) ................................ 83
Table 4.9. Press Releases (Target Companies vs. Funds) .............................. 83
Table 4.10. Press Releases (Japanese vs. U.S.) ........................................... 84
Table 4.11. Press Releases (DaVinci Advisors vs. Steel Partners) ................. 84
Table 4.12. Press Releases (Target Companies) ............................................. 85
Table 4.13. Newspaper Articles (Three Cases Total) ................................... 86
Table 4.14. Newspaper Articles (Steel Partners 2007 vs. Steel Partners 2008-9) .................. 87
Table 5.1. Net Merger and Acquisition Announcements in the U.S.A.............. 92
Table 5.2. Number of M&A deals in Japan 1985 - 2009 ............................. 93
Table 5.3. Foreign Direct Investment ............................................................ 93
CHAPTER ONE

Introduction

As with any other business function, public relations is practiced in many parts of the world. Sriramesh and White (1992) noted that "PR has been primarily a U.S. practice, but with the growth of Asian countries and changes in Europe, it will undergo fundamental changes" (p. 611). Today, the Global Alliance for Public Relations and Communication Management, an umbrella organization linking public relations and communication management professional associations worldwide, has 79 member organizations around the globe (Global Alliance for Public Relations and Communication Management, 2009). Since the 1990s, there has been increased interest in studying public relations activities around the world (Sriramesh & Verčič, 2001). However, "most part of these studies tried to describe public relations practice in a selected country by using one, or both, of two theoretical foundations: the models of public relations and public relations roles, concepts developed in the USA" (2001, p. 104). Sriramesh and Verčič (2001) further argue that "true advancement of any body of knowledge will occur only when studies go beyond describing the public relations practices of a specific country and attempt to link public relations activities with environmental variables external to an organization" (p. 104).

The interest in and the growth of public relations coincides with the growth of international trade worldwide. Between 2000 and 2007, the annualized growth rate of the world merchandise export was 5.5%, far more than 3.0%, the growth rate of the world merchandise production. During the same period, the annualized growth of the world trade in commercial services was 12% (World Trade Organization, 2009). Four hundred and ninety-one non-U.S. companies from 47 countries list their stock on NYSE, NYSE
The importance of public relations in the global marketplace is apparent. As each region of the world has a different culture, public relations practitioners must tailor their activities and techniques to suit the cultural idiosyncrasies (Sriramesh & White, 1992). However, "there is very little empirical evidence on the nature of public relations in many regions of the world" (Sriramesh & Verčič, 2003, p. 1). Sriramesh (2007) goes on to note that "the challenge before us is to conduct public relations research studies indigenous to other parts and cultures of the world such as Asia, Africa, Latin America, and the Caribbean" (p. 523).

It is difficult for the Westerners to understand Japanese culture (Hall & Hall, 1987). The difference in culture creates different types of communication (Gudykunst & Nishida, 1994; Hall & Hall, 1987) and the differences in communication between Japan and the United States have led to numerous instances of misunderstanding (Hall & Hall, 1987; Yamada, 1997). However, there is dearth of research on public relations practice in Japan (Watson & Sallot, 2001). Public relations practice in Japan and how it operates in Japanese culture need to be further studied.

Studies on Public Relations Practices in East Asia

Three countries in East Asia, China, Japan, and Korea, are key players in the global economy and business today. In terms of gross domestic product (2008 estimate), Japan is the second largest economy in the world with $4.911 trillion gross domestic product, trailing only the United States. China is the third largest with $4.327 trillion gross domestic product, and Korea is the 13th largest with $929 billion gross domestic product (Central Intelligence Agency, 2009). Public relations is practiced professionally in these countries as evidenced by the fact that each of these countries has professional
public relations organizations. Among these three countries, Japan was the first to form a public relations industry organization. The two predecessors of the Japan Public Relations Association (JPRA) were both established in 1954. In 1964 the PR Association of Japan (PRAJ), which later became the Public Relations Society of Japan (PRSJ), was established (Yamamura, 2009). The China Public Relations Association was established in 1987, and the China International Public Relations Association in 1991 (He & Xie, 2009). The Korean Public Relations Association was established in 1989, and the Korea Public Relations Consultancy Association was formed in 2000 (Kim, as cited in Sriramesh & Verčič 2003).

Among these three countries, public relations practice in Japan is the least studied. Keyword search in the database Informaworld revealed that, in the Journal of Public Relations Research between 1992 and 2009, there were eight articles concerning Japan, one of which had the word "Japan" in its title. This is in stark contrast with 15 articles on China, three of which had the word "China" in the title and 15 articles on Korea, four of which had the word "Korea" in the title (excluding one article concerning North Korea). Similarly, the keyword search in the database HW Wilson Web revealed that, in the Public Relations Review between 1989 and 2009, there were six articles concerning Japan, five of which had the word "Japan" in its title. China, on the other hand, had 22 articles, 15 of which had the word "China" in the title and 12 articles on Korea, five of which had the word "Korea" in the title (excluding one article concerning North Korea). Although the lack of the number of articles does not mean the lack of high quality study, it is obvious that the public relations practice in Japan needs attention as the subject of academic research.
Understanding the Japanese Market

Despite stagnation of its economy, Japan remains an important market for multinational enterprises (MNEs). In many industries, "Japan is the toughest competitive market in the world. . . In many growth industries the Japanese market has assumed a lead—or bellwether-role, which seems due both to the innovativeness of Japanese companies and the Japanese consumer" (Simon, 1986, p. 105). For instance, in mobile phone technologies, "the vast majority of new services we see in the U.S. have some basis in the DoCoMo i-Mode service from NTT Japan" (Rosenberg, 2009). Expanding domestic successes to the world, Nintendo and Sony lead the game console market (PriceGrabber.com, 2007). Certain Japanese characteristics can be attributed to this phenomenon. Though Americans will be the first to try new products, Japanese markets develop faster than American markets because of its collectivistic culture (Preda, 2008).

Despite its importance, Japan is often said to be a difficult market (e.g. Kristof, 1985, Chira, 1986, Brannen, 2003). Simon (1986) found that both expatriate German managers conducting businesses in Japan and German managers in Germany who had potential to do business with Japan perceived Japan as the most difficult market to enter, while Japanese managers perceived Japan the second most difficult market after France. When asked to rate the importance of entry barriers in the Japanese market, the six most important barriers as perceived by German expatriate managers and Japanese managers were all behavioral and did not include institutional barriers. The six barriers were: Intensity of competition, recruitment of management personnel, language, distribution system, business practices, and consumer behavior (p. 108). The five most important factors of success as perceived by German expatriates were: Endurance and patience,
commitment of parent company, distribution strategy, uniqueness of product, and image/positioning (p. 111). In a study of entry marketing strategies of Canadian products in Japan, Ryans (1988) found a strong association between product modification and higher market shares, although it did not necessarily indicate a causal relationship, as companies successful for some other reasons may be more inclined to make product modifications. Min (1996) identified one of the characteristics of Japanese distribution channel structures to be that Japanese consumers were very choosy, had a penchant for a high level of services, and often required more diversified product lines. In fact, most trade experts say that Japan has erected fewer tariffs or quotas than many other industrial countries. Rather, the Japanese market is closed because of cultural differences (Kristof, 1985).

Paprzycki and Fukao (2005) focused their attention on foreign direct investment (FDI) in Japan. They found that, although Japanese companies had vigorously participated in exports and outward foreign direct investment, Japan lagged far behind in inward foreign direct investment (FDI). "Generating roughly 12% of global GDP, Japan accounts for only 5% of worldwide merchandise imports and, . . . for just 1% of global inward FDI" (p. 2). In addition, the FDI inflows are "heavily concentrated in a small number of industries: The chemical and the machinery . . . in the manufacturing sector . . . [and] finance & insurance, trading, telecommunications and other business services" (p. 8). They argue that the low level of Japan's import seems to be explained by its "geographic isolation and economic structure, i.e. its poor endowment of natural resources and the large manufacturing sector relative to the economy overall" (p. 10). However, the low level of FDI inflow cannot be explained by such factors. "Features of
the Japanese economy that have frequently been cited as structural impediments are the presence of *keiretsu* ties, the distribution system, and labor issues" (p. 16). In addition, decades of official obstructions to FDI, though most of which have been eliminated, "kept alive the perception . . . that Japan is a very difficult market for foreign companies to enter" (p. 16) and the perception "has itself acted as a 'mental' barrier" (p. 11).

**Japanese Market for Public Relations Firms**

Relative to the size of its economy, Japan's public relations industry is very small. According to a survey conducted in 2007 by the Public Relations Society of Japan, the size of the public relations market in Japan is JPY65 billion (US$570 million as converted by the 2007 year end exchange rate, JPY114=US$1) while spending on public relations in the United States is $4.27 billion (Public Relations Society of America, 2009). While Japan's GDP is about 40% of that of the US, the size of public relations industry in Japan is only about 13% the size of the U.S. public relations industry. This is in stark contrast with the advertising industry, which is nearly one-third of the size of the U.S. market (Takata & Magyar, 2006). One explanation for this difference is that "Japanese companies traditionally believe that public relations need to be handled internally, whereas advertising should be taken care of by outside experts" (2006). In addition, "often, PR related activities such as investor relations, CSR, issues and crisis management, and internal communications are handled within various corporate—financial, environmental, welfare, legal, and personnel—departments, while media relations is dealt with by in-house PR staff" (2006). This division of public relations related work among various departments makes it difficult for public relations agencies to be engaged in comprehensive service agreement.
Public Relations as A Young Industry

The public relations industry in Japan is relatively young. The modern concept of public relations was introduced to Japan by the post-World War II allied occupation army led by General Douglas McArthur (Cooper-Chen, 1997; Inoue, 2003). The first public relations firm in Japan was established by an American, although details of its activities and when the firm ceased to exist are not known (Morito, 2008). Today, a number of global public relations firms, such as Hill & Knowlton, Burson-Marsteller, Weber Shandwick, Kreab Gavin Anderson, Fleishman-Hillard, Golin Harris, Ogilvy Public Relations, and Edelman have subsidiaries in Japan. However, unlike in Europe and other parts of Asia, these global public relations firms only play secondary roles in the public relations industry in Japan. It is quite similar to the advertising industry in Japan. J. W. Thompson, one of the major global advertising firm, has been operating in Japan since 1956, but it still remains far from being a top ten Japanese advertising agency (Morito, 2008).

Communication as Key Factor in Market Entry

Many of the factors identified or perceived as market entry barriers in Japan, and remedial actions to overcome such barriers, are closely associated with communication activities. Intense competition requires communication activities to be an integral part of marketing. First, different language requires different communication styles. Second, understanding of business practices cannot be achieved without understanding the context in which business conduct takes place, and business communication is a vital part of business practices. Overcoming the barriers of consumer behavior can be achieved through two-way communication with consumers. To secure the commitment of a parent
company overseas, the business environment, market potential, and the needs of the subsidiary must be clearly communicated to the parent company. To build corporate/product image and properly position the company/product, effective communication is essential. To modify a product and cater to the local needs, a company must listen to the consumers, and to market the modified product, the message must be locally created and communicated to the consumers. And, third, recruitment of management is heavily dependent on the perception of the company held by candidates because employment in Japan is long-term oriented.

As we have seen, communication plays an important role in market entry, but it is not a decisive factor. A poor product, no matter how well communication is crafted, cannot sell, or if it can, only temporarily. Then, what about global public relations firms and advertising firms that have only had mediocre success in Japan thus far? Their products and services are communication. In other words, they are the communication professionals who have succeeded in different markets in many parts of the world in various cultures using various languages. Is there something special about communication in Japan? One could argue that it is not because of their service offering—communication services, rather, because of market entry barriers peculiar to Japan as experienced by any other entrant. However, there is an example that implies otherwise. *International Public Relations*, one of the oldest public relations firm in Japan, was established in Tokyo in 1959. In 1983, the firm had 150 employees (Omori, 2008). In 1988, Shandwick International Group acquired its shares and the firm became a part of Shandwick network. In 1997, the firm changed its name to IPR Shandwick (Weber Shandwick Worldwide Co., Ltd., 2009). In 2007, the number of employees was down to
60 (Omori, 2008). Although findings from a single case cannot be generalized, in this case a combination of experienced Japanese practitioners, ties with existing clients, and importation of global expertise and knowledge base did not result in the expansion of its businesses. One could also argue that the growth of business cannot be measured by the number of employees, but public relations service is highly labor intensive, and during the same period (1983 to 2007), two leading public relations firms in Japan, Kyodo PR and PRAP Japan have increased their employee count from 60 to 295 and 41 to 232 respectively (Omori, 2008). In 2005, these two domestic public relations firms successfully went public.

How is Communication in Japan Different?

If communication is vital to successful market entry, it is important to identify how communication in Japan differs from other parts of the world, in particular North America and Europe. It is also important to understand variables that cause communication in Japan to differ.

Verčič, Grunig, and Grunig (1996) identified five environmental variables for designing country specific public relations strategies: "political-economic system, culture, the extent of activism, the level of development, and the media system" (p. 40). Through these lenses with particular focus on culture, the current study looks at, and compares, corporate communication practice by a Japanese entity and a foreign entity to identify communication activities that may be critical for successful entry to Japanese market. The readers of this study will be able to better understand culture in general, Japanese culture in particular, and Japanese public relations.
The study is composed of three parts. First, content analysis of a public relations industry magazine and an academic journal is conducted. The result provides a general idea about the types and the scope of public relations practice in Japan as perceived by practitioners and scholars. Second, content analysis of press releases and media reporting in three hostile takeover cases initiated by an American investment fund and a Japanese investment fund are conducted. The result illustrates how communication activities by foreign and domestic entities differ in similar conditions and how media in Japan operate. Finally, case studies of these three hostile takeover are conducted. Through these case studies, efforts are made to illustrate how public relations operate within Japanese culture.
CHAPTER TWO

Literature Review

To identify how public relations practices of a specific country differ from those in other parts of the world, it is important to understand the variables that affect public relations practices. Verčič, Grunig, and Grunig (1996) identified five environmental variables for designing country specific public relations strategies: Political-economic system, culture, the extent of activism, the level of development, and the media system. To look at the public relations practices of a specific country from an international perspective, it is necessary to understand these variables and the state of these variables in the country.

Of the five environmental variables identified by Verčič, Grunig, and Grunig (1996), culture plays an important role because political-economic system, activism, and media environment are strongly influenced by the culture. Edward T. Hall (1976/1989) noted,

Culture is man's medium; there is not one aspect of human life that is not touched and altered by culture. This means personality, how people express themselves (including shows of emotion), the way they think, how they move, how problems are solved, how their cities are planned and laid out, how transportation systems function and are organized, as well as how economic and government systems are put together and function. (p. 16)

In the following sections, the five environmental variables beginning with culture are examined. Next, the state of these variables in Japan are reviewed. Finally, the four research questions for this study are introduced.

Culture

Culture is communication (Hall, 1959/1990, Hall & Hall, 1987) because it is "a system for creating, sending, storing, and processing information" (Hall & Hall, 1987, p.
3). Communication is a fundamental aspect of public relations as evidenced by the fact that public relations textbooks place communication as a vital part of public relations practices (e.g. Cutlip, Center, & Broom, 2006; Wilcox & Cameron, 2006). Grunig and Hunt (1984) defined public relations as "management of communication between an organization and its publics" (as cited in Grunig, 1992). Whether it is one-way communication for persuasion or two-way communication for relationship management, public relations cannot function without communication. Culture then "should affect public relations, and public relations [in turn] helps alter culture" (Sriramesh and Verčič, 2003).

Kroeber and Kluckhohn (1952) identified 164 definitions of culture. Tylor (as cited in Kroeber & Kluckhohn) defined culture as the "complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society" (p. 1). Tayeb (1988) defined culture as "a set of historically evolved learned values and attitudes and meanings shared by the members of a given community that influences their material and non-material way of life" (p. 42). Roger and Steinfatt (1999) defined culture as "the total way of life of a people, composed of their learned and shared behavior patterns, values, norms, and material objects" (p. 79). Although there are numerous definitions of culture (Kroeber & Kluckhohn, 1952), these definitions suggest that culture encompasses the entire range of human activities and provides a foundation for social systems and activities.

Hofstede (2001) defined culture as "the collective programming of the mind that distinguishes the members of one group or category of people from another" (p. 9). He divided mental programming into three levels: Universal level, collective level, and
individual level. The universal level of mental programming is the least unique, but most basic, and is shared by most of human kind. The collective level of mental programming is shared by some people and is common to people in a certain group or category. The individual level of human programming is unique to each individual. The subjective culture belongs to the collective level (2001). In a subsequent work, Hofstede and Hofstede (2005) redefined these levels of mental programming as human nature—universal and inherited; culture—specific to group or category, and learned; and personality—specific to individual, and inherited and learned.

**National culture.**

"In research on cultural differences, nationality . . . should . . . be used with care" (Hofstede & Hofstede, 2005, p. 18) because not everybody, physically located within a nation identifies with that nation since many national borders were artificially set by colonial powers. However, nationality "is often the only feasible criterion for classification" (p. 19) in research on cultural differences. "Rightly or wrongly, collective properties of people are ascribed to the citizens of certain countries" (p. 19), and all kinds of statistics are collected for each nation about its population. Therefore, "it makes practical sense to focus on cultural factors separating or uniting nations" (p. 19).

As a researcher for IBM, Hofstede (2001) conducted employee attitude surveys between 1967 and 1973, resulting in 116,000 responses in 72 countries. Using this data, he conducted analyses focusing on country differences from which he identified four dimensions of culture: power distance; uncertainty avoidance; individualism and collectivism; and masculinity and femininity (2001). In a separate study conducted in 1985, Hofstede (2001) identified a fifth dimension, long- versus short-term orientation.
*Power distance* is "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede & Hofstede, 2005, p. 46). In the workplace in a great-power-distance situation in which "subordinates expect to be told what to do . . . the ideal boss in the subordinates' eyes . . . is a benevolent autocrat, or 'good father'" (2005, p. 55).

The *individualism-collectivism* dimension is defined by Hofstede and Hofstede (2005) as follows:

Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after himself or herself and his or her immediate family. Collectivism as its opposite pertains to societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetimes continue to protect them in exchange for unquestioning loyalty. (p. 76)

In highly collectivistic societies: occupational mobility is lower; an individual is hired as an in-group member and will act according to the interest of this in-group; and making distinction between "our group" and "other groups" and "treating one's friends better is only natural and ethical and is a sound business practice" (2005, p. 102).

The *masculine-femininity* dimension places in opposition the desirability of assertive behavior and the desirability of modest behavior (Hofstede & Hofstede, 2005). Masculine society is one in which "men are supposed to be assertive, tough, and focused on material success, whereas women are supposed to be more modest, tender, and concerned with the quality of life" (2005, p. 120). Feminine society is one in which "both men and women are supposed to be modest, tender, and concerned with the quality of life" (2005, p. 120). In masculine societies, there is a preference for larger organizations; more money is preferred over leisure time; careers are compulsory for men, optional for
women; and manufacturing is competitive as opposed to agriculture and service industries (2005).

*Uncertainty avoidance* is defined as "the extent to which the members of a culture feel threatened by ambiguous or unknown situations" (Hofstede & Hofstede, 2005, p. 167). In uncertainty avoidance societies; people intend to stay longer with the company; people prefer to work for larger companies; and there are more formal rules and regulations regarding employment. The need for rules and regulations "can lead to rules or rule-oriented behaviors that are purely ritual, inconsistent, or even dysfunctional . . . [but] ineffective rules can also satisfy people's emotional need for formal structure" (2005, p. 182).

*Long-term orientation* is defined as "the fostering of virtues oriented toward future rewards—in particular, perseverance and thrift (Hofstede & Hofstede, 2005, p. 210), whereas *short-term orientation* is "the fostering of virtues related to the past and present—in particular, respect for tradition, preservation of 'face,' and fulfilling social obligations" (2005, p. 210). In long-term orientation societies, the main work values include learning, honesty, addictiveness, accountability, and self-discipline; leisure time is not important; focus is on market position; owner-managers and workers share the same aspirations; wide social and economic differences are undesirable; and people invest in lifelong personal networks. (2005).

Another dimension of culture is *context*. The classification of high-context versus low-context culture was originated by Edward T. Hall (Rogers & Steinfatt, 1999). In high-context communication, very little information is explicitly coded and transmitted while most of the information is either in the physical context or internalized in the
communicator. In low-context communication it is just the opposite: Vast amounts of information are explicitly coded in the message. The level of context determines the nature of the communication and becomes the foundation for subsequent behavior. For instance, high-context cultures, in comparison with low-context cultures, make a greater distinction between insiders and outsiders. In high-context cultures, people in positions of authority take responsibility for subordinates' actions whereas in low-context cultures responsibility is diffused throughout the system (Hall, 1976/1989).

Ecological factors such as geography, history, demography, economy and technology lay the foundation for cultures, and because of outside influences including forces of nature and forces of man such as trade, domination, and scientific discovery, culture does change over time. However, social institutions that themselves are the products of the dominant cultural value systems reinforce cultural patterns, resulting in a "self-regulating quasi-equilibrium" (Hofstede, 2001, p. 34). Consequently, national cultures are extremely stable over time, and evolution of the cultures does not wipe out the differences among different cultures (Hofstede, 2001).

**Organizational culture.**

Every organization has a culture (Deal & Kennedy, 1982/2000). People working for a particular organization have "a specific way of acting and interacting that sets them apart from people working for other organizations, even within the same region" (Hofstede & Hofstede, 2005, p. 281). While people acquire national cultures during the first ten years of their lives, organizational cultures are acquired when people enter a work organization with values firmly in place (2005). Organizational culture, or corporate culture, is holistic, historically determined, related to the things anthropologists
study (like rituals and symbols), socially constructed, and difficult to change (Hofstede & Hofstede, 2005). Hofstede defined organizational culture as "the collective programming of the mind that distinguishes the members of one organization from another" (2005, p. 282). Organizational cultures "consist mainly of the organization's practices—they are more superficial" (p. 284). In a cross-organizational study in two countries, Hofstede found that people in the same country but "in different organizations showed considerable differences in practices but much smaller differences in values" (p. 286).

While "the values of founders and key leaders undoubtedly shape organizational cultures, but the way these cultures affect ordinary members is through shared practices. Founders' and leaders' values become members' practices" (p. 286).

Ouchi (1981) noted that "the organizational culture consists of a set of symbols, ceremonies, and myths that communicate the underlying values and beliefs of that organization to its employees" (p. 35). Synthesizing from various definitions by others, Grunig, Grunig, and Dozier (2002) provide their own definition of organizational culture as "the sum of shared values, symbols, meanings, beliefs, assumptions, and expectations that organize and integrate a group of people who work together" (p. 482).

Organizational culture implies a company's values "that set a pattern for activities, opinions and actions" (Ouchi, 1981, p. 165), and "an organizational culture develops when employees have a broad array of common experiences as touchstones through which to communicate with a great deal of subtlety" (p. 36). In their study of 327 organizations in the United States, Canada, and the United Kingdom, Grunig, Grunig, and Dozier (2002) identified two factors that reflect two types of organizational cultures: participative culture and authoritarian culture. The authors found that "a participative
culture provides a more supportive, nurturing environment for excellent public relations than does an authoritarian culture" (p. 496), although "participatory culture is neither a necessary nor a sufficient condition for excellent public relations" (p. 496), and "an authoritarian culture does not make excellent public relations impossible" (p. 496).

**Infrastructure**

Infrastructure is "the underlining foundation or basic framework (as of a system or organization)" (Merriam-Webster Online Dictionary). Of the five environmental variables for country-specific public relations identified by Verčič, Grunig and Grunig (1996), Sriramesh and Verčič (2003) collapsed political-economic system, the extent of activism and the level of development into one factor—the infrastructure—because "each of these variables influences the nature of public relations practiced in a country and each is very closely interrelated" (p. 2).

**Political economic system.**

Verčič, Grunig and Grunig (1996) identified political economic system as one of the five most important variables in global public relations. According to J. S. Mills (1848/1887), political economy deals with "the nature of Wealth [sic], and the laws of its production and distribution; including, directly or remotely, the operation of all the causes by which the condition of mankind . . . is made prosperous or the reverse" (p. 1). However, according to the Concise Oxford Dictionary of Politics, political economy is "now often used loosely to describe political aspects of economic policy-making." Under this definition, the political ideology and the economic ideology become important in understanding the political economy (political economic system) of a country.
Political ideology determines how a society defines and enforces social control through government institutions. It explains the ideals of government activity that fall on a continuum ranging from anarchy to totalitarianism as shown in Figure 2.1 (Wartick & Wood, 1998).

Figure 2.1 Political Ideology

<table>
<thead>
<tr>
<th>Anarchy</th>
<th>Negotiated consensus</th>
<th>Simple democracy</th>
<th>Republican democracy</th>
<th>Social democracy</th>
<th>Bureaucratic ideology</th>
<th>Totalitarianism</th>
</tr>
</thead>
</table>

Economic ideology explains how people think business should be organized. It describes the degree of government control over property use and market functions that fall on a continuum from pure capitalism to utopian communism as shown in Figure 2.2 (1998).

To assess a country's political economy, international development agencies have developed tools for analysis. One of such agencies, United Kingdom's Department for International Development (DFID) (2009) notes that "Political economy analysis is concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time" (p. 26). To understand the political economy environment at the country level, DFID's "Drivers of Change approach" considers the interaction between structures, institutions, and agents (2009).

Figure 2.2 Economic Ideology

<table>
<thead>
<tr>
<th>Pure capitalism</th>
<th>Regulated capitalism</th>
<th>Various mixed ideologies</th>
<th>Socialism</th>
<th>Utopian communism</th>
</tr>
</thead>
</table>
In countries with a huge public sector, government becomes the major public of concern for public relations. As a public sector is converted to a private sector through investment, there will be more opportunities and challenges for international public relations professionals (Sriramesh, 2004). In a market economy, multiple players compete for the attention of the relevant public, resulting in an increased need for public relations activity (2004).

**Level of economic development.**

Although sometimes confused, economic *development* is not the same as economic *growth*. While economic growth is the rise in national or per capita income or product measured by gross domestic product or gross national product, economic development is a much broader concept and one that is much more difficult to measure (Grabowski, Self, & Shields, 2007). Many measures of development include concepts such as equality of distribution, human capital, health, longevity, and standard of living. However, GDP is still often used because it has a clear meaning, data are easily available, and it is highly correlated with other measures of development (2007).

The level of economic development influences public relations activities through factors such as poverty and illiteracy because different strategies and tactics must be adopted in accordance with these factors. In developing nations, the lack of infrastructure may also pose challenges to public relations professionals (Sriramesh, 2004).

**Activism.**

Activism is "a doctrine or practice that emphasizes direct vigorous action in support of or opposition to one side of a controversial issue" (Merriam-Webster Online Dictionary, 2009). Mintzberg (1983) identified owners, associates (suppliers, clients,
partners, and competitors), employee association, and publics as external influencers of an organization. One set of publics that influences an organization is the special interest group. "In some cases, groups that already exist turn their attention to new organizations, . . . In other cases, groups form around a particular issue in one organization" (1983, p. 45).

The external influence can be defined as several dimensions: regular or episodic; general or focused; detached or personal; initiative or obstructive; and formal or informal (Mintzberg, 1983). The directness and the forcefulness of the external acts of influence can vary. Social norm is the least direct and forceful act of external influence and membership on boards of directors is the most direct and forceful (1983). Figure 2.3. shows external acts of influence with different degrees of directness and forcefulness.

Monitoring of an organization's relevant publics, especially those active and antagonistic, is closely associated with public relations that emphasizes issues management (Grunig, 1992). Grunig, Grunig, and Dozier (2002) found that activism pushes organizations towards excellence. A turbulent environment created by activism leads to increased support of the public relations function by the dominant coalition, and coping with such an environment requires public relations to be more sophisticated than the "simple one-way communication found in press agentry or public information" (2002, p. 477).

Figure 2.3. External Acts of Influence

<table>
<thead>
<tr>
<th>least direct and forceful</th>
<th>most direct and forceful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social norms</td>
<td>Memberships on boards of directors</td>
</tr>
<tr>
<td>Formal (legal) constraints</td>
<td>Direct control</td>
</tr>
<tr>
<td>Pressure campaign</td>
<td></td>
</tr>
</tbody>
</table>
**Media Environment**

Sriramesh and Verčič (2003) contended that "media and public relations have a symbiotic, sometimes contentious relationship. Most public relations practitioners would agree that media relations account for a significant portion of their public relations efforts because they wish to use the media for publicity purposes" (p. 11). Cutlip, Center, and Broom (2006) endorse this view: "Knowing about the media . . . is a major part of many practitioners' jobs" (p. 266). Sriramesh and Verčič (2003) described three key factors that determine the media environment of a country: media control, media outreach, and media access.

**Media control.**

For public relations practitioners, it is important to "understand who controls media organizations in a country and whether such control extends to editorial content (Sriramesh, 2004, p. 13). Not every country enjoys freedom of the press. According to the 2008 freedom of press survey of 195 countries conducted by Freedom House, 72 countries (37 percent) had free media systems, 59 (30 percent) had partly free media, and 64 (33 percent) did not have free media. In developed democracies, media are typically owned by entrepreneurs through investments. Media are sustained as capitalistic entities and "there is no direct or indirect fiduciary relationship between the government and the media in these systems" (Sriramesh, 2004, p. 19). In developing countries, media are often owned by the government, other political interests, or elites whose interests lie in maintaining the status quo. In some countries, the government exercises control even over media owned by private interests, or exercises its power over media by leveraging advertising expenditures and the supply of production materials such as newsprint (2004).
In a study of press freedom, media, and development in 134 nations, Weaver, Buddenbaum, and Fair (1985) found that there is a negative correlation between a country's development and a government's control of the press. The more developed a country's media are, and the more resources the country has, the less the degree of government control of media. In short, "the more stronger the media are economically, the less likely the government is to control these media" (1985, p. 113).

**Media outreach.**

Because of illiteracy and poverty, media in most developing countries reach only relatively small segments of the population that are fairly homogeneous (Sriramesh, 2004). "Public relations professionals must recognize that regardless of their sophistication in media relations, the efficacy of their efforts is limited by the outreach of the media of a country" (2004, p. 21). "International public relations practitioners need to understand the extent of *media outreach* [sic] (media saturation) in the countries where they operate as a gauge of message exposure among their audiences" (Sriramesh, & Verčič 2003, p. 15).

In developed countries, it is also important to look at the degree of media saturation. Sherry (2002) defined this as "the number of competing media outlets can have a direct impact on the size of the audience exposed to a message" (p. 207). A media-saturated country has a large number of competing media including television, cable, radio, print media, and the Internet, and a large number of channels within those media. Consequently, messages run the risk of being diluted by a stream of competing media and have a much shorter reach in terms of the percentage of potential audience (2002).
**Media access.**

"Media access denotes the extent to which the various segments of a society can approach the media to disseminate messages they deem important" (Sriramesh, & Verčič 2003, p. 16). Media access has become important as "the ability of PRPs [public relations practitioners] to influence news production has been given added impetus by a rapid decline in editorial resources and a growing media dependency on sources" (Davis, 2000, p. 39). Public access to media is not constant across societies. The level of Internet penetration and regulation may be a factor in the development of online media (George, 2005). While media access is critical to organizations, it is also important to understand the extent to which the organization's opponents, such as activists, have access (Sriramesh, & Verčič, 2003).

**Japanese Culture**

As noted earlier, culture is a large determinate of how public relations is practiced in different countries. It also affects how social institutions and systems including media are formulated. Japan is no different. The next section examines the nature of Japanese culture.

**Japan’s standing on five dimensions of culture.**

In a study of IBM employees around the world and replication studies that followed, Hofstede (2001) identified that relative to other countries Japanese culture is very high in uncertainty avoidance, masculinity, long-term orientation, and relatively high in power distance and collectivism.
Uncertainty avoidance.

Uncertainty avoidance is defined as “the extent to which the members of a culture feel threatened by ambiguous or unknown situations” (Hofstede & Hofstede, 2005, p. 167). In Hofstede's 2001 study, Japan was identified as high in uncertainty avoidance; 11th among 50 countries surveyed. Uncertainty avoidance calls for predictability and written and unwritten rules (2005). Some of the characteristics of high-uncertainty-avoidance societies in the workplace include: strong loyalty to employer; long average duration of employment; preference for larger organizations, but at the same time high self-employment; strong appeal of technological solutions; precision and punctuality; and belief in specialists and expertise. Hofstede (2001) notes that in high-uncertainty-avoidance culture, it is "less likely that strategic planning activities are practiced, because these may put question marks to the certainties of today" (p. 382). High uncertainty avoidance also "supports a need for more detail in planning and more short-term feedback" (p. 382).

Masculinity.

Hofstede (2001) identified Japan as highly masculine, highest among the 50 countries surveyed. In a masculine culture, advancement and earnings are important; values of women and men are very different; there is higher job stress; there is a preference for large corporations; an employer may invade employees' private lives; and there is a stress on advancement among elites and consumers. He went on to note that Japanese "women attach more importance to social goals such as relationships, helping others, and the physical environment, and men attach more importance to ego goals such as careers and money" (p. 279).
**Long-term orientation.**

Long-term orientation includes values such as persistence (perseverance); ordering relationships by status and observing this order; thrift; having a sense of shame; personal steadiness and stability; protecting one's own "face"; respect for tradition; and reciprocation of greetings, favors, and gifts (Hofstede, 2001). Japan was ranked 3rd highest in long-term-orientation among 23 countries surveyed (2001). In long-term-oriented cultures, businesses are "accustomed to working toward building up strong positions in their markets; they do not expect immediate results. Managers . . . are allowed time and resources to make their own contributions" (p. 361).

**Power distance.**

"The power distance between a boss B and a subordinate S in a hierarchy is the difference between the extent to which B can determine the behavior of S and the extent to which S can determine the behavior of B" (Hofstede, 2001, p. 83). In high-power-distance cultures authority is more concentrated, organizational pyramids are taller, the ideal boss is a well-meaning autocrat or good father, managers rely on formal rules, and subordinates expect to be told. (2001). Among countries surveyed, Japan took a middle position, ranking 33rd among the 53 countries.

**Individualism and collectivism.**

According to Hofstede (2001), there is a curvilinear relationship between family complexity and the complexity of societies. He noted:

> Very traditional hunting-gathering tribes tend to live in nuclear families. In more complex agricultural societies, people aggregate into extended families, clans, or tribal units. As agricultural societies develop toward still more complex urban-industrial societies, family complexity decreases again and extended families disintegrate into nuclear families. (p. 210)
Different societies have different degrees of individualism. The relationship between the individual and the collectivity is linked with societal norms and affects both people's self-concept and functioning of many institutions in the society (2001). In a high-individualism society, the employer-employee relationship is a business deal in a "labor market", employees perform best as individuals, belief is in individual decisions, greater social mobility prevails across occupations, incentives are to be given to individuals, and, leadership is a property of the leader (2001). Hofstede found Japan to be ranked 22nd among the 53 countries surveyed with a middle range individualism score.

**Characteristics of Japanese culture.**

Hofstede's five dimensions of culture compared national cultures in a multinational corporation using an unified yardstick. With Japan's standing on this measure as foundation of our inquiry, the next section examines phenomena that exemplify Japanese culture.

**Hierarchy/ranking.**

In her seminal work on Japanese culture, *the Chrysanthemum and the Sword*, Benedict (1946/2005) identified "faith and confidence in hierarchy" (p. 22) as one of the most important inbred attitudes of Japan. Although Japan had gone through westernization, Benedict found Japan is "still an aristocratic society" (p. 47), as demonstrated by the indication of social distance between people in every greeting and every contact. In addition to class difference, "sex and age, family ties and previous dealings between two persons all enter into the necessary calculations" (p. 48) and they are recognized by appropriate behavior.

Even between the same two persons different degrees of respect will be called for on different occasions: a civilian may be on familiar terms with
another and not bow to him at all, but when he wears a military uniform
his friend in civilian clothes bows to him. Observance of hierarchy is an
art which requires the balancing of innumerable factors, some of which in
any particular case may cancel each other out and some of which may be
additive. (p. 48)

During the Edo era (1603-1868) that lasted over two and a half centuries, "Japanese
learned to identify this meticulously plotted hierarchy with safety and security. So long as
they stayed within known boundaries, and so long as they fulfilled known obligations,
they could trust their world" (Benedict, 1946/2005, p. 70). Although the hierarchy in
Japanese society during Edo era was maintained by the caste system, it had certain
flexibility. Wealthy merchants could become landlords through liens and rents. With the
prestige associated with land ownership, daughters could be married to samurais.
Members of such wealthy merchant families can also be "adopted" to samurai families.
Because of such class mobility, there was no sign of "a class war between aristocracy and
bourgeoisie" (p. 73).

The Meiji Restoration in the late 1860s overthrew the Edo Shogunate form of
government and the caste system was abolished in the early years of Meiji. However, the
Restoration did not abolish hierarchy in Japan. Benedict notes: "The Restoration had
simplified the hierarchal order by placing the Emperor at its apex and eliminating the
Shogun" (Benedict, 1946/2005, p. 80).

In 1967, Chie Nakane published a book titled Tate-Shakai no Ningen-Kankei—
Tanitsu-Shakai no Riron (Personal Relations in a Vertical Society—A Theory of
Homogeneous Society), later translated into English and published under the title
interpersonal relationships to shed light on Japanese society. Nakane identified the
system of ranking as one of the key characteristics of Japanese culture. Because
functional groups in Japan contain heterogeneous elements—members of various kinds of qualifications and specialities—"the principle by which these elements are linked is always dominated by the vertical order" (Nakane, 1970/1998, p. 25). The vertical relations within Japanese social groups led to the creation of difference among themselves and "as this is reinforced, an amazingly delicate and intricate system of ranking takes shape" (p. 25).

"Seniority and merit are the principal criteria for the establishment of a social order" (Nakane, 1970/1998, p. 29), and in contrast to other societies, Japan leans heavily towards seniority. "The system of ranking by seniority is a simpler and more stable mechanism than the merit system" (p. 29). The basic orientation of rank works far beyond institutionalized groups and "ranking order, in effect, regulates Japanese life" (p. 30).

The exchange of name cards in Japan is extremely important because by doing so, "both parties can gauge the relationship between them in terms of relative rank, locating each other within the known order of their society" (Nakane, 1970/1998, p. 30).

"Institutional position and title constitute one of the major criteria, while a man's individual qualities tend to be overlooked" (p. 31).

In the past, a rating of all households in a village was kept and renewed every year. The relative length of establishment and, to a lesser extent, the wealth were the determining factors of the rating. This rating, in its modern variant, is "of great concern to contemporary urban society" (Nakane, 1970/1998, p. 89). The ratings of high schools, universities, and companies are of great concern. Within each industry, there is a rating hierarchy among organizations engaged in similar activities. Everyone strives to be
among the top ranking, creating a “me too, me too” syndrome that often result in competition as well as “herd behavior.” If someone credible says XX is good, everyone goes after XX. Hierarchy of and within an organization becomes a credential for an individual, therefore, "the Japanese care so little about class differences" (p. 93).

"Top ranking institutions are called ichi-ryū (first rate), a very favorite term of the Japanese which carries great sociological significance” (Nakane, 1970/1998, p. 91). Such top-ranked company and the top-ranked schools "carry the highest prestige as being at the apex of the hierarchy in a given field" (p. 91). Hierarchy of and within organizations serve as individual credentials because "the hierarchy of each field is so clearly perceived and widely known, and since the hierarchy within individual institutions also extends beyond the institution" (p. 93). Lincoln and McBride (1987) note:

The hierarchical structure and the labels given to different levels show remarkable similarity across Japanese organizations of many different types. The titles (hancho, bucho, kakaricho, etc.) have considerable status significance not only in the company but in the wider society and are used in everyday discourse outside the workplace. (p. 298)

It is important for foreigners doing business with Japanese "to learn some of the signs of rank and how to interpret them. . . During a conference, the highest-ranking individual at a table often sits farthest from the door; at other times he may sit at the middle, surrounded by lower-ranking associates" (Hall & Hall, 1987, p. 45). Hierarchies in Japanese organizations are "on the average taller than the management pyramid of Western organizations. . . They imply long job ladders, hence opportunities for upward mobility and careers within the organization" (Lincoln & McBride, 1987, p. 298).
Group identification.

When introducing oneself, Japanese tend to identify with an institution rather than an occupation (Nakane, 1970/1998). This is because "the criterion by which Japanese classify individuals socially tends to be that of particular institution, rather than of universal attribute" (p. 3). An indication of this is that "throughout Japanese history, occupational groups, such as a guild, cross-cutting various local groups and institutions have been much less developed" (p. 24) than in other countries.

Japanese often refer to their own group as *ie*, a term meaning household. According to Nakane (1970/1998), the most basic element of the household in Japan is a corporate residential group and in the case of agriculture, it is a managing body. "The human relationships within this household group are thought of as more important than all other human relationships" (p. 5) and the daughter-in-law becomes more important than daughters who have been married into other households. Even a clerk is treated as a family member in the household and sometimes can be married to a daughter to take an heirship. Thus, "Japan gives less weight to kinship than do other societies" (p. 6). The kinship—"the primary and basic human attachment seems to be compensated in Japan by a personalized relation to a corporate group based on work" (p. 7), and "the role of the *ie* [(household)] institution as the distinguished unit in society in pre-modern times is now played by the company" (p. 8). Of course, people often belong to more than one membership, "but in these cases there is always one group that is clearly preferred while the others are considered secondary" (p. 21). Hall and Hall (1987) notes that the Japanese' strong sense of group identity is one of its most important characteristics. "Group ties are
so strong that members feel a collective sense of responsibility for each other's actions" (p. 42).

A group in Japan is in itself heterogeneous. With the exception of blacksmith, the general store, and the priest, every household in a village in pre-modern days did not specialize in any occupation other than agriculture. "Every group in Japan tends to include an almost identical variety of elements," thus eliminating the need for interdependence among groups. Because each group is heterogeneous in itself, it is homogeneous with other groups. When groups are homogeneous, they tend to become hostile or competitive. Because of the function of groups, there is a limit to the capacity of a group to serve the population, so Japanese society is made up of "numerous independent competing groups which of themselves can make no links with each other" (Nakane, 1970/1998, p. 102). "Competition and hostile relations between the civil powers facilitate the acceptance of state power" (p. 102). Once a group accepts the state power, it can be transmitted smoothly because of the vertical nature of the relationships in the group.

Vertical relation.

Because of the emphasis placed on it, "ranking order not only regulates social behavior but also curbs the open expression of thought" (Nakane, 1970/1998, p. 33) and the consciousness of rank and the reluctance to argue against those of higher rank often leads to the ignorance of logical procedure in conversation. "In a very delicate situation those of an inferior status . . . would never offer opinions contradictory to those of their superiors" (p. 33). Group members with lower status tend to avoid open and bold negative expression "in the fear that it might disrupt the harmony and order of the group,
that it might hurt the feelings of a superior and . . . it could involve the risk of being cast out from the group" (p. 35). Freedom to speak in a group is a function of one's status in the group. One's relative status in a group is expressed as *sempai* (senior), *kohai* (junior), or *doryo* (colleague). "Doryo . . . refers only to those with the same rank . . . [and] even among *doryo*, differences in age, year of entry or graduation from school or college contribute to a sense of *sempai* or *kohai*" (p. 26).

In horizontal organizations, each member shares the same attribute and such attributes become the basis of group formation. In vertical organizations, the group is formed by the accumulation of one-to-one vertical relationships. There is no "obvious rule governing membership, so that any outsider, provided he can become acquainted with and accepted by one of the members, may join" (Nakane, 1970/1998, p. 41). However, the newcomer is placed at the bottom of the vertical relation, thus having the lowest rank. Since vertical group formation is based on personal relations, formation of *intra*-group factions is a common Japanese feature of group dynamics. Emergence of a breakaway faction within a group is expected and often accepted when a subordinate gains enough power to become independent. Consequently, "the formation of intro-group factions and the development of a number of independent similar groups within the same field of activity" (p. 50) are common in Japan.

One of the characteristics of vertical group formation is the lack of direct communication between lower level members and the leader at the top of the organization. A lower level member avoids directly communicating with the top because "such action would bring loss of face to his section head" (Nakane, 1970/1998, p. 52). The lack of direct communication "contributes to inefficiency of organization . . .
However, such inefficiency is perhaps more than balanced by the extreme efficiency of communication from the top to the lowest level" (p. 52). This vertical, top-down communication is efficient because:

Hesitation or refusal constitute a violation of the system, even if the execution of the order takes a man outside his assigned role, for what is important is the working of the vertical system, rather than the nature of the work. (Nakane, 1970/1998, p. 52)

Hall and Hall (1987) noted that "all communication from the top follows the proper chain of command down to the designated employee. . . The Japanese do not 'jump channels'; this would cause a loss of face for intermediaries" (p. 74).

Japanese organizations are formed based on one-to-one vertical relations. This highly involved relationship entails sectionalism and "this precludes horizontal relations" (Nakane, 1970/1998, p. 53). "The equal balance of powers between peers or collaboration between two equally competing groups is almost non-existent in Japanese society, for when there are more than one faction within a group one will dominate" (p. 53). The lack of cooperation requires the leader to mediate between opposing factions. When the leader mediates, he "will appeal to the weaker faction to concede its point 'for the sake of my face'—that is, for his standing and reputation; and if the leader's face is saved, so is that of the opponent" (p. 53). The lack of cooperation in Japanese organizations horizontally also influences mergers and acquisitions. In mergers and acquisitions, "interpersonal rivalries, among the directors and executives of the enterprises involved as well as among the managers and managerial staff within an individual enterprise" become great obstacles (p. 55).

The most important factor in Japanese leadership is the personal tie between the leader and the immediate subordinate, and the "strong, functional personal ties always
derive from the informal structure" (Nakane, 1970/1998, p. 64). As informal ties are often established in the early days of one's carrier, such ties tend to supersede those established later. They also supersede formal leader-subordinate relationships. A leader in Japan must be able "to understand and attract his men" (p. 70) and demonstrate that "the leader shares hard times with them" (p. 70). The leader must "serve as a pivot for human relations and keep the peace" (p. 76). Because Japanese place importance on the emotional content in human relations, "fundamentally the concept of contract does not exist at all" (p. 77), neither for those commissioning the work and those performing it.

**Personal relations.**

Japanese have developed "the extreme delicacy of demeanor" (Nakane, 1970/1998, p. 130); however, it is meant to function among in-group members. "The Japanese have failed to develop any social manner properly applicable to strangers, to people from 'outside'" (p. 130). "Japanese on the whole are not sociable. . . partly because, once outside their immediate orbit, they are at a loss for appropriate forms of expressions" (p. 131). Because personal relations are built among those in-group members, "frequent meeting with friends and acquaintances is a generally observed norm" (p. 135) in Japan. And, as "an individual's place in his group is governed by the length of his actual contact with the group, contact itself becomes the individual's private social capital" (p. 136). The personal relationship "involves closeness and cooperation between people in mutually beneficial relationships which spring from a variety of sources . . . shared experiences create special bonds between people . . . relationships are carefully tended over long periods of time" (Hall & Hall, 1987, p. 58).
In studying different cultures, anthropologists distinguish between a “guilt” culture and a “shame” culture. By definition, "a society that inculcates absolute standards of morality and relies on men's developing a conscience is a guilt culture" (Benedict, 1946/2005, p. 222). In a shame culture, "people are chagrined about acts which we expect people to feel guilty about" (p. 222). This chagrin cannot be relieved by confession and so long as the bad behavior does not become public, chagrin may not be felt and confession is merely a way to get oneself in trouble. "Shame culture rely on external sanctions for good behavior. . . . Shame is a reaction to other people's criticism" (p. 223).

To the Japanese, shame is the root of virtue and "a man who is sensitive to it will carry out all the rules of good behavior" (p. 224).

In most cultures, extended families and social groups provide protection from outsiders. In Japan, it appears that:

One is only sure of support from one's own group as long as approval is given by other groups; if other outsiders disapprove or criticize, one's own group will turn against one and act as punishing agents, until or unless the individual can force the other group to withdraw its criticism. By this mechanism, the approval of the "outside world" takes on an importance probably unparalleled in any other society. (Benedict, 1946/2005, p. 274).

Doi (1973) questions Benedict's argument for allowing value judgments to creep into the concept, and for seeing guilt and shame as entirely unrelated to each other. Doi argues that the Japanese sense of guilt "shows itself most-sharply when the individual suspects that his action will result in betraying the group to which he belongs" (1973, p. 49).

Westerners think of the sense of guilt as "an inner problem for the individual" (p. 49), but Doi argues that:

Even with the Western sense of guilt one might, in fact, postulate a deep-lying psychology of betrayal, but the Westerners are not normally
conscious of it. What probably happened is that in the course of centuries of exposure to Christian teachings, the group—which almost certainly played an important part in his moral outlook at first—was gradually replaced by God, who in turn faded away with the advent of the modern age, leaving the individual awareness to carry on by itself. (p. 49)

"Aristotle defined shame as the fear of dishonor" (Doi, 1973, p. 53), but "stressed that shame is particularly appropriate to youth" (p. 53), and there is a subtle difference from the Japanese traditional sense of morality, as Japanese emphasize the sense of shame for all ages.

*Sumanai*, the Japanese word of apology, which literally means “not finished” is closely related to the concept of shame. It means that "the matter is 'not ended'—something is still left over—because one has not done everything one should have done. Thus it expresses a strong feeling of apology towards the other person" (Doi, 1973, p. 31).

Generally speaking, the apology *sumanai* is aimed at not losing the other's good will. There is no problem when the feeling of being in the wrong is obviously genuine, but it sometimes happens that the person who repeats *sumanai* with too much facility is rebuffed with the reply *sumanaide sumu to omou ka* (literally, "do you think that to say it is not finished' will finish it?" i.e. facile apology is not enough). (p. 56)

The word *sumanai* is also used to thank someone for the kindness provided. It is used "in the assumption that the kind deed has been a burden to the doer" (p. 31).

**Avoidance of conflict.**

Because the loser wears shame and in many cases he "loses confidence and becomes melancholy or angry or both" (Benedict, 1946/2005, p. 153), competition in Japan does not have the same socially desirable effects as in the United States. The Japanese have always tried to devise ways to avoid direct competition. "An intermediary is required in any situation where a man might feel shame if he fell short and consequently go-betweens serve on a great number of occasions" (pp. 155-156). Benedict
goes on to note that "Etiquette of all kinds is organized to obviate shame-causing situations which might call in question one's *giri* [obligation] to one's name" (p. 156).

This also applies to communication:

> When a person's goal is to assert him-or herself as a unique person (individualism), he or she must be direct so that others will know where he or she stands. If, on the other hand, a person's goal is to maintain harmony in the in-group (collectivism), she or he cannot be direct because she or he might offend someone. (Gudykunst & Nishida, 1994, p. 40)

**High context and low context communication.**

Context is "the parts of a discourse that surround a word or passage and can throw light on its meaning" (Merriam-Webster Online Dictionary, 2009). In a high-context communication, "most of the information is either in the physical context or internalized in the person, while very little is in the coded, explicit, transmitted part of the message" (Hall, 1976/1989, p. 91). In low-context communication, "the mass of the information is vested in the explicit code" (1976/1989, p. 91). Japan, along with China and Korea, is placed on the higher end of the context continuum. In high-context culture, there is a greater distinction between insiders and outsiders, people expect more of others, the interlocutor is expected to know what is bothering the speaker, and leaders are responsible for the actions of subordinates (1976/1989). In high-context cultures, people have "extensive information networks among family, friends, colleagues, and clients . . . as a result, for most normal transactions in daily life, they do not require, nor do they expect, much in-depth background information" (Hall & Hall, 1987, p. 8). With an abundance of information, "HC [high-context] people can be creative within their own system but have to move to the bottom of the context scale when dealing with anything new" (Hall, 1976/1989, p. 127). Compared to the low-context cultures, the bonds that tie
people together are stronger in high-context cultures. Consequently, "there is a tendency to allow for considerable bending of the system (Hall, 1976/1989, p. 127).

The Japanese need to know extensive information about their colleagues and clients, and information sharing within an organization is achieved by working in a large room and by rotating personnel among various sections within the organization. Because of the information they already have about their inner circle, Japanese do not need much information when making decisions (Hall & Hall, 1987). When dealing with foreigners, Japanese need every detail to be well informed and it is apt to make Japanese seem low-context (1987).

When the Japanese meet with foreigners, the most important thing on their agenda is to get to know them. They are quite expert at determining what tactics are effective with foreigners and will try various strategies to see what works. They also ask many probing questions, testing your knowledge of your facts and your sincerity and conviction. (p. 116)

However, this applies only to the outsiders and one must be aware that, because of the wealth of information stored, many important things are left unsaid (Hall & Hall, 1987). Negotiation with foreigners must also begin with a “getting to know each other” period. This is particularly important because for Japanese negotiation is not a game of win or lose, rather, it is an art of creating a win-win situation (Hall & Hall, 1987).

The role of introduction.

In the Japanese language, there is a distinction between common greetings used with insiders and outsiders, according to Gudykunst and Nishida, (1994). "Greetings in Japan are not used to create new relationships with others. Rather, they are used to reaffirm existing social relationships. When strangers (outgroup members by definition) are encountered, they generally are not greeted" (p. 45). This ignorance applies to business relationships, too. "Cold calls rarely work in strongly RF [relationship focused]
cultures like Japan" (Gesteland, 1999, p. 21) and "entree into Japanese market—in fact, everything you do in Japan—depends on the quality of your Japanese associates" (Hall & Hall, 1987, p. 104).

**Harmonious integration (wa).**

"The Japanese ethic puts high value on the harmonious integration (wa) of group members" (Nakane, 1970/1998, p.49), and "personality attributes such as independence, assertiveness and outspokenness, often positive values in the West, are de-emphasized in favor of working smoothly with others, self-restraint and reticence" (Cooper-Chen, 1997, p. 18). Wa "refers to the quality of human relationships and involves cooperation, trust, sharing, and warmth, based on a caring attitude toward others" (Hall & Hall, 1987, p. 78). It is an essential ingredient of success for organizations of any size, and "the successful leader does his best to contribute to and enhance wa" (1987, p. 78).

"When divergent viewpoints are integrated into a unity, then wa emerges" (Gudykunst & Nishida, 1994, p. 24). Organizational success depends not on competition among individual members, but on cooperation among group members (Inoue, 2003).

"The Japanese hesitate to express their ideas and feelings openly because they are afraid of the possibility of hurting others' feelings or breaking the harmony between people" (Sriramesh & Takasaki, 1999, p. 346). This leads to "an inability to explain one's actions or express oneself to others clearly. As a result, misunderstandings and friction often occur when the Japanese interact with people from other countries and cultures" (Inoue, 2003, p. 77).
Political Economic System of Japan

Japan went through its "century-long process of "catch-up" industrialization" (Yamamura & Yasuda, 1987, p. 5) until around 1970, resulting in a "broad consensus among the informed [scholars and experts] around the globe tht postwar Japan's political and economic performance to date [(mid 1980s)] has been outstanding by most standards" (p. 1). In the following section, the political economic system of Japan is examined.

Modernization.

In terms of political and economic development, "Japan has come a long way in a very short time" (Hayes, 2009, p. 3). After the Meiji restoration in the 1868, Japan was able to modernize quickly, dismantling the obsolete feudal system and creating a centralized political system. To catch up with the West, Japan emphasized education. The result was "not only a literate population but one with the skills necessary for economic and political growth" (p. 20). The increased agricultural production in the late 19th century provided surplus capital for Japan's industrialization. The government led industrialization efforts nurtured economic groups, later referred to as zaibatsu (2009).

U.S. led reform.

When Japan lost World War II, the Allied Powers led by the United States occupied Japan and implemented political and economic reforms. The policies enforced by the American occupation army laid the foundation for the political and economic system of Japan today. Americans under the leadership of General Douglas MacArthur installed a democratic political system, implemented land, labor and education reform, and established a new constitution (Hayes, 2009).
Political power.

Japan employs a parliamentary system. The upper house is called the House of Councillors, and half of its 242 members are elected for a six-year term in elections held at fixed three-year intervals. The lower house is called the House of Representatives, and its 480 members are elected for a four-year term, but the term is often shortened as the Prime Minister can dissolve the House and call for elections. When opinions of both houses differ, the House of Representatives can override the House of Councillor's decision, although the process and the number of votes needed depends on the types of decision, such as a treaty, budget, and other bills (Masuyama, 2000).

In Japan, being a parliamentary system, "the legislative and executive branches of government are fused" (Hayes, 2009, p. 55) and bureaucracy exercises strong influence in shaping public policy. The prime minister is elected by the members of the parliament, and the prime minister appoints the other ministers, a majority of which must be members of the Diet. "Power is shared among the legislature, the 'government' (i.e., the Cabinet), and the bureaucracy . . . [and] the system of "checks and balances" . . . does not exist" (Hayes, 2009, p. 48). The bureaucracy in Japan is known for its power, but "Japan is not unique in the power of its bureaucracy. A distinguishing feature of parliamentary systems is the influence typically exercised by bureaucracy in shaping public policy, compared to other institutions, such as parties or the legislature" (p. 56).

Corporations.

Japanese corporations in the postwar period operated "within a private enterprise system that can be described as capitalist" (Tabb, 1995, p. 35), but not as operated in the United States. Rather, "it is developmental-state capitalism or an organization-oriented as
opposed to a market-oriented system" (p. 35). During the postwar economic growth period (1955-1973), the economy of scale became important for large Japanese corporations. Consequently, emphasis was placed on market share with a long-term focus rather than on short-term profit (1995). Subcontracting is prevalent in Japan. When a less expensive alternative appears, rather than replacing the supplier, Japanese companies will help their suppliers reduce costs by offering technical advice or training their employees (1995).

In a capitalist system as understood in the United States, "the owners are entitled to the surplus produced by the enterprise and need to be on guard against those other interests that are always trying to grab what rightfully belongs to the owners" (Tabb, 1995, p. 47). There is a constant tension between management and stockholders because their interests diverge (1995). It is the other way around in Japan. "The lead bank becomes an active participant in the management of a client firm when the company gets in trouble. Payout to owners comes last (after other stakeholders)" (p. 47).

**Economic dualism.**

After the World War II, Japan was eager to reconstruct its economy. Priority Production Policy was implemented in 1947. The policy "guided and underwrote reconstruction of designated strategic industries (coal, electric power, iron, and steel). Subsidies to these industries amounted to 30 to 40 percent of total costs and almost a quarter of the total fiscal 1947 budget" (Tabb, 1995, p. 175).

Japan's obsession with economic growth, as seen in the Priority Production Policy, resulted in economic dualism. For decades following the World War II, "Japan was a dual economy consisting of both a modern, open and competitive sector . . . and a
backward, closed and uncompetitive sector" (Mourdoukoutas, 2005, p. 15). Prior to the collapse of the “bubble economy,” in the 1990s, Japan's economy consisted of two sectors: "The low-productivity domestic sector, where market concentration and regulation limited market entry, rivalry, and competition . . . and the high-productivity export sector, where market concentration intensified rivalry and competition" (p. 16).

The domestic sector is characterized by tight government regulations, market concentration and control by *keiretsu* groups, and in some industries, government ownership (Mourdoukoutas, 2005). *Keiretsu* is the "interlinked enterprise groups more loosely related in the postwar [(post World War II)] era" (Tabb, 1995, p. 36). The domestic sector "limited entry of new competitors to the market and favored market concentration, creating oligopolies that kept the prices of the sector well above those of the competitive sector" (Mourdoukoutas, 2005, p. 18). The export sector is also highly concentrated and is characterized by "intense rivalry and competitions in the form of cost cutting, product differentiation, and new product development" (p. 20). The export sector is supported by the "existence of thousands of medium and small enterprises that provided low-cost, intermediate products, and acted as recession buffers for the larger companies" (p. 20).

Dualism also exists in labor markets. It is often said that lifetime (or long-term) employment, seniority-based wages, enterprise unionism, and the internal labor market are the features of Japanese management (Mourdoukoutas, 2005). However, these do not apply to everyone. Part-time and temporary workers do not enjoy these benefits. They work on contract with fixed pay for short-term employment without enterprise unions and they are the ones to lose jobs and provide buffers when companies need to reduce costs.
For those who enjoy the benefits of "Japanese management," the labor adjustment in times of economic downturn come in the form of labor quality, but for part-time and temporary workers, the adjustment comes in the form of labor quantity (2005).

**Transformation.**

Following the collapse of the economic bubble in the 1990s, Japan went through the transition from the old economy to the new economy (Mourdoukoutas, 2005). The drivers behind this economic transition are:

The departure from the early policies that emphasized production over consumption, and the dismantling of the institutions that accommodated them. . . . The business and political restructuring that transformed Japanese companies from pro-stakeholder to pro-stockholder organizations, . . . [and] the prolonged stagnation of the 1990s that severed relations within keiretsu groups. (pp. 204-205)

Japan's new economy is in the process of becoming one in which individual citizens will have more autonomy over what, where, and when to buy, but must accept the risks and uncertainties that are associated with an open society (Mourdoukoutoas, 2005). The process is still ongoing. How much Japan will change and how long the process will take is still unclear.

**Activism in Japan.**

Interest groups in Japan do practice lobbying, contribute to campaigns, and conduct public information programs, but they are not the primary means of influencing politics in Japan. Interest groups seek "direct involvement in government by getting someone from the group elected to office. Many politicians hold both public elective office and leadership positions in their organization" (Hayes, 2009, p. 133). Professional associations do not have strong influence over politics as in the United States, with the exception of the Japan Medical Association. The business community has a few very
influential organizations such as Nippon Keidanren, Japan Association of Corporate Executives, and The Japan Chamber of Commerce and Industry. In addition, "many retired bureaucrats go to work for industry and are expected to maintain intimate contact with their former colleagues in government" (p. 134). Despite the dramatic decline in the number of farmers since the end of World War II, "agricultural interests have enjoyed inordinate political influence" (p. 135). "Historically, the working class in Japan has been politically weak" (p. 135) and "Today only about a fourth or workers are unionized" (p. 136). Most of the unions are enterprise unions and therefore, "these unions, at least as perceived by their members, have more in common with their own management than with other unions" (pp. 136-137).

Citizens' movements have had some success in moving the Japanese government toward tighter environmental regulation. During the post war economic development period, Japan experienced environmental disasters, including degradation of air quality, land subsidence, and serious health problems (Hayes, 2009). Government agencies, businesses, and labor unions were slow to react; however, by the late 1960s, local citizens' movements had become national in scope and local government had begun to change and started taking the issue seriously. This eventually moved the national government to change its stance toward better regulation of the environment (2009), but it was not that the way of thinking at the national government had completely shifted toward the protection of its citizen rather than the promotion of the industry.

A key reason for the citizens' movement success in forcing government response was the perception of the movement as disruptive of the normal political process. If this new form of political action had been allowed to go unchecked, traditional interests and institutionalized power would have been threatened. Thus the government responded to the issue of
environmental degradation not entirely on its merits but to protect its control over policy and decision making. (Hayes, 2009, p. 132)

Under the Nonprofit Activities Promotion Law enacted in 1998, over 37,000 organizations have acquired legal entity status (Cabinet Office, Government of Japan). These organizations provide the foundations for many grassroots activities.

**Media Environment**

Japan's media are influenced by the geographic isolation, unique language, stress on harmony, and high degree of urbanization of the country (Cooper-Chen, 1997). In the following section, the state of media control, media outreach, and media access in Japan are examined.

**Media control in Japan.**

Freedom House’s 2008 *Freedom of the Press* essay classifies the status of the media in Japan as free. Reporters Without Borders’ *Press Freedom Index 2009* classifies Japan as satisfactory, placing Japan as the 17th out of 175 countries in the index, up from the 29th in the 2008 index.

Newspaper publishers in Japan are legally authorized to restrict stock ownership to those related to their businesses (Japanese Government, 1951). The shares of five national newspapers are not listed on the stock market and they "are mainly under the control of associations that operate with the interests of reporters, editors, and staff foremost in mind. . . these organizations are close to being employee-controlled" (Kelly, Masumoto, & Gibson, 2002, p. 267). Non-government television stations are owned by major newspapers and the combined entities are highly centralized and powerful (2002).

There is a concern about the lack of diversity and independence in reporting political news, partly due to the existence of *kisha club*, or the press club system.
(Freedom House, 2008; Kelly, Masumoto, & Gibson, 2002). Press clubs are "convenient for journalists. . . All members of the press club have access to the same sources so that they do not have to worry about missing the basic news items" (Kelly, Masumoto, & Gibson, 2002, p. 267).

**Media outreach in Japan.**

Japan has the highest daily newspaper circulation per capita in the world (Freedom House 2008). The total circulation of daily newspapers in print in 2008 is over 51 million, which is 0.98 copy per household (the Japan Newspaper Publishers & Editors Association, 2009). There are five private national TV networks and one national TV station—NHK. There are over 38 million paid subscriptions to NHK and on average, Japanese spend 3 hours and 47 minutes on weekdays and 4 hours and 43 minutes on Sundays watching television. There are over 90 million Internet users and over 33 million broadband subscriptions. There are over 31 million cable television subscribers which comprise about 63% of the total household and over 5 million satellite television subscribers which comprise about 10% of the total household (Ministry of Internal Affairs and Communications, 2009).

**Media access in Japan.**

The potential sources of influence upon Japanese media are, sources who have cozy relationships with mainstream media; commercial influence; and journalistic ideologies of neutral media and media as serving as watchdogs (Kelly, Masumoto, & Gibson, 2002). Japanese media are viewed as "spectators and neutral observers" (p. 266). Campaign coverage must be neutral to conform to the law and the industry standards (2002). The large media in Japan are "heavily dependent upon the government and
business for information but also move back and forth between support of the establishment and of alternative movements" (Kelly, Masumoto, & Gibson, 2002, p. 269). Media personnel in Japan have close personal ties with member of the political and economic elites, and Japanese media are seen as favoring status quo (2002).

There are about 800 press clubs in Japan, and they are very exclusive (Inoue, 2003). Press club members have a monopoly on information originating from the organizations where they are stationed (Kelly, Masumoto, & Gibson, 2002). In Japan, "press clubs act as gate keepers between the media and organizations, limiting access by organizations and others to the media" (Sriramesh, & Verčič, 2003, pp. 16-17). Unlike U.S. press clubs, "the members of the press club decide who can join the press club in Japan" (Kelly, Masumoto, & Gibson, 2002, p. 266). Foreign media had been excluded from the club membership, but press clubs have started to become more open since the 1990s. The system provides convenient conduit for message dissemination, especially for the organizations that have a press club on their premises (Inoue, 2003).

In September 2009 the lower house general election, the Democratic Party of Japan (DPJ) took control of the government, taking over the Liberal Democratic Party of Japan who had been in power since 1955 except for a brief period in the 1990s. One of the agenda on the new DPJ government was the opening up of the official press conferences to improve transparency of the government activities. As of January 2010, the foreign minister's press conferences have been opened to non-press club members (Ministry of Foreign Affairs of Japan, 2010). How far and how soon this will spread to other ministries is not yet known.
Stakeholder versus Shareholder

There exist differing views as to whose interests management should bear in mind while running corporations. Milton Friedman (1962/1982), at one extreme, argues that "Few trends could so thoroughly undermine the very foundations of our [American] free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible (p. 133). In the Anglo-American conception of corporate governance, "it is the fiduciary duty of company directors to conduct the affairs of the company in the interests of its members" (Gamble & Kelly, 2001, p. 110). Shareholder theory's current dominant explanation of this shareholders' privilege is that "shareholders are owed this duty because they bear the residual risks of the enterprise; for this reason they remain the ultimate owners of the enterprise" (Easterbrook & Fischel, 1991, as cited in Gamble & Kelly, 2001). On the other end of the pole is stakeholder theory. Stakeholder theory is "the theory that a firm should be run in the interests of all its stakeholders rather than just the shareholders" (Vinten, 2001, p. 37). The concept of stakeholder is receiving increasing mention and has become a integral component of corporate strategy, and even more so outside the Anglo-Saxon world such as in Japan, France, and Germany (Vinten, 2001).

In a case study of a hostile takeover battle between two Japanese companies, Yamamura and Stacks (2008) showed the importance of relationship with stakeholders such as employees and local community, and how it could play against financial benefit potential in a takeover bid. The concept of *wa*—harmony—plays an important role in building and maintaining relationships with stakeholders. The case also showed that when shareholders are also stakeholder,, such as employees or key members of local
community, they might put their interest as a stakeholder ahead of financial interest as a shareholder.

**Liability of Foreignness**

Whether it is a global public relations firm or a multinational enterprise employing public relations activities overseas, they are operating in a foreign land with foreign culture. Gesteland (1999) presented two iron rules of international business and four types of cultural divide in international business. "Iron rule #1: In International Business, the Seller is Expected to Adapt to the Buyer" (p. 15)

Japanese companies have succeeded in penetrating the United States market by adapting the products to the local market. For example, cars such as Honda Accord and Toyota Camry were designed specifically for the American market. In Japan where people drive on the left side of the road, Volkswagen, Mercedes Benz, and BMW offer cars with driver's seat on the right side of the car. These companies lead the import car market in Japan (Japan Automobile Importers Association, 2009). McDonalds has succeeded by modifying its menu to suit consumers' taste. Multinational enterprises trying to enter and do businesses in Japan need to understand and adapt to Japanese systems and consumers.

"Iron rule #2: In International Business, the Visitor is Expected to Observe Local Customs" (Gesteland, 1999, p. 15). Like any individual trying to join a group, a multinational enterprise must learn and observe local customs in order to be accepted. A lack of respect for local customs may be taken as an indication of an inability to accommodate consumer needs. Poor handling of name cards, dominating conversation without listening, and seeking an immediate decision may be taken as a sign of ignorance.
resulting in failure no matter how good the business plan may be. The cultural divides are:

- Deal-Focus vs. Relationship-Focus
- Informal vs. Formal Cultures
- Rigid-Time vs. Fluid-Time Cultures
- Expressive vs. Reserved Cultures (pp. 15—17)

Gesteland (1999) classified Japan, along with China, South Korea and Singapore, as relationship-focused, formal, rigid-time, and reserved business culture.

Because Japan is a relationship-focus culture, it is important in building a business relationship in Japan to have an introduction, spend time getting to know each other and developing a personal relationship, and maintain face-to-face contact (Gesteland, 1999). As Japan is a geographically small country, it is not so difficult to meet someone in person and build a relationship. Without a good relationship, a good deal is unlikely. Japan being a formal culture, it is important to show respect to the persons one is dealing with. Their status, age, and seniority must be respected (1999). Being a rigid-time culture, it is important for Japanese to be punctual and on schedule (1999). For example, when the train runs more than five minutes late, the East Japan Railway Company posts on its web-site the proof of delay so that commuters can show their employers or teachers and tell them that they were not responsible for being late to work or school. Japanese try not to overlap when taking turns in a conversation. For people from a reserved culture, silence is not something uncomfortable. Rather, they feel uncomfortable engaging in a conversation without pause (1999). It is important to
understand and adapt to local culture and customs when doing businesses in a foreign country.

The liability of foreignness is "the costs of doing business abroad that result in a competitive disadvantage for an MNE subunit" (Zaheer, 1995, p. 341). Multinational enterprises doing business abroad face costs arising from the unfamiliarity of the environment, from cultural, political, and economic differences, and from the need for coordination across geographic distance. To successfully compete in a foreign market, a multinational enterprise must either bring in resources or capabilities specific to the company, or imitate the advantages of successful local businesses (1995). It then becomes important to be able to discern which resources or capabilities are effective in the local market and what kind of communication activities increase or decrease the liability of foreignness of a company entering Japanese market.

What We Know about Public Relations Practice in Japan

The modern concept of public relations was introduced to Japan by the post World War II allied occupation army led by General McArthur (Cooper-Chen & Tanaka, 2008, Inoue, 2003, Yamamura, 2009). Under the instructions of the allied occupation army, public relations offices were established in central government ministries and local governments. The occupation army's emphasis on public information dissemination by local government resulted in the general perception of koho—the Japanese word chosen as the translation for public relations—as one-way dissemination of information (Yamamura, 2009).

During the postwar economic growth period (1955-1973), large and powerful advertising agencies employed public relations as a sub-function of marketing support.
As a result, public relations, or the phonetic representation of PR (pii aaru) became synonymous to self promotion (Yamamura, 2009). Consequently, more than in the United States, people confuse PR with advertising (Cooper-Chen & Tanaka, 2008).

Although Japan's economy has grown since the introduction of public relations, the public relations industry in Japan is far smaller than that of the United States (Cooper-Chen & Tanaka, 2008). As of June 2009, the Public Relations Society of Japan has 539 members consisting of 228 members representing PR agencies, 227 members representing PR divisions in corporations, 11 members representing government and associations and 75 individual members (The Public Relations Society of Japan, 2009). The size of Japanese public relations market in 2007 is JPY65 billion (US$722 million at JPY90=US$1) (Omori, 2008). This is in no comparison to the United States public relations market with corporate public relations spending of about US$3.5 billion (Wilcox & Cameron, 2006).

Media relations is the most significant public relations activity in Japan (Gibson, 1998, Sriramesh & Takasaki, 1999; Watson & Sallot, 2001; Yamamura & Shimizu, 2009). Unlike the United States where media relations is very important in certain contexts, but not in others, media relations is the dominant public relations practice in Japan (Gibson, 1998). In dealing with journalists, public relations professionals in Japan practice the personal influence model (Sriramesh & Takasaki, 1999). In terms of the relationship with relevant publics, one study (Watson & Sallot, 2001) found that the model of public relations practiced in Japan was the dissemination of information to the public, while another study (Sriramesh & Takasaki, 1999) found that two-way
asymmetrical model was practiced. However in the latter, the feedback from the public was found to be obtained through journalists (1999).

Although it has many criticism, the press club system—a system in which mainstream journalists enjoy an oligopoly of information through close relationships with government agencies and industry organizations—provides convenience and comfort to the journalists (Sriramesh & Takasaki, 1999). Kelly, Masumoto, and Gibson (2002) argue that "the close relationships between sources and reporters and the greater restrictions on the distribution of information in Japan are an expression of a social priority for social order, community, and consensus" (p. 277). However, the Democratic Party that took over the government after more than half a century of almost uninterrupted Liberal Democratic Party rule, is trying to open up press conference. As of January 2010, the press conferences of the Foreign Minister are open to non-press club journalists. How far and how fast this will spread is yet to be seen.

In Japan, emphasis is not placed on professional education in public relations because most companies prefer "white handkerchiefs" (Cooper-Chen & Tanaka, 2008) who they can educate to fit into the company's own culture. "Personnel are routinely transferred between [a company’s] divisions every 2 to 4 years due to the rotation system" (Inoue, 2003, p. 75). The consequence is the lack of experienced practitioners with specialized public relations education but at the same time public relations' representation in the dominant management coalition happens naturally as people move in and out of the public relations function as they climb up the corporate ladder (Cooper-Chen & Tanaka, 2008).
Being a high context culture, silence is positively viewed and it’s violation can result in perceptions of incompetence in time of crisis (Cooper-Chen & Tanaka, 2008). Silence can also be attributed to the introduction of Confucianism in the 7th century that "created a society in which people did not make excuses when they did something wrong" (Inoue, 2003, p. 77).

Japanese corporations use "outside public relations consultants when crises occur and entrust day-to-day public relations activities to their in-house public relations departments" (Inoue, 2003, p. 75). This can be attributed to the collectivism characteristic of Japanese culture, one that leads to in-group preference (Cooper-Chen & Tanaka, 2008). Once a corporation employs an outside firm, it is less likely to change that firm regardless of its performance because of the long-term orientation of Japanese culture.

The scope of activities conducted by the public relations department in Japan is narrow. In a survey conducted by Japan Institute for Social and Economic Affairs (2006), only 38.8% of the companies surveyed said public relations department handled corporate social responsibility, 26.8% handled community relations, 12.4% handled government relations, and 16.3% handled consumer relations.

There have been several case studies of Japanese public relations practices published in English. In one of them, Wrigley, Ota, and Kikuchi (2006) conducted a case study of a food contamination crisis that occurred to the Snow Brand in Japan. They identified the lack of public announcement, exclusion of top management in the decision making process, the lack of information sharing, and unverified statement as the key components that fueled the crisis. Drumheller and Benoit (2004) conducted a case study of image restoration efforts by the United States Navy after one of its submarines collided
with a Japanese ship killing 35 Japanese on board. The analysis revealed the difference in the perception and the significance of apology for Japanese and for Americans. For Japanese, a swift and sincere apology is essential when dealing with incidents of this magnitude. Yamamura and Stacks (2008) conducted a case study of hostile takeover battle between two Japanese paper mills. They found that communication with stakeholders such as local community and employees played an important role in the takeover battle, and economic values did not necessarily guide the behavior of shareholders when they were also stakeholders of the company.

**Research Questions**

Based on this review of the literature regarding Japan, Japanese culture and business, and Japanese public relations, the following research questions are asked.

RQ1: What are the scope and types of public relations practice in Japan?

A few studies exist seeking to find out the types of public relations activities practiced in Japan. Sriramesh and Takasaki (1999) combined in-depth interviews and questionnaire asking public relations professionals in Japan about "the choice of the public relations model by an organization as well as the individual activities of each practitioner" (p. 343). Watson and Sallot (2001) conducted a survey of public relations professionals. Although their main focus was on the Japanese management style and its effect on public relations practice, they also asked the types of public relations activities practiced, the role of public relations and the style of public relations practiced. Yamamura and Shimizu (2009), using the Delphi method, sought expert opinion about important public relations activities in the near future. Every three years, the Japan Institute for Social and Economic Affairs conducts a survey of the public relations
departments of its member companies. One of the questions in the survey asks the type of public relations activity that the company headquarter public relations department conducts.

As Sriramesh and Takasaki (1999) have found out, the answers provided in the self-administered surveys do not necessarily match the findings from interviews (about half of the survey respondents disagreed that they engaged in press agentry model, but all professionals interviewed stated they were seeking publicity). The current study supplements past studies by content analyzing a corporate communication academic journal and a public relations industry magazine to find out the scope and types of public relations activities that are of interest to the magazine subscribers and to the academics.

RQ2: What is the difference between Japanese companies and foreign entrants in their public relations activities?

If "culture is communication" (Hall, 1959/1990, p. 94), two organizations from different cultures must communicate differently even in a similar situation, and such difference will result in different public relations activity. The current study seeks to answer this question by content analyzing press releases of parties in two hostile takeover cases. As two parties directly confront in hostile takeover, the difference in communication style between a foreign company and a Japanese company will be clearer. To increase the validity of such comparison, press releases of two parties in a hostile takeover between two Japanese companies is also content analyzed.

RQ3: What is the difference in media responses to the public relations activities of Japanese and foreign companies?
If public relations activities of foreign companies differ from that of domestic companies, how do media respond? The current study seeks to answer this question by content analyzing newspaper articles on hostile takeover cases, two of which occurred between a foreign company and a domestic company and one of which was between two domestic companies. It is expected that through this analysis, the nature of Japanese media will also be examined.

RQ4: How does "foreignness" affect public relations activity of multinational enterprises in Japan?

A norm in one country may or may not be a norm in another country, and it may or may not work. The liability of foreignness is a function of two different norms and ability of multinational enterprise to evaluate these norms and adopt new one as necessary. The actions by multinational enterprises that increase or decrease the liability associated with foreignness need to be identified to help multinational enterprises better function in Japan. The current study seeks to answer this question through case studies of three hostile takeovers, two of which were between a foreign company and a domestic company, and one of which was between two domestic companies.

By answering these questions, the current study helps its readers learn culture in general, Japanese culture in particular, Japanese public relations, and how foreign enterprises can improve their public relations activities in Japan.
CHAPTER THREE

Method

This study examines how the communication activities of Japanese companies and foreign companies in Japan differ, how this difference affects the outcome of a hostile takeover, and how the "foreignness" of a company affects their communication activities. It is given that culture affects public relations practice and how multinational enterprise practice public relations in a foreign country. One way of looking at how culture influences public relations practice is to conduct a study across nations, but this would be a daunting task not only to implement, but also to differentiate cultural aspects from other factors, such as those arising from the differences in economic development and developmental stages of public relations practice across countries.

This study focuses on cross-cultural encounter by looking at cases in which a U.S. based investor, SPJ, tried to profit by influencing two Japanese corporations, Bull-Dog Sauce and Aderans, through stock ownership. To make a comparison, a similar case between two Japanese corporations, DaVinci Partners and TOC is also analyzed. Before looking at these cases, an annual academic journal—Corporate Communication Studies—the only academic journal in Japan in the field of public relations, and a monthly industry magazine—PRIR—the only Japanese commercial public relations industry magazine, is content analyzed to gain understanding of the commonly practiced public relations activities in Japan. Press releases and newspaper articles published from December 12, 2006 till June 6, 2009 are content analyzed and the results of the content analysis will provide a basis for the analysis of the three cases.
Case Study

Case studies have been used intensively by both public relations practitioners and educators, though without thinking "systematically what it means to investigate, write, read, or teach a case" (Pauly & Huchison, 2001, p. 381). "A case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2009, p. 18). A frequently raised question about case studies is that they are not generalizable. However, the "case studies, like experiments, are generalizable to theoretical propositions and not to populations or universe" (p. 15).

In public relations, cases can be used as (1) a campaign summary for later reference, (2) a case method to teach students how to think strategically, and (3) a case study to analyze theoretical significance of public relations activities in historical, social, economic, political, or ethical context (Pauly & Huchison, 2001). This study takes the third approach.

Steel Partners Japan.

The U.S. activist fund Steel Partners set up its Japanese unit (SPJ) in 2002 and has since invested in numerous companies in Japan. SPJ's investment has had both success and failure, sometimes obtaining substantial financial gain from target companies' counter measures in response to SPJ shareholder proposals that eventually failed. SPJ failed when Bull-dog Sauce, a cooking sauce manufacturer, successfully defended itself against SPJ takeover bid by utilizing a newly adopted hostile takeover defense. Its success came after several rounds of proxy solicitation when SPJ successfully replaced the board directors and management of Aderans Holdings, a wig manufacturer, and took
control of the company. Based on newspaper and magazine articles, these two cases will be reviewed with a focus on communication activities and its cultural aspects.

These two cases involving SPJ were selected for several reasons. First, in a country in which companies seek stable business relationships through cross-shareholdings (Morse, 2008), activist funds represent a culture that is alien to Japanese. Second, SPJ is one of the very few activist investors that carried out business activities in Japan. T Boon Pickens invested in a Japanese company in the late 1980s, but left the market without any success. The Murakami Fund, a domestic activist fund led by a former government official, was active in the early 2000s but the fund collapsed when its management were arrested for insider trading charges. Third, SPJ has a history of investing in multiple Japanese companies. In March 2007, SPJ owned 5% or more shares of 29 listed companies in Japan (Yamamoto, 2007, April 1). As of January 2010, the fund posts on its web site press releases it has issued regarding 17 unique companies (Steel Partners). To compare SPJ's communication activities with domestic companies, a similar case involving two domestic companies was chosen. DaVinci Advisors, a Japanese real-estate investment and management company, initiated a hostile takeover bid against a domestic real-estate company, TOC. Although it was reported in the media that DaVinci was running close to securing a majority vote, DaVinci lost the proxy battle.

These three cases will be examined with focus on communication and public relations activities of the parties to see how Japanese culture affects communication activities, how foreign corporation communicate in Japan, how they are different from communication activities of Japanese corporations, and how "foreignness" of a foreign corporation affects the outcome.
Overview of the Cases to be Analyzed

Steel Partners Japan Strategic Fund (Offshore) L.P. (SPJ) was founded in 2002 as a unit of United States based investor, Steel Partners II L.P. (Hyuga, 2007, June 12). SPJ is a hedge fund known for its shareholder activism (Tudor, 2009, May 29). "Hedge fund activism can range from asking for a stock repurchase or dividend increase to making more controversial requests, such as for seats on the company's board, a change in corporate strategy, or the spin-off of a division" (Greenwood & Schor, 2008).

Bull-Dog Sauce is a condiment manufacturer with a little over 100 years history. With an annual sales over JPY16 billion (fiscal year ending March 2007), the company is cash rich with JPY1.6 billion cash reserve and JPY 200 million debt outstanding. SPJ first acquired the shares of Bull-Dog Sauce in 2002 and in January 2007 owned 10.15% of shares outstanding (Bull-Dog Sauce, 2007). On May 17, 2007, SPJ announced that it would seek to acquire all of the shares of Bull-Dog Sauce. Bull-Dog Sauce introduced an anti-takeover measure with a special resolution of shareholders that required approval of 66.7% or more shareholders. The measure allows management, upon resolution of the board of directors, to issue stock options to all shareholders and forces "abusive acquirers" to sell the allocated stock option to the company at a reasonable price. SPJ sought a court injunction for suspension of the anti-takeover measure on the grounds that it infringed on shareholders' right, but the Tokyo High Court ruled that SPJ was an abusive acquirer and the initiation of the anti takeover measure was appropriate. On August 9, 2007, Bull-Dog Sauce purchased the stock option from SPJ. SPJ takeover bid failed, but it gained substantial financial gain as the result of stock option buy-back.
Aderans holds the largest market share for wigs in Japan. The annual sales in the fiscal year ending February 2007 was over JPY 73 billion and the company held over JPY 14 billion in cash reserve with JPY 1 billion debt outstanding but the profitability was stagnating (Aderans, 2007). Steel Partners have owned shares of Aderans since 2004 and owned 26.67% of shares outstanding at the end of February 2007. In December 2006, the Aderans board of directors resolved the introduction of an anti-takeover measure and planned for a shareholder referendum at the annual shareholders' meeting scheduled for May 2007. SPJ opposed to the plan, resulting in a proxy fight between SPJ and Aderans management seeking shareholders vote in their favor. The introduction of the anti-takeover measure was approved by the shareholders. Facing a further decline in profit and share price, in February 2008, SPJ proposed to Aderans management an alternative business plan and new management line up. In the annual shareholders' meeting held in May 2008, of nine management proposed director candidates, only two were supported by the shareholders. To select director nominees to be re-submitted to a special shareholders' meeting, Aderans management consulted SPJ and included three SPJ recommended nominees as part of the nine management nominated directors and all the nominees were supported at a special shareholders' meeting held in August 2008. In April 2009 Aderans board of directors, albeit in opposition to the SPJ nominated directors, tied-up with a domestic investment fund Unison Capital. The company's plan was to sell treasury stock to Unison Capital and support a tender offer by Unison Capital, but was rejected by the shareholders in the annual shareholders' meeting held in May 2009. SPJ successfully gained control of the company as directors the fund nominated were all elected, thus becoming the majority of the board members.
TOC started as a pharmaceutical company in 1926 and was later acquired by the Otani family. Yonetaro Otani, a former Sumo wrestler built a conglomerate with businesses in numerous industries including steel, pharmaceutical, hotel and real estate. TOC has been listed on the Tokyo Stock Exchange since the 1980s, but Otani family still owned about 27% of its shares in 2007 (Anzai, 2007). In April 2007, an investment fund set up by the Otani family proposed a takeover of the company at JPY 800, a very small premium over the trading price. In response to Otani family's tender offer, DaVinci Advisors, a Japanese investment that focused on real estate and owned about 10% of TOC shares, initiated a takeover bid in May at JPY 1,100, and later raised the bid price to JPY 1,308. The Otani family did not raise the tender offer price and the bid failed with only 7% of the shares tendered. DaVinci's bid failed with only 38% of the shares were tendered, however, this was the highest percentage of shares tendered to a hostile takeover bid in Japan.

Content Analysis

Content analysis is "the systematic, objective, quantitative analysis of message characteristics" (Neuendorf, 2002, p. 1). It enables us to conduct statistical analysis by converting qualitative data into quantitative data that can be counted (Stacks, 2002).

Koho Kenkyu (corporate communication studies) is a journal published annually by Japan Society for Corporate Communication Studies. It was first published in 1997. In the thirteen issues from 1997 till 2009, there are 53 research articles, 9 research notes (research in progress), and 12 cases. These articles are content analyzed for 1) research category, and 2) research design. The research categories are taken from the Institute for Public Relations (IPR). Currently (as of October 31, 2009), there are 260 research articles
listed by IPR under "research." The research categories adopted by the IPR are listed in Table 3.1.

Table 3.1. IPR Research Categories

<table>
<thead>
<tr>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising and PR</td>
</tr>
<tr>
<td>Affordability</td>
</tr>
<tr>
<td>Crisis</td>
</tr>
<tr>
<td>Diversity</td>
</tr>
<tr>
<td>Employee</td>
</tr>
<tr>
<td>History</td>
</tr>
<tr>
<td>Interdisciplinary</td>
</tr>
<tr>
<td>International</td>
</tr>
<tr>
<td>Investor Relations</td>
</tr>
<tr>
<td>Measurement and Evaluation</td>
</tr>
<tr>
<td>Media Relations</td>
</tr>
<tr>
<td>New Technology and PR</td>
</tr>
<tr>
<td>Non-Financial Indicators</td>
</tr>
<tr>
<td>PR and Law</td>
</tr>
<tr>
<td>PR and Management</td>
</tr>
<tr>
<td>Public Affairs</td>
</tr>
<tr>
<td>Reference Shelf</td>
</tr>
<tr>
<td>Relationships</td>
</tr>
<tr>
<td>Reputation and Trust</td>
</tr>
<tr>
<td>Research Cases</td>
</tr>
<tr>
<td>Research Methods</td>
</tr>
</tbody>
</table>

Preliminary review of the materials revealed the presence of multiple articles not covered in the IPR research categories. The review of the article titles identified three additional categories, environmental reporting, marketing, and public relations education.
These categories will be added to the research categories. The articles are also content analyzed for the type of research design adopted. There are quantitative, qualitative, and mixed methods (Creswell, 2009). Conceptual paper is added as the fourth category as preliminary review of article titles indicated the presence of such papers. The categories used in the research design analysis are, quantitative, qualitative, mixed methodology, and conceptual paper. This analysis will anchor the comparison between the United States and Japan in terms of research interests in public relations.

*PRIR* (first published in May 2005), is the only commercial public relations industry magazine in Japan. *PRIR* provides "knowledge and information about public relations" (Senden kaigi). The magazine consists of articles, interviews, discussions, cases, tips, and data concerning public relations. Every issue has one-to-three special features sections. Of these features, the first feature focuses on topics that pertain to public relations in general and the second and third features pertain to specific technique or industry. Each feature is made up of several articles on a certain topic of interest. In 52 issues, there are 127 feature sections. The first feature sections of *PRIR* between May 2005 and August 2009 will be analyzed for 1) public relations activity category and 2) models of public relations. The public relations activities provide an indication of the types of public relations activities that are most commonly practiced. The public relations activity category items are taken from University of Southern California Fifth Annual Public Relations Generally Accepted Practices study (USC GAP). One of the questions the USC GAP study asked was which communication-related functions the public relations department had primary budgetary responsibility for (Swerling et al., 2009). The activity items taken from the USC GAP study are listed in Table 3.2.
Table 3.2. Public Relations Activity Items

<table>
<thead>
<tr>
<th>Activity Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising - corporate image</td>
</tr>
<tr>
<td>Advertising - issues</td>
</tr>
<tr>
<td>Advertising - product</td>
</tr>
<tr>
<td>Community relations</td>
</tr>
<tr>
<td>Corporate communications</td>
</tr>
<tr>
<td>Corporate ethics/ ombudsman</td>
</tr>
<tr>
<td>Corporate external web site</td>
</tr>
<tr>
<td>Corporate governance/ standards</td>
</tr>
<tr>
<td>Corporate image</td>
</tr>
<tr>
<td>Corporate intranet</td>
</tr>
<tr>
<td>Corporate reputation</td>
</tr>
<tr>
<td>Corporate social responsibility</td>
</tr>
<tr>
<td>Crisis management</td>
</tr>
<tr>
<td>Employee/ internal communication</td>
</tr>
<tr>
<td>Executive communications</td>
</tr>
<tr>
<td>Government relations/ lobbying</td>
</tr>
<tr>
<td>Investor relations</td>
</tr>
<tr>
<td>Issues management</td>
</tr>
<tr>
<td>Marketing PR/product PR</td>
</tr>
<tr>
<td>Monitoring and participation in the blogosphere</td>
</tr>
<tr>
<td>Monitoring and participation in other online media</td>
</tr>
<tr>
<td>Monitoring and participation in social networking</td>
</tr>
<tr>
<td>Philanthropy</td>
</tr>
<tr>
<td>Public affairs</td>
</tr>
</tbody>
</table>

Grunig and Hunt (1984) identified four models of public relations as press agentry/publicity, public information, two-way asymmetrical, and two-way symmetrical. These four models will be used as categories representing the Japan's models of public
relations supported by the public relations. This analysis will provide an indication of the range of activities and the models of public relations practiced in Japan.

To gain an understanding of public relations activities by Japanese corporations and foreign corporations, press releases and newspaper coverage of the two hostile takeover cases involving SPJ and one hostile takeover case between two Japanese corporations will provide data for a content analysis of Japanese public relations practice. There are 13 press releases by SPJ regarding its takeover bid of Bull-Dog Sauce and 18 press releases by Bull-Dog Sauce; 12 press releases by SPJ regarding its takeover bid of Aderans and 28 press releases by Aderans; and 16 press releases by the Japanese investment fund DaVinci Partners regarding its takeover bid of TOC and 10 press releases by TOC. These press releases will be content analyzed as to their length of body (number of lines), presence/absence of quote by own management/employee, presence/absence of quote by third parties, and presence/absence of persuasive message.

The newspaper coverage of the above mentioned three takeover bids will be content analyzed to gain understanding of Japanese media reporting. Of 795 newspaper and magazine articles identified, 188 articles on Nihon Keizai Shimbun and 90 articles on Yomiuri Shimbun will be analyzed. These two newspapers are chosen because Nihon Keizai Shimbun is the leading business newspaper in Japan with over three million daily subscriptions (Nihon Keizai Shimbun, 2009) and is a must-read for Japanese businessmen. Yomiuri Shimbun is the national daily newspaper with the largest subscription (over 10 million) covering over 18% of all households in Japan (Yomiuri Shimbun, 2009). These articles will be content analyzed for 1) the presence of quotes from the bidder, 2) the presence of quotes from the target company, 3) the presence of
quotes from third parties, 4) the tone of third party quotes, and 5) the tone of the entire article. The results of the content analyses will be used to build case studies of the three takeover bid between U.S. and Japanese investment funds and Japanese corporations.

Although there is no agreement as to subsample size for reliability assessment, Neuendorf (2002) suggests that "reliability subsample size should never be smaller than 50 and should rarely need to be larger than about 300" (2002, p. 159). Given the small number of features, press releases, and articles to be content analyzed, 50 subsamples of PRIR features and Koho Kenkyu articles will be coded by a second coder to check inter-coder reliability. The result will be evaluated with Scott's $pi$. All the materials to be content analyzed are in Japanese. Since the coding scheme employed involves subjective judgment such as the models of public relations and tone of coverage, the coders must be fluent in written Japanese. Therefore, the researcher will be the coder and the researcher's wife, a native Japanese with a bachelor's degree from the International Christian University in Tokyo, Japan, will be the second coder for the purpose of inter-coder reliability.
CHAPTER FOUR

Content Analysis Results

The current study seeks to understand the scope and types of public relations practices in Japan, how public relations practices of Japanese and foreign companies differ, how media respond differently to the public relations activities of Japanese and foreign companies, and how "foreignness" affect public relations activities of multinational enterprises in Japan. Verčič, Grunig, and Grunig (1996) identified five environmental variables for designing country specific public relations strategies: Political-economic system, culture, the extent of activism, the level of development, and the media system. Of these variables, culture is the most important in understanding public relations practice in Japan as it is a well-developed country adopting democracy, yet with uniquely distinctive culture that encompasses entire range of human activities and provides foundation for social systems and activities.

The author first content analyzed the sole public relations academic journal's articles and the sole public relations industry magazine's feature sections. Following the articles and features, press releases and newspaper articles regarding three cases that involved a contest for corporate control between an investor - activist fund - and the target company were content analyzed. After the content analyses, a case study approach was applied to the three cases to obtain in-depth understanding of how public relations was practiced in the field (Chapter 5). In the following section, the result of the content analyses will be reviewed and discussed.
Intercoder Reliability

For all types of materials that were content analyzed, intercoder reliability was checked with randomly chosen 50 samples. Except for two items that showed total agreement, Scott's pi reliability coefficient ranged between 0.852 and 0.916 which indicate a high level of intercoder reliability. The Scott's pi are shown in Table 4.1. The author conducted the content analysis as primary coder. To establish the intercoder reliability, the author's wife, a native Japanese who has a bachelor's degree in liberal arts from the International Christian University (Tokyo, Japan), content analyzed the samples as the second coder.

Table 4.1. Intercoder Reliability

<table>
<thead>
<tr>
<th>Source</th>
<th>Coding category</th>
<th>Scott's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Communication Studies</td>
<td>Research category</td>
<td>0.893</td>
</tr>
<tr>
<td></td>
<td>Research methodology</td>
<td>1.000</td>
</tr>
<tr>
<td>PRIR</td>
<td>Public relations activity</td>
<td>0.867</td>
</tr>
<tr>
<td></td>
<td>Public relations model</td>
<td>0.889</td>
</tr>
<tr>
<td>Press Releases</td>
<td>Presence of comments by the management/employee</td>
<td>0.898</td>
</tr>
<tr>
<td></td>
<td>Presence of comments by third party</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Presence of persuasive message</td>
<td>0.852</td>
</tr>
<tr>
<td>Newspaper Articles</td>
<td>Presence of comments by the investor</td>
<td>0.871</td>
</tr>
<tr>
<td></td>
<td>Presence of comments by the target company</td>
<td>0.913</td>
</tr>
<tr>
<td></td>
<td>Presence of comments by third party</td>
<td>1.000</td>
</tr>
<tr>
<td></td>
<td>Tone of third party comments</td>
<td>0.916</td>
</tr>
<tr>
<td></td>
<td>Tone of the article</td>
<td>0.858</td>
</tr>
</tbody>
</table>
Research Articles

The first step in the current study was to content analyze research articles in the *Corporate Communication Studies*, the only public relations academic journal in Japan published by the Japan Society for Corporate Communication Studies. Research articles categorized in the table of contents as "ronbun (research article)," "kenkyu note (research note)," and "jirei kenkyu (case studies)," in 13 issues were selected as population of interest. Other types of contents include kantogen (prefatory note), sosetsu (general overview), opinion, shohyo (book review), and gakkai dayori (society news). There were 53 research articles, 9 research notes (research in progress), and 12 cases, totaling 74 articles analyzed in the research and research methodology categories (see Table 4-2, 4-3).

The number of research articles in the *Corporate Communication Studies* in each category are shown in Table 4.2. The number of research articles listed on the research page of the Institute for Public Relations (IPR) website (as of April 18, 2010) are shown on the right to obtain implication as to where the difference may exist, although valid comparisons cannot be made due to additional categories used for this study and the non-exclusivity of categories in the IPR listing.
Table 4.2. Research Categories of Articles in the Corporate Communication Studies and the IPR Website

<table>
<thead>
<tr>
<th>Research Category</th>
<th>Corporate Communication Studies</th>
<th>Institute for Public Relations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
</tr>
<tr>
<td>Crisis</td>
<td>8</td>
<td>10.8%</td>
</tr>
<tr>
<td>History</td>
<td>8</td>
<td>10.8%</td>
</tr>
<tr>
<td>Public Affairs</td>
<td>7</td>
<td>9.5%</td>
</tr>
<tr>
<td>Environmental</td>
<td>7</td>
<td>9.5%</td>
</tr>
<tr>
<td>PR and Management</td>
<td>6</td>
<td>8.1%</td>
</tr>
<tr>
<td>International</td>
<td>5</td>
<td>6.8%</td>
</tr>
<tr>
<td>New Technology and PR</td>
<td>4</td>
<td>5.4%</td>
</tr>
<tr>
<td>Relationships</td>
<td>4</td>
<td>5.4%</td>
</tr>
<tr>
<td>Advertising and PR</td>
<td>3</td>
<td>4.1%</td>
</tr>
<tr>
<td>Marketing</td>
<td>3</td>
<td>4.1%</td>
</tr>
<tr>
<td>What is Public Relations?</td>
<td>3</td>
<td>4.1%</td>
</tr>
<tr>
<td>Employee</td>
<td>2</td>
<td>2.7%</td>
</tr>
<tr>
<td>Investor Relations</td>
<td>2</td>
<td>2.7%</td>
</tr>
<tr>
<td>Reputation and Trust</td>
<td>2</td>
<td>2.7%</td>
</tr>
<tr>
<td>Public Relations Education</td>
<td>2</td>
<td>2.7%</td>
</tr>
<tr>
<td>Diversity</td>
<td>1</td>
<td>1.4%</td>
</tr>
<tr>
<td>Non-Financial Indicators</td>
<td>1</td>
<td>2.7%</td>
</tr>
<tr>
<td>Affordability</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Interdisciplinary</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Measurement and Evaluation</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Media Relations</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>PR and Law</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Reference Shelf</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Research Methods</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>8.1%</td>
</tr>
<tr>
<td>(Research Case)</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Total</td>
<td>74</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Note. The listing of research articles on the IPR website is not mutually exclusive. Some articles are listed in more than one category. (Data obtained from http://www.instituteforpr.org/research/ on April 18, 2010)

As five categories were added and one category was deleted from the IPR listing categories for coding the Corporate Communication Studies articles, statistical testing of the difference cannot be conducted. However, the need for additional coding category
itself is an indication of the difference in the research interest. Additionally, categories with large discrepancies and the total absence in some categories should also be noted.

The chi-square test for goodness of fit, not for comparison between Corporate Communication Studies articles and the IPR listing, but to see if Corporate Communication Studies articles were distributed equally among categories, was run. Although some argue that chi-square test should not be used when expected frequency is smaller than five—in this case 74/25=2.96 (Hayes, 2005), Koehler and Larntz (1980) have shown that the use of chi-square test is appropriate when $k>=3$, $n>=10$, $n^2/k>10$ ($k$: number of categories, $n$: number of samples). The figures for the current analysis were: $k=25$, $n=74$, $n^2/k=219.04$ and they satisfy the criteria. A chi-square test showed that the number of articles in each category were not equal ($\chi^2=61.135$, df=24, N=74, $p<0.001$).

In the Corporate Communication Studies, the research categories with highest number of articles were crisis and history (both with 8 articles; 10.8%), followed by public affairs and environmental communication (both with 7 articles; 9.5%). This is in stark difference with the IPR website. The category with the highest number of articles on the IPR website is measurement and evaluation (20.0%), followed by international (9.2%), PR and management (9.2%), reputation and trust (9.2%), and research methods (9.2%). Of the categories created for this study and not included in the IPR research category, what is public relations had the highest count with three articles (4.1%). The presence of articles categorized as what is public relations? (4.1%), and high proportion of articles in the history category (10.8%), imply the quest for identity within the field of public relations. Sekiya (2006) noted that after 10 years of activities by the Japan Society for Corporate Communication Studies, definitions of the terms used as translation for
public relations, "koho," "PR," "paburikku rireishon," are unclear and often misunderstood, and domain of the public relations study is not well defined. The findings of the current study endorse this view.

Although the first article in crisis category appeared in the first issue of the *Corporate Communication Studies* published in 1997, six of the eight articles in this category appeared between 2007 through 2009. This is a reflection of the occurrence of crises after the turn of the century such as Snow Brand food contamination in 2000, Matsushita Electric oil heater carbon monoxide poisoning in 2005, Oji Paper Mill's hostile takeover attempt for Hokuetsu Paper Mills, and false representation of sweets manufacturing date by Akafuku in 2007, in which communication drew much attention.

Most of the articles in the public affairs category concern government public relations. Although the society is called in English the Japan Society for Corporate Communication Studies, it is called the *Nihon Koho Gakkai* in Japanese which literally translates to the Japan Society for Public Relations. Besides, its charter states that the society aims to conduct academic and practical studies of *koho* (public relations) and communication activities of management body (*Japan Society for Corporate Communication Studies* website), not necessarily of corporations. These articles discuss issues specific to government bodies. However, of these seven articles in public affairs category, six were published between 1997 and 2004.

*Environmental communication* is a category that was added to the current study. In Japan, environmental reporting is regarded as a tool that shows corporate social responsibility (CSR) in a tangible form and it is one of the core communication vehicles between corporations and its stakeholders (Miyata, 2004). According to the Ministry of
Environment (2009), 29.3% of private companies with more than 500 employees, and
51.6% of public companies publish environmental reports including CSR reports and
sustainability reports that contain environmental information. Environmental issues have
become an important part of public relations activities in Japan today.

*Measurement and evaluation* comprise 20% of the articles on the IPR website,
and *research methods* represent 9.2% of the articles. Articles in these two categories were
non-existent in the *Corporate Communication Studies*. The IPR website states that "the
IPR publishes a large volume of papers related to measurement and evaluation. Many of
these papers have been produced by the members of our measurement commission."
Research papers on *measurement and evaluation* may be overrepresented on the IPR
website because of the IPR's support of the Commission on Public Relations
Measurement and Evaluation. However, the total absence of paper in this category, as
well as *research method* category in the *Corporate Communication Studies*, suggests that
empirical researches are not employed as much in Japan as in the United States both in
academia and in practice.

The shortage of empirical research is also supported by the analysis of research
methodologies adopted in the articles. The result of the analysis is shown in Table 4.3.

<table>
<thead>
<tr>
<th>Research methodology</th>
<th>Articles</th>
<th>Percentage</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conceptual paper</td>
<td>35</td>
<td>47.3%</td>
<td>1</td>
</tr>
<tr>
<td>Qualitative</td>
<td>18</td>
<td>24.3%</td>
<td>2</td>
</tr>
<tr>
<td>Quantitative</td>
<td>15</td>
<td>20.3%</td>
<td>3</td>
</tr>
<tr>
<td>Mixed methods</td>
<td>3</td>
<td>4.1%</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>4.1%</td>
<td>NA</td>
</tr>
<tr>
<td>Total</td>
<td>74</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>
Almost half (47.3%) of the articles in the *Corporate Communication Studies* were conceptual papers that did not look at empirical evidence either quantitatively or qualitatively. In other categories, while 24.3% of the articles adopted qualitative methodology, and 20.3% adopted quantitative methodology, significantly fewer (4.1%) adopted mixed methods, and the remaining articles (4.1%) adopted other methodologies ($\chi^2=47.081$, df=4, N=74, $p<0.001$). Further review of the articles revealed that, of 18 articles adopting quantitative or mixed methodologies, 8 articles only used descriptive statistics. Other quantitative methods used were factor analysis, correlation, t-test, analysis of variance, and structural equation modeling. Half of the articles adopting these methodologies appeared between 2006 and 2009, implying the emergence of quantitative research in public relations in Japan in recent years.

**Public Relations Industry Magazine Articles**

*PRIR* is the only commercially marketed public relations industry magazine in Japan. The first feature sections of *PRIR* between May 2005 and August 2009 were analyzed for 1) public relations activity category and 2) models of public relations. These feature sections consist of multiple articles ranging from two to 27 articles in one feature section (mean 11.2, median 11, standard deviation 5.0). The result of the analysis for public relations activity category is shown in Table 4.4.

Although the expected frequency was smaller than five, following the criteria provided by Koehler and Larntz (1980), the utility of chi-square test for this distribution was confirmed ($k=25$, $n=52$, $n^2/k=108.16$). A chi-square test showed that the number of feature sections in each category are not equal ($\chi^2=84.538$, df=24, N=52, $p<0.001$), indicating that at least one of the categories differ from another.
Table 4.4. Public Relations Activity Categories

<table>
<thead>
<tr>
<th>Activity category</th>
<th>Article</th>
<th>Percentage</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate communications</td>
<td>11</td>
<td>21.2%</td>
<td>1</td>
</tr>
<tr>
<td>Marketing PR/product PR</td>
<td>7</td>
<td>13.5%</td>
<td>2</td>
</tr>
<tr>
<td>Crisis management</td>
<td>5</td>
<td>9.6%</td>
<td>3</td>
</tr>
<tr>
<td>Media relations</td>
<td>4</td>
<td>7.7%</td>
<td>4</td>
</tr>
<tr>
<td>Public affairs</td>
<td>4</td>
<td>7.7%</td>
<td>4</td>
</tr>
<tr>
<td>Employee/ internal communication</td>
<td>3</td>
<td>5.8%</td>
<td>6</td>
</tr>
<tr>
<td>Executive communications</td>
<td>3</td>
<td>5.8%</td>
<td>6</td>
</tr>
<tr>
<td>Investor relations</td>
<td>3</td>
<td>5.8%</td>
<td>6</td>
</tr>
<tr>
<td>Corporate reputation</td>
<td>2</td>
<td>3.8%</td>
<td>9</td>
</tr>
<tr>
<td>Corporate social responsibility</td>
<td>2</td>
<td>3.8%</td>
<td>9</td>
</tr>
<tr>
<td>Monitoring and participation in online media</td>
<td>2</td>
<td>3.8%</td>
<td>9</td>
</tr>
<tr>
<td>Corporate image</td>
<td>1</td>
<td>1.9%</td>
<td>12</td>
</tr>
<tr>
<td>Practical skill</td>
<td>1</td>
<td>1.9%</td>
<td>12</td>
</tr>
<tr>
<td>Advertising - corporate image</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Advertising - issues</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Advertising - product</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Community relations</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Corporate governance/ standards</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Corporate ethics/ ombudsman</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Corporate external web site</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Corporate intranet</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Government relations/ lobbying</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Issues management</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Philanthropy</td>
<td>0</td>
<td>0.0%</td>
<td>NA</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>7.7%</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

The public relations activities category most often highlighted in the first feature sections of PRIR was corporate communication (21.2%), followed by marketing PR/product PR (13.5%), crisis management (9.6%), media relations (7.7%), and public affairs (7.7%). As corporations went through reorganization and adopted systems such as company-based organizational systems and holding company systems, and began releasing consolidated financial statements, many consolidated their media relations-oriented public relations function and internal communication function, to control integrated communication (Kenmochi, 2002). Features on corporate communication
appeared in one to three issues in each of the year that were analyzed for this study and it shows the constancy of interest in this category.

The importance of *marketing PR/Product PR* in Japan can be seen in the results of Japan Institute for Social and Economic Affairs survey on corporate public relations activities. In its 2005 survey, promotion of brand strategies was handled by the public relations department in 45.7% of the companies (Japan Institute for Social and Economic Affairs, 2006). Public relations practitioners in Japan regard marketing the company's products as one of the two primary objectives of their public relations (Sriramesh, Kim, & Takasaki, 1999).

*Crisis management* is ranked high because crisis happens unexpectedly but often entails a huge impact. In companies in which "there are few experienced practitioners with specialized public relations education in the organization . . . [and] personnel are routinely transferred between divisions every 2 to 4 years due to rotation system" (Inoue, 2003, p. 75), crisis management is of grave concern. Consequently, Japanese corporations consult with outside public relations consultants when a crisis hits (Inoue, 2003).

*Media relations* is a public relations basic skill and practitioners with public relations education are expected to have basic knowledge and skills as they enter the field. However, in a country where the "communication program is weak in public relations . . . [and] companies prefer *white handkerchiefs* . . . whom they can mold into their kind of employees" (Cooper-Chen & Tanaka, 2008, p. 101), most Japanese public relations practitioners are not professionally trained. *PRIR* offers tips on media relations to inexperienced practitioners.
Public affairs can be government public relations or corporate public relations activity focusing on public policy matters. Going back to the four articles in this category, three were on government public relations and one was about corporate public relations regarding helping victims/regions hit by a natural disaster.

The fact that no feature sections were in the government relations nor issues management categories reflects the fact that in most corporations government relations are handled by departments such as management planning and general affairs. The 2005 survey revealed that in only 12.4% of the companies surveyed, government relations was handled by the public relations department (Japan Institute for Social and Economic Affairs, 2006). The absence of feature sections in the advertising categories showed the presence of clear distinction between the advertising and public relations functions in Japan today. Also notable was the fact that no feature section existed in corporate ethics/ombudsman and philanthropy categories.

The results of the analysis for Grunig and Hunt's (1984) models of public relations advocated in the articles are shown in Table 4.5.

Table 4.5. Models of Public Relations Advocated

<table>
<thead>
<tr>
<th>Model</th>
<th>Feature</th>
<th>Percentage</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Publicity/press agentry</td>
<td>18</td>
<td>34.6%</td>
<td>1</td>
</tr>
<tr>
<td>Two-way asymmetrical</td>
<td>17</td>
<td>32.7%</td>
<td>2</td>
</tr>
<tr>
<td>Two-way symmetrical</td>
<td>10</td>
<td>19.2%</td>
<td>3</td>
</tr>
<tr>
<td>Public information</td>
<td>7</td>
<td>13.5%</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>52</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

As to the models of public relations, the number of feature sections of PRIR in each category were not significantly different ($\chi^2=6.615$, df=3, N=52, p=0.085). The feature sections almost equally advocated publicity/press agentry model (34.6%) and two-way asymmetrical model (32.7%). This is in line with the findings of Sriramesh and
Takasaki (1999) that "seeking publicity through media relations was the main public relations activity" (p. 347) for practitioners in Japan, and "Japanese organizations tend to use information gathered by kou-chou [public-hearing] to make publics have favourable [sic] attitudes towards the company rather than to change the attitude of the management" (p. 348).

**Press Releases**

Press releases issued by the parties involved in the three cases: Bull-Dog versus Steel Partners; Aderans versus Steel Partners, and; TOC versus DaVinci Advisors, in which investment funds (Steel Partners and DaVinci Advisors) tried to influence target companies (Bull-Dog, Aderans, and TOC) through stock ownership and proxy solicitation were analyzed for their length, presence of comments by the issuing company's own management or employee, presence of comments by third parties, and the presence of persuasive messages. The results are shown in Tables 4.6. through 4.8.

**Table 4.6. Press Releases (Bull-Dog Sauce vs. Steel Partners)**

<table>
<thead>
<tr>
<th></th>
<th>Bull-Dog Sauce</th>
<th>Steel Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of releases</td>
<td>35</td>
<td>13</td>
</tr>
<tr>
<td>Body length</td>
<td>$\bar{x}$ = 38.9</td>
<td>$\bar{x}$ = 31.2</td>
</tr>
<tr>
<td></td>
<td>$\sigma = 46.6$</td>
<td>$\sigma = 17.9$</td>
</tr>
<tr>
<td>With management/employee comment</td>
<td>0 (0.0%)</td>
<td>9 (69.2%)</td>
</tr>
<tr>
<td>With third party comment</td>
<td>0 (0.0%)</td>
<td>2 (15.4%)</td>
</tr>
<tr>
<td>With persuasive message</td>
<td>5 (14.3%)</td>
<td>6 (46.2%)</td>
</tr>
</tbody>
</table>

**Table 4.7. Press Releases (Aderans vs. Steel Partners)**

<table>
<thead>
<tr>
<th></th>
<th>Aderans</th>
<th>Steel Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of releases</td>
<td>29</td>
<td>12</td>
</tr>
<tr>
<td>Body length</td>
<td>$\bar{x}$ = 58.0</td>
<td>$\bar{x}$ = 47.6</td>
</tr>
<tr>
<td></td>
<td>$\sigma = 94.9$</td>
<td>$\sigma = 30.6$</td>
</tr>
<tr>
<td>With management/employee comment</td>
<td>0 (0.0%)</td>
<td>10 (83.3%)</td>
</tr>
<tr>
<td>With third party comment</td>
<td>0 (0.0%)</td>
<td>2 (16.7%)</td>
</tr>
<tr>
<td>With persuasive message</td>
<td>4 (13.8%)</td>
<td>5 (41.7%)</td>
</tr>
</tbody>
</table>
Table 4.8. Press Releases (TOC vs. DaVinci Advisors)

<table>
<thead>
<tr>
<th></th>
<th>TOC</th>
<th>DaVinci Advisors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of releases</td>
<td>12</td>
<td>16</td>
</tr>
<tr>
<td>Body length</td>
<td>( \bar{x} ) = 21.2</td>
<td>( \bar{x} ) = 70.3</td>
</tr>
<tr>
<td></td>
<td>( \sigma ) = 38.0</td>
<td>( \sigma ) = 98.7</td>
</tr>
<tr>
<td>With management/employee comment</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>With third party comment</td>
<td>0 (0.0%)</td>
<td>0 (0.0%)</td>
</tr>
<tr>
<td>With persuasive message</td>
<td>2 (16.7%)</td>
<td>5 (31.3%)</td>
</tr>
</tbody>
</table>

Analysis of variance (ANOVA) showed that there was no significant difference in the body length of the press releases from the five parties involved (\( F=1.27, \text{df}_b=4, \text{df}_w=112, p=0.286 \)). For comments and persuasive messages, the analyses were conducted from four angles. The first analysis compared target companies (Bull-Dog, Aderanse, TOC) and funds (Steel Partners, DaVinci Advisors). The second analysis compared Japanese companies (Bull-Dog, Aderans, TOC, DaVinci Advisors) and American company (Steel Partners). The third analysis compared the Japanese (DaVinci Advisors) and U.S. (Steel Partners) funds. The fourth analysis compared the three target companies. The results are shown in Tables 4.9. through 4.12.

Table 4.9. Press Releases (Target companies vs. funds)

<table>
<thead>
<tr>
<th></th>
<th>Target companies</th>
<th>Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of releases</td>
<td>76</td>
<td>41</td>
</tr>
<tr>
<td>With management/employee comment</td>
<td>0 (0.0%)</td>
<td>19 (46.3%)</td>
</tr>
<tr>
<td>With third party comment</td>
<td>0 (0.0%)</td>
<td>4 (9.8%)</td>
</tr>
<tr>
<td>With persuasive message</td>
<td>11 (14.5%)</td>
<td>16 (39.0%)</td>
</tr>
</tbody>
</table>

There were significant differences between the target companies and the funds in the use of management/employee comment (\( \chi^2=42.048, \text{df}=1, N=117, p<0.001 \)), third party comment (\( \chi^2=7.677, \text{df}=1, N=117, p<0.01 \)), and persuasive message (\( \chi^2=9.043, \text{df}=1, N=117, p<0.01 \)). While the target companies did not include any management/employee comments nor third party comment in the press releases, the
funds used management/employee comments in 46.3% of the press releases and third party comments in 9.8% of the press releases. The target companies used persuasive messages in 14.5% of the press releases and the funds used them in 39.0% of the press releases.

Table 4.10. Press Releases (Japanese vs. U.S.)

<table>
<thead>
<tr>
<th></th>
<th>Japanese</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of releases</td>
<td>92</td>
<td>25</td>
</tr>
<tr>
<td>With management/employee comment</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>With third party comment</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>With persuasive message</td>
<td>16</td>
<td>17.4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11</td>
</tr>
</tbody>
</table>

There were significant differences between the Japanese and the American companies in the use of management/employee comment ($\chi^2=83.476$, df=1, N=117, p<0.001), third party comment ($\chi^2=15.241$, df=1, N=117, p<0.01), and persuasive message ($\chi^2=7.841$, df=1, N=117, p<0.01). While the Japanese companies did not use any management/employee comments nor third party comments, the American company used management/employee comments in 76.0% of the press releases and third party comments in 16.0% of the press releases. The Japanese companies used persuasive messages in 17.4% of the press releases while the American company used them in 44.0% of the press releases.

Table 4.11. Press Releases (DaVince Advisors vs. Steel Partners)

<table>
<thead>
<tr>
<th></th>
<th>DaVince Advisors</th>
<th>Steel Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of releases</td>
<td>16</td>
<td>25</td>
</tr>
<tr>
<td>With management/employee comment</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>With third party comment</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>With persuasive message</td>
<td>5</td>
<td>31.3%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11</td>
</tr>
</tbody>
</table>

There was a significant difference between DaVince Advisors and Steel Partners in the use of management/employee comments ($\chi^2=22.662$, df=1, N=41, p<0.001),
however, the use of third party comment ($\chi^2=2.837$, df=1, N=41, p=0.092) and persuasive messages ($\chi^2=0.667$, df=1, N=41, p=0.414) did not show significant differences. While DaVince Advisors did not use any management/employee comments nor third party comments, Steel Partners used management/employee comments in 76.0% of the press releases.

Table 4.12. Press Releases (Target Companies)

<table>
<thead>
<tr>
<th></th>
<th>Bull-Dog</th>
<th>Aderans</th>
<th>TOC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of releases</td>
<td>35</td>
<td>29</td>
<td>12</td>
</tr>
<tr>
<td>With management/employee comment</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
</tr>
<tr>
<td>With third party comment</td>
<td>0</td>
<td>0.0%</td>
<td>0</td>
</tr>
<tr>
<td>With persuasive message</td>
<td>5</td>
<td>14.3%</td>
<td>2</td>
</tr>
</tbody>
</table>

There was no significant difference among three target companies in the use of management/employee comments ($\chi^2=0$, df=2, N=76, p=1), third party comment ($\chi^2=0$, df=2, N=76, p=1), and persuasive message ($\chi^2=0.069$, df=2, N=76, p=0.971).

Newspaper Articles

Newspaper articles regarding the three cases involving Bull-Dog (target company) and Steel Partners (fund), Aderans (target company) and Steel Partners (fund), and TOC (target company) and DaVinci Advisors (fund) were analyzed for the presence of comments by the parties involved and by third parties, and for the tone of third party comments and overall article. The results are shown in Table 4.13.

Of 268 articles analyzed, 164 (61.2%) included some type of comment(s), 158 had comments concerning the case, 90 had comments by the fund, 80 had comments by the target company, and 74 had third party comments totaling 162 unique third party comments. However, there was no significant difference among three cases as to the inclusion of: any type of comments in the articles ($\chi^2=1.931$, df=2, N=268, p=0.3808),
comments concerning the case ($\chi^2=1.496$, df=2, N=268, p=0.4733), comments by the investor ($\chi^2=4.142$, df=2, N=268, p=0.1261), comments by the target company ($\chi^2=2.222$, df=2, N=268, p=0.3292), and comments by third party(s) ($\chi^2=5.409$, df=2, N=268, p=0.0669).

Of 162 third party comments, 26 (16.0%) were in favor of the fund, 33 (20.4%) were in favor of the target company, and 103 (63.6%) were neutral. There were significant differences among cases in the tone of third party comments included in the articles ($\chi^2=13.127$, df=4, N=162, p<0.05). In terms of the tone of the article, 12 (4.5%) favored the fund, 22 (8.2%) favored the target company, and 234 (87.3%) were neutral. There were also significant differences among cases in the tone of the articles ($\chi^2=18.225$, df=4, N=268, p<0.01).

Table 4.13. Newspaper Articles (Three Cases Total)

<table>
<thead>
<tr>
<th></th>
<th>Bull-Dog</th>
<th>Aderans</th>
<th>TOC</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of articles</td>
<td>158</td>
<td>70</td>
<td>40</td>
<td>268</td>
</tr>
<tr>
<td>With comments (any)</td>
<td>101</td>
<td>38</td>
<td>25</td>
<td>164</td>
</tr>
<tr>
<td></td>
<td>63.9%</td>
<td>54.3%</td>
<td>62.5%</td>
<td>61.2%</td>
</tr>
<tr>
<td>With comments on the case</td>
<td>96</td>
<td>37</td>
<td>25</td>
<td>158</td>
</tr>
<tr>
<td></td>
<td>60.8%</td>
<td>52.9%</td>
<td>62.5%</td>
<td>59.0%</td>
</tr>
<tr>
<td>With comments by the investor</td>
<td>50</td>
<td>21</td>
<td>19</td>
<td>90</td>
</tr>
<tr>
<td></td>
<td>31.6%</td>
<td>30.0%</td>
<td>47.5%</td>
<td>33.6%</td>
</tr>
<tr>
<td>With comments by the company</td>
<td>46</td>
<td>25</td>
<td>9</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>29.1%</td>
<td>35.7%</td>
<td>22.5%</td>
<td>29.9%</td>
</tr>
<tr>
<td>With comments by third party(s)</td>
<td>52</td>
<td>14</td>
<td>8</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>32.9%</td>
<td>20.0%</td>
<td>20.0%</td>
<td>27.6%</td>
</tr>
<tr>
<td>Third party comments (total)</td>
<td>115</td>
<td>33</td>
<td>14</td>
<td>162</td>
</tr>
<tr>
<td>In favor of the fund</td>
<td>12</td>
<td>12</td>
<td>2</td>
<td>26</td>
</tr>
<tr>
<td></td>
<td>10.4%</td>
<td>36.4%</td>
<td>14.3%</td>
<td>16.0%</td>
</tr>
<tr>
<td>In favor of the company</td>
<td>26</td>
<td>4</td>
<td>3</td>
<td>33</td>
</tr>
<tr>
<td></td>
<td>22.6%</td>
<td>12.1%</td>
<td>21.4%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Neutral</td>
<td>77</td>
<td>17</td>
<td>9</td>
<td>103</td>
</tr>
<tr>
<td></td>
<td>67.0%</td>
<td>51.5%</td>
<td>64.3%</td>
<td>63.6%</td>
</tr>
<tr>
<td>Tone of articles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In favor of the fund</td>
<td>3</td>
<td>8</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>1.9%</td>
<td>11.4%</td>
<td>2.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>In favor of the company</td>
<td>19</td>
<td>3</td>
<td>0</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>12.0%</td>
<td>4.3%</td>
<td>0.0%</td>
<td>8.2%</td>
</tr>
<tr>
<td>Neutral</td>
<td>136</td>
<td>59</td>
<td>39</td>
<td>234</td>
</tr>
<tr>
<td></td>
<td>86.1%</td>
<td>84.3%</td>
<td>97.5%</td>
<td>87.3%</td>
</tr>
</tbody>
</table>

In the Bull-Dog versus Steel case, 12 (10.4%) third party comments favored the fund while 26 (22.6%) third party comments favored the target company ($\chi^2=61.061$, df=2, N=268, p=0.0028).
In terms of the tone of articles, 3 (1.9%) favored the fund while 19 (12.0%) favored the target company \( (\chi^2=200.215, \text{df}=2, \text{N}=158, p<0.001) \). In the Aderans vs. Steel case, 12 (36.4%) third party comments favored the fund while 4 (12.1%) third party comments favored the target company \( (\chi^2=7.818, \text{df}=2, \text{N}=33, p<0.05) \). In terms of the tone of articles, 8 (11.4%) favored the fund while three (4.3%) favored the target company \( (\chi^2=85.481, \text{df}=2, \text{N}=70, p<0.001) \). In the TOC vs. DaVinci case, 2 (14.3%) third party comments favored the fund while 3 (21.4%) third party comments favored the target company \( (\chi^2=6.143, \text{df}=2, \text{N}=14, p<0.05) \). In terms of the tone of articles, 1 (2.5%) favored the fund while 0 (0.0%) favored the target company \( (\chi^2=106.899, \text{df}=2, \text{N}=40, p<0.001) \). The difference in the tone of articles between 2007 Steel Partners related cases (Bull-Dog Sauce case and 2007 portion of Aderans case) and 2008-9 Steel Partners related case (2008-2009 portion of Aderans case) was significant \( (\chi^2=20.166, \text{df}=2, \text{N}=228, p<0.01) \). The results are shown in Table 4.14.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008-9</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total number of articles</strong></td>
<td>177</td>
<td>51</td>
</tr>
<tr>
<td><strong>Tone of articles</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In favor of the fund</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>In favor of the company</td>
<td>21</td>
<td>1</td>
</tr>
<tr>
<td>Neutral</td>
<td>153</td>
<td>42</td>
</tr>
</tbody>
</table>

The lack of comments in 38.8% in the articles, and the fact that a large portion (87.3%) of articles were neutral, are indicative of certain characteristics of Japanese media. Although Japanese newspapers have editorial sections, most of the articles in Japanese newspapers merely describe facts without conducting deep analyses, similar to
wire service agencies rather than newspapers in the United States (Uesugi, 2008). This, along with the fact that "prestige newspapers generally do not trust news releases," (Cooper-Chen, 1997, p. 163) make Japanese press releases more fact oriented without comments.

In terms of favorability of third party comments and tone of the article, Bull-Dog and Aderans showed an interesting contrast. Although they were both Japanese companies targeted by Steel Partners, Bull-Dog received strikingly more favorable treatment in the articles than did Aderans. This will be further discussed after we look at these three cases in detail.

**Summary**

The content analysis of the only academic journal articles has revealed that crisis and history of public relations are the most researched categories in Japan followed by public affairs and environmental communication, even though conceptual papers that do not base their arguments on empirical findings comprise almost half of the research articles studied. In the only public relations industry magazine, corporate communication is featured most often, followed by marketing PR/product PR, crisis management, media relations and public affairs.

Certain characteristics of public relations activities in Japan were glimpsed through content analysis of the only academic journal articles in Japan, feature sections of the only public relations industry magazine in Japan, and press releases and newspaper articles concerning notable cases competing for corporate control. By combining this broad overview with in-depth understanding provided by case studies, the characteristics of Japanese public relations can be better understood. Furthermore, the cases chosen
allow a researcher to make a comparison of the public relations activities between foreign company and Japanese companies as well as among Japanese companies. These cases will reveal how public relations activities of a foreign company differs from that of domestic companies, how media respond differently to foreign and domestic companies, and how foreignness affects public relations activities of foreign company. In the following chapter, the three cases of corporate control battle, Bull-Dog Sauce versus Steel Partners, Aderans versus Steel Partners, and TOC versus DaVinci Partners, will be reviewed in detail.
CHAPTER FIVE

Case Studies

The current study seeks to understand the scope and types of public relations practices in Japan, how public relations practices of Japanese and foreign companies differ, how media respond differently to the public relations activities of Japanese and foreign companies, and how "foreignness" affects public relations activities of multinational enterprises in Japan.

The author first content analyzed a public relations academic journal's articles and feature sections of a public relations industry magazine. Following the articles and features, press releases and newspaper articles regarding three cases that involved a contest for corporate control between investment funds and target companies were content analyzed. These results were shown in the chapter 4. The case study approach was applied to three cases involving the contest for corporate control, two cases between U.S. and Japanese companies and one between two Japanese companies, to obtain an in-depth understanding of how public relations is practiced in the field. In the following section, the cases will be reviewed and discussed.

Mergers and Acquisitions

Mergers and acquisitions, often referred to as M&A, is a vital part of today's business activities. The definitions of M&A vocabulary in the narrowest sense differ from one jurisdiction to another, and may have different implications depending on the branches of law being applied even within the same jurisdiction (Colcera, 2010). Although many definitions have been introduced by various scholars and practitioners, one of the definitions is that merger is "a combination of two or more companies in which the assets and liabilities of the selling firm(s) are absorbed by the buying firm"
(Sherman & Hart, 2006, p. 11) while acquisition is "the purchase of an asset such as a plant, a division, or even an entire company" (p. 11).

Takeover is a term often used in discussions of mergers and acquisitions. It is "the acquisition of controlling interest in a firm. Although the term is often used to refer to acquisition by a party hostile to the target's management, many takeovers are friendly" (Scott, 2003, p. 371). A takeover bid, or tender offer, is "an offer made directly to stockholders to purchase or trade for their securities" (p. 371). Because of "the difficulties involved with creating a perfect and universal standard of terminology, scholars and practitioners . . . are inclined to use the catch-all term "M&A" when referring to those operations" (Colcera, 2010, p. 9).

In the U.S., the M&A data can be traced back to 1895 (Golbe and White, 1988), however, comparison cannot be made with figures in other data set as each set has its own criteria for inclusion in the data. Mergerstat Review (2008) published the aggregate number of merger and acquisition announcements from 1965 till 2007 (see Table 5-1). After a brief surge from 1968 till 1973 with annual average of 4,862, the number of mergers and acquisitions announcements remained stable for more than twenty years until 1995, averaging 2,468 announcements annually. The number surged in the late 1990s, averaging 8,060 announcements a year between 1996 and 2000, and in the new millennium the number further increased to 9,273 announcements annually.

As can be seen in the Table 5.1., the recent surge in the number of M&A announcements began around 1995. The surge in Japan began a few years later (see Table 5.2.). The annual average number of M&As (excluding intra-group deals) in Japan
between 1985 and 1999 was 594 but the number for the next 10 years surged to 2,153 (Marr, 2010).

Table 5.1. Net Merger and Acquisition Announcements in the U.S.A. 1965 - 2007

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
<th>Year</th>
<th>Number</th>
<th>Year</th>
<th>Number</th>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>5,152</td>
<td>1980</td>
<td>1,889</td>
<td>1990</td>
<td>2,074</td>
<td>2000</td>
<td>9,566</td>
</tr>
<tr>
<td>1972</td>
<td>4,801</td>
<td>1982</td>
<td>2,346</td>
<td>1992</td>
<td>2,574</td>
<td>2002</td>
<td>7,303</td>
</tr>
<tr>
<td>1969</td>
<td>6,107</td>
<td>1979</td>
<td>2,128</td>
<td>1989</td>
<td>2,366</td>
<td>1999</td>
<td>9,278</td>
</tr>
</tbody>
</table>


One of the characteristics of M&A in Japan is the dearth of inward investment. As shown in the Table 5.2., the annual average number of inward Foreign Direct Investment (FDI) in Japan since the turn of the century (189) is more than twice what it was in the previous decade (68). During the decade, 2007 marks the pinnacle of inward M&A activity in Japan. Although comparable data on the number of inward and outward M&A is not readily available, the United Nations Conference on Trade and Development (UNCTAD) provides data on the amount of foreign direct investment that can be compared among nations. The overview of Japan's FDI in comparison with several other countries is shown in the Table 5.3. It is clear from the table that there is far less FDI coming into Japan compared to China, United Kingdom, and the U.S. (UNCTAD, 2009).
### Table 5.2. Number of M&A Deals in Japan 1985 - 2009
(Not Including M&A Within a Corporate Group)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Outward</th>
<th>Inward</th>
<th>Total</th>
<th>Year</th>
<th>Domestic</th>
<th>Outward</th>
<th>Inward</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>161</td>
<td>78</td>
<td>21</td>
<td>260</td>
<td>1998</td>
<td>488</td>
<td>236</td>
<td>110</td>
<td>834</td>
</tr>
<tr>
<td>1986</td>
<td>223</td>
<td>181</td>
<td>14</td>
<td>418</td>
<td>1999</td>
<td>721</td>
<td>266</td>
<td>182</td>
<td>1,169</td>
</tr>
<tr>
<td>1987</td>
<td>206</td>
<td>158</td>
<td>18</td>
<td>382</td>
<td>2000</td>
<td>1,066</td>
<td>368</td>
<td>201</td>
<td>1,635</td>
</tr>
<tr>
<td>1988</td>
<td>218</td>
<td>291</td>
<td>14</td>
<td>523</td>
<td>2001</td>
<td>1,190</td>
<td>289</td>
<td>174</td>
<td>1,653</td>
</tr>
<tr>
<td>1989</td>
<td>245</td>
<td>388</td>
<td>12</td>
<td>645</td>
<td>2002</td>
<td>1,352</td>
<td>264</td>
<td>136</td>
<td>1,752</td>
</tr>
<tr>
<td>1990</td>
<td>268</td>
<td>463</td>
<td>23</td>
<td>754</td>
<td>2003</td>
<td>1,352</td>
<td>213</td>
<td>163</td>
<td>1,728</td>
</tr>
<tr>
<td>1991</td>
<td>309</td>
<td>301</td>
<td>28</td>
<td>638</td>
<td>2004</td>
<td>1,680</td>
<td>320</td>
<td>211</td>
<td>2,211</td>
</tr>
<tr>
<td>1992</td>
<td>253</td>
<td>186</td>
<td>44</td>
<td>483</td>
<td>2005</td>
<td>2,129</td>
<td>411</td>
<td>185</td>
<td>2,725</td>
</tr>
<tr>
<td>1993</td>
<td>234</td>
<td>120</td>
<td>43</td>
<td>397</td>
<td>2006</td>
<td>2,174</td>
<td>421</td>
<td>180</td>
<td>2,775</td>
</tr>
<tr>
<td>1994</td>
<td>249</td>
<td>196</td>
<td>60</td>
<td>505</td>
<td>2007</td>
<td>2,020</td>
<td>367</td>
<td>309</td>
<td>2,696</td>
</tr>
<tr>
<td>1995</td>
<td>255</td>
<td>222</td>
<td>54</td>
<td>531</td>
<td>2008</td>
<td>1,824</td>
<td>377</td>
<td>198</td>
<td>2,399</td>
</tr>
<tr>
<td>1996</td>
<td>320</td>
<td>239</td>
<td>62</td>
<td>621</td>
<td>2009</td>
<td>1,520</td>
<td>299</td>
<td>138</td>
<td>1,957</td>
</tr>
<tr>
<td>1997</td>
<td>453</td>
<td>224</td>
<td>76</td>
<td>753</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: MARR (2010)

### Table 5.3. Foreign Direct Investment (Millions of Dollars)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>Inward</td>
<td>3,149</td>
<td>10,811</td>
</tr>
<tr>
<td></td>
<td>Outward</td>
<td>25,409</td>
<td>74,404</td>
</tr>
<tr>
<td>China</td>
<td>Inward</td>
<td>30,104</td>
<td>84,239</td>
</tr>
<tr>
<td></td>
<td>Outward</td>
<td>2,195</td>
<td>27,010</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Inward</td>
<td>40,321</td>
<td>153,129</td>
</tr>
<tr>
<td></td>
<td>Outward</td>
<td>73,378</td>
<td>138,499</td>
</tr>
<tr>
<td>United States</td>
<td>Inward</td>
<td>109,513</td>
<td>232,299</td>
</tr>
<tr>
<td></td>
<td>Outward</td>
<td>92,010</td>
<td>232,437</td>
</tr>
</tbody>
</table>

Source: UNCTAD
The three cases to be reviewed here are about contests for corporate control, involving tender offer and proxy contest. Of these three cases, two involve Steel Partners, an U.S. investment fund. According to Japan External Trade Organization (2005), the United States accounted for 65% of FDI inflow in Japan in the fiscal year 2004.

**Steel Partners**

In 1990, three years after his graduation from the University of Pennsylvania, Warren Lichtenstein founded Steel Partners LC ("Suchiiru paatonaazu no," 2005). Headquartered in New York, Steel Partners was known as an activist fund (Kikuchi, 2008), although the fund calls itself "relationship/active value investors" (see Appendix A-1). "The primary emphasis of activist shareholders has been to focus on the poorly performing firms in their portfolio and to pressure the management of such firms for improved performance, thus enhancing shareholder value" (Gillan and Starks, 2000, p. 276). Greenwood and Schor (2009) found that, activist demands fall into approximately nine well-defined categories: (1) intention to "engage" with management because the stock is undervalued, (2) capital structure issues, (3) corporate governance issues, (4) business strategy issues, (5) "strategic alternatives", (6) explicitly calling for the sale of all or part of the target, (7) blocking a proposed merger or acquisition because of unfavorable pricing, (8) financing for a firm in distress or other bankruptcy-related issues, and (9) the intention to engage in a proxy contest. (p. 365)

In 2002, Steel Partners set up its Japanese unit, Steel Partners Japan Strategic Fund (SPJ) ("Bei Suchiiru daihyo," 2007). In 2003, SPJ proposed takeover bids (TOB) to Soto and Yushiro Chemical. Though the TOB failed, SPJ gained financially as the two companies substantially increased their dividends. In 2006, SPJ proposed a TOB to Myojo Shokuhin (an instant noodle company) and materialized a substantial profit by selling Myojo Shokuhin's stock to Nisshin Shokuhin (the leading instant noodle company), who
acquired Myojo Shokuhin as a white knight ("Suchiiru toushi saki," 2007). A white knight is a friendly acquirer the target company chooses to be acquired by rather than the hostile acquirer. According to a letter SPJ sent to its investors, SPJ's annual return on investment between 2003 and 2005 was in the 20 to 30 % range, but 2006 return on investment was 8.4%. In the five years since SPJ started, the value of the fund increased by 126.6% ("Bei suchiiru, unyo," 2007). According to the Securities and Exchange Surveillance Commission (SESC) filings submitted by April 2005, SPJ owned or had once owned five percent or more shares of 33 Japanese listed companies ("Suchiiru paatonaazu no shoutai: Daihyo," 2005). In 2007, Steel Partners invested about JPY 500 billion (US$4.167 billion at JPY120=US$1.00, the exchange rate as of May 1, 2007) in Japan and over JPY 800 billion worldwide (US$6.667 billion) (Sakai, 2007).

**Bull-Dog Sauce versus Steel Partners**

Founded in 1902, Bull-Dog Sauce was a cooking sauce manufacturer in Tokyo. The company was incorporated in 1926 and was listed in the second section of the Tokyo Stock Exchange in 1973 (Bull-Dog Sauce website). During the fiscal year ending March 2007, the company posted revenues of JPY16.8 billion and a net profit of JPY541 million. The company was cash rich with JPY1,879 million in cash and deposit and JPY4,499 million in account receivable (as of March 2007). In addition, the company had only JPY800 million in long and short term debt and JPY1,565 million in accounts payable (as of March 2007) (Bull-Dog Sauce, 2007). SPJ first acquired the shares of Bull-Dog Sauce in 2002 and as of January 2007 the fund owned 10.15% of the shares outstanding (see Appendix A-1).
On May 11, 2007, SPJ sent a letter signed by Warren Lichtenstein to Shoko Ikeda, the President of Bull-Dog Sauce (see Appendix A-1). The letter described the history of Steel Partners, SPJ's investment philosophy and activities, and SPJ's approaches to the companies it had invested in. The emphasis was placed on Steel Partners core value that all shareholders should be treated equally. The letter concluded by stating that Lichtenstein hopes to get together with President Ikeda and get to know each other better to work together for the benefit of all stakeholders and shareholders (see Appendix A-1). SPJ sent another letter to Bull-Dog Sauce dated May 15, stating its intention to commence a tender offer for all of the outstanding shares of Bull-Dog Sauce at JPY1,584, a 20% premium over the May 14 closing price. The copies of these letters were attached to the SPJ's press release on May 16th notifying that the fund had sent such letter to Bull-Dog Sauce (see Appendix A-1).

Bull-Dog Sauce tried to adopt an anti-takeover measure and sought shareholder approval at the 2007 annual shareholders meeting. The planned anti-takeover measure would, upon recommendation by the independent committee, issue stock options to all shareholders of the company. The acquirer, if the committee finds it unfavorable to the interests of the shareholders, would be denied the right to convert the option to the shares of the company. SPJ filed a motion to the Tokyo District Court seeking a temporary injunction order to suspend adoption of the measure. The case went to the Supreme Court but SPJ's motion was declined.
Timeline of events.

(All events in 2007)

- May 11: SPJ sent a letter signed by Warren Lichtenstein to Bull-Dag Sauce President Shoko Ikeda explaining Steel Partners' history, its long-term investment philosophy, and that Lichtenstein hoped to get together with President Ikeda and get to know each other better to work together for the benefit of all stakeholders and shareholders. In the letter Lichtenstein stated that Steel Partners would occasionally seek to acquire 100% ownership of its portfolio company if it would be a great long-term opportunity.

- May 14: Bull-Dog Sauce received the SPJ's letter dated May 11.

- May 16: SPJ delivered a letter dated May 15 to Bull-Dog Sauce indicating its intention to commence a tender offer for all of Bull-Dog Sauce shares outstanding at JPY1,584.

- May 16: SPJ issued a press release announcing that it had sent a letter to Bull-Dog Sauce that stated the fund's intention to initiate a tender offer at JPY1,584, a 20% premium over May 14 closing price. The copies of SPJ letters dated May 11 and 15 were attached to the press release. (see Appendix A-1)

- May 16: Bull-Dog Sauce issued a press release acknowledging the receipt on May 16 of the SPJ letter dated May 15, stating the SPJ's intention to initiate a tender offer. In the release, the company also acknowledged the receipt of SPJ letter dated May 11, however the release stated that the date
of receipt was May 14, two days before the receipt of SPJ letter dated May 15. The release stated that May 15 letter was the first time that SPJ informed Bull-Dog Sauce of the fund's intention to initiate a tender offer and SPJ letter did not provide any specifics of the offer as well as SPJ's policy on its involvement with management. Bull-Dog Sauce indicated it was gravely concerned that SPJ's tender offer might not contribute to the maximization of Bull-Dog Sauce's corporate value and the shared interests of its shareholders. In addition, the Bull-Dog board of directors intended to carefully scrutinize the offer once these details become available and make a judgment if the offer led to the maximization of Bull-Dog Sauce's corporate value and shared interests of its shareholders.

- May 18: SPJ officially announced through the Electronic Disclosure for Investors' NETwork (EDINET), a system managed by the Financial Services Agency, the tender offer for 100% of Bull-Dog Sauce shares at JPY1,584, a 20% premium over May 14 closing price, effective May 18th through June 28th. The notice was also posted in a purchased advertising space on Nihon Keizai Shim bun, the leading economic daily newspaper. SPJ also distributed a press release announcing the tender offer. The press release stated that SPJ had a high regard for the Bull-Dog Sauce management and its products, and the fund hoped to see further prosperity and growth of the company. The release also stated that although SPJ wished to own 100% of Bull-Dog Sauce shares, the fund is an investor and
not manager and respect achievement and capability of the current management of Bull-Dog Sauce. (see Appendix A-2)

- May 18: Bull-Dog Sauce issued a press release acknowledging the SPJ's posting of the tender offer on the EDINET. The release stated that the company had yet to scrutinize the SPJ's offer and asked shareholders to hold their judgment on the SPJ's tender offer until the company's opinion would be announced.

- May 18: Bull-Dog Sauce held a press conference announcing its annual results for the fiscal year ending March 2007. In response to a question regarding SPJ's tender, a Bull-Dog Sauce senior executive director said that a white knight (a friendly counter bidder) should not be excluded from optional measures. In response to evening edition newspaper reports that Bull-Dog Sauce would consider wide range of anti-takeover measures including a white knight, the company issued a press release on the same day denying the consideration for a potential white knight.

- May 25: Bull-Dog Sauce issued a press release announcing that its board of directors withheld the disclosure of its opinions on SPJ's tender offer. The board withheld judgment because disclosures by SPJ lacked vital information necessary for evaluation such as the fund's profile, the purpose of the tender, management policy if the tender succeeded, and the rationale for the tender price.

- May 25: Bull-Dog Sauce issued a written inquiry (the Inquiry) as prescribed by the Securities and Exchange Act. The initiator of a tender
offer that received a written inquiry was required by law to respond within five business days of the reception of the inquiry. The Inquiry contained 79 questions.

- June 1: SPJ responded to the Inquiry. SPJ withheld some of the answers as confidential information. (see Appendix A-3)
- June 1: Bull-Dog Sauce asked SPJ to sign a mutual confidentiality agreement, disclose information previously withheld, and provide more detailed information for some of the questions included in the Inquiry.
- June 7: The Bull-Dog Sauce board of directors expressed its objection to SPJ's tender offer. The reasons included SPJ's lack of experience in managing a food company, lack of clarity about post-acquisition management and exit plan, and inadequate tender offer price.
- June 7: The Bull-Dog Sauce board of directors decided to propose at the annual shareholders' meeting scheduled to be held on June 24 an issuance of a stock option with discriminatory provision. The stock option would be assigned to all shareholders including SPJ, however, SPJ and its affiliates could not exercise the stock option and the company would purchase the stock option from SPJ and its affiliates at the price equivalent to the SPJ tender offer price. The proposal was subject to a special resolution that required a two-thirds vote at the shareholders meeting.
- June 7: Bull-Dog Sauce disclosed a new mid-term business plan spanning for six years until 2013.
• June 8: Bull-Dog Sauce announced the receipt of letter from all its employees collectively indicating their support for the board of directors' decision to object to the proposed tender by SPJ. The letter raised concern for SPJ's lack of a clear management plan as it might threaten trustful customer relationships and management-employee relationships.

• June 11: Bull-Dog Sauce announced the receipt of a letter from the employees of its subsidiary Ikari Sauce indicating their support for the board of directors' decision to object to the proposed tender by SPJ.

• June 12: SPJ sent a letter to Bull-Dog Sauce management questioning the viability of the new business plan and the legitimacy of the issuance of stock option. (see Appendix A-5)

• June 12: SPJ sent a letter addressed to all Bull-Dog Sauce employees asking for reconsideration of their objection to SPJ's tender offer and seeking to meet with representatives of the employees. (see Appendix A-6)

• June 13: Bull-Dog Sauce announced that the company had received letters from nine trade partners indicating their support of the company in opposing to the SPJ's tender offer. These companies were also Bull-Dog Sauce shareholders.

• June 13: SPJ filed a motion to the Tokyo District Court for a temporary injunction to suspend Bull-Dog Sauce's issuance of stock options. (see Appendix A-7)
• June 15: SPJ raised its tender offer price from JPY1,584 to JPY1,700. SPJ also extended the tender offer period to August 10. The original offer was to be closed on June 28. (see Appendix A-8)

• June 15: SPJ announced that Institutional Shareholder Services, Inc. (ISS), a proxy advisory company that researched proxy issues and made voting recommendations, recommended Bull-Dog Sauce shareholders oppose to the company's proposed stock option issuance. (see Appendix A-9)

• June 24: The issuance of stock options to Bull-Dog Sauce shareholders was supported by 83.4% of the vote at the shareholders' meeting, more than the two-thirds vote needed for a special resolution.

• June 28: The Tokyo District Court dismissed SPJ's motion to issue a temporary injunction to suspend Bull-Dog Sauce issuance of stock option. SPJ immediately appealed to the Tokyo High Court. (see Appendix A-11)

• July 10: The Tokyo High Court dismissed SPJ's appeal. SPJ filed a final appeal to the Supreme Court. (see Appendix A-12)

• July 11: The issuance of Bull-Dog Sauce stock option became effective.

• August 7: The Supreme Court dismissed SPJ's appeal. (see Appendix A-13)

• August 8: SPJ adjusted its tender offer price to one fourth of the original offer in accordance with the increase in the number of shares outstanding as the result of the issuance of stock option. (see Appendix A-13)
August 10: Bull-Dog Sauce acquired the stock option assigned to SPJ and its affiliate in return for money as prescribed in the resolution at the shareholders' meeting.

August 24: SPJ's tender offer period ended. The shares tendered were 1.89% of shares outstanding. As a result, SPJ owned 5.41% of shares outstanding. (see Appendix A-14)

**SPJ's communication.**

*Lack of communication and adequate explanation.*

Warren Lichtenstein was said to have little trust in Steel Partner's staff in Japan ("Nihon de kirawareru," 2007), and the local management of SPJ rarely appeared before the press (Yamamoto, 2007). Lichtenstein's appearance at a press conference on June 12, 2007 was said to be the first time ever in the world ("Bei suchiiru daihyo," 2007).

Although public relations firms in Japan generally do not reveal their involvement with clients and newspaper articles do not mention public relations firms involved in corporate campaigns, a Bloomberg online article (Ueno & Shiraki, 2007) revealed that PRAP Japan, a public relations firm known for the role it played in the Liberal Democratic Party's sweeping victory in the 2005 general election, was representing Steel Partners. According to SPJ's public relations firm (PRAP Japan), the fund decided to hold the press conference because despite active investments and shareholder proposals, the lack of an open explanation had created anxiety among companies the fund had invested in, and leaving the fund misunderstood was not preferred ("Nottori ya wa," 2007). The press conference was meant to have SPJ better understood by the companies and other investors so that its offer would be welcomed by management and other shareholders would sell their stocks.
to SPJ or vote alongside the fund when necessary. However, Lichtenstein did not adequately address questions and concerns of other shareholders.

In the June 12 press conference, Lichtenstein stressed that Steel Partners was a long-term investor that emphasized relationships with management and the fund conducted itself alongside local conditions, while paying respect to local culture and customs. When asked why SPJ did not intend to participate in the management of Bull-Dog Sauce and Tenryu (another SPJ target) while seeking 100% ownership, Lichtenstein only responded by saying, "we don't have time to be engaged in management" and did not provide any tangible management vision ("Suchiiru daihyo kaiken," 2007).

In an interview conducted for Nikkei Business published on May 21, 2007 (Yamakawa & Kise, 2007), when asked why he had not appeared in media, Lichtenstein said, "I didn't want to be visible as others might copy our investment style. I should have tried harder to let the target company management understand our investment strategies and philosophy. I think this led us to be misunderstood" (p. 6). However, the lesson was not adequately applied to the press conference in Tokyo.

On June 13, Lichtenstein visited and had a discussion with Bull-Dog Sauce President Shoko Ikeda. It was reported that although Ikeda asked questions such as the purpose of the takeover and post acquisition management plan, Lichtenstein did not answer any of these questions. Instead, he asked Ikeda at what price the company would agree with the takeover bid (Anzai, 2007).

On June 22, two days before Bull-Dog Sauce's annual shareholders' meeting, Lichtenstein held a telephone conference with Japanese reporters. In Japan, a geographically small country with most of the political and economic functions
concentrated in Tokyo, a telephonic press conference is a rarity. During the telephonic conference, Lichtenstein repeatedly criticized Bull-Dog Sauce's anti-takeover measure, the issuance of stock option.

*Failure to respect stakeholders.*

During the press conference on June 12, Lichtenstein said: "We need to educate the management of the Japanese companies that we invest in, as well as our fellow shareholders" (Shimizu, 2007). Whatever his intent might have been, this comment backfired (Kinji henpen, 2007), giving impression that Lichtenstein was arrogant and inconsiderate of Japanese business culture. This was in stark contradiction to his own words during the press conference that Steel Partners would pay respect to local culture and customs and act according to the local circumstances.

Lichtenstein is reported to have said during the meeting with Bull-Dog Sauce President Ikeda that he had never tried the sauce and that he didn't like it ("Kinji henpen," 2007). In a press release dated May 18 announcing the tender offer, SPJ's messages were addressed to the shareholders and employees of Bull-Dog Sauce; however, no action targeting employees seemed to have been taken until June 12, when SPJ sent a letter addressed to Bull-Dog Sauce employees seeking a constructive discussion. The letter was in response to the press release issued by Bull-Dog Sauce on June 8, announcing the receipt of a letter from its employees expressing their support of management and opposition to the SPJ tender offer. The fund did not take any action toward Bull-Dog Sauce's trade partners either. In many Japanese companies, particularly the ones with long a history, it is not uncommon for its employees, retirees, and trade partners to own shares of the company. To motivate these stakeholders to sell the company shares they
own, it is important to provide a rationale for disposal of the shares beyond economic gain. SPJ failed to take the actions necessary for this to occur.

On February 19, during a weekly press conference, Takao Kitabata, the Vice Minister of Economy, Trade, and Industry said, referring to SPJ's actions towards a beer maker Sapporo Holdings, that the SPJ's activities in Japan had been "Green-mailer-like" (Ministry of Economy, Trade, and Industry, 2010). Colcera (2010) defined a green-mailer as:

A raider that actively acquires a certain number of shares in order to be able to threaten the target with a takeover maneuver aimed not at obtaining control over the company, but at encouraging the target to repurchase its shares at a substantial premium. (p. 154)

Kitabata (Ministry of Economy, Trade, and Industry, 2010) also noted that SPJ must demonstrate that it was not a green-mailer by presenting a management vision that would enhance the corporate value of the target company. Kitabata was keeping close watch on the case because Sapporo Holdings had installed an anti-hostile takeover measure as set forth by the guidelines jointly established recently by the Ministry of Economy, Trade, and Industry, the Ministry of Justice, the Financial Services Agency, and the Tokyo Stock Exchange. On June 12, during the press conference, Lichtenstein said that the type of anti-hostile takeover measure as set forth by the guidelines were the worst kind in the world and that it would be illegal in other countries. On June 14, Kitabata refuted Lichtenstein's charge that the guideline was legitimate and in line with international standards. Kitabata also reiterated his earlier comment that he still saw Steel Partners as "green-mailer-like" and did not think the fund was ever successful in increasing the corporate value of the companies it invested in.
**Bull-Dog Sauce's communication.**

**Swift reaction.**

On May 16, the day Bull-Dog Sauce received a letter from SPJ indicating the fund's intention to initiate a tender offer, the company responded by immediately issuing a press release. On May 18, at a previously scheduled press conference concerning year-end results, Masaomi Tamiya, a senior executive director representing Bull-Dog Sauce answered questions from reporters regarding SPJ's tender offer. Trying to stress the company's willingness to take any action necessary, Tamiya did not deny any of the possibilities reporters listed as part of their questions, including the possibility of a white knight (friendly acquirer). On the same day, evening editions of major newspapers reported that Bull-Dog Sauce was considering the introduction of a white knight. Bull-Dog Sauce immediately issued a press release denying the report that the company was considering such an option.

**Facilitation.**

On June 7, Bull-Dog Sauce President Ikeda held a press conference announcing the introduction of an anti-takeover measure. On June 20, Ikeda herself responded via a telephone interview by *Yomiuri Shimbun* ("Bull-Dog to suchiru," 2007) and spoke of the legitimacy of the anti-takeover measure Bull-Dog Sauce adopted. For the annual shareholders' meeting on June 24, Bull-Dog Sauce changed the venue from its plant to a downtown Tokyo hotel to facilitate attendance by more shareholders at a convenient location.
Court decisions.

In a ruling to dismiss SPJ's motion to issue a temporary injunction to suspend Bull-Dog Sauce issuance of stock options, the Tokyo District Court noted that first, the disadvantage SPJ suffered from reduced shareholding ratio could be justified because the decision was made with a special resolution (over two-thirds) of a shareholders' meeting, and all the shareholder's equal economic benefits were secured with appropriate consideration in return for the forced purchase of the stock option; and, second, the measure taken by Bull-Dog Sauce was not grossly unfair and could be acceptable as shareholders collectively determines at the shareholders meeting that the acquisition of the controlling stake by the acquirer undermined corporate value. The Court stated that whether SPJ was a "green-mailer" or not was irrelevant to the case ("Bull-Dog bouei saku," 2007).

In response to SPJ's appeal, the Tokyo High Court ruled on July 10 that (1) a corporation should try to increase its corporate value not only for shareholders benefit but by keeping in perspective the relationships with various stakeholders including employees and business partners; (2) SPJ only sought its own benefit and it was appropriate to view SPJ as an abusive acquirer; (3) a discriminatory treatment among shareholders does not necessarily infringe the principle of equality among shareholders; and (4) there was a legitimate need for Bull-Dog Sauce to take defensive measures in reaction to a tender offer by an abusive acquirer ("Suchiiuru wa ranyou teki," 2007).
On August 7, the Supreme Court dismissed SPJ's appeal on multiple grounds:

1) Discriminatory treatment of a certain shareholder can be justified if the loss of corporate value was anticipated by the acquisition of a controlling stake by the shareholder

2) The judgment whether the corporate value might be lost should be left to the shareholders' meeting

3) The approval of the defense measure by most of the shareholders other than SPJ and its affiliates was without fault as SPJ failed to demonstrate post acquisition business policy

4) The purchase price of the stock option was reasonable as it was calculated based on the SPJ's tender offer price

5) Although SPJ's share would drop as the result of the anti-takeover measure, the measure did not lack the principle of fairness and did not infringe the principle of equality among shareholders whether or not SPJ was an abusive acquirer

6) The lack of anti-takeover provision prior to the tender offer did reduce predictability, however, it did not forbid the company from initiating a necessary measure

7) If the allocation of stock option was implemented to maintain the ability of directors and certain shareholders that control directors to control management, it should be understood as overtly unfair, however, the current case did not fit in this category ("Bull-Dog baishuu bouei," 2007)
Media reaction.

As examined earlier in the current study, Japanese media tended to withhold judgment in their reporting regarding the cases analyzed for this study. However, media revealed their opinions as these cases went through different stages. As Karel van Wolferen (1989/1990) noted, "it is socially acceptable in Japan for 'reality' to consist not so much of the results of objective observation as of an emotionally constructed picture in which things are portrayed the way they are supposed to be" (p. 8). If the entire picture is not yet clear, it is difficult to report events in depth. "Because the Japanese media believe it is their task to help defuse social conflict rather than reflect it, much remains unreported" (p. 336).

A Yomiuri Shimbun article on June 13 ("Suchiiru daihyo kaiken," 2007) the day after Lichtenstein's press conference in Tokyo, stated that Lichtenstein laid out well-sounding phrases such as "... we are a long-term investor that highly regard relationships with management," and "... we respect local culture and customs and we act according to local circumstances" (p. 11). However, the article also stated that "it was hard to say that the press conference adequately addressed the questions and concerns of investors," and "the sense of caution held by Japanese companies against SPJ only increased by the attitude displayed during the press conference "(p. 11).

A Nihon Keizai Shimbun article on August 8 ("Bull-Dog bouei saku," 2007) pointed out the problem SPJ had from a shareholders perspective was that "opacity exists as to what SPJ wants to do" (p.3). Yomiuri Shimbun, on August 12 (Kawato, 2007) pointed out that "one could not sense from SPJ a willingness to gain trust from Bull-Dog
Sauce stakeholders such as management, employees, other shareholders, and business partners through such means as explaining post acquisition business plan” (p. 7).

Aderans versus Steel Partners

Aderans Co., Ltd.

Aderans Co., Ltd. (Aderans, 2009) was the largest wig retailer in Japan. The company served both male and female customers with custom-made wigs, ready-made wigs, hair regeneration services, and maintenance services. Founded in 1968, the company was incorporated in 1969 and was listed on the second section of the Tokyo Stock Exchange in 1987. Backed by aggressive advertising, Aderans enjoyed rapid growth and a high profit margin. In the fiscal year ending February 2007, the company reported JPY73.5 billion sales and JPY6.1 billion net profit. In 1986, Aderans established a subsidiary in Thailand that manufactured wigs for the company. In 1992, the company established a subsidiary in Holland to market their products in Europe. As of February 2007, Aderans had manufacturing subsidiaries in Thailand and the Philippines, and marketing/sales subsidiaries in the U.S., France, Germany, Holland, Belgium, England, Sweden, Taiwan, Thailand, Korea, Singapore, China, and Malaysia. It's overseas sales comprised 25.7% of total sales (Aderans, 2009).

Aderans' sales peaked in 2003 at JPY77.1 billion and had since stagnated, although it was still the industry leader as of February 2007. Similar to Bull-Dog Sauce, Aderans was a cash-rich company. At the end of February 2007, of the company's total assets – JPY87 billion – JPY14 billion represented cash and deposit and JPY9 billion represented marketable securities. On the liabilities side, the company had no short-term debt and only JPY1 billion long-term debt.
Steel Partners Japan (SJP) started investing in Aderans in 2004 ("Aderans baishuu bouei," 2007). As of February 2007, according to Aderans' fiscal year 2006 Annual Report, SPJ owned 24.69% of Aderans' shares outstanding. Foreign entities altogether owned 50.86% of Aderans' shares (Aderans, 2007), far more than 28%, the average foreign ownership of companies listed on the five major Japanese stock exchanges (Tokyo Stock Exchange et al., 2007). Further, foreign shareholders were said to be more likely to oppose to management proposals or agree with shareholder proposals at shareholders' meetings as they were pure investors (Iwatani, 2003).

**Timeline of events.**

2006

- December 18: Aderans board of directors introduced an anti-takeover measure. Under the measure, a tender offer seeking to own more than 30% would be scrutinized by an independent committee and, if the committee determined the offer to be detrimental to the corporate value and/or collective interest of shareholders, the company would issue to all shareholders a stock option which the potential acquirer that initiated the tender offer could not exercise. (see Appendix C-1)

2007

- March 28: SPJ submitted a shareholder proposal for the annual shareholders' meeting seeking the abolishment of the anti-takeover measure introduced in December 2006. (see Appendix C-2)
• April 20: Aderans announced that the company would seek shareholder confirmation of the anti-takeover measure introduced in December 2006. (see Appendix C-3)

• April 20: Aderans announced a dividend increase for the fiscal year ending February 2007. The total annual dividend was increased from JPY50 per share to JPY75 per share. (see Appendix C-5)

• April 20: Aderans announced that the company would reorganize its organizational structure and rename itself as Aderans Holdings. Operational divisions would be carved out to form a solely owned subsidiary, Aderans Co., Ltd. (see Appendix C-6)

• May 2: SPJ sent letters to Aderans shareholders seeking a proxy entrusting SPJ to vote at the Aderans annual shareholder meeting against the December 2006 anti-takeover measure. (see Appendix B-2)

• May 7: SPJ issued a press release announcing the launch of a proxy campaign intended to oppose the anti-takeover measure at the Aderans annual shareholders' meeting. SPJ claimed that the anti-takeover measure would result in management inertia and act as a self-protection measure for the current Aderans management. SPJ noted that as of February 28 the fund owned 26.67% of Aderans voting rights. (see Appendix B-1)

• May 11: Aderans issued a press release detailing its board of directors' opinion about the necessity of the anti-takeover measure, explaining how the measure worked, and asking shareholders to vote for the affirmation of
the measure because the anti-takeover measure was necessary to protect
the shared interest of Aderans shareholders. (see Appendix C-7)

- May 11: SPJ sent letters to Aderans shareholders arguing that the claim
made by Aderans management — that the anti-takeover measure was
necessary for the protection of the shared interest of its shareholders —
was based on improper interpretation of the law. (see Appendix B-3)

- May 11: SPJ issued a press release announcing that Glass Lewis, a proxy
advisory company that researches proxy issues and makes voting
recommendations, recommended Aderans shareholders to disaffirm the
anti-takeover measure. (see Appendix B-4)

- May 14: Aderans issued a press release in response to SPJ's May 11 press
release, explaining the legal foundations of the anti-takeover measure in
further detail. The release also noted that Institutional Shareholder
Services, the world's largest proxy advisory company, supported the
Aderans anti-takeover measure. (see Appendix C-8)

- May 24: Aderans shareholders affirmed by 55% to 45% vote the anti-
takeover measure at the annual shareholders' meeting. (see Appendix C-9)

- October 11: Aderans announced a downward revision of its earnings
forecast for the fiscal year ending February 2008 from JPY3.6 billion to
JPY1.2 billion. (see Appendix C-11)
January 10: Aderans announced a downward revision of its earnings forecast for the fiscal year ending February 2008 from JPY1.2 billion to JPY0.6 billion. (see Appendix C-12)

February 8: Facing declining profit and share price, SPJ sent Aderans management a letter expressing the fund's disappointment over the company's performance. The fund also sent a detailed analysis of the company's marketing and financial positions, past performance in comparison with its business plan, and asset allocation and utilization. In conclusion, the report recommended appointment of SPJ a representative as director, appointment of an investment bank as a financial advisor, and consideration of an alternative strategic plan, including the possibility of merging with another company. SPJ issued a press release announcing the dispatch of the letter and the report, with copies of both the letter and the report as attachment. (see Appendix B-6, B-7)

February 28: Aderans responded to SPJ's letter arguing that the company was being advised by external consultants to analyze tasks and problems with its businesses and to build a new mid-term business plan. The letter also pointed out the appointment of a lawyer and an accountant as independent outside directors in May 2007 as a huge step toward improving the quality of business operation and the company structure to ensure regulatory compliance. (see Appendix C-14)
April 17: Aderans held a press conference announcing its financial results for the fiscal year ending February 2008. At the press conference, the company disclosed a revised three-year business plan. (see Appendix C-15)

May 29: With the exception of two new outside directors, the appointment of company nominated directors was rejected at the annual shareholders' meeting. Because the company failed to appoint three—the minimum number required by law—directors: the former directors remained on the board as interim directors, along with the two new directors. (see Appendix B-8, C-17, C-18)

June 30: Aderans announced seven board of directors nominees to be elected at the extraordinary shareholders' meeting scheduled on August 9. The nominees were chosen in consultation with SPJ and two SPJ appointed nominees, including a SPJ partner were on the list. Five former directors, including the President Okamoto were ousted and the president of an Aderans' subsidiary, Kiyoshi Hayakawa, was nominated as president. (see Appendix C-20)

August 9: Seven board directors, including two SPJ appointed nominees were elected at an extraordinary shareholders' meeting. (see Appendix C-21)

August (date not available): A special committee comprised of three independent directors was formed to review measures to enhance
corporate and shareholder value. Two of the three independent directors were SPJ nominated directors.

- October (date not available): Aderans conducted a selective primary bidding for potential capital and business alliance partner.

- December (date not available): Final bidding for the capital and business alliance with Aderans was conducted. Aderans awarded a preferential negotiating rights to the Unison Capital Group (Unison).

2009

- March 25: SPJ submitted a shareholder's proposal for the annual shareholders' meeting. SPJ proposed appointment of eight directors including three incumbent directors — the President Hayakawa and two SPJ nominated directors. In a press release regarding the proposal, SPJ noted that it was too early to make any judgment as to President Hayakawa's ability and motivation to turnaround the performance of the company. (see Appendix B-10, C-26)

- March 27: Unison submitted a business turnaround plan. (see Appendix C-28)

- April 13: Aderans full board of directors decided to evaluate Unison's plan by themselves as two of the three members special committee were SPJ nominated outside directors and they had potential conflicts of interest. Of the six directors present, Joshua Schechter, one of the SPJ nominated outside directors, opposed to the decision. Hironori Aihara, another SPJ
nominated outside director was not present at the board meeting. (see Appendix C-28)

- April 16: Aderans board of directors reviewed Unison's proposal. Of the nine directors present, six directors agreed to sign a strategic capital and business alliance agreement with Unison. Two SPJ nominated directors and one other outside director opposed to the decision. The agreement stated that, on the condition that the management-nominated directors were elected, Unison would initiate a friendly takeover bid for Aderans shares at JPY1,000 a share and Aderans would sell its treasury stock to Unison at Unison's bidding price. The planned management-nominated directors did not include any SPJ member or affiliate. (see Appendix C-28)

- May 11: SPJ sent letters to Aderans shareholders asking them to oppose to the management-proposed directors and sale of the treasury stock to Unison, both of which would be discussed and voted upon at the Aderans annual shareholders' meeting scheduled for May 28. SPJ also asked Aderans shareholders to support SPJ-nominated directors at the shareholders' meeting. (see Appendix B-11)

- May 14: Aderans issued a press release asking its shareholders to support the management-initiated turnaround plan involving Unison. The release stated that Unison would be committed for the long term through the execution of a tender offer, while SPJ had not made any commitment for long term shareholding and that there was no guarantee that SPJ would be
able to revive the company. The release also outlined the turnaround plan that the company was considering with Unison. (see Appendix C-30)

• May 14: SPJ issued a press release intended to inform Aderans shareholders of the SPJ's plan to turnaround Aderans. The release explained the proposals SPJ had provided Aderans in the past, detailed Aderans stock and business performance, outlined concerns over Aderans-Unison alliance, and introduced SPJ proposals including its director nominees. (see Appendix B-12, B-13, B-14)

• May 15: SPJ issued a press release introducing the recommendations made by two proxy advisory companies, Glass Lewis and Risk Metrics Group, to oppose Unison's proposal and support SPJ nominated directors. (see Appendix B-15)

• May 25: Unison raised its takeover-bid price to JPY1,200.

• May 28: At Aderans annual shareholders' meeting, all of eight SPJ-nominated directors were elected. The management nominated seven directors including three Unison members. Of these seven management-nominated directors, the shareholders approved only non-Unison members as directors. Since President Hayakawa was nominated by both parties, the company ended with 11 directors. Consequently, Unison withdrew its tender offer. (see Appendix C-31)
SPJ's communication.

The first round (up to the 2007 annual shareholders meeting).

The communication vehicles Steel Partners Japan (SPJ) used regarding its campaign against Aderans' anti-takeover measure were its press releases on May 7 and May 11 and the letters sent to the Aderans shareholders. The key messages in these communications were:

- the Aderans' anti-takeover measure deprived shareholders of their right to judge a tender offer
- the anti-takeover measure was unfair as it levied heavy burden on the acquirer
- the shareholders' interests were already well protected without the anti-takeover measure
- the purpose of the anti-takeover measure as stipulated were fulfilled by the 2006 amendment of the Securities and Exchange Law, and
- the implementation of anti-takeover measure with a board resolution was illegal as an issuance of stock options favoring a particular party(s) required a special resolution with a two-thirds vote

Some of SPJ's arguments concerning the Aderans anti-takeover measure were controversial as the measure followed the guidelines issued by a study group sponsored by the Ministry of Economy, Trade, and Industry, the Ministry of Justice, the Financial Services Agency, and the Tokyo Stock Exchange. All of SPJ's communications focused on shareholders' interest that, theoretically, all shareholders including SPJ should commonly adhere to. However, there was no effort to establish SPJ's credibility and
reputation. SPJ did not try to explain who SPJ was, what their management philosophies were, and what the fund intended to do (not do) if the Aderans anti-takeover measure was voted down.

On May 11, SPJ announced that Glass Lewis, a proxy advisory company, recommended Aderans shareholders oppose the anti-takeover measure proposed by the Aderans management, however, SPJ failed to acknowledge the fact that Institutional Shareholder Services (ISS), the leading proxy advisory company, recommended that Aderans shareholders support the anti-takeover measure as the company planned to elect outside directors, shorten the terms of directorship, and presented plans to enhance shareholder value ("Bei suchiiru, Aderans," 2007).

The only media appearance by SPJ prior to the Aderans shareholders' meeting was an exclusive interview of Lichtenstein by *Nikkei Business* in its May 21 issue (Sakai, 2007); however, as far as what was reported in the article, Lichtenstein did not specifically mention Aderans. The SPJ's communication concerning Aderans were primarily through the press releases and the discussions focused on shareholder values and interests and how it judged the company's proposals. Lichtenstein met and had a discussion with Aderans then Chairman Okamoto only three weeks after the annual shareholders meeting. In the meeting, Lichtenstein told him that SPJ might acquire up to 100% of Aderans shares ("Aderans kabu," 2007).

*The second round (up to the 2008 annual shareholders meeting).*

In February 2008, SPJ sent a letter to Aderans management team asking them to resign. The letter was accompanied by a presentation detailing SPJ's analysis of the company's environment and performance, comparison between the past business plans
and actual performance, and the feasibility of current business plan. In conclusion, SPJ suggested 1) the appointment of the head of SPJ as Aderans board director; 2) the use of an investment bank as the company's financial advisor; and 3) the consideration of strategic alternative business plan, including potential merger with another company that may be entrusted with management of Aderans. This was a clear departure from SPJ's 2007 communication strategy. For the 2007 annual shareholders meetings of the companies of which SPJ was a major shareholder, it either initiated a shareholder proposal or expressed its opposition to the company proposals of eight companies (Steel Partners Japan, 2010). While taking various initiatives such as shareholder proposals, anti-management campaigns, and takeover bids for annual shareholders meetings in 2007, SPJ did not disclose any business plan of its own for the companies it was attempting to acquire. SPJ only claimed that the fund wanted to see management improvement or takeover ownership, leaving the day-to-day running of the company to the current management.

For Aderans 2008 annual shareholders meeting, SPJ did not take any action after it sent a letter to Aderans management in February seeking a seat on the board and a change in corporate strategy. After the management-nominated directors, with the exception of the two outside directors, failed to gain shareholder support, SPJ engaged in discussions with Aderans to find a mutually agreeable solution.

The third round (up to the 2009 annual shareholders meeting).

In April 2009, Aderans management decided to support Unison's planned tender offer, nominate current management and Unison personnel as director candidates at the next annual shareholders meeting, and to hand over treasury stock in Unison's tender
offer subject to the election of management-nominated directors. In response, SPJ prepared a nine page long letter to Aderans shareholders detailing why shareholders should oppose Aderans' proposals, why they should support the SPJ proposals, and why the proposed Unison tender offer price was unreasonable. In a press release issued on May 15 announced that proxy advisors Glass Lewis and Risk Metrics Group (formerly ISS) recommended support of SPJ-nominated directors and opposed the management proposed treasury stock sales to Unison; unlike in 2007, SPJ laid out a detailed explanation of the arguments made by the proxy advisors.

**Aderans' communication.**

**The first round (up to the 2007 annual shareholders meeting).**

The Aderans' press release of December 18, 2006, announcing the introduction of an anti-takeover measure was thorough, detailing the measure in 27 pages including attachments. The April 20 press release announcing that the company would seek shareholders approval regarding the introduction of the anti-takeover measure was 28 pages long. On May 11, the company provided a three page press release detailing its opinion and a counterargument in response to Steel Partners Japan's proxy solicitation. On May 14, the company again detailed its counterargument in a four pages press release when SPJ argued against its anti-takeover measure. In those press releases, the company provided thorough and detailed explanations of its proposals and counterarguments.

On April 20, Aderans held a press conference in which Chairman and CEO Takayoshi Okamoto spoke about the proposed changes in the corporate structure that would enhance corporate governance. The changes announced included;
• A divestiture of core business to a subsidiary and changing the company into a holding company
• The appointment of two independent outside board directors subject to shareholders' approval
• The inclusion of the newly-appointed directors in an independent committee to determine the invocation of the anti-takeover measure; and
• The shortening of the board directorship from two years to one year.

These measures led ISS to recommend approval of Aderans' proposals at the upcoming shareholders meeting, providing a tail wind for the company ("Bei suchiiru, Aderans," 2007). The Adrans' action and communication successfully sent important messages to ISS, one of the key influencers in a battle for corporate control.

The second round (up to the 2008 annual shareholders meeting).

In response to the SPJ's letter of February 8, Aderans replied on February 28. The reply was attached to a press release dated the same day announcing that the company had responded to SPJ. The one and a half page letter stated that Aderans was employing an outside consultant to identify problems and to create a new mid-term business plan. The letter also noted that, because of the addition of outside directors and the transformation of the corporate structure implemented in the previous year, the company was making progress toward better quality management and compliance. In short, Aderans did not provide any concrete evidence or persuasive argument that the company was on track for a turnaround of its businesses. On April 17 the company disclosed its new mid-term business plan. However, the plan did not seem reliable. For instance, in comparison with 2008 actual figures, the 2009 forecast for domestic core business (wigs)
was JPY67 million less sales, JPY326 million less advertising cost, JPY415 million more
in labor costs, and JPY487 million more in projected profit (Aderans, 2009). There was
no tangible explanation as to how profits could increase with less sales and more cost.

When shareholders rejected the appointment of seven out of nine company-
nominated directors, Aderans management panicked and did not even release a comment
("Aderans gyoseki teimei," 2008). After the annual shareholders meeting, Aderans
management apparently had discussions with SPJ, as the company included two SPJ
affiliated personnel as company-nominated board directors at the extraordinary
shareholders meeting. In a press release issued on June 30 announcing the nomination of
director candidates, Aderans clearly stated that the company had consent from multiple
major shareholders including SPJ for selection of the director nominees (Aderans, 2009).

**The third round (up to the 2009 annual shareholders meeting).**

On April 16 Aderans issued a press release announcing a strategic capital and
business alliance with Unison. The release detailed the process the company went
through in searching for a potential strategic partner and how Unison was selected. The
press release also described how SPJ-nominated directors were eliminated from the
process for potential conflicts of interest. The release clearly sent a message that Aderans
was in conflict with SPJ. The release was accompanied by a slide presentation describing
its strategic alliance with Unison. Although the presentation acknowledged that the
company had failed to meet the objectives set in the business plan announced a year
earlier, the presentation again recited the company's mantras without concrete detail to
support the company's claim it was turning itself around and becoming a profitable
business.
Lessons learned.

In the first year (2007), there was hardly any positive reaction to SPJ's move. In response to SPJ's announcement of its shareholder proposal to abolish Aderans' anti-takeover measure, *Nihon Keizai Shimbun* ("Sapporo koubou," 2007) wrote that, because half of the company's shareholders were foreigners, the chance was high that management might lose if the issue went onto a proxy fight. *Nihon Keizai Shimbun* ("Aderans, shagai," 2007) also described Aderans' planned appointment of additional outside director as a move to meet the standard set by the leading proxy advisor, ISS. However, the majority of articles simply stated facts and arguments released by both sides.

In the second year (2008), SPJ kept silent after it sent a letter asking for the resignation of Aderans management. One of the lessons SPJ learned from the Bull-Dog Sauce case in the previous year was that,

In Japan, the more SPJ makes noise, the harder it becomes to obtain consent of other shareholders. Even those shareholders who are dissatisfied by the current management cannot make any move as they don't want to be seen as going along with SPJ. (Nakahara & Omamyuda, 2008)

The *Nikkei Business* called it SPJ's "stealth attack" (2008).

In an interview with *Nikkei Veritas* published on September 2008, when asked what lessons he had learned from the Bull-Dog Sauce case, SPJ's Lichtenstein said, "the lessons were that how important it is to communicate with the companies we invest in. We have since then changed our investment style in Japan" ("Bei suchiiru, Nihon," 2007, p. 54). The SPJ's new investment policy was to weigh heavily the dialogue with the companies in which it invested. SPJ communicated its thoughts and ideas through written statements and posted them on its web site. Lichtenstein also pointed out that he had
learned the importance of media relations from the Bull-Dog Sauce case. He noted that in
countries other than Japan, such as the U.S., Europe, Korea, and China, he had visited
companies to talk with management and to see their plants. Lichtenstein acknowledged
that it was a mistake that SPJ did not employ such communication activities in Japan.

**Words and deeds.**

At the 2007 annual shareholders meeting, Aderans shareholders supported
management. During a press conference on April 20 announcing the fiscal year end
results, Aderans provided a February 2008 fiscal year-end projection with JPY77.8
billion in sales and a JPY3.6 billion net profit. However, on October 11, 2007, the
company revised its forecast downward to JPY76.8 billion in sales and JPY 1.2 billion in
profit. On January 10, 2008, the company again revised its forecast downward to JPY75
billion in sales and JPY0.6 billion in profit. The final figure disclosed on April 17, 2008,
was even worse—JPY749 billion in sales and JPY0.59 billion in profit. As to the reason
why shareholders did not support the management-nominated directors, a *Yomiuri
Shimbun* ("Aderans gyoseki," 2008) article stated that it was because other shareholders
had aligned with SPJ due to Aderans' underperformance. *Nihon Keizai Shimbun*
("Aderans kabu," 2008) also noted that individual shareholders said "no" to Aderans
management because declining performance led to sluggish share prices. When
management lacks the ability to do what they should be doing, there is only so much that
communication can do.

**Unwelcome victory?**

As was the case a year earlier, Aderans revised its forecast downward three times
during the fiscal year ending February 2009. Without anything drastic and persuasive
enough, it was hard to imagine shareholders willingly supporting any management proposal. However, SPJ had no other choice but to submit its own proposal to prevent Unison's takeover of Aderans. SPJ's average purchase price of Aderans shares were about JPY2,700 per share, far more than the Unison's tender offer price of JPY1,000 per share ("Aderans, TOB," 2009). Because two SPJ-nominated directors were elected in August 2008, SPJ could neither sell nor buy Aderans stock in the market for such actions could potentially be regarded as insider trading (Sato, 2009). The SPJ's victory at the 2009 Aderans shareholders meeting may not have been a welcome one, but a choice forced by the environment. As Lichtenstein noted in a 2007 press conference, he had no intention to manage the companies that SPJ invested in. Although Lichtenstein claimed that Steel Partners (U.S.) had been involved in the management of the U.S. companies that it had invested in, it might have been only natural not to be involved in managing the companies in Japan given his lack of trust in its local management and his unfamiliarity with the local business culture. Since winning a majority of Aderans board at its 2009 annual shareholders meeting, SPJ would no longer be seen merely as a major shareholder, but as the leader of Aderans turnaround effort (Sato, 2009).

**TOC versus DaVinci Advisors**

Yonetaro Otani, a former sumo wrestler in the early 20th century, created a business empire that consisted of businesses in steel, hotel, real estate, and pharmaceutical industries. In 1952, Otani acquired Hoshi Pharmaceutical ("Otani Yoneharu," 2000). Later, the company merged with one of its subsidiaries that focused on real estate businesses and renamed the company TOC. As of March 2007, TOC owned 13 buildings and one building project under way (TOC, 2010). During the fiscal year
ending March 2007, the company had JPY17.9 billion sales and JPY2.9 billion net profit. TOC constantly yielded stable profits and it had a sound balance sheet ("DaVinci kara no," 2007). As of March 2007, New Otani Co., Ltd., a privately held company that owned and managed New Otani Hotels, owned 12.67% of TOC shares. Takuo Otani, the President of TOC, was Yonetaro Otani's grandson and Kazuhiko Otani, the President of New Otani, was Takuo's cousin. Takuo Otani served New Otani as board director, and Kazuhiko Otani was the Chairman of TOC. In total, Otani family and the companies under their control owned over 30% of TOC shares (TOC, 2010).

DaVinci Advisers was founded in 1998 by Osamu Kaneko as a real estate investment advisory firm (DaVinci Holdings, 2010). In 2001, the company was listed on Nasdaq Japan stock market. In 2003, the company expanded its business into investing in real estate on its own account. During the fiscal year ending December 2006, the company posted JPY15.9 billion sales and JPY6.9 billion net profit. As of December 2006, the company had JPY45 billion in gross asset (DaVinci Holdings, 2010).

DaVinci was interested in the properties TOC owned and wanted to be involved with the redevelopment of some of these properties. DaVinci and its subsidiaries started investing in TOC in 2006. Learning about DaVinci's TOC share ownership, TOC management initiated management buy-out (MBO), a tender offer of a company share by the management of the company. Arguing that the offer price was below TOC's true value, DaVinci countered with a tender offer of its own for TOC shares.
Timeline of events.

2007

- January 31: DaVinci’s affiliated company, Y.K. Algarve, submitted a report on stock ownership to the Finance Ministry. The report was required for anyone who has come to own five percent or more of a listed company and for any subsequent change in the ownership of more than one percent. Y.K. Algarve owned 5.17% of TOC shares (Financial Services Agency, 2010).

- April 6: The Otani Fund TO Limited Liability Company announced a tender offer for TOC shares at JPY800 a share. The Otani Fund TO was controlled by Takuo Otani and it was an MBO attempt by the Otani family.

- April 9: The TOC board of directors announced acceptance of the tender offer by Otani Fund TO.

- April 25: DaVinci announced that it had proposed a tender offer to TOC management. The press release claimed that the tender offer price by the Otani Fund did not reflect the unrealized value of TOC assets and the potential buy-out by Otani Fund TO would be detrimental to the interest of TOC shareholders. (see Appendix D-1)

- May 3: TOC sent a questionnaire to DaVinci asking about DaVinci Select Co., Ltd., a DaVinci subsidiary that was penalized by the Financial Services Agency (FSA) in March 2007 for an unfair conduct in appraising asset. TOC claimed that full understanding of the incident and DaVinci’s
compliance system and procedure was a prerequisite for evaluating DaVinci's tender offer.

- May 7: TOC announced a new development project in Yokohama. In the press release, TOC stated that the company was evaluating several funding options including equity finance (issuance of stock).

- May 8: DaVinci sent a reply to TOC's inquiry explaining the DaVinci Select incident, FSA's opinion and sanction, and that the sanction did not affect DaVinci's investment activities. (see Appendix D-3)

- May 10: TOC sent a further inquiry to DaVinci concerning the DaVinci Select incident asking for a further detail and explanation. In the letter, TOC suggested that the company was willing to sign a nondisclosure agreement to facilitate exchange of confidential information between the two parties.

- May 11: DaVinci sent a letter to TOC asking the company, if it were to use equity financing, to first consider equally allocating the issued equity to existing shareholders and to consider a third-party allocation only when existing shareholders could not subscribe enough shares to meet funding needs. DaVinci also noted that such a third-party allocation should be at or above DaVinci's tender offer price and that DaVinci was willing to negotiate and participate in such third-party allocation of stocks. (see Appendix D-4)
• May 11: The Otani Fund TO Limited Liability Company's tender offer period ended. The attempted MBO failed with 7.3% of shares outstanding tendered.

• May 15: DaVinci sent a draft nondisclosure agreement to TOC. (see Appendix D-5)

• May 17: TOC asked DaVinci to respond to its questions before signing a non-disclosure agreement to the extent that the response did not include any confidential information.

• May 18: DaVinci responded to TOC information request to the extent that it did not include any confidential information. (see Appendix D-7)

• May 18: DaVinci introduced a board resolution to initiate a tender offer for TOC shares at JPY1,100 a share. The tender period was set for May 21 through July 18. (see Appendix D-8)

• May 18: DaVinci requested TOC to disclose the list of its shareholders as provided by the Japanese Commercial Code. (see Appendix D-9)

• May 22: TOC refused to disclose the shareholders list to DaVinci as DaVinci was in competition with TOC in the real estate business. The Japanese Commercial Code set five conditions under which a company can refuse to disclose the list of shareholders and competition was one of them.

• May 23: DaVinci filed a motion to the Tokyo District Court seeking to view and copy TOC's list of shareholders. (see Appendix D-9)
• May 25: TOC issued a press release stating that its board of directors made a resolution opposing DaVinci's tender offer. The reasons were (1) lack of confidence and transparency in DaVinci's compliance system and procedure as evidenced by the FSA's sanction; (2) DaVinci's breach of trust by initiating a tender offer while DaVinci and TOC were still exchanging communication trying to clarify questions and issues; and (3) concern about the business plan DaVinci had proposed.

• May 28: DaVinci issued a press release responding to the claims TOC made on its May 25 press release. DaVinci claimed that because TOC board of directors accepted the Otani Fund TO Limited Liability Company's tender offer at JPY800 a share, the TOC board of directors should either accept DaVinci's offer at JPY1,100 or come up with tangible and persuasive business plan in which the board would make a commitment to provide shareholders with an even higher return. (see Appendix D-10)

• June 18: The Tokyo District Court dismissed DaVinci's motion to allow DaVinci to view TOC's shareholders' list.

• June 18: DaVinci announced it had decided not to appeal the Tokyo District Court's decision as the time left would be too short to communicate with shareholders even if the appeal was accepted. (see Appendix D-12)

• June 20: DaVinci issued a press release accusing TOC President Takuo Otani and the companies under his control for acquiring 2,821,000 shares
(2.0%) of TOC stocks between May 30 and June 12. DaVinci claimed that such stock purchases during a tender offer period would be illegal if New Otani Co., Ltd. that owned 12.67% of TOC shares were to be regarded as Takuo Otani's affiliate. TOC President Takuo Otani was a board director of New Otani Co., Ltd. DaVinci claimed that such stock purchases for the purpose of blocking DaVinci's takeover of TOC would deprive other shareholders of their opportunities to sell TOC stocks at JPY1,100, DaVinci's offer price, while allowing a small number of shareholders to sell the stock at around JPY1,100 or higher, the price the stock was being traded when these stocks in question were being purchased. (see Appendix D-13)

- June 27: DaVinci raised its tender offer price for TOC shares from JPY1,100 to JPY1,308. (see Appendix D-14)
- July 24: DaVinci issued a press release announcing the failure of the tender offer for TOC shares. (see Appendix D-17)

**DaVinci's communication.**

**Logical support.**

In the early stages of the contest, DaVinci based its messages on the Revlon standard. The Revlon standard is a guideline commonly referred to in mergers and acquisition, and was based on a Delaware Supreme Court ruling in Revlon Inc. v. MacAndrews & Forbes Holdings (1986). Under the Revlon standard, once the sale of the company becomes inevitable, the duty of the management is not to consider alternatives, but to maximize shareholder value through the sales process (Gilson and Kraakman,
Based on the fact that TOC board of directors supported the management buyout (MBO), DaVinci argued that because TOC board determined that the tender offer at JPY800 a share was in the best interest of the shareholders, the board should support DaVinci's tender offer at JPY1,100 a share. This might have been a winning argument in the U.S; however, Japan was still in the process of formulating rules and regulations regarding mergers and acquisitions procedure. Although this argument might have persuaded shareholders in general as to who was right, the argument could not force the TOC board of directors to change its decision.

DaVinci also briefly stated its business strategies for managing TOC in its letter to TOC management on April 25 proposing the tender offer for TOC shares. The letter was made public as an attachment to the press release on April 25 concerning the proposed tender offer.

*Imagination and counter-argument.*

On May 7, TOC issued a press release concerning its project in Yokohama. In the release, the company touched on potential financing for the project, including the possibility of equity financing. Equity financing is "the acquisition of funds by issuing shares of common or preferred stock" (Scott, 2003, p. 128). These shares could be issued to either all existing shareholders or certain third party(s). If the shares were issued to third parties, the voting right of existing shareholders would be diluted. On May 11, DaVinci sent a letter to TOC management pointing out that TOC's consent to the management buyout meant that the company intended to withdraw from the capital market and that potential equity financing would contradict the decision. DaVinci also
noted that it was willing to assume such equity and provide funding to TOC if the management determined that equity funding was absolutely necessary.

On May 11, DaVinci President Osamu Kaneko conducted an exclusive interview with *Nihon Keizai Shimbun*, the leading business newspaper in Japan. Kaneko told *Nihon Keizai Shimbun* reporter that if TOC went ahead with equity financing, he would file a petition to issue an injunction order ("Zoushi ketsugi," 2007).

**TOC's communication.**

TOC's message focused on DaVinci's trustworthiness. On March 13, 2007, the Financial Services Agency sanctioned one of DaVinci's subsidiaries for failing to provide adequate information to an asset appraiser and ordered a three-month suspension of its operations. TOC claimed that this was an indication of DaVinci's lack of compliance assurance and placed the issue as main component of its argument against DaVinci's tender offer. TOC also argued that DaVinci's proposal to replace TOC's flagship building—a 37-year old building that needed to be rebuilt—with another equally profitable asset while the building would be rebuilt was similar to selling the company's assets piece-by-piece and was detrimental to the core business of TOC.

TOC repeated these two points in its argument against DaVinci, but did not provide any comment as to its stance on DaVinci's offer relative to its stance on the management buyout initiated by its President Otani. While questioning DaVinci's legitimacy, TOC management did not address its own legitimacy. TOC President Otani did not disclose the purchase of TOC shares by his private company and himself during DaVinci's tender offer period. New Otani Co., Ltd. also purchased TOC shares during the same period. These actions were only made public later as they reported the purchase to
the Finance Ministry. President Otani reported to the Finance Ministry that he and two of his private companies jointly made the purchase, but New Otani Co., Ltd. filed the report separately. Had New Otani owned more than 20% of TOC share, they would have been regarded as "special stakeholders," making a joint purpose, which would have required them to make any purchase by way of tender offer. Had they jointly made the purchase, they would also have been required to make the purchase through tender offer. President Otani was able to get away with this, but he lacked transparency in the process.

A hostile takeover failed.

It was reported that, prior to DaVinci's tender offer, TOC's president and his affiliates, including New Otani Co., Ltd. owned about 30% of TOC shares ("Tekitai teki TOB," 2007). During DaVinci's tender offer period, TOC President Otani and his private companies purchased 4.18% and New Otani Co., Ltd. purchased 1.84% of TOC shares in the market. Altogether, Otani group owned about 36% of TOC shares by the end of the DaVinci's tender offer period (Ministry of Finance filing). Financial institutions that had dealings with it owned another 5% of TOC shares ("DaVinci dai kaibou," 2007). DaVinci and its affiliates owned about 10% of TOC shares. Of the remaining 49% TOC shares, only 24% were tendered.

Media response.

During the tender offer period, the media remained for the most part neutral. They did not discuss the Revlon standard on which DaVinci's argument against TOC management was based. Only one article cited DaVinci's comment that not agreeing to a tender offer at a price higher than the previously proposed management buyout was a breach of fiduciary duty, but did not elaborate the issue ("TOC sougyou ke," 2007). As to
DaVinci's claim that Otani group's purchase of TOC shares during DaVinci's tender period was unfair was reported in one article, however, the article only stated that "DaVinci criticized additional stock purchase by Otani family as an obstacle to the takeover" ("TOC sougyou ke," 2007). The article did not analyze nor further discuss the issue.

An anonymous institutional investor was quoted as saying that "If you think about future business and relationships, we could not make moves based on economic rationality" ("Ugokanu toushika," 2007). *Weekly Diamond* ("DaVinci dai kaibou," 2007) noted, "Thus the hostile takeover ended in failure. DaVinci challenged Japan's establishment. What was highlighted could be the labyrinth of Japanese market that one cannot pass through with economic rationality alone" (p. 118).
CHAPTER SIX

Discussion

The current study sought to understand the scope and types of public relations practices in Japan, how public relations practices of Japanese and foreign companies differ, how media respond differently to the public relations activities of Japanese and foreign companies, and how "foreignness" affects public relations activities of multinational enterprises in Japan.

The results of the content analyses were reported in chapter four. The three cases of contests for corporate control involving three Japanese companies, one U.S. fund, and one Japanese fund were reported in chapter five. Based on the findings from the content analyses and case studies, this chapter answers the research questions set forth at the conclusion of the literature review.

Research Questions

**RQ1: What are the scope and types of public relations practice in Japan?**

Content analyses of the only academic journal in the field of public relations, *Corporate Communication Studies*, and the only commercially marketed public relations industry magazine, *PRIR* address the first question.

*Corporate communication.*

Cornelissen (2008) defined corporate communication as "a management function that offers a framework for the effective coordination of all internal and external communication with the overall purpose of establishing and maintaining favourable reputations with stakeholder groups upon which the organization is dependent" (p. 5). Argenti (2009) listed nine subfunctions of corporate communication:

- Identity and image
- Corporate advertising and advocacy
- Corporate responsibility
- Media relations
- Marketing communications
- Internal communications
- Investor relations
- Government relations
- Crisis management

As can be seen, each of these subfunctions are included in the public relations activity categories identified in this study, though not exactly with the same wording. The essence of corporate communication here is the coordination of various types of communication activities.

Corporate communication ranked first in the analysis of the feature sections of the public relations industry magazine, PRIR. Other categories that were identified and were in proximity to corporate communication included executive communication, ranked sixth; corporate reputation, ranked ninth; and corporate image, ranked 12th. In the analysis of the research articles in the public relations academic journal, Corporate Communication Studies, public relations and management ranked fifth; relationships ranked seventh; and reputation and trust ranked 12th. Although this does not mean that public relations departments conduct and oversee all of these subfunctions of corporate communication, these results imply that public relations practitioners in Japan were concerned about coordinating the various communications of organizations and that
building reputation, image, and trust through executive communication was gaining importance among both public relations practitioners and researchers.

*Marketing PR/Product PR.*

Marketing public relations/Product public relations ranked second in the analysis of *PRIR* features. In the analysis of *Corporate Communication Studies*, advertising and public relations and marketing were both ranked the ninth. If combined, advertising and public relations and marketing would have tied for fifth in the analysis.

The announcement of new products and services is an essential part of Japanese newspapers and informational television programs. Many magazines are filled with photographs of products and travel destinations. Product placement in movies and television programs are a common practice. These fields are very competitive and it is not surprising to see high interest in this function. This can also be attributed to the Japanese' long-term orientation and an attachment to hierarchy and ranking. The Japanese long-term orientation makes market share more important than profit, and corporations endlessly strive for a better position in the market to climb up the hierarchy ladder.

*Crisis management.*

Crisis management ranked third in the analysis of the *PRIR* features. In the analysis of the *Corporate Communication Studies*, crisis ranked first. Incidents such as Mitsubishi Motors intentional hiding of product defects in 2000, Snow Brands' food poisoning in 2000, carbon monoxide intoxication by Panasonic's in-door petroleum heater in 2005, re-selling of past sell-by date confectionaries by both Akafuku and Shiroi Koibito in 2007, and false representation of the place of origin of foods by Kicchou Restaurant infuriated consumers. In some of these cases, comments by top management
and the manner in which they handled press conferences worsened the situation. It has been reported that a public relations firm was involved with the turnarounds of Akafuku and Shiroi Koibito, supporting the companies by helping identify the cause, planning measures to prevent recurrence, and marketing planning when resuming sales of the products ("Interview," 2009).

The high interest in crisis management can be attributed to the lack of experienced practitioners with public relations education in Japanese corporations. In Japanese companies, most employees are hired as generalists fresh out of universities. The employees "are routinely transferred between divisions every 2 to 4 years" (Inoue, 2003, p. 75) and "Japanese corporations proactively use public relations functions by consulting with outside public relations consultants when crises occur and entrust day-to-day public relations activities to their in-house public relations departments" (2003, p. 75).

One of the characteristics of Japanese culture is uncertainty avoidance. In high uncertainty avoidance cultures, there is a strong belief in specialists and experts (Hofstede & Hofstede, 2005). The use of outside public relations consultants in crisis situation can be attributed to the uncertainty avoidance nature of Japanese. In a high uncertainty avoidance culture, there is also a need for more detailed planning and more short-term feedback (2005) that calls for pre-crisis planning. However, the need for more detailed planning, coupled with the high context nature of communication in Japan, creates a void in communication immediately after a crisis hits. A crisis by nature goes beyond the scope of pre-plan and the high-context communicators need detailed information when making decisions. Consequently, it difficult for Japanese companies to promptly respond to crises.
Media relations.

Media relations ranked fourth in the analysis of the PRIR features. However, there were no research articles on media relations in Corporate Communication Studies. This does not mean that media relations is not an important public relations activity in Japan. Rather, researchers have found that media relations was the most important public relations activity in Japan (Inoue, 2003; Kelly, Masumoto, & Gibson, 2002; Sriramesh & Takasaki, 1999; Watson & Sallot, 2001). Public relations practitioners regard the mass media as the most effective tool of public relations as people trust the mass media and it has a credibility (Sriramesh & Takasaki, 1999).

Sriramesh and Takasaki (1999) found that Japanese public relations practitioners engage in personal influence models in dealing with the mass media. They socialize and build relationships by eating and drinking together. This is a reflection of one of the characteristics of Japanese culture, the importance of personal relations. Personal relations in Japan "involves closeness and cooperation between people in mutually beneficial relationships which spring from a variety of sources . . . shared experiences create special bonds between people . . . relationships are carefully tended over long periods of time" (Hall & Hall, 1987, p. 58). Although bonds through personal relations are created primarily among work group members (Nakane, 1970), shared experiences and personal relations among journalists and public relations practitioners can transform them as "in-group" members. This allows corporate public relations practitioners to have the close source-journalist relationship enjoyed by the sponsors of press clubs.

The relatively high ranking of media relations in the analysis of PRIR feature sections reflects the importance of building such personal relations for public relations
practitioners. On the other hand, the absence of research articles might have resulted from two factors: the very personal nature of media relations enhancement strategies and the uniformity of media relations tactics facilitated by the press club system.

**Public affairs.**

Public affairs tied with media relations and ranked fourth in the analysis of *PRIR* feature sections. It ranked third in the analysis of research articles in the *Corporate Communication Studies*. This implies a high interest in public affairs among Japanese public relations practitioners, however, a careful review of these features and articles is needed.

Public affairs can have two different meanings. In general, public affairs refers to the kind of public relations activities that concern public policy matters. In the government sector in the U.S., public relations is substituted by the word public affairs because the 1913 Gillett Amendment—a U.S. law that is still in effect today—restricts government agencies spending on publicity unless specifically authorized by the Congress. In corporations, public affairs refers to public relations activities related to public policy and corporate citizenship (Cutlip, Center, & Broom, 2006). Even though this legal restriction on government public relations does not exist in Japan, the term "public affairs" was used in this study as an overarching category covering public policy related matters in both private and public sectors.

Further review of articles showed that of four features about public affairs in *PRIR*, three concerned government public relations and one concerned corporate public affairs. Of seven research articles on *Corporate Communication Studies*, five were about government public relations and two were about corporate public affairs. One of the two
research articles about corporate public affairs examined activity by a foreign company in Japan; and the other was an introduction of a case on joint promotion of a region by the government and an industry organization in India. The feature section on PRIR on corporate public affairs was about corporate activities to support people and regions affected by natural disasters in collaboration with government. None of the research articles nor feature sections dealt specifically with efforts by Japanese corporations to affect or deal with public policy matters. This may be the reflection of the fact that in many corporations government relations are handled by the general affairs or management planning department.

Employee/internal communication.

Employee/internal communication ranked sixth in the analysis of PRIR feature sections. It ranked twelfth in the analysis of Corporate Communication Studies research articles. Internal communication is important for Japanese corporations because Japanese tend to strongly identify with the organization for which they work, often referring to it as _ie_, a term meaning household. This group identification is enhanced by the harmonious integration within the group, for which internal communication can play an important role. In addition, Japan is a high-context culture and it is critical that in-group members have as much information as possible about each other. _Internal communication_ also supplements the lack of direct communication between senior executives and lower level employees. Japanese organizations are made of direct leader-subordinate relationships and one is not expected to communicate directly with senior executives and bypass one's own boss.
The most common medium for internal relations in Japan is the house organ. The first house organ in Japan was published in 1903 by Kanagabuchi Boseki Co., Ltd (Ikari, 2008). A survey of public relations departments in 418 Japanese companies conducted by Japan Institute for Social and Economic Affairs (2006) showed that 90.9% of those surveyed handled internal relations and 90.2% issued house organ.

**Executive communications.**

Executive communication tied sixth in the analysis of *PRIR* feature sections. This activity can be regarded as a part of corporate communication; however, Japanese public relations practitioners need to pay special attention to this activity for several reasons. First, senior executives of Japanese corporations do not understand the essence of public relations, though they do understand the need for it and they act as spokespersons (Inoue, 2003), making it necessary to inform them about how to deal with media. Second, workplace organizations in Japan are regarded as pseudo-family; senior executives, as heads of families are responsible for the misdeeds of family members. Consequently, senior executives are expected to apologize for the misdeeds of the organization and its members, whether work related or private. Third, there have been many incidents, such as Snow-Brand food poisoning and Kiccho Restaurant deceptive food labeling, in which Senior executives' careless comments and utterances during press conferences made headlines, further tarnishing the companies' reputations.

**Investor relations.**

Investor relations tied sixth in the analysis of *PRIR* feature sections. It ranked twelfth in the analysis of *Corporate Communication Studies* research articles. According to the survey of public relations departments conducted by the Japan Institute for Social
and Economic Affairs (2006), the percentage of companies in which public relations departments handled investor relations increased from 25.5% in 1999 to 55.0% in 2002. During the same period, the percentage of companies in which investor relations was handled by finance and accounting department decreased from 22.2% in 1999 to 8.8% in 2002. Similarly, the percentage of companies in which investor relations was handled by general affairs department decreased from 18.6% in 1999 to 3.3% in 2002 (2006). These figures indicate the shift in perception of investor relations from a purely financial function to a communication function.

**Corporate reputation.**

Corporate reputation ranked ninth in the analysis of *PRIR* feature sections. Reputation and trust ranked twelfth in the analysis of *Corporate Communication Studies* research articles. While it is hard to attribute a set of public relations activities as corporate reputation activity, "a professional reputation manager (the public relations practitioner) manages and coordinates all influences on the many relationships that help to create the reputation across all the publics with which the organization interacts (Haywood, 2005, p. 13). The concept of corporate reputation now seems to be in the minds of Japanese public relations practitioners. Since 2003, Dentsu, the largest advertising agency in Japan, has been a member of the Reputation Institute and offers reputation audit and reputation building programs (Dentsu, 2003).

**Corporate social responsibility.**

Corporate social responsibility ranked ninth in the analysis of *PRIR* feature sections. Even though the phrase "corporate social responsibility" is new to Japanese society, the concept is not new to Japanese merchants. Baigan Ishida who founded the
Ishida Moral Philosophy school in early 18th century, defended merchants as intermediaries of exchange that is just as important as farmers or samurais (warriors) (Yamamoto, 1979/2008). At the same time, Ishida cautioned that the merchant often lead oneself to self destruction by taking excess profit and "biting sweet poison." He claimed that a true merchant would think about the profit of one's business counterpart as well as oneself (Ministry of Economy, Trade, and Industry, 2004). Although this concept of social responsibility was often put aside during rapid growth of Japanese economy, as growth and wealth fell off the top of the list in the Japanese mind, corporate social responsibility was readily accepted as a "must" practice for corporate citizens.

*Monitoring and participation in online media.*

Monitoring and participation in online media ranked ninth in the analysis of *PRIR* feature sections. New Technology and PR ranked ninth in the analysis of *Corporate Communication Studies* research articles. Of the two feature sections of *PRIR*, one was on the use of corporate blogs and websites. The other feature section was on how to protect the company from attacks on blogs, bulletin boards, and social networking sites. The research article in *Corporate Communication Studies* was on how media exposure influenced website access. These findings imply that the use of online site by Japanese corporations is still limited. Major corporations do not use social networking sites. Corporate blogs are rare. Japanese characteristics of high uncertainty avoidance seems to play a role here. It is difficult to control what happens on social networking sites and their use is full of uncertainty. Senior executives in traditional companies are usually older than social networking generation and are reluctant to allow such new ventures.
Corporate image.

Corporate image ranked 12th in the analysis of PRIR feature sections. The feature section focused primarily on image building through executive communication. This may be a reflection of the fact that without an executive's understanding of the importance of corporate image, it may be difficult for public relations practitioners to pursue corporate image building through public relations activities.

Summary.

The analyses of PRIR feature sections and Corporate Communication Studies articles imply that corporate communication, marketing PR/product PR, crisis management, media relations, public affairs, employee/internal communication, executive communications, investor relations, corporate reputation, corporate social responsibility, monitoring and participating online, and corporate image are of concern to public relations practitioners in Japan. The researcher assumes that these activities are practiced in Japan, although to different degrees.

RQ2: What is the difference between Japanese companies and foreign entrants in their public relations activities?

Use of comments in press releases.

The analysis of press releases from the three cases reported in chapter five showed a stark difference between Japanese companies (Bull-Dog Sauce, Aderans, TOC, and DaVinci Advisors) and U.S. company (Steel Partners Japan) use of press releases. While none of the Japanese companies' press releases included any comment by management, employees, or third parties, 76% of the press releases by Steel Partners
Japan (SPJ) included comments either by its management or employees, and 16% of the SPJ press releases included third party comments.

The lack of comments in the press releases issued by Japanese companies reflects the characteristics of Japanese society and Japanese media. Japanese media try to obtain comments directly from organizational leaders (Inoue, 2003). This is possible because Japan is a geographically small country and most of the economic and political functions are concentrated in Tokyo. Journalists by nature are somewhat untrusting of corporations and their public relations activities (Cutlip, Center & Broom, 2006). When most organizational leaders reside in Tokyo, why copy and paste their provided comments? Journalists would prefer to meet and take comments themselves. In addition, the power and influence of mainstream media in Japan are paramount and it is only natural that press releases are tailored to fit their preferences. The lack of supplied corporate comments also reflect the high-context nature of communication in Japan. The background information that formulates context is shared among in-group members and not released publicly. Journalists obtain background information through their own personal relations and inclusion of such information is at their discretion.

**Persuasive message.**

While 44% of the SPJ press releases included persuasive messages, only 17.4% of the press releases issued by Japanese companies did. Many of these messages in the press release issued by Japanese companies were short and indirect. Mizutani (as cited in Gudykunst and Nishida, 1994) argued that "Japanese use language to transmit information to others, not persuade them" (p. 47). This does not mean that Japanese cannot persuade others, but they prefer to avoid persuasion if possible because "there is
an antipathy toward trying to get others to behave in a particular way" (p. 47). The understanding of this potential antipathy is very important when communicating to Japanese publics.

The press release Steel Partners Japan (SPJ) issued on May 7, 2007, seeking Aderans shareholders to reject the company's proposal to install an anti-takeover measure—an advance warning system (AWS)—was titled "Steel Partners Japan Recommends Shareholders Reject Aderans’ Proposed Advance Warning System" (see Appendix B-1). The part of the press release that called for action stated, "In line with its belief that shareholders should reject the New AWS, the Fund is seeking support from shareholders for its efforts by voting their shares AGAINST [sic] the New AWS at the Company’s annual general meeting of shareholders." On the other hand, the press release Aderans issued on May 11, 2007, in response to SPJ's action was titled "Aderans’ opinions on proxy solicitation by Steel Partners Japan Strategic Fund (Offshore) L.P."

(see Appendix C-7). The persuasive line in the press release was "The Company hopes that by clarifying the opinions held by the Board of Directors regarding Steel Partners’ proxy solicitation, shareholders will better understand the Company’s position on this matter and support the Agenda Item as proposed by the Company" (see Appendix C-7).

While SPJ persuasively recommended shareholders reject the company proposal and vote against the proposal, Aderans provided only its opinion and hoped that shareholders would understand and support the company proposal. The difference in their approach to persuasion was clearly shown here.
Fact oriented.

Without comments and with very little persuasive message, Japanese press releases tend to be fact-oriented with minimal contextual message. This is a reflection of the high-context communication in Japanese culture in which contexts are passed on covertly or on a person-to-person basis, but also a reflection of the characteristics of Japanese media. First, as discussed earlier, the Japanese mainstream media would prefer to obtain background information and comments directly from the source. Second, Japanese newspapers, like wire services in the West, compete for scoops with relatively little analysis of the issues (Uesugi, 2008). To accommodate such needs, one of the roles a press release plays in Japan is to provide accurate data as much as possible (Igarashi, 2005).

A May 7, 2007 press release Steel Partners Japan (see Appendix B-1) issued encouraged Aderans shareholders to reject the company's proposal to install an anti-takeover measure—an advance warning system (AWS). In addition to the call to action, the release stated the following:

- the fund respected the Company, its management, and its employees;
- the proposed AWS would serve to entrench management;
- the company had been underperforming and would likely to continue to do so
- the proposed AWS would impair shareholder rights; and
- the reason why SPJ believed shareholders should reject the new AWS, detailed as two-page attachment.
On the other hand, the press release issued by Aderans on May 11, 2007 (see Appendix C-7) in response to the SPJ press release on May 7, contained the following:

- description of the company proposal;
- the acknowledgement of SPJ's proxy solicitation against the company proposal;
- that "the Company hopes that by clarifying the opinions held by the Board of Directors regarding Steel Partners’ proxy solicitation, shareholders would better understand the Company’s position on this matter and support the Agenda Item as proposed by the Company"; and
- the board of directors' opinion on the SPJ proposal included as attachment. (see Appendix C-8)

The *Chief Communication Officer Handbook* published by the Japan Society for Corporate Communication Studies (2009) suggests that a press release should be concise and that the inclusion of up-to-date data backed by numbers would enhance persuasiveness of the release (Sugahara & Ishibashi eds., 2009). The press releases issued by SPJ do not follow the preferred Japanese style.

**RQ3: What is the difference in media responses to the public relations activities of Japanese and foreign companies?**

The analysis of newspaper articles regarding the three cases reported in chapter five did not show a significant difference between the cases in which foreign company (SPJ) was involved—Bull-Dog Sauce case and Aderans case—and the case in which foreign company was not involved—TOC case. The articles were analyzed for:

- the presence of comments from the parties involved;
• the presence of comments from third parties;
• the tone of third party comments; and
• the tone of articles.

The difference between SPJ related cases and non-SPJ related case was not significant at .05 level. It is assumed that several factors affected this outcome. First, Japanese mainstream newspapers all claim to be fair and neutral. This is not any different from mainstream U.S. newspapers, but Japanese newspapers rarely take a stance on controversial issues. Second, Japanese newspaper articles tend to be fact oriented without much analysis and discussion, resulting in neutrality of many of the articles. Finally, the tone of Japanese articles tend to lean toward the winning side only after the fact. All of the eight articles on the SPJ—Aderans case favoring SPJ appeared after SPJ won 2008 and 2009 proxy contests at Aderans annual shareholders meetings. Twelve of the 19 articles on the SPJ—Bull-Dog Sauce case favoring Bull-Dog appeared after the company won the proxy contest at 2007 Bull-Dog Sauce annual shareholders meeting. Overall, Japanese media responses to the public relations activities of Japanese and foreign companies do not differ as they aspire to be objective.

RQ4: How does "foreignness" affect public relations activity of multinational enterprises in Japan?

The liability of foreignness is "the costs of doing business abroad that result in a competitive disadvantage for an MNE subunit" (Zaheer, 1995, p. 341). Multinational enterprises doing business abroad face costs arising from an unfamiliarity with the environment; from cultural, political, and economic differences; and from the need for coordination across geographic distance. Gesteland (1999) described Japanese business
culture as relationship-focused (as opposed to deal-focused); formal (as opposed to informal); rigid-time (as opposed to fluid-time); and reserved (as opposed to expressive).

In a relationship-focused business culture, one must spend time getting to know the other and maintain face-to-face contact. In a formal business culture, one must respect the person he or she is dealing with. In a rigid culture, one must be punctual and on schedule. In a reserved culture, silence is not uncomfortable and one would feel uncomfortable engaging in conversation without pause (1999).

*Foreignness in display.*

SPJ took various actions that seem to stem from either their unfamiliarity or neglect of Japanese business culture and systems.

*Lack of relationship building.*

SPJ did not build relationships with the Japanese media. It was only after repeated requests from various newspaper outlets that the local head of SPJ, Yusuke Nishi, appeared before the press for interviews in the early 2007 (Yamamoto, 2007). It was reported that the press conference held on June 12, 2007, was the first time that SPJ CEO Lichtenstein appeared in a press conference ("Suchiiru daihyo kaiken,", 2007) and merely obtaining his photo was said to be difficult (Sakai, 2007). There were no traces in media reports that SPJ local head Nishi acted as the spokesperson for SPJ. The only method of communicating with media was their press releases; the only opportunity provided to media to openly communicate with SPJ personnel after the June 12 press conference was a telephone conference on June 22, in which Lichtenstein participated from his home in Aspen, Colorado. A telephone press conference may be common in the U.S., but it is a rarity in Japan as journalists prefer face-to-face interactions.
SPJ also failed to build relationships with the management of the Japanese companies it had invested in. The Lichtenstein's letter to Bull-Dog Sauce President Shoko Ikeda dated May 11, 2007, and delivered on May 14, 2007, stated:

I would hope that we can get together soon so that we can continue to get to know each other better and our organizations can get better acquainted so that we can continue to work in a congenial constructive manner for the benefit of all stakeholders and shareholders. I will contact you this week to find out when it will be convenient for you to meet with me. (see Appendix A-1)

However, SPJ sent a letter dated May 15, 2007, to Bull-Dog Sauce stating its intention to commence a tender offer. Despite Lichtenstein's invitation to "get together soon so that we can continue to get to know each other better" (see Appendix A-1), commencing a tender offer before even making an attempt to see each other would be regarded as a sign of insincerity in the Japanese culture.

Lack of respect.

During a press conference in Tokyo on June 12, 2007, Lichtenstein said, "We need to educate the management of the Japanese companies that we invest in, as well as our fellow shareholders" (Shimizu, 2007). This comment was perceived as arrogant and as a sign that SPJ was looking down on Japanese management and shareholders. One newspaper columnist wrote, "Co-founder of the fund Mr. Lichtenstein abruptly came to Japan and said, 'I want to educate Japanese management and investors.' Who do you think you are?" ("Kinji henpen," 2007). Another article quoted an unnamed source in the securities industry as saying that Lichtenstein's comment that he had come to "educate Japanese management" led to SPJ losing the battle (Udagawa, 2007).

When Lichtenstein visited Bull-Dog Sauce and had a meeting with President Ikeda, it was reported that he did not answer any of the questions Ikeda had regarding the
tender purpose and the post-acquisition business plan. Rather, Lichtenstein asked Ikeda at what price Ikeda would agree to with the tender. Lichtenstein also reportedly told Ikeda that he didn't like the sauce and had never tried it ("Bull-Dog to suchiiru," 2007). This comment was reported in Nikkei Sangyo Shimbun, a daily newspaper that covers a wide range of industries. What would Bull-Dog Sauce employees think after reading the article? Especially since two days prior to his comments at the meeting, SPJ had issued a letter to Bull-Dog Sauce employees seeking their support for its tender offer (see Appendix A-6). Lichtenstein apparently misunderstood or did not care how his words might affect employees. He also lacked an understanding of the emotional ties Japanese workers have with their workplace, their work, and the products they manufacture. One newspaper article noted, "We could not see from SPJ's actions that the fund wanted to gain trust of its stakeholders including Bull-Dog management, employees, other shareholders, and Bull-Dog business partners" (Kawato, 2007).

Learning process.

The content analysis of newspaper articles showed that there was a significant difference in the tone of articles between 2007 SPJ-related cases (Bull-Dog Sauce and Aderanse 2007 phase) and 2008-9 SPJ case (Aderans 2008-9 phase). This implies that SPJ was able to learn from the mistakes it had made and change the way it communicated with the Japanese public.

Silence is golden.

On May 24, 2007, SPJ lost its proxy battle against Aderans management concerning the adoption of the anti-takeover measure. Despite the management's promise of its business turnaround, the company revised its profit forecast downward twice during
the fiscal year 2007. On February 8, 2008, SPJ sent a letter to the Aderans management seeking seats on its board of directors and a change in the company's business strategy. SPJ issued a press release concerning the letter and posted the release, the letter, and a strategy proposal. In the proposal, SPJ listed two director nominees as Aderans board members. After the posting, SPJ remained largely silent.

At Aderans' annual shareholders meeting, on May 29, 2008, two SPJ-nominated directors were elected and none of Aderans management nominated directors were supported. Why did "no action" in 2008 yield a better result than vocal activities in 2007? A newspaper article discussed the nature of the shareholders meeting as, "a shareholders meeting resolution might sound democratic, but since proxy voting is not confidential, it is difficult for shareholders that have business relationship with the company to vote against the current management" ("Bull-Dog Sauce baishu," 2007). The lesson SPJ learned from its experience in 2007 was that "in Japan, the more noise the fund made the harder it became to obtain approval of other shareholders. Even those who were dissatisfied with the management didn't want to be seen as aligning with Steel, and couldn't make any move" (Nakahara & Omamyuda, 2008, p. 10). Incorporating the lessons learned, SPJ conducted a stealth operation against Aderans management.

*Communication is the key.*

In an interview with Nikkei Veritas published in September 2008, Lichtenstein spoke of the lessons he had learned from his experience with Bull-Dog Sauce. Asked what the lesson from SPJ being named an "abusive acquirer" by the Tokyo High Court, Lichtenstein responded:

The lesson learned was, how important it is to communicate with the companies we invest in. Since the Bull-Dog Sauce case, Steel Partners has
changed its investment style in Japan. The essence of the new policy is to attach importance to the dialogue with the companies we invest in. We will convey our thoughts clearly on documents, and we will make it publicly available by posting on our website. . . The aim of our investment aligns with the interest of other shareholders and stakeholders. We also learned from Bull-Dog case that we should not neglect media relations. ("Bei suchiiuru, Nihon," 2008, p. 54, English translation from the original Japanese article)

The change in SPJ's communication strategy could be observed in a recent proxy solicitation battle between SPJ and Sapporo Holdings. During the proxy solicitation at Sapporo's 2010 annual shareholders meeting, SPJ held a series of briefing sessions in March 2010 in Nagoya, Osaka, and Tokyo. One of the SPJ-nominated candidates for a Sapporo Holdings directorship was interviewed by Sankei Shimbun and discussed how he would manage the company's strategy ("Dounaru? Sapporo," 2010). SPJ also started a Twitter account in March 2010. SPJ is implementing the lessons learned.

*Let the facts speak for itself.*

Even though the tone of most media articles did not take sides, many simply introduced facts released by one or both of the parties. For example, in the Bull-Dog Sauce versus SPJ case, statements opposing SPJ's tender offer by Bull-Dog Sauce employees, Bull-Dog Sauce subsidiary Ikari Sauce employees, and Bull-Dog Sauce business partners were reported in newspaper articles on different dates. The articles simply introduced the facts in neutral tone and without comment; however, the introduction of such facts could influence public perception of the incident. Japanese journalists tend to "emphasize facts over opinion, especially on controversial subjects" (Gamble & Watanabe, 2004, p. 42) and they fail to "delve into detailed analyses of events" (p. 65). Because of such characteristics of Japanese mainstream media, it is a wise strategy to guide public perceptions by building facts upon facts.
Conclusion

The content analyses of the only commercially marketed public relations magazine in Japan, *PRIR* and the only public relations academic journal, *Corporate Communication Studies*, suggest that the following public relations activities are practiced in Japan.

- Corporate communication
- Marketing public relations/product public relations
- Crisis management
- Media relations
- Public affairs
- Employee/internal communication
- Executive communication
- Investor relations
- Corporate reputation
- Corporate social responsibility
- Corporate image

The content analysis of press releases issued by a U.S. company (SPJ) and four Japanese companies (Bull-Dog Sauce, Aderans, TOC, and DaVinci Advisors) showed the following differences:

- While the U.S. company included comments by its management, employee, and third parties in its press releases, the Japanese companies did not include any comment in their press releases
• The U.S. company included persuasive messages in more press releases than did the Japanese companies—press releases issued by the Japanese companies were more fact oriented than press releases issued by the U.S. company.

The content analysis of newspaper articles showed that Japanese mainstream media did not treat a foreign company and Japanese companies differently. The tone of articles tended to take sides only after the fact. Since Japanese media tend to "emphasize facts over opinion, especially on controversial subjects" (Gamble & Watanabe, 2004, p. 42), it would be a better strategy to build argument with facts rather than to send strongly persuasive messages.

Steel Partners' lack of understanding of Japanese culture affected it negatively, resulting in a failure to obtain support from other shareholders. Steel Partners' overt communication activities, its lack of relationship building, and lack of respect for emotional ties in and around workplace resulted in alienating itself from other stakeholders of the companies it invested in. However, Steel Partners was able to incorporate the lessons it learned and improved upon its communication activities and saw a better result in subsequent years.

Any foreign company coming into Japan would benefit if it would study lessons Steel Partners had learned. A foreign company trying to establish its presence in Japan can expect better results if it were to invest time and energy to understand its stakeholders, build relationships with them, understand the importance and the role media relations plays in Japanese public relations, avoid overt communication activities, and let the facts speak for itself.
Limitations of this Study

The current study sought to understand the scope and types of Japanese public relations practices, how public relations practices of Japanese and foreign companies differ, how media respond differently to the public relations activities of Japanese and foreign companies, and how "foreignness" affects public relations activities of multinational enterprises operating in Japan. In doing so, content analyses of public relations magazine feature sections and public relations academic journal articles were conducted and three cases that focused on the contest for corporate control between Steel Partners Japan and Bull-Dog Sauce, Steel Partners Japan and Aderans, and DaVinci Advisers and TOC were analyzed using the case study approach.

The methodologies employed and the restriction on the time and resources available for working on dissertation, led to limitations in this study. First, the study did not directly measure the public relations activities in Japan. In many Japanese corporations, some of the key public relations activities such as government relations and community relations are handled by non-public relations departments, e.g., general affairs and management planning departments. Measurement of public relations departments' activities is likely to exclude activities handled by non-public relations departments. While the researcher expects that such a pitfall can be avoided by the method employed in this study, the articles and feature sections of public relations magazines and journals were bound to be screened by the editors' perspectives. Similar to newspapers today, a commercially marketed industry magazine cannot escape commercial pressures. With the shortage of public relations researchers in Japan, the articles submitted to and accepted by
Corporate Communication Studies may indicate a leaning toward the preferences of a few competent scholars.

Second, the findings from the cases and the analysis of the press releases and newspaper articles cannot be generalized. The cases, the press releases, and newspaper articles analyzed were only of the three cases selected for this study. Not only were they from particular companies, the cases involved only one type of business activity—mergers and acquisitions, or put differently, contests for corporate control. The cases were selected because the researcher expected that the "foreignness" would be clearly illustrated as an activist fund was a concept quite remote from Japanese business culture though there was one notable domestic fund of this type in the past. While the selection highlighted the difference, the extreme contrast between two parties in the Steel Partners related cases may have influenced the outcome. There are many foreign entrants in many different industries from many different countries. How they approach Japanese market, particularly in terms of communication, may be different from what was observed in the cases in this study. Different players in different context may have played out differently.

Third, the newspaper articles analyzed for this study were only from Nihon Keizai Shimbun and Yomiuri Shimbun. Nihon Keizai Shimbun is a leading business newspaper in Japan with a subscription of over three million readers. Yomiuri Shimbun is the leading national newspaper with a subscription of over 10 million readers. Other business papers, national papers, regional papers, and industry publications may have reported these cases differently.
Finally, this study relied on public information such as newspaper, magazine, and journal articles, press releases, and relevant information available on corporate websites. While fairly large amounts of information were available for the cases, the researcher did not have access to information that was not made public and could not find out what went on inside each organization as events unfolded. Due to the limited access to information, the researcher could not analyze the cases in further depth.

**Implications for Future Research**

This study provided a fresh look at the scope and types of public relations activities practiced in Japan. The study also revealed how foreign and Japanese companies communicate differently, how newspapers respond to their communication activities, how "foreignness" shapes communication and how it can be overcome. However, the findings of the scope and types of public relations activities was conducted by looking at articles and features in magazines and journals. The cases analyzed only involved mergers and acquisitions, or contests for corporate control. The results of the current study should be logically expanded to increase its validity and potential generalizability.

The Japan Institute for Social and Economic Affairs conducts a survey of corporate public relations activities every three years. The surveys are sent to the public relations departments or departments that handle public relations of member corporations of the Institute and the Nippon Keidanren (Japan Federation of Economic Organizations). The current study sought to look at magazine features and journal articles to fill the void by looking at the public relations activities not only of public relations practitioners but also of practitioners in non-public relations departments. In doing so, the researcher
hoped that whomever is engaged in public relations related activities, regardless of their affiliation within organizations, would be interested in reading the public relations magazine *PRIR*, and whomever conducts research in public relations related field would be interested in submitting articles in the public relations academic journal *Corporate Communication Studies* and that such actions would be reflected in the contents of both. The logical extension would be to look at each of the public relations activities separately, find out which department in each organization handles the activity, and study each activity regardless of who handles such activity.

The limitation of this study for the contrast between foreign and domestic companies in communication activities and media response concerns the issue of generalizability. Although case studies are not statistically generalizable, the findings from case studies can be analytically generalizable (Yin, 2009). Therefore, the logical extension of the current study would be to replicate the study by changing variables such as the industry, the country of foreign origin, the situation under observation, and so forth. The closest extension of the current study might involve a friendly takeover of a Japanese company by a foreign company and compare with a friendly takeover of a Japanese company by a Japanese company. One could also observe new entrants in certain markets; the entrant could be a Japanese established company, a new Japanese company, a foreign multinational enterprise, or a foreign venture company. As the current study is just a beginning of a case study approach to the public relations activities in Japan, the opportunities for future research are enormous. What should not be forgotten is that the extension should be done logically and systematically.
It is also important to look at how reversal of the situation might play out. One can study how a Japanese company trying to enter the U.S. market would communicate, how the U.S. media would react, and how the company would or would not learn and improve on its communication activities.

There are enormous opportunities and challenges lying ahead for public relations researchers in Japan. This researcher hopes that the current study will be a guidepost for further study into Japanese public relations.
REFERENCES


"Tekitai teki" TOB ai tsugu: DaVinci TOC ni jisshi [A spate of "hostile" takeover: DaVinci takes on TOC. (2007, May 19). Nihon Keizai Shim bun,


Aderans, shagai torishimariyaku dounyuu he, bouei saku haishi teian ni taikou [Aderans to appoint outside directors to counter the proposal to abolish the anti-takeover measure]. (2007, April 14). Nihon Keizai Shim bun, p. 13.

Aderans, TOB wo ketsugi, unison no shien de saiken - suchiiru mou hanpatsu, taiketsu shisei [Aderans passes a resolution to accept TOB; plans to restructure under unison's initiative - steel partners strongly opposes and adopts a confrontational approach]. (2009, April 17). Nihon Keizai Shim bun, p. 9.


Bei suchiiru daihyo hatsu no kaiken, "toshi 3-5 nen ga kihon" [The representative of the U.S. fund Steel Partners holds a press conference for the first time: In principle, the investments are for three to five years. (2007, June 13 morning edition). *Nihon Keizai Shimbun*, p. 11.

Bei suchiiru, aderans baishuu bouei saku, hiketsu he ininjou kanyuu, ISS wa kaisha shiji [The U.S. fund Steel Partners solicits proxy to oppose to the Aderans anti-takeover measure. ISS supports the company]. (2007, May 8). *Nihon Keizai Shimbun*, p. 11.

Bei suchiiru, aderans baishuu boueisaku, hiketsu he ininjou kanyuu, ISS wa kaisha shiji [The U.S. fund steel partners solicits proxy to oppose to the Aderans' anti-takeover measure, ISS supports the company]. (2007, May 8). *Nihon Keizai Shimbun*, p. 11.


DaVinci kara no tekitai teki TOB de oitume rareta TOC [DaVince's hostile TOB boxes TOC into a corner]. (2007, July 31). Keizaikai, , 48-49.


Nakahara, K., & Omamyuda, T. (2008, June 9). Medatanai no ga ichiban: Aderans yakuin hiketsu, kagi wa "suterusu sakusen" [It's the best to be low profile: Voting down Aderans directors, the key was a "stealth operation"]. *Nikkei Business*, 10.


Nihon de kirawareru suchiru - kabunushi no setumei sekinin, bei to kakusa [Steel Partners is hated in Japan - difference exist between Japan and the U.S. in shareholder accountability]. (2007, October 31). *Nikkei Kinyu Shim bun*,


NYSE Euronext.


Sapporo koubou yoha, suchiiiru ga ookabunushi no kigyou, taiou saku kyouka no ugoki mo [Sapporo's aftermath, companies in which steel partners is a major shareholder strengthen countermeasures]. (2007, March 30). *Nihon Keizai Shimbun*, pp. 11.


TOC sougyou ke no kabu kaimashi, DaVinci ga hihan "TOB no seiritsu ni shougai" [DaVinci criticizes additional stock purchase by Otani family as "an obstacle to the TOB"]. (2007, June 21). *Nihon Keizai Shimbun*.


Ugokanu toushika "tsukiai" juushi [Immovable investors, place weight on "relationship"]. (2007, July 25). Yomiuri Shimbun,


Zoushi ketsugi nara sashitome seikyuu mo [if the board resolved equity financing, DaVinci may file a petition seeking an injunction order]. (2007, May 12). *Nihon Keizai Shimbun,*
APPENDICES

Included in the appendices are the press releases regarding the three cases analyzed in chapter five. Steel Partners Japan, Aderans, and DaVinci Advisors provide the English translation of their press releases on their websites. Press releases issued by Bull-Dog Sauce and TOC are not included here as they do not provide English translation of their press release. The press releases were posted on company websites as PDF file and they were converted into MSWord file to add index numbers. In the process, some of the formatting may have been lost, but the content remained the same. Some of the Aderans press releases were password protected and they were printed, scanned, and pasted onto this file, resulting in lower resolution.

APPENDIX A (Steel Partners on Bull-Dog Sauce)

<table>
<thead>
<tr>
<th>Index number</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-1</td>
<td>185</td>
</tr>
<tr>
<td>A-2</td>
<td>191</td>
</tr>
<tr>
<td>A-3</td>
<td>194</td>
</tr>
<tr>
<td>A-4</td>
<td>195</td>
</tr>
<tr>
<td>A-5</td>
<td>196</td>
</tr>
<tr>
<td>A-6</td>
<td>200</td>
</tr>
<tr>
<td>A-7</td>
<td>203</td>
</tr>
<tr>
<td>A-8</td>
<td>205</td>
</tr>
<tr>
<td>A-9</td>
<td>208</td>
</tr>
<tr>
<td>A-10</td>
<td>210</td>
</tr>
<tr>
<td>A-11</td>
<td>211</td>
</tr>
<tr>
<td>A-12</td>
<td>213</td>
</tr>
<tr>
<td>A-13</td>
<td>214</td>
</tr>
</tbody>
</table>
APPENDIX B (Steel Partners on Aderans)

<table>
<thead>
<tr>
<th>Index number</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>B-1</td>
<td>216</td>
</tr>
<tr>
<td>B-2</td>
<td>220</td>
</tr>
<tr>
<td>B-3</td>
<td>224</td>
</tr>
<tr>
<td>B-4</td>
<td>228</td>
</tr>
<tr>
<td>B-5</td>
<td>230</td>
</tr>
<tr>
<td>B-6</td>
<td>232</td>
</tr>
<tr>
<td>B-7</td>
<td>235</td>
</tr>
<tr>
<td>B-8</td>
<td>267</td>
</tr>
<tr>
<td>B-9</td>
<td>268</td>
</tr>
<tr>
<td>B-10</td>
<td>269</td>
</tr>
<tr>
<td>B-11</td>
<td>272</td>
</tr>
<tr>
<td>B-12</td>
<td>274</td>
</tr>
<tr>
<td>B-13</td>
<td>277</td>
</tr>
<tr>
<td>B-14</td>
<td>291</td>
</tr>
<tr>
<td>B-15</td>
<td>295</td>
</tr>
<tr>
<td>B-16</td>
<td>297</td>
</tr>
</tbody>
</table>

APPENDIX C (Aderans)

<table>
<thead>
<tr>
<th>Index number</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>C-1</td>
<td>299</td>
</tr>
<tr>
<td>C-2</td>
<td>331</td>
</tr>
<tr>
<td>C-3</td>
<td>332</td>
</tr>
<tr>
<td>C-4</td>
<td>333</td>
</tr>
<tr>
<td>C-5</td>
<td>335</td>
</tr>
</tbody>
</table>
## APPENDIX D (DaVinci Advisors)

<table>
<thead>
<tr>
<th>Index number</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>D-1</td>
<td>459</td>
</tr>
<tr>
<td>D-2</td>
<td>460</td>
</tr>
<tr>
<td>D-3</td>
<td>461</td>
</tr>
<tr>
<td>D-4</td>
<td>480</td>
</tr>
<tr>
<td>D-5</td>
<td>485</td>
</tr>
<tr>
<td>D-6</td>
<td>487</td>
</tr>
<tr>
<td>D-7</td>
<td>492</td>
</tr>
<tr>
<td>D-8</td>
<td>498</td>
</tr>
<tr>
<td>D-9</td>
<td>527</td>
</tr>
<tr>
<td>D-10</td>
<td>528</td>
</tr>
<tr>
<td>D-11</td>
<td>530</td>
</tr>
<tr>
<td>D-12</td>
<td>531</td>
</tr>
<tr>
<td>D-13</td>
<td>532</td>
</tr>
<tr>
<td>D-14</td>
<td>534</td>
</tr>
<tr>
<td>D-15</td>
<td>542</td>
</tr>
<tr>
<td>D-16</td>
<td>546</td>
</tr>
<tr>
<td>D-17</td>
<td>550</td>
</tr>
</tbody>
</table>
Press Release

Steel Partners Japan Proposes Tender Offer for Bull-Dog Sauce Co. Ltd.

Tokyo, May 16, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. (the Fund) today delivered a letter to the management of Bull-Dog Sauce Co. Ltd. (the “Company”), (TSE Code: 2804) stating that the Fund intends to commence a tender offer for all of the outstanding shares of the Company that the Fund does not already own at ¥1,584 per share. The offer would represent a 20% premium over Company’s share price at the close of trade on May 14. The Fund, along with its affiliates, is the largest single shareholder of Bull-Dog Sauce Co. Ltd., owning 10.15% of the Company’s outstanding shares.

In the letter, Warren Lichtenstein stated, “Our offer will provide your existing shareholders with liquidity and an opportunity to sell at a significant premium to market price without a minimum condition.”

In a letter delivered to Bull-Dog Sauce Co. Ltd. on May 11, 2007, Mr. Lichtenstein outlined the Fund’s motivation for launching a tender offer and explained how the Fund is a long-term investor whose aim is to “work with management to increase value for all shareholders over the long term.”

Full text of both the May 15 and May 11 letters follow:
May 15, 2007

Bull-Dog Sauce Co. Ltd. 11-5 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo, 103-0026, Japan

Attention: Ms. Shoko Ikeda, President

Steel Partners Japan Strategic Fund (Offshore), L.P.  P.O. Box 2681 GT,
Century Yard, 4th Floor Cricket Square, Hutchins Drive George Town, Grand Cayman Cayman Islands, British West Indies

As you know, Steel Partners Japan Strategic Fund (Offshore), L.P., along with our affiliates, owns 10.15% of Bull-Dog Sauce Co. Ltd.’s (the “Company”) outstanding shares and is the largest shareholder of the Company.

As I wrote in my letter dated May 11, 2007, (a copy of which I have attached for your convenience), there are times when Steel Partners Japan will seek to acquire 100% ownership of a portfolio company. To that end, we intend to commence a tender offer for all of the outstanding shares of the Company we do not already own at ¥1,584 per share. We believe our offer will provide your existing shareholders with liquidity and an opportunity to sell at a significant premium to market price without a minimum condition, and believe a tender offer is the most efficient means to increase our ownership.

I plan to call you this morning to discuss this further.

Respectfully,

Warren Lichtenstein

* *
May 11, 2007

Bull-Dog Sauce Co. Ltd. 11-5 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo, 103-0026, Japan

Attention: Ms. Shoko Ikeda, President

Steel Partners Japan Strategic Fund (Offshore), L.P.  P.O. Box 2681 GT, Century Yard, 4th Floor Cricket Square, Hutchins Drive George Town, Grand Cayman Cayman Islands, British West Indies

I am writing to you in an effort to try to get to know and understand each other better. As you know, I am the Chairman and CEO of Steel Partners, Ltd., the Manager of Steel Partners II, L.P. and a co-Manager of Steel Partners Japan Strategic Fund (Offshore), L.P. and Steel Partners China Access I, L.P.

Steel Partners was founded in 1990 and today has approximately $7 billion invested in companies in the United States, Asia, and Europe. We manage our capital with a global team of investment professionals and industry operating partners (former CEOs) located throughout the world.

In 2002, we founded Steel Partners Japan Strategic Fund (Offshore), L.P. jointly with Liberty Square Asset Management, L.P. Today, we have over 30 investments in Japan and are the largest shareholder in several world-class companies, including Sapporo Holdings, Nissin Food Products, Citizen Holdings and Aderans.

Over the years, Steel Partners has been referred to as a “hedge fund.” We prefer to be called and refer to ourselves as a private investment partnership. More recently, we have been labeled “Activists.” In reality, Steel Partners have always been “Relationship/Active Value Investors.” Many so-called “activists” force changes at a company and then sell their entire investment to reap short term gains. That is not Steel Partners’ investment style. Steel Partners has always been and will continue to be a long-term investor, typically holding positions in companies from three to five years or longer. In fact, Steel Partners Japan still owns stock in some of the first Japanese companies we invested in back in 2002, including your company, Yushiro Chemical Industry and Chuo Warehouse.

Since our inception, we have repeatedly demonstrated our ability to identify and make long-term investments in undervalued public and private companies and work with management to increase value for all shareholders over the long term.

A key ingredient in our success is the amount of time and focus we spend on each investment and our willingness to develop a professional relationship with the managements and boards of our portfolio companies. We prefer to give a management team time to execute their business plan, work with them if needed, then hold them accountable for any shortfalls or reward them for outstanding performance. Our goal is to be an investor that managements welcome and associate with success, fairness, discipline, empowerment and accountability. In fact, our advice and participation has been welcomed by the management of many companies in the United States, Europe and Asia.

Despite initial hesitation, many of our Japanese portfolio companies now recognize the positive influence Steel Partners Japan has had on their company and their share price. In a
recent article by the Financial Times newspaper, the management of Yushiro Chemical acknowledged that having Steel Partners Japan as a large shareholder keeps the company “on its toes” and is quoted saying: “It is true that shareholder value has increased. We have changed our view of shareholders as stakeholders in a good way.”

Even though we are always prepared to exercise our rights and protect the interests of all shareholders, we prefer to act from outside the boardroom by engaging with management informally. We are also willing to serve as a company director where we believe we can add significant value and expertise since it is an extremely time consuming commitment. Steel Partners managers have served on the boards of many public companies, including the 22 on which I have served. In many cases, we have been invited to join these boards in recognition of the experience and guidance we can provide. In a few cases, we have served in senior management roles including CEO and Executive Chairman.

Occasionally, Steel Partners will seek to acquire 100% ownership of a portfolio company if we decide it would be a great long-term opportunity for our partnership to own the entire business rather than just a piece of the business or if it continues trading at a discount to its intrinsic value. Such discounts typically exist if a company consistently misses budgets, plans and milestones, has the wrong capital structuring, is not allocating its capital properly or is underperforming operationally.

In certain instances, we may enter into negotiations with a company to acquire the shares that we don’t already own. Or we may commence a tender offer as the most efficient way to increase our holding by taking our offer directly to all shareholders in a fair and transparent manner. In all instances our interest is only in ensuring that the process results in allowing all shareholders to share equally in, and take advantage of, any offer that happens to be in the market. Our portfolio companies should not worry about such a takeover bid if no discount to intrinsic value exists, in which case we are happy to be a passive long-term owner of the business.

A core value at Steel Partners is that all shareholders should be treated equally.

Neither Steel Partners Japan nor any other affiliates of the Steel Partners group has or ever will engage in “greenmail.” Greenmail means that a shareholder buys shares and ultimately forces the company to repurchase its shares, but not the shares of other shareholders, at a higher price. We would never accept an offer that wasn’t made to all shareholders.

Whenever possible, we share with our portfolio companies the expertise and resources we have gained across many industries and countries. We have helped many companies gain access to capital and to improve their capital structure, capital allocation and cost structure. We have helped them grow by providing access to our global platform which includes managers of leading companies, business consultants and financial and legal advisors.

We have also introduced the concept of Operational Excellence to many of our portfolio companies. Operational Excellence is a broad category of operating skills used at world-class manufacturers such as General Electric and Toyota, which maximize productivity by eliminating waste, improving quality, accelerating the time to market, reducing working capital and improving the company’s business processes.

Prime examples of how our Relationship/Active Value Investor strategy can produce stellar results are our investments in United Industrial Corporation (NYSE: UIC), and SL Industries
(NYSE: SLI). In both cases, we commenced election contests as a last resort in order to
impact changes in management and corporate governance on behalf of all of the shareholders.
Ultimately, we were able to implement improvements in capital structure, cost structure and
operational strategy that have been reflected in the current stock prices. Today, UIC is up
over 500% from our initial investment price, while SLI is up over 600%. In 2006, UIC was
ranked one of the 200 best small companies in the United States by Forbes Magazine. We
continue to hold meaningful long-term positions in both companies and I continue to serve as
Chairman.

All stakeholders benefited and profited from these gains, including company employees,
pension and mutual funds and individual investors. What’s more, the workforce at both
companies has increased since Steel Partners became involved (by almost 50% at United
Industrial), while sales-per-employee, a key measure of productivity, has increased
substantially.

The same is true for other investments we have made, regardless of geography. When we
have created value in companies in the United States, Asia or Europe, shareholders from
those countries have profited and the local economies have often been strengthened.

As Steel Partners has expanded internationally, we have recognized the need to work within
the local cultures, customs, rules and regulations to determine how we can add value to our
portfolio companies, thereby creating value for all the stakeholders. We have learned that
styles, methodologies and philosophies that work in the United States or Europe do not
necessarily work in Japan, Korea or China and concluded that to be successful we need to
have a strong local presence with smart local partners whose interests and values are fully
aligned with ours. That is why we set up our independent joint venture Steel Partners Japan
Strategic Fund (Offshore), L.P. in 2002, followed by Steel Partners China Access I, L.P. in
2006. Locally in Japan, Steel Partners Japan Strategic Fund (Offshore), L.P. has worked
closely with Steel Partners Japan K.K. which acts as the consultant to Steel Partners Japan
Asset Management, LP.

When we launched Steel Partners in 1990, reaching past our local horizons may have meant
drinking a whiskey sour with partners in Tulsa, Oklahoma. Today, we are just as happy to
share some sake, a sherry, a whiskey, or a beer with our foreign associates across the globe.
We continue to expand our knowledge and broaden our horizons and are open to learning
new ways to constructively work with the management teams and directors of the companies
we invest in.

I would hope that we can get together soon so that we can continue to get to know each other
better and our organizations can get better acquainted so that we can continue to work in a
congenial, constructive manner for the benefit of all stakeholders and shareholders. I will
contact you this week to find out when it will be convenient for you to meet with me.

Respectfully,

Warren Lichtenstein

***

About the Fund
The Fund is a limited partnership type investment fund domiciled in the Cayman Islands with SPJS Holdings LLC as its General Partner. The principal business of the Fund is to invest in companies in Japan.

SOURCE: Steel Partners Japan Strategic Fund (Offshore), L.P.
Press Release

Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan Commences Tender Offer for Bull-Dog Sauce; Highlights Desire to Work with Management

Tokyo, May 18, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. (the Fund) today commenced a tender offer for all the outstanding shares of Bull-Dog Sauce Co. Ltd. (the “Company”), (TSE Code: 2804), that the Fund does not already own. The Fund is offering ¥1,584 per share, representing a 20% premium over the Company’s share price at the close of trade on May 14, the last close prior to the Fund’s submission of a letter of intent to commence a tender offer.

At the same time, the Fund issued the following statement to investors and employees of Bull-Dog Sauce Co. Ltd. outlining its desire to continue working with the existing management team in a constructive and positive spirit:

“Since 2002, Steel Partners Japan Strategic Fund has been a loyal and supportive investor in Bull-Dog Sauce. The Fund, together with our affiliates, is the largest single shareholder in the Company, owning 10.52% of outstanding shares.

“We have great respect for your management team and the quality of Bull-Dog Sauce products. In fact, we are not only investors but also consumers of the Company’s products. For those reasons we want to own the entire business, not just a part of it. Our long-term goals are aligned with those of the Company, its employees and Board: To see the Company prosper and grow, and to see a bottle of Bull-Dog Sauce in every restaurant and every home.

“We have no plans to get involved in the daily operations of the Company. However, Steel Partners has deep experience investing in food-industry companies, both in Japan and globally, that we believe will benefit Bull-Dog Sauce. Steel Partners Japan Strategic Fund (Offshore), L.P. has significant investments in: House Foods, Kikkoman, Nissin Food Products, Ezaki Glico and Sapporo. Steel Partners II, L.P. is the biggest investor in Uniq PLC, a leading European food producer and supplier to leading supermarket groups. In the US, we are a major investor in two popular restaurant companies: Fox & Hound Restaurant Group, which runs a chain of entertainment restaurants and Nathan’s Famous. (I should point out that Takeru Kobayashi of Japan set a new world record at the 2006 Nathan's Famous International Hot Dog contest!)

“As owners of the Company, we would gladly share the experience we have gained working with those companies to help Bull-Dog Sauce expand into new markets around the world and to grow its revenue. If necessary, we can also help the Company gain access to capital and to improve its capital structure, capital allocation and cost structure.
“We are investors and want to be 100% owners of the Company. But we do not want to be managers. We respect the experience and ability of Bull-Dog Sauce’s existing management team and intend to support the team in the event that we acquire the company.

“Being a public company can be demanding for a company the size of Bull-Dog Sauce, both in terms of resources and time spent by management meeting the many demands of investors and regulators. If the Fund is successful in acquiring the Company, those resources and the full attention of management and employees could be refocused on research and development, marketing and sales, helping the Company become more profitable and expand beyond its current markets.

“We believe our offer presents a win-win opportunity for investors, the Company and its employees. Existing shareholders gain liquidity and an opportunity to sell at a significant premium to market price. Bull-Dog Sauce will benefit from having a single, supportive investor that is ready to offer expertise and global resources to help the Company grow and prosper.

We hope that management and the Company’s employees, as well as investors and consumers positively consider the benefits to Bull-Dog Sauce that Steel Partners brings to the table.”

***

Public Notice of Commencement of Tender Offer

Steel Partners Japan Asset Management, L.P. 24 Federal Street, Boston, Massachusetts, U.S.A

Steel Partners Japan Strategic Fund SPVII LLC

General Manager and Partner: Warren Lichtenstein

To whom it may concern:

Steel Partners Japan Strategic Fund SPVII LLC hereby gives public notice of the following tender offer pursuant to the Securities and Exchange Law of Japan:

1. Target company: Bull-Dog Sauce Co., Ltd.
2. Categories of security (1) Shares of common stock subject to tender offer: (2) Equity warrants*  
   * Issued pursuant to an extraordinary resolution at the 79th annual general meeting of shareholders on June 29, 2004
3. Tender offer period: From Friday, May 18, 2007, through Thursday, June 28, 2007
4. Tender offer price: ¥1,584 per share of common stock ¥1 per equity warrant
5. Number of shares to be 19,703,565 purchased in tender offer:
The Electronic Public Notice Address for this notice is:

About the Fund

The Fund is a limited partnership type investment fund domiciled in the Cayman Islands with SPJS Holdings LLC as its General Partner. The principal business of the Fund is to invest in companies in Japan.

SOURCE: Steel Partners Japan Strategic Fund (Offshore), L.P.
Press Release

Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan Responds to Bull-Dog Sauce Questions

Tokyo, June 1, 2007 – Steel Partners Japan Strategic Fund-SPVII LLC (the “Offeror”), a special purpose vehicle of Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF” or the “Fund”) today submitted an official response to questions contained in the Opinion Statement Report dated May 25, 2007 submitted by Bull-Dog Sauce Co. Ltd. (the “Company”) (TSE Code: 2804) about the Offeror’s tender offer to shareholders.

The full text of the Offeror’s official response submitted to the Director-General of Kanto Local Finance Bureau is available in both Japanese and English at http://www.spjsf.jp.

SPJSF has been an investor in Bull-Dog Sauce since 2002 and on May 18, 2007, it commenced the tender offer through the Offeror with the goal of acquiring 100% of the total voting rights of the Company (including shares it currently owns). Because SPJSF strongly believes in the Company and its future, it would like to own the entire business.

The Offeror is offering 1,584 yen per share (a premium of approximately 18.56% over the Company’s share price at the close of trading on May 16) and 1 yen per Stock acquisition rights. The tender offer is currently set to expire on June 28, 2007.

In its answers, SPJSF made clear that it is not interested in managing the day-to-day operations of the Company. The Fund’s goal is to be an owner that management welcomes and associates with success, fairness, discipline, empowerment and accountability.

SPJSF respects the new disclosure rules under the Securities and Exchange Law which provides shareholders with the means to make an informed decision on the Fund’s offer and has provided its answers to the Company to the best of its ability.

About the Fund

Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.
A-4

[Cover Sheet]

[Submitted Document] Counter Questions Answer Report
[Submitted to] Director-General of Kanto Local Finance Bureau
[Date Submitted] 1 June 2007
[Name of Submitting Party] Steel Partners Japan Strategic Fund-SPVII LLC
[Nearest Contact Location] N/A
[Telephone Number] N/A
[Name of Contact Person] Steel Partners Japan K.K.
Yusuke Nishi, Managing Principal
(2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)

1 [Name of Target]
BULL-DOG SAUCE CO., LTD.

2 [Answers to Questions]

Answers to the Company’s Questions to the Tender Offeror

We would like to answer the questions presented by the Company in the Opinion Statement Report released on May 25, 2007, but we note that the questions presented by the Company were overly broad and extensive. Notwithstanding this, we have answered the questions that we believe are relevant to the shareholders’ investment decision, including those which we believe are necessary to clarify the organizational structure of Steel Partners, to the extent that it will not result in a breach of any confidentiality obligations.

Part I Outline of the Tender Offeror and Tender Offeror Group

1 Information concerning the Tender Offeror

[The rest is ommitted]
**Press Release**

**Steel Partners Japan Questions Motives of Bull-Dog Sauce Board of Directors**

**Says Mid-Term Business Plan Could Hurt Company and Employees**

**Tokyo, June 12, 2007** – Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”) today sent a letter to Board of Directors of Bull-Dog Sauce Co. Ltd. (the “Company”) (TSE Code: 2804) questioning the Board’s motives for opposing its tender offer to shareholders of the Company. SPJSF also criticized the Board’s recently announced Mid-Term Business Plan, which it predicted would damage the value of the Company and harm employees.

“The Company’s Board of Directors have misconstrued our intentions and now seek to employ methods aimed to thwart our (tender) offer,” the Fund wrote. “We believe that your methods will materially harm the Company’s value. We question why you would go to such lengths and risk diverting Company assets that could otherwise be used for the Company’s growth to purchase share acquisition rights from a shareholder that is not interested in divesting itself of its ownership in the Company.”

SPJSF asked that the Board disclose how much money it has spent on fees to advisors in its efforts to block the tender offer. The Fund noted that Bull-Dog’s stock price has declined sharply since the Board last week announced its opposition to the Tender Offer.

SPJSF also stated disappointment with the Board’s recently adopted Mid-Term Business Plan and question whether this Plan is an “ill-conceived” reaction to the Tender Offer that will reduce the Company’s value and materially reduce its Japanese workforce.

“Instead of reducing the Company’s capacity and workforce, possibly causing irreparable harm to the Company (and families), we believe that you should focus on building an export market, which is one of the many areas in which SPJSF could assist,” SPJSF wrote in its letter.

SPJSF has been an investor in Bull-Dog Sauce since 2002 and is the Company’s largest shareholder, with 10.52% of total voting rights. On May 18, 2007, it commenced the tender offer through the Offeror with the goal of acquiring 100% of the total voting rights of the Company (including shares it currently owns). The Offeror is offering 1,584 yen per share (a premium of approximately 18.56% over the Company’s share price at the close of trading on May 16) and 1 yen per Stock acquisition rights. The tender offer is currently set to expire on June 28, 2007.

Text of the letter follows:

***
June 12, 2007

The Board of Directors Bull-Dog Sauce Co. Ltd. (the “Company”) 11-5 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo, 103-0026 Japan

Attention: Ms. Shoko Ikeda, President and Representative Director

Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”) P.O. Box 2681 GT, Century Yard, 4th Floor Cricket Square, Hutchins Drive George Town, Grand Cayman Cayman Islands, British West Indies

Despite our good faith efforts to answer the Company’s questions and requests, you, the Company’s Board of Directors (the “Board”), have misconstrued our intentions and now seek to employ methods aimed to thwart our offer for all the outstanding shares of the Company that we do not currently own (the “Tender Offer”). We believe that your methods will materially harm the Company’s value. By this letter, we aim to clarify our intentions and to request information regarding the Board’s motivation for its actions that we believe will likely harm the Company’s stakeholders (other than the Board and management) and erode corporate and shareholder value. In fact, your actions have already negatively impacted all of the Company’s shareholders as the Company’s stock price has declined sharply since last week’s announcement of your opposition to our Tender Offer.

We have to question why the Board has asked questions it knows cannot be answered fully, if at all, and then assert that we have failed to provide concrete responses to these questions. We also ask the Board to please explain why it believes that our offer will erode corporate value and why it has approved a plan that will dramatically alter the Company’s structure and business plans. You have asked the Company’s shareholders to approve a scheme to significantly dilute our ownership interest at significant cost to the Company. We question why you would go to such lengths and risk diverting Company assets that could otherwise be used for the Company’s growth to purchase share acquisition rights from a shareholder that is not interested in divesting itself of its ownership in the Company. In respect of costs and the proper use of Company assets, as a shareholder, we respectfully request that the Board disclose how much it has spent on fees to advisors such as Nomura Securities and Nishimura & Partners and how these fees can be justified as a way to increase shareholder value.

Current Japanese law entitles companies to issue one set of questions to a tender offeror following the initiation of a tender offeror. We respect the new disclosure rules under the Securities and Exchange Law that provide shareholders with the means to make an informed decision on the Tender Offer, and we have provided answers to the Company to the best of our ability. We echo Ms. Ikeda’s response to a question regarding the Tender Offer posed to her by the Sankei Shimbun, which appeared in a June 8, 2007 transcript of its interview with her: “[One] cannot answer hypothetical questions.” We have in good faith answered the Board’s questions that do not require us to predict the future, to draw conclusions from hypothetical scenarios or divulge trade secrets (as a shareholder we hope the Company is equally protective of its trade secrets). We have repeatedly and clearly stated publicly that we are a long-term relationship/active value investor that seeks to work with the management of the companies in which we invest to increase corporate value for all stakeholders and shareholders. Our goal is to be an owner that management welcomes and associates with success, fairness, discipline, empowerment and accountability. While we did not expect that you would immediately embrace us, we expected that the Board in carrying out its duties to the Company’s shareholders would extend to us a measure of good faith and respect and not have requested that we answer...
“hypothetical questions” that required us to predict the future or to divulge trade secrets, such as those used in the calculations of premiums and other analyses.

Notwithstanding that we publicly stated in May 2007 our support for your management plan and the Company’s current Board, the Company has repeatedly asserted that SPJSF does not have a management plan. As we have clearly and repeatedly stated, we do not currently intend to manage the day-to-day activities or business of the Company, regardless of the proportion of voting rights acquired. Our plan was to have you continue to execute yours. Obtaining the right to influence management does not necessarily translate into change. Do you lack self-confidence such that you do not believe that SPJSF would let you continue to manage the Company? We believed that instead of the Tender Offer resulting in additional restrictions on management’s resources and abilities, our stronger relationship with management would enable management to draw on the strengths and resources of SPJSF. Furthermore because we view the Company’s current management as a valuable resource, we do not view the management team as something that should be thoughtlessly replaced or taken for granted, even if the Tender Offer resulted in SPJSF having the ability to do so. Ownership is not the equivalent of management. If it were, we would expect that the Board’s members and other senior management would have a greater financial stake in the Company than they do. Or, possibly, management would have sought an MBO to reap the rewards it thought it could sow. However, in adopting a new business plan and a plan to issue share acquisition rights and dilute an interested and committed shareholder, you appear to be trying to entrench yourselves to the detriment of the Company’s shareholders and employees.

The Board’s assertion that SPJSF needs to exit its investment in the Company in order to secure a good return is misleading. As with its other long-term investors, SPJSF generally nurtures and holds onto good investments for extended periods of time and thus our intention is to help the Company to grow and to assist in achieving its full potential. As long as an investment continues to increase in value or is building momentum to do so, we have little motivation to “exit” such investment to pursue a different opportunity at additional risk. As we stated in the Answer Report, we are happy to have an unrealized gain for an indefinite period because we believe in the prospects of the Company.

As the Company’s largest shareholder, we are disappointed by the Board’s recently adopted Mid-Term Business Plan (the “Plan”) and question whether this Plan is simply an ill-conceived reaction to our Tender Offer. As a shareholder, we ask you to please explain why you are willing to compromise the interests of the Company’s stakeholders, particularly those who will be affected by the closure of a plant or by the loss of employment, while simultaneously destroying value for its shareholders. Instead of reducing the Company’s capacity and workforce, possibly causing irreparable harm to the Company (and families), we believe that you should focus on building an export market, which is one of the many areas in which SPJSF could assist, and on other ways to grow the Company and increase value for shareholders and stakeholders. We therefore request that the Board provide all of its shareholders with the information that it used as a basis for its new profitability projections so we can evaluate whether the decision-making was sound. With this in mind, we kindly ask that the Board publicly disclose all aspects of its newly minted Mid-Term Business Plan, the report of Nomura Securities, which will show us your price calculation, and a statement of the proposed restructuring costs, so that all shareholders could reevaluate the Company’s prospects.

As a value investor concerned about the long-term prospects of the Company, we ask the Board to confirm whether or not it considered the long-term costs to the Company’s human capital, its reputation and to other stakeholders. As we know the value of employee morale and a positive work environment, we are particularly concerned that the Company’s employees may not have been adequately considered in the Board’s response to our Tender Offer and the formulation of
the Plan. We therefore ask the Board to please confirm whether the Company’s employees knew when they were first asked to comment on the Tender Offer that more than 25% of them will lose their jobs because of the Plan. Please also let us know if the Company’s employees were under any pressure when they gave their opinion regarding the Tender Offer. What information was presented to them when asked their opinion? Were they aware that SPJSF wants to grow, not contract, the Company’s business? Are any employees going to lose their jobs, or be asked to “retire”, because they did not believe in the Board’s opinion regarding the Tender Offer? While we admire the courage of these salarymen and women to voice their opinion, we cannot admire those who would shamefully be willing to sacrifice or exploit others to save themselves. If the Board is confident that it can achieve the Plan’s projections, which have been adopted at tremendous costs to the salarymen and women, is the Board prepared to resign if actual results differ from the Plan’s projections?

Have you considered the precedent, your legacy, that you will establish if you successfully thwart our Tender Offer with these tactics? What will you do if another bidder becomes interested in the Company? How much value will be left to destroy and how much money will you need to divert from the Company’s business to expel a committed and financialy healthy shareholder? In your June 7, 2007 announcement in opposition to our Tender Offer, you state that the Board “reached the conclusion…that the successful acquisition by the tender offeror of a majority of all voting rights of this Company in this Tender Offer will lead to harm to our corporate value and shareholders common interest therefore.” We believe that it is your actions that lead to such harm.

It appears as though we have many questions for one another. For these reasons, we look forward to meeting with you on Wednesday to discuss these matters further and, hopefully, eliminate any misunderstandings between us. We also hope that we can come to a mutually beneficial understanding so that you will stop wasting corporate assets and instead focus on how to work with Steel Partners in a constructive way for the benefit of the Company and all its stakeholders and shareholders.

Respectfully,

Warren Lichtenstein

***

About SPJSF
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

About SPVI
SPVI is a limited liability company established by the Fund under the laws of the State of Delaware, U.S.A.
Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan Asks Bull-Dog Sauce Employees to Consider Benefits of Tender Offer
Requests Face-to-Face Meeting with Employee Representative

Tokyo, June 12, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”) today delivered a letter addressed to all employees of Bull-Dog Sauce Co. Ltd. (the “Company”) (TSE Code: 2804) asking them to reconsider their opposition to SPJSF’s tender offer and requesting a face-to-face meeting with employee representatives.

SPJSF described itself as Bull-Dog Sauce’s “most ardent supporter” and stated: “Our goal is to be an owner that management welcomes and associates with success, fairness, discipline, empowerment and accountability.” SPJSF stressed that it respects the experience of the Company’s existing management team and has no intention of assuming the role of day-to-day managers.

The Fund criticized the Board’s recent shareholder proposal that would result in significant corporate assets being diverted from the Company’s business plans in an attempt to block the Fund’s offer. SPJSF also questioned the recently announced “Mid-Term Business Plan” adopted by the Company’s Board of Directors, which would result in a reduction of the Company’s workforce. If successful in its offer, the Fund said it would strive to “enable the Company expand its markets instead of reducing its production capacity and workforce.”

SPJSF requested a face-to-face meeting with a representative of all company employees to discuss its offer, stating, “As is customary in Japan, we agree that matters of import are best discussed in face-to-face meetings and we hope that you would be willing to have a representative extend us that honor very soon. In doing so, we believe that you would be pleased to discover that our intentions are good and that SPJSF is an organization of superior character.”

SPJSF has been an investor in Bull-Dog Sauce since 2002 and on May 18, 2007, it commenced the tender offer through the Offeror with the goal of acquiring 100% of the total voting rights of the Company (including shares it currently owns). Because SPJSF strongly believes in the Company and its future, it would like to own the entire business.

The Offeror is offering 1,584 yen per share (a premium of approximately 18.56% over the Company’s share price at the close of trading on May 16) and 1 yen per Stock acquisition rights. The tender offer is currently set to expire on June 28, 2007.

Text of the letter follows:
June 12, 2007

Bull-Dog Sauce Co. Ltd. (the “Company”)
11-5 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo, 103-0026
Japan

Attention: All Company Employees

Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”)
P.O. Box 2681 GT, Century Yard, 4th Floor
Cricket Square, Hutchins Drive
George Town, Grand Cayman
Cayman Islands, British West Indies

We understand your concern about our Tender Offer, particularly in light of all the attention and recent negative press that investment funds get in the course of their dealings. It is for this reason that we believe it is important for you to recognize that we are a private investment partnership with a track record of successful long-term investments, which is an important distinction when compared to some of the undesirable short-term strategies used by many investment funds. Our long-term commitment to the Company reaches as far back as 2002, when we made our first investment in the Company.

Your opposition to the Tender Offer forces us to reflect on qualities such as trust, stability and strong relationships that we have tried to convey, but which have unfortunately been lost in all the emotions and media attention that our Tender Offer has generated. We therefore hope that you can take comfort in knowing that despite initial hesitation, many of our Japanese portfolio companies now recognize the positive influence that SPJSF has had on their company and their share price. In a recent article by the Financial Times newspaper, the management of Yushiro Chemical acknowledged that having SPJSF as a large shareholder keeps the company “on its toes” and is quoted saying: “It is true that shareholder value has increased. We have changed our view of shareholders as stakeholders in a good way.” Whether we are a large shareholder or a sole shareholder, we are confident that the opinions expressed by the management of our portfolio companies will remain positive. While there is little we can do to change recent media coverage, we are confident in our record of success and we invite you to examine the public record and securities filings of other companies in which we have invested.

As your trust is important to us, we have not tried to hide our intentions or make promises that we cannot keep. We have, however, repeatedly and clearly stated publicly that we are a long-term relationship/active value investor that seeks to work with the management of the companies in which we invest to increase corporate value for all stakeholders and shareholders. Our goal is to be an owner that management welcomes and associates with success, fairness, discipline, empowerment and accountability.

While we cannot assure you that we will at all times agree with management or pledge to never offer assistance or submit shareholder proposals, we can assure you that we do not want to assume the role of day-to-day managers. While we respect the experience of the Company’s existing management team, we also have a strong interest in the strength and success of the Company and in growing shareholder value. That is why we question the recently announced Mid-Term Business Plan adopted by the Company’s board of directors (the “Board”) and the Board’s shareholder proposal that would result in significant corporate assets being diverted from the Company’s business plans to significantly dilute the Company’s most ardent supporter.

Due to our strong interests in the strength and success of the companies in which we invest and in growing shareholder value, we are accustomed to sharing with our family of companies the expertise and resources we have gained across many industries and countries. In the past we have helped many of the companies in which we have invested to gain access to capital and to improve their capital
structure, capital allocation and cost structure. We have also helped these companies grow by providing access to our global platform, which includes managers of leading companies, business consultants and financial and legal advisors. It is the availability of this type of assistance that we hope will enable the Company to expand its markets instead of reducing its production capacity and workforce.

We hope that in the course of the Tender Offer process that you are able to find some measure of comfort in the prospects of the Company if the Tender Offer is successful, or at the very least find comfort in knowing that SPJSF recognizes that the success of the Company is in part built on the qualities and culture that the employees of the Company embody and that we recognize that the styles, methodologies and philosophies that work in the United States or Europe will not necessarily work in Japan.

As is customary in Japan, we agree that matters of import are best discussed in face-to-face meetings and we hope that you would be willing to have a representative extend us that honor very soon. In doing so, we believe that you would be pleased to discover that our intentions are good and that SPJSF is an organization of superior character.

I look forward to meeting with your representative to discuss this matter further.

Respectfully,

Warren Lichtenstein

* * * * *

About SPJSF
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

About SPVII
SPVII is a limited liability company established by the Fund under the laws of the State of Delaware, U.S.A.
Press Release

Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan Seeks Injunction to Block Bull-Dog Anti-Takeover Measures

Says Bull-Dog Management’s Actions Self-Serving and Hurt Company

Tokyo, June 13, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. ("SPJSF") today filed an action with the Tokyo District Court seeking provisional injunctions to bar Bull-Dog Sauce Co. Ltd. (the "Company") (TSE Code: 2804) and its directors from activating takeover defense measures aimed at diluting SPJSF’s shareholdings and blocking SPJSF’s tender offer to shareholders of the Company.

On June 7, the Company announced that its Board of Directors had approved measures aimed at diluting SPJSF’s shareholdings and thwarting SPJSF’s tender offer. The Company also announced that the measures would be presented to shareholders at its AGM on June 24. These measures would include the issuance of three stock acquisition rights ("SAR") per share to existing shareholders, each exchangeable for one ordinary share by all shareholders except SPJSF and its related parties. The Company has included a provision to deny SPJSF’s conversion of these SAR to ordinary shares and reserved the discretion to only repurchase them from SPJSF and its related parties for 396 yen per SAR. These measures could reduce SPJSF’s ownership from about current 10% to less than 3% and deprive it of certain shareholder rights.

The legal action seeks to block the resolution from being presented at the Company’s AGM and to block the issuance of the SAR.

In its petition to the court, SPJSF asserted that Bull-Dog is only seeking to implement the measures to dilute SPJSF’s shareholdings and stop its tender offer, representing a discriminatory act against the investment partnership in violation of current Japanese law. Furthermore, the petition asserts that the Board’s members had breached their fiduciary duty owed to all shareholders because these actions will cause significant financial loss to the Company as a whole.

SPJSF argued that such a scheme, if allowed to be carried out, would be detrimental to the legal framework of corporate Japan, would weaken international faith in the integrity of the Japanese capital markets and could deter investment in Japanese companies and Japan’s national economy as a whole.

SPJSF strongly believed that the Company’s management has no right to block its tender offer because the partnership is a responsible bidder and should not be penalized for having faith in the Company and its prospects. SPJSF has publicly stated that it supported the Company’s management and did not intend to interfere with its running of the Company. SPJSF stated that it is solely interested in owning the Company and would give the management the requisite time and assistance to carry out its business plans.
SPJSF has been an investor in Bull-Dog Sauce since 2002 and is the Company’s largest shareholder. On May 18, 2007, it commenced the tender offer through Steel Partners Japan Strategic Fund SPVII LLC (“SPVII”) with the goal of acquiring 100% of the total voting rights of the Company (including shares it currently owns). SPVII is offering 1,584 yen per share (a premium of approximately 18.56% over the Company’s share price at the close of trading on May 16) and 1 yen per stock acquisition right. The tender offer is currently set to expire on June 28, 2007.

About SPJSF
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

About SPVII
SPVII is a limited liability company established by the Fund under the laws of the State of Delaware, U.S.A.
Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan Raises Tender Offer Price for Bull-Dog Sauce, Extends Offer Period

Tokyo, June 15, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”) announced today that it has increased its tender offer price to ¥1,700 per share, from ¥1,584 per share, for all the outstanding shares of Bull-Dog Sauce Co. Ltd. (the “Company”), (TSE Code: 2804), that SPJSF does not already own. The new offer price represents a 26.7% premium to the 1-month average closing share price prior to SPJSF’s submission of a letter of intent to commence the tender offer, and a 25.8% premium to the 12-month average closing share price.

SPJSF also announced that it has extended the tender offer period until Friday, August 10, 2007, the latest date possible under Japanese law, in order to provide the shareholders with the maximum amount of time to consider and make an investment decision with respect to the tender offer. The tender offer had previously been scheduled to expire on Thursday, June 28, 2007. SPJSF commenced its tender offer on Friday, May 18, 2007.

“We have strengthened our tender offer to demonstrate our commitment to Bull-Dog and to show our faith in the Company, its products and employees. We believe our offer presents a win-win opportunity for investors, the Company and its employees. Existing shareholders can gain liquidity and have an opportunity to sell at a significant premium to market price. Bull-Dog Sauce will benefit from having a single, supportive investor that is prepared to offer expertise and global resources to help the Company grow and prosper,” stated Warren Lichtenstein of SPJSF.

SPJSF’s actions follow a meeting on June 13, 2007 between SPJSF and Company executives led by its President, Ms. Shoko Ikeda. During the meeting, Ms. Ikeda repeated an earlier Company claim that the original tender offer price of ¥1,584 per share did not adequately reflect the value of the Company. When asked to suggest a “fair price,” Ms. Ikeda stated, “Price does not matter.” SPJSF believes this statement demonstrates Ms. Ikeda’s failure to fulfill her fiduciary duty to protect the interests of all of the Company’s shareholders.

Ms. Ikeda and other Bull-Dog executives also declined to provide further details on the Company’s recently announced Mid-Term Business Plan or explain how the plan would add value to the Company. SPJSF believes this plan may be detrimental to the Company over the long-term and may result in significant layoffs among Bull-Dog’s Japanese workforce.

“While we did not expect that Bull-Dog would immediately embrace our offer, we expected that the Board in carrying out its fiduciary duties to the Company’s shareholders would extend to us a measure of good faith and respect,” stated Mr. Lichtenstein. “Instead, the Company’s Board has misconstrued our intentions and now seeks to employ methods aimed to thwart our tender offer. We believe that their methods will materially harm the Company’s value and question why the Board is using Company assets - that could otherwise be used for the Company’s growth - to oppose a bid by a supportive, long-term shareholder to acquire more shares in the Company.” He noted that SPJSF is the largest single shareholder in the Company and has been investing in the Company since 2002.
On June 13, 2007, SPJSF filed an action with the Tokyo District Court seeking provisional injunctions to bar the Company and its directors from activating takeover defense measures aimed at diluting SPJSF’s shareholdings and blocking SPJSF’s tender offer. SPJSF argued that takeover defense measures proposed by the Company represent a discriminatory act against an individual shareholder in violation of current Japanese law and that if left unchallenged, could weaken international faith in the integrity of the Japanese capital markets and possibly damage the Japanese economy as a whole.

SPJSF argued in its court filing that the directors of Bull-Dog violated their fiduciary duties as their action would use Company assets to entrench themselves. SPJSF believes the Board’s action is an attempt to coercively dilute a good faith shareholder who is attempting to invest more capital in the Company because it has confidence in current management and its loyal employees. The action also deprives individual shareholders of the opportunity to make their own decisions whether to tender their shares.

* * *

Public Notice of Amendment of Tender Offer

To whom it may concern:

Steel Partners Japan Strategic Fund SPVII LLC hereby gives public notice of the following tender offer pursuant to the Securities and Exchange Law of Japan:

* Issued pursuant to an extraordinary resolution at the 79th annual general meeting of shareholders on June 29, 2004

Target company: Bull-Dog Sauce Co., Ltd.
Categories of security subject to tender offer:
(1) Shares of common stock
(2) Equity warrants*

The Electronic Public Notice Address for this notice is: https://info.edinet.go.jp/EdiHtml/main.htm

Tender offer period: From Friday, May 18, 2007, through Friday, August 10, 2007
Tender offer price:
¥1,700 per share of common stock
¥1 per equity warrant
Number of shares to be purchased in tender offer:
19,703,565
Securities company in charge of tender offer settlement:
Utsumiya Securities Co., Ltd.
Call Center: 082-245-5017
Tokyo Branch: 03-3668-7808
About SPJSF
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

SOURCE: Steel Partners Japan Strategic Fund (Offshore), L.P.
Press Release

Steel Partners Japan Strategic Fund (Offshore), L.P.

ISS Recommends Shareholders Vote Against Bull-Dog Sauce Co.’s Proposed Anti-Takeover Defense

Tokyo, June 15, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. ("SPJSF") today announced that Institutional Shareholder Services Inc. ("ISS"), the world’s leading independent proxy advisory firm, has recommended that shareholders vote against the proposal (Agenda Item No. 7) by Bull-Dog Sauce Co. Ltd. (TSE Code: 2804) (the "Company") authorizing the Company to dilute SPJSF’s stake by issuing share acquisition rights ("SARs") to all shareholders should SPJSF not withdraw its tender offer for all the outstanding shares of the Company (the “Takeover Defense Proposal”).

In its report, ISS stated: “. . . we do not see any particular advantage to shareholders in foreclosing the option of selling their shares to [SPJSF] if they so choose, and so we do not support this item.”

The last-minute addition of the Takeover Defense Proposal to the Company’s proxy circular is solely intended to thwart SPJSF’s tender offer that the Company’s management currently opposes. If authorized and issued, the SARs would not be exercisable by SPJSF or its affiliates. If all other shareholders were to exercise the SARs, with an exercise price of ¥1 per share, SPJSF’s investment in the Company would be diluted to approximately 3%.

Warren Lichtenstein, manager of SPJSF, commented: “We are gratified that ISS has recommended that shareholders reject Bull-Dog’s proposed takeover defense. The last-minute addition of Item No. 7 to the Annual Meeting agenda is nothing more than a brazen attempt by the Company to deprive individual shareholders of the opportunity to make their own decisions whether to tender their shares. We urge all shareholders to send a message to the Company’s management that management does not have the authority to deny shareholders the right to decide for themselves whether to accept SPJSF’s tender offer by submitting their vote against the proposal as soon as possible.”

On June 15, 2007, SPJSF announced that it has increased the tender offer price to ¥1,700 per share, from ¥1,584 per share, for all the outstanding shares of the Company it does not already own. The new offer price represents a 26.7% premium to the 1-month average closing share price prior to SPJSF’s submission of a letter of intent to commence the tender offer, and a 25.8% premium to the 12-month average closing share price. SPJSF also announced that it has extended the tender offer period until Friday, August 10, 2007.

***

About SPJSF
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

SOURCE: Steel Partners Japan Strategic Fund (Offshore), L.P.
Steel Partners Japan Comments on Today’s Vote by Shareholders of Bull-Dog Sauce

Tokyo, June 24, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”), the largest shareholder of Bull-Dog Sauce Co. Ltd. (TSE Code: 2804) (the “Company”), made the following comments on the result of the vote by shareholders of the Company on the proposal to approve the issuance of stock acquisition rights (“SARs”) at its annual general meeting of shareholders held in Tokyo today. This proposal was approved at the Company’s annual general meeting.

SPJSF opposed the Company’s proposal because it believes the Company sought to implement measures to dilute SPJSF’s shareholdings and prevent its tender offer. SPJSF plans to continue to seek to block the issuance of the SARs through legal action.

Mr. Warren Lichtenstein, manager of SPJSF, commented: “We are disappointed that the proposed “SARs” have been approved. We believe that this anti-takeover measure will materially harm the Company’s value and question why the Board is using Company assets - that could otherwise be used for the Company’s growth - to oppose a bid by a supportive, long-term shareholder to acquire more shares in the Company. Such a scheme, if allowed to be carried out, would be detrimental to the legal framework of corporate Japan, would weaken international faith in the integrity of the Japanese capital markets and could deter investment in Japanese companies and Japan’s national economy as a whole.”

SPJSF commenced the tender offer through Steel Partners Japan Strategic Fund - SPVII LLC (“SPVII”) with the goal of acquiring 100% of the total voting rights of the Company (including shares it currently owns). SPJSF strongly believes that the Company’s management has no right to block its tender offer because the partnership is a responsible bidder and should not be penalized for having faith in the Company and its prospects. SPJSF has repeatedly stated that it is solely interested in owning the Company and would give the management the requisite time and assistance to carry out its business plans.

SPVII is offering ¥1,700 per share (a 26.7% premium to the 1-month average closing share price prior to SPJSF’s submission of a letter of intent to commence the tender offer, and a 25.8% premium to the 12-month average closing share price) and ¥1 per SAR. The tender offer is set to expire on August 10, 2007.

About SPJSF

Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

SOURCE: Steel Partners Japan Strategic Fund (Offshore), L.P.
Press Release

Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan to Appeal Court's Refusal to Grant Injunction to Block Bull-Dog’s Stock Acquisition Rights Scheme

*Tokyo, June 28, 2007* – Steel Partners Japan Strategic Fund (Offshore), L.P. ("SPJSF") announced today that it plans to appeal the judgment rendered today by the Tokyo District Court denying SPJSF’s request for an injunction to bar Bull-Dog Sauce Co. Ltd. (TSE Code: 2804, 2nd Section Listing) (the “Company”) and its Board of Directors from activating defense measures aimed at diluting SPJSF's shareholdings and thwarting SPJSF’s tender offer to shareholders of the Company.

SPJSF had asserted that the purpose of the Company’s plan to issue stock acquisition rights ("SARs"):  
1. breached the principle of shareholder equality by treating SPJSF in a discriminatory manner compared to the other shareholders;  
2. used a procedure for the adoption of the SARs that was manifestly unfair; and  
3. had an unreasonable and an unfair purpose,

and for these reasons, had applied to the Tokyo District Court for a provisional injunction to prevent the issuance of the SARs.

The Tokyo District Court denied SPJSF’s application on the basis that it did not believe that the SARs proposed by the Company were unlawful. However, SPJSF believes that the Tokyo District Court erred in law in reaching such a conclusion and currently intends to appeal the judgment. Accordingly, SPJSF has filed an immediate appeal to the Tokyo High Court.

Warren Lichtenstein, manager of SPJSF, commented: “While we respect the court’s decision, we are extremely disappointed that the Tokyo District Court did not grant our request for an injunction to block Bull-Dog Sauce’s plan to issue SARs. We believe that the Company’s scheme, if allowed to be carried out, would be detrimental to the legal framework of corporate Japan, would weaken international faith in the integrity of the Japanese capital markets, and will not only deter investment in Japanese companies but also undermine Japan’s efforts to become a global financial center.”

SPJSF currently has a tender offer through Steel Partners Japan Strategic Fund - SPVII LLC ("SPVII") with the goal of acquiring 100% of the total voting rights of the Company (including those shares it already owns). SPJSF believes in the Company and has conducted its bid in accordance with the system of such tender offers and does not consider that it should be prevented from supporting the Company in this manner.

Under the terms of its tender offer, SPVII is offering ¥1,700 per share (a 26.7% premium to the 1-month average closing share price prior to May 16, 2007, and a 25.8% premium to the 12-month average closing share price) and ¥1 per SAR currently outstanding. The tender offer is set to expire on August 10, 2007.
About SPJSF

Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

SOURCE: Steel Partners Japan Strategic Fund (Offshore), L.P.
Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan Submits Appeal to Supreme Court of Japan on Bull-Dog Stock Acquisition Rights Scheme

Tokyo, July 10, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”) announced that it has submitted an appeal to the Supreme Court of Japan in connection with its request for a provisional injunction barring Bull-Dog Sauce Co. Ltd. (2804.JP) (the “Company”) from initiating anti-takeover measures aimed at diluting SPJSF's shareholdings and thwarting SPJSF’s tender offer to shareholders of the Company. The appeal is in response to the Tokyo High Court’s earlier denial of SPJSF’s injunction request. SPJSF’s appeal seeks to prevent the issuance of new shares as a result of the Company’s purchase, or other shareholders’ exercise of the stock acquisition rights (“SARs”) -- to be issued by the Company on July 11, 2007. SPJSF asserts that the Company’s SARs scheme represents a discriminatory act against SPJSF in violation of Japan’s Company Law, which stipulates equal treatment of shareholders.

Warren Lichtenstein, manager of SPJSF, commented: “We feel we have no choice but to appeal to the Supreme Court of Japan as Bull-Dog Sauce’s actions breach the principles of shareholder equality. We also categorically dispute the High Court’s characterization of SPJSF as an ‘abusive bidder’. Our track record as an investor since 2002 clearly shows that SPJSF is a long-term shareholder whose interests are aligned with those of the Company.”

About SPJSF
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

SOURCE: Steel Partners Japan Strategic Fund (Offshore), L.P.
Press Release

Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan Responds to Supreme Court Decision on Bull-Dog Sauce

Lowers Tender Offer Price Following SARs Repurchase, Extends Tender Offer

Tokyo, August 8, 2007 – Steel Partners Japan Strategic Fund-SPVII LLC (“SPVII”), a wholly-owned special purpose vehicle of SPJSF, will lower its tender offer price to ¥425 per share, from ¥1,700 per share, for all the outstanding shares of Bull-Dog Sauce Co. Ltd. (the “Company”), (2804.JP), that SPJSF does not already own. This follows the Supreme Court’s rejection of SPJSF’s injunction petition and the Company’s announced repurchase of the stock acquisition rights (“SARs”) it issued in July 2007.

SPJSF’s appeal sought to prevent the Company's issue of new shares or delivery of its own stock upon acquisition of the SARs from all shareholders other than SPJSF on August 9, 2007.

SPJSF also announced that SPVII will immediately file an Amendment to the Tender Offer Registration Statement (i) to change the TOB price to ¥425 per share (currently ¥1,700), (ii) to add such number of shares to be exchanged for the SARs to the number of shares to be purchased through the TOB and (iii) to reflect that its tender offer period, currently set to expire on August 10, will be automatically extended to the date that is 10 business days following the date of the filing of such Amendment to the Tender Offer Registration Statement, in accordance with Japanese law.

About SPJSF

Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

SOURCE: Steel Partners Japan Strategic Fund (Offshore), L.P.
Press Release

Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan Concludes Tender Offer for Bull-Dog Sauce

Tokyo, August 24, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”) announced that its tender offer through its wholly-owned subsidiary, Steel Partners Japan Strategic Fund-SPVII LLC (“SPVII”), for all outstanding common shares that it does not already own of Bull-Dog Sauce Co. Ltd. (the “Company”) (2804.JP) expired on August 23, 2007. At the close of the offer, 1,318,456 shares had been tendered, representing approximately 1.89% of issued and outstanding Bull-Dog Sauce shares. As a result of the tender offer, SPJSF will own 3,098,456 shares or approximately 4.44% of the issued and outstanding shares by itself or through SPVII.

SPJSF commenced the tender offer on May 18, 2007 with the goal of acquiring 100% of the outstanding shares of the Company (including shares SPJSF currently owns). SPVII initially offered ¥1,584 per share (an about 20% premium over the Company’s common share price at the close of trade on May 16, 2007) for all outstanding shares of the Company that SPJSF did not already own. On June 15, 2007, SPJSF announced that it had increased the tender offer price to ¥1,700 per share and extended the tender offer period until Friday, August 10, 2007. The increased offer price represented an about 26.7% premium to the one-month average closing share price prior to SPJSF’s submission of a letter of intent to commence the tender offer, and an about 25.8% premium to the 12-month average closing share price. On August 9, 2007, SPJSF adjusted its tender offer price to ¥425 per share from ¥1,700 per share. This tender offer price adjustment was made solely in response to the Company’s then anticipated issuance of new shares in exchange for stock acquisition rights (“SARs”) of the Bull-Dog Sauce shareholders other than SPJSF following the Supreme Court’s rejection of SPJSF’s injunction petition to enjoin the Company from issuing shares in exchange for the SARs. SPVII filed the Amendment to the Tender Offer Registration Statement in relation to the adjustment of the tender offer price to ¥425 per share from ¥1,700 per share on August 9, 2007. As a result, the tender offer period had been extended until August 23, 2007.

SPJSF intends to scrutinize the impact on the Company’s operations and corporate value of the Mid-Term Business Plan adopted on June 7, 2007 and the capital it has spent on anti-takeover measures.

* * * * *

About SPJSF
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

About SPVII
SPVII is a limited liability company established by SPJSF under the laws of the State of Delaware, U.S.A.
Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan Recommends Shareholders Reject Aderans’ Proposed Advance Warning System

Tokyo, May 7, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. (the “Fund”) today launched a campaign recommending shareholders reject a proposal by Aderans Company Limited (TSE Code: 8170) (the “Company”) to adopt an advance warning system at its 38th annual general meeting of shareholders on May 24, 2007. The system is titled “Measures for Countering Large-Scale Acquisitions of Aderans Shares” (the “New AWS”).

The Fund respects the Company, its management, and its employees. Nonetheless, the New AWS is not in the best interests of shareholders. The Fund believes that the New AWS would serve to entrench management and diminish its desire to bolster shareholder value.

The Company fell far short of its earnings targets for the fiscal year ended February 28, 2007. Moreover, the Company will likely miss its earnings targets for the current business year laid out in its mid-term management plan. Under these conditions, there is a concern that the New AWS may simply protect management instead of benefiting the Company and its shareholders.

The New AWS may also impair shareholder rights for the following reasons:

1. It may deprive shareholders of the right to decide whether or not to accept any proposed large-scale purchase of the Company’s shares (an “Offer”).
2. It may impose an excessive burden on any potential acquirer and cause it significant harm.
3. The interests of the Company’s shareholders are already protected under recent revisions to Japanese law in the event of an Offer without the New AWS.
In line with its belief that shareholders should reject the New AWS, the Fund is seeking support from shareholders for its efforts by voting their shares AGAINST the New AWS at the Company’s annual general meeting of shareholders. The appended materials detail the Fund’s objections to the New AWS. The Fund held 26.67% of Aderans shares with voting rights as of February 28, 2007.

Please see the following website for details explaining why the Fund recommends shareholders vote AGAINST Aderans’ New AWS (Agenda Item No. 6): http://www.spjsf.jp

If you have any questions about this campaign, please do not hesitate to contact our agent at +81-3-3664-6812 or +81-3-5847-0231 Monday to Friday (excluding national holidays) between 1 pm and 5 pm. Offshore investors may also contact Arthur B. Crozier at Innisfree M&A Incorporated (New York) on +1 212 750 5833 or Julie Selby at Lake Isle M&A Incorporated (London), on +44 (0) 20 7710 9960 during normal business hours.
For Reference Only

Why We Believe Shareholders Should Reject the New AWS

The Fund recommends that shareholders reject the New AWS for the following reasons:

The New AWS may deprive the shareholders of the right to decide for themselves on the merits of accepting an Offer.

- We believe that shareholders should be able to freely decide whether to accept any Offer whose terms and conditions they consider to be favorable.
- However, the New AWS allows the Company to deprive shareholders of this right because it can prevent an Offer from ever being considered by shareholders by implementing countermeasures against the Offeror.
- If we the shareholders do not reject the New AWS, management would be free to significantly hinder and potentially frustrate any Offers made to the shareholders, the true owners of the Company.

The New AWS may prevent an Offer from being made, which may adversely affect the share price of the Company’s stock.

- Under the New AWS, regardless of whether an Offeror wants to obtain control of the business or simply wants to purchase a block of shares, the Company may require that the Offeror answer an unlimited number of subjective questions on a broad range of topics. An Offeror may not be able to answer such questions. Further, the New AWS enables the Company to implement countermeasures such as issuing stock acquisition rights (shin kabu yoyaku ken) upon subjective and discriminatory terms to severely dilute an Offeror’s shareholdings.
- The New AWS could deprive shareholders of an opportunity to sell their shares on favorable terms by preventing an Offeror from pursuing an Offer due to the burden of such excessive and irrelevant information demands.

The interests of shareholders in connection with an Offer are already protected without the New AWS.

- Under the New AWS, a committee appointed by the board of directors that is not accountable to the shareholders is charged with evaluating an Offer (“Committee”). The Committee has an unreasonably long period (effectively, approximately 4 months or longer) to examine the Offer after the Offeror has fully responded to the information demands described above. The examination period could be 60 days, but the Committee may allow the Company’s board of directors up to 60 days to respond to an Offer and then take up to an additional 60 days to evaluate the Offer and any reservations as to the Offer or alternative proposals the board of directors may have. We believe such an extended timetable would likely frustrate potential Offerors from even approaching the Company with an Offer.
The law in Japan already provides a timetable for a tender offer, which we believe provides a fair and reasonable period of time for a company to respond to an Offer. Companies whose shares are the subject of a tender offer have an opportunity to negotiate with an Offeror or to adopt reasonable defense measures within the bounds of the law, if a company reasonably concludes that a transaction proposed by an Offeror is abusive. A company could also seek to show shareholders that the company is more valuable than the offer price suggests.

Moreover, the law in Japan also already provides for a level of disclosure of information by the Offeror that the Japanese Legislature believes is sufficient for shareholders to evaluate an Offer. Consequently, shareholders are able to consider an Offer and decide for themselves whether the price is fair. This type of simple and fair public debate on value would encourage management of companies to vigorously enhance shareholder value.

Accordingly, shareholders are already given sufficient time and information to make an appropriate investment decision on an Offer. There is no reason or need to impose such strict restrictions in addition to those imposed by law. We believe the New AWS only seeks to protect the interests of the Company’s management and unreasonably undermines the interests of the Company’s shareholders.

As explained above, we believe the New AWS would entrench management and unreasonably impair the rights of shareholders. By voting with us AGAINST the New AWS, you can exercise your rights and send a strong message to the Company that improving the value of its shares is paramount.

WE ARESEEKING YOURSUPPORT TO DEFEAT THE COMPANY’S PROPOSAL TO ADOPT THE NEW AWS. WEASK YOUTO VOTE AGAINST THE PROPOSAL AND SUPPORT THE RIGHTS OF SHAREHOLDERS TO MAKE THEIR OWN CHOICES. WE HAVE FAITH IN THE COMPANY’S SHAREHOLDERS TO MAKE THE RIGHT INDEPENDENT DECISIONS REGARDING THEIR STOCK. WHY DOES THE ADERANS BOARD NOT HAVE SUCH FAITH?
B-2

May 2, 2007

To: Shareholders of Aderans Company Limited and persons who are registered shareholders of the Company as at February 28, 2007

Steel Partners Japan Strategic Fund (Offshore), L.P. (the “Solicitor”) c/o Morgan Stanley Fund Services (Cayman) Limited P.O. Box 2681 GT, Century Yard, 4th Floor, Cricket Square, Hutchins Drive, George Town, Grand Cayman, Cayman Islands, British West Indies

Vote Against the Proposal to Approve the “Measures for Countering Large-Scale Acquisitions of Aderans Shares (Takeover Defense Measures)”

Aderans Company Limited (the “Company”) is scheduled to submit a resolution (Agenda Item 6) at its 38th annual general meeting of shareholders to be held on May 24, 2007 (the “AGM”) seeking shareholder approval of a type of advance warning system, entitled “Measures for Countering Large-Scale Acquisitions of Aderans Shares” (the “New AWS”). We believe the New AWS is not in the best interests of the Company’s shareholders and will serve to entrench management and diminish its incentive to vigorously enhance shareholder value.

As you are already aware, the Company’s financial results for the fiscal year ended February 28, 2007 failed to achieve the targets set forth in the Company’s current management plan. The Company expects that its results for the fiscal year ending February 28, 2008 will also fail to achieve its targets. While we respect the Company, its management and employees, we are concerned that the New AWS will protect the Company’s management rather than benefit the shareholders and the Company as a whole. Therefore, we are writing to you to seek your support for our efforts by voting your shares AGAINST the New AWS at the AGM.

We have attached to this letter reference materials regarding this solicitation, including a copy of the AGM proposal for the New AWS and contact information for the Solicitor.

Reasons Why We Believe Shareholders Should Reject the New AWS

The board of directors of the Company stated that the purpose of the New AWS is to provide a framework in respect of a proposed large-scale purchase of the Company’s shares (an “Offer”) that provides the necessary information and time for: (1) shareholders to decide whether to accept an Offer from a potential buyer (the “Offeror”), and (2) the Company (a) to present counterproposals, or (b) pursue negotiations with any other potential buyer. However, as stated below, we believe that the recent revisions to Japanese law already address the purported purpose of the New AWS stated above without exposing prospective Offerors to the dangers imposed by the New AWS.

√ The New AWS may deprive the shareholders of the right to decide for themselves on
the merits of accepting an Offer.

- We believe that shareholders should be able to freely decide whether to accept any Offer whose terms and conditions they consider to be favorable.

- However, the New AWS allows the Company to deprive shareholders of this right because it can prevent an Offer from ever being considered by shareholders by implementing countermeasures against the Offeror.

- If we the shareholders do not reject the New AWS, management would be free to significantly hinder and potentially frustrate any Offers made to the shareholders, the true owners of the Company.

√ The New AWS may prevent an Offer from being made, which may adversely affect the share price of the Company’s stock.

- Under the New AWS, regardless of whether an Offeror wants to obtain control of the business or simply wants to purchase a block of shares, the Company may require that the Offeror answer an unlimited number of subjective questions on an extremely broad range of topics. An Offeror may not be able to answer such questions. Further, the New AWS enables the Company to implement countermeasures such as issuing stock acquisition rights (shin kabu yoyaku ken) upon subjective and discriminatory terms to severely dilute an Offeror’s shareholdings.

- The New AWS could deprive shareholders of an opportunity to sell their shares on favorable terms by preventing an Offeror from pursuing an Offer due to the burden of such excessive and irrelevant information demands.

√ The interests of shareholders in connection with an Offer are already protected without the New AWS.

- Under the New AWS, a committee appointed by the board of directors charged with evaluating an Offer (“Committee”) has an unreasonably long period (60 days or more) to examine the Offer after the Offeror has fully responded to the information demands described above. Additionally, the Committee is not accountable to the Company’s shareholders.

- However, the law in Japan already provides a timetable for a tender offer, which we believe provides a fair and reasonable period of time for a company to respond to an Offer. Companies whose shares are the subject of a tender offer have an opportunity to negotiate with an Offeror or to adopt reasonable defense measures within the bounds of the law, if a company reasonably concludes that a transaction proposed by an Offeror is abusive. A company could also seek to show shareholders that the company is more valuable than the offer price suggests.

- Moreover, the law in Japan also already provides for a level of disclosure of information by the Offeror that the Japanese Legislature believes is sufficient for shareholders to evaluate an Offer. Consequently, shareholders are able to consider an Offer and decide for themselves whether the price is fair. This type of simple and fair public debate on value would encourage management of companies to vigorously enhance shareholder value.
Accordingly, shareholders are already given sufficient time and information to make an appropriate investment decision on an Offer. There is no reason or need to impose such strict restrictions in addition to those imposed by law. We believe the New AWS only seeks to protect the interests of the Company’s management and unreasonably undermines the interests of the Company’s shareholders.

As explained above, we believe the New AWS would entrench management and unreasonably impair the rights of shareholders. By voting with us AGAINST the New AWS, you can exercise your rights and send a strong message to the Company that improving the value of its shares is paramount.

**WE ARE SEEKING YOUR SUPPORT TO DEFEAT THE COMPANY’S PROPOSAL TO ADOPT THE NEW AWS. WE ASK YOU TO VOTE AGAINST THE PROPOSAL AND SUPPORT THE RIGHTS OF SHAREHOLDERS TO MAKE THEIR OWN CHOICES. WE HAVE FAITH IN THE COMPANY’S SHAREHOLDERS TO MAKE THE RIGHT INDEPENDENT DECISIONS REGARDING THEIR STOCK. WHY DOES THE ADERANS BOARD NOT HAVE SUCH FAITH?**

**Important Vote Reminders:**

- Please promptly contact your custodian or agent to determine their voting deadlines, which may be sooner than May 15, 2007.

- Please ask for a confirmation that your shares have been properly voted and accepted by the local market agent.

- If you need assistance, please contact Art Crozier or Meredith Cole at Innisfree M&A Incorporated in New York by phone: +1 212 750 5833, or Julie Selby at Lake Isle M&A Incorporated in London by phone: +44 (0) 20 7710 9960.

Please also visit our website: [http://spjsf.jp/english.html](http://spjsf.jp/english.html) for additional documentation.

**Important Notice for Persons Who Sold Shares on or after March 1, 2007**

According to the articles of incorporation of the Company, the Company’s record date in respect of voting at any annual general meeting of shareholders is February 28 of the same year, which means the shareholders of the Company of record as of February 28, 2007 have the right to cast a vote at the AGM, even if they have since disposed of their shares. Therefore, this letter and attached documents are not only for the shareholders of the Company who currently own shares in the Company, but also for ex-shareholders who have sold shares in the Company on or after March 1, 2007. Thus, we sincerely request such ex-shareholders, as well as the current shareholders, to read these documents, and to consider and support us.

**REFERENCE DOCUMENT FOR SOLICITATION OF PROXY VOTING**
1. **Name and Address of the Solicitor:**

   Name: Steel Partners Japan Strategic Fund (Offshore), L.P.

   Address: c/o Morgan Stanley Fund Services (Cayman) Limited P.O. Box 2681 GT, Century Yard, 4th Floor, Cricket Square, Hutchins Drive, George Town, Grand Cayman, Cayman Islands, British West Indies

2. **Agenda Item 6:**

   Approval of “Measures for Countering Large-Scale Acquisitions of Aderans Shares”

   For details, please refer to the reference document for shareholders (provided pursuant to Paragraph 1, Article 301 of the Corporation Act) to be provided for the 38th annual general meeting of shareholders of Aderans Company Limited which is scheduled to be held on May 24, 2007.

3. **Direction to the Solicitor as to the Exercise of the Voting Rights:**

   Exercise the voting rights **AGAINST** the above-mentioned agenda.
Steel Partners Japan Sends New Letter Urging Aderans’ Shareholders to Reject Proposed Advance Warning System

Tokyo, May 11, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. (the Fund) on May 10th began dispatching a new letter to shareholders of Aderans Company Ltd. (TSE Code: 8170) strongly urging them to vote against the Company’s proposed Advance Warning System at its annual general meeting of shareholders in Tokyo on May 24, 2007.

The letter issued today offers shareholders additional information explaining why the proposed Advance Warning System is not in their best interests.

The Fund is the largest shareholder in Aderans, holding 26.67% of shares with voting rights as of February 28, 2007.

The text of the letter follows:

AN IMPORTANT MESSAGE FROM STEEL PARTNERS JAPAN STRATEGIC FUND (OFFSHORE), L.P.

Do Not Be Misled By Aderans’ Contention That “Measures for Countering Large-Scale Acquisitions of Aderans Shares” Are Necessary To Protect Shareholders

May 10, 2007

Dear Fellow Shareholder:

Steel Partners Japan Strategic Fund (Offshore), L.P. is a significant, long-term shareholder of Aderans Company Limited (the “Company”). The Company is scheduled to submit a resolution (Agenda Item 6) at its 38th annual general meeting of shareholders to be held on May 24, 2007 (the “AGM”) seeking shareholder approval of a type of advance warning system. 

...
system, entitled “Measures for Countering Large-Scale Acquisitions of Aderans Shares” (the “New AWS”). We have previously written to you asking you to vote AGAINST the New AWS as we believe it is not in the best interests of the Company’s shareholders.

We are writing to you today in order to set the record straight on certain statements the Company has made in its Notice of AGM in support of the New AWS. We believe these statements are misleading and designed to cloud the issues you are being asked to consider with regard to the New AWS.

**DO NOT LET THE COMPANY FOOL YOU INTO BELIEVING THE NEW AWS IS GOOD FOR SHAREHOLDERS!**

**The Company’s Opinion That Revised Japanese Laws Are Not Intended To Protect The Same Interests That The AWS Is Purportedly Intended To Protect Is Wrong**

- The framework for tender offers mandated by The Securities and Exchange Law of Japan as revised in 2006 (“Revised Law”) provides sufficient protection to shareholders.
- The Report was a guiding principle in the drafting of the Revised Law in 2006.

**Despite What The Company May Tell You, The Interests Of Shareholders During A Tender Offer Attempt Are Adequately Protected Under The Revised Law**

As set forth below, the Revised Law already accomplishes the goals of the New AWS: To secure sufficient information and time for shareholders to make proper decisions; and To provide an opportunity for the board of directors to propose any alternative to shareholders.

**Under The Revised Law, an Acquirer Must Make Significant Disclosure And The Target Company Can Demand The Acquirer To Answer Questions Regarding the Offer**

- The Revised Law provides for the enhanced disclosure by both the proposed acquirer (the
“Acquirer”) and the target company (the “Target”) during a proposed tender offer.

Under the tender offer framework mandated by the Revised Law, the Target must express its opinion on the tender offer within 10 business days from the commencement of the tender offer. In addition, the Target can demand that the Acquirer respond to questions germane to the tender offer. The Acquirer must respond to these questions within 5 business days from the issuance of the Target’s opinion.

If the Acquirer refuses to respond to any of the Target’s questions, the Acquirer must give a reason, and the fact that the Acquirer has refused to respond and the reason will be disclosed to the public.

Under The Revised Law, The Target Can Request An Extension Of The Tender Offer Period For Up To 30 Business Days

The right of the Target to extend the tender offer period for up to 30 business days was introduced under the Revised Law to secure sufficient time for the Target’s management to propose any counteroffer to shareholders and to provide shareholders additional time to make proper decisions with respect to a tender offer. This extension period is also intended to protect against any adverse effect on the stock market that might be caused by an extension period that is beyond 30 business days.

Under the New AWS, however, an Independent Committee has at least 60 days to examine the tender offer and can extend that period to 120 days if the Committee provides the board of directors with an opportunity to respond to the offer. In our opinion, there is no reason to delay the commencement of a tender offer for approximately 4 months after the tender offer has first been announced and the New AWS does not take into account any unfavorable effect of such an excessive timeframe.

Prior To Issuing Stock Acquisition Rights (“SARs”) As A Countermeasure Under The New AWS, The Target Must Obtain Shareholder Approval

Under the Corporation Act, the issuance of SARs under especially favorable conditions to shareholders other than the Acquirer requires shareholder approval by “special resolution.”

The issuance of SARs under the New AWS without first obtaining shareholder approval by special resolution may therefore be invalid under applicable law. This provision may at the same time have the effect of delaying an Acquirer willing to litigate the issue or fend off would-be Acquirers altogether.

The interests of shareholders are already protected by the Revised Law and, therefore, we do not believe there is any reason to adopt the New AWS. The New AWS creates an
unreasonably long timeframe for potential tender offers, which would entrench the Company’s management and would have an adverse impact on the rights of the Company’s shareholders as well as on the stock market.

WE ARE SEEKING YOUR SUPPORT TO PROTECT THE RIGHTS AND INTERESTS OF SHAREHOLDERS BY DEFEATING THE COMPANY’S PROPOSAL TO ADOPT THE NEW AWS.

About the Fund

The Fund is a limited partnership type investment fund domiciled in the Cayman Islands with SPJS Holdings LLC as its General Partner. The principal business of the Fund is to invest in companies in Japan.

Please see the following website for details explaining why the Fund recommends shareholders vote AGAINST Aderans’ New AWS (Agenda Item No. 6): http://www.spjsf.jp

If you have any questions about this campaign, please do not hesitate to contact our agent at +81-3-3664-6812 or +81-3-5847-0231 Monday to Friday (excluding national holidays) between 1 pm and 5 pm. Offshore investors may also contact Arthur B. Crozier at Innisfree M&A Incorporated (New York) on +1 212 750 5833 or Julie Selby at Lake Isle M&A Incorporated (London), on +44 (0) 20 7710 9960 during normal business hours.
Press Release

Steel Partners Japan Strategic Fund (Offshore), L.P. (the Fund) today announced that Glass Lewis & Co., a leading independent proxy advisory firm, has recommended that shareholders vote against the proposal (Agenda item no. 6) by Aderans Company Limited (8170.JP) (the Company) to adopt a new version of its “advance warning system” (AWS) at its annual general meeting of shareholders on May 24, 2007.

Glass Lewis stated in its report, “we believe the terms of the proposed plan are not reasonable and the plan does not meet [our] criteria for an acceptable pill.”

Glass Lewis’ recommendation follows an announcement on May 7, 2007 that the Fund commenced a campaign urging shareholders to vote against the AWS proposal, which the Fund also believes is not in the best interests of the stakeholders of the Company as a whole.

Warren Lichtenstein stated: “We are gratified that Glass Lewis has recommended that shareholders reject the AWS. The Fund believes the New AWS would serve to entrench management and diminish its desire to bolster shareholder value.”

Regarding the proposed AWS, Glass Lewis wrote: “we are concerned that the board, which is dominated by the insiders and the affiliates of the Company, still holds the final decision in administering the plan.”

Glass Lewis also noted: “Furthermore, some of the required disclosure may be extremely difficult, if not impossible, to accurately assess. We therefore do not believe that offerors should be required to disclose such information. These additional disclosure requirements can be so arduous to fulfill that they would serve to deter an offeror from potentially acquiring the Company.”

Glass Lewis also commented negatively on the extensive delays in pursuing an offer under the AWS: “We do not believe that an offer should be required to remain open for more than 90 business days… A longer consideration period would create [a] barrier for a potential acquirer.”

The Report concluded, “we do not believe that the proposed takeover defense plan is in the best interests of shareholders.”

Glass Lewis provides voting advisory and research services on more than 13,000 public companies based in 65 countries to hundreds of institutional investors and money managers around the world.

For details of the Fund’s campaign materials, including the Fund’s reasons for voting against the Company’s new AWS (Agenda item no. 6), please see the following website:
IMPORTANT NOTE: Shareholders should refer to the full text of the Fund’s materials that can be found on the above website, explaining the background to the Fund’s campaign and the reasons why we are voting against the Company’s advance warning system.

About the Fund
The Fund is a limited partnership type investment fund domiciled in the Cayman Islands with SPJS Holdings LLC as its General Partner. The principal business of the Fund is to invest in companies in Japan.

http://www.spjsf.jp.
Steel Partners Japan Comments on Today’s Vote by Shareholders of Aderans

Tokyo, May 24, 2007 – Steel Partners Japan Strategic Fund (Offshore), L.P. (the “Fund”), the largest shareholder of Aderans Company Limited (TSE Code: 8170) (the “Company”), makes the following comments after the vote by shareholders of the Company on an advance warning system titled “Measures for Countering Large-Scale Acquisitions of Aderans Shares” (the “New AWS”) at its 38th annual general meeting of shareholders held in Tokyo today. This proposal was approved at the annual general meeting.

The Fund opposed the Company’s proposal because it believes the advance warning system is not in the best interests of the stakeholders of the Company as a whole and will adversely impact shareholder value.

Mr. Warren Lichtenstein, managing partner of the Fund, commented: “While we are disappointed that the proposed “advance warning system” has been approved, we are extremely pleased with the large number of shareholders that supported us by voting against the proposal.”

During the Company’s 38th annual general meeting, the standing agent of the Fund read the following statement explaining the Fund’s reasons for opposing Agenda Item 6.

Full text follows:

The Fund has asked me to read the following statement explaining its reasons for opposing Agenda Item 6.

We believe that shareholders should be able to freely decide whether to accept any offer for acquiring company’s shares whose terms and conditions they consider to be favourable. By voting to approve the AWS, you may be deprived of such right and ability because the AWS can prevent such an offer from ever being considered by shareholders if the Company implements countermeasures against the offeror.

The AWS puts management in a position to frustrate offers being made to you on favourable terms. Under the AWS, regardless of whether an offeror wants to obtain control of the business or simply wants to purchase a block of shares, the Company may require that the offeror answer an unlimited number of subjective questions on a broad range of topics. An offeror may not be able to answer such questions. Further, the AWS enables the Company to implement countermeasures, i.e., issuing stock acquisition rights (shin kabu yoyaku ken) upon subjective and discriminatory terms to severely dilute an offeror’s shareholdings. Under the Corporation Act, the issuance of stock acquisition rights under especially favourable conditions to shareholders other than the offeror requires shareholder approval by “special resolution.” The issuance of stock acquisition rights under the AWS without first obtaining shareholder approval by special resolution may therefore be invalid under applicable law. This provision may at the same time have the effect of delaying an offer from an offeror willing to litigate the issue or fend off would-be offerors altogether.
The framework for tender offers mandated by The Securities and Exchange Law of Japan as revised in 2006 (the “Revised Law”) provides sufficient protection to shareholders. Under the tender offer framework mandated by the Revised Law, the target company must express its opinion on the tender offer within 10 business days from the commencement of the tender offer and, in addition, the target company can demand that the offeror respond to questions germane to the tender offer. Furthermore, the right of the target company to extend the tender offer period for up to 30 business days was introduced under the Revised Law. Namely, the Revised Law shall secure sufficient information and time for shareholders to make proper decisions and provide an opportunity for the board of directors to propose any alternative to shareholders. Accordingly, the Revised Law already accomplishes the goals of the AWS. Why is this not sufficient for management? We cannot see why management needs information that goes well beyond what the Japanese Legislature thinks is reasonable or needs a period of time that is around double or, in some cases, four times the time the Japanese Legislature deems to be reasonable before shareholders may consider an offer. Although management asserts that “even at the lawmaking stage, the Revised Law was never intended to have any effect on the legal framework for takeover defense measures, and its purpose is not necessarily the same as the objective inherent in takeover defense measures”, the Revised Law accomplishes the same thing as anti-takeover defenses.

Ladies and gentlemen, this vote comes down to one major question; do you want the right and ability to freely decide whether to accept any offer to acquire the company’s shares whose terms and conditions they consider to be favourable, or do you want management to have the ability to deprive you of this right and ability by going beyond what is already required by Japanese law?

A leading, international independent proxy advisory firm, Glass Lewis, analyzed the AWS policy and has recommended that you vote against it.

The Fund urges you to vote against Agenda Item 6. Thank you for your consideration.
Steel Partners Japan Calls on Aderans to Seek Strategic Alternatives

Tokyo, February 8, 2008 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”) today sent to Aderans Holdings Company (TSE Code: 8170) (the “Company”) a letter explaining its lack of confidence in management and disappointment with the Company’s deteriorating performance. SPJSF urged management to immediately seek strategic alternatives to prevent additional damage to corporate value. The fund stressed that all stakeholders, including employees and pensioners, have already been damaged by mismanagement of the Company.

To further its assertions, SPJSF sent a presentation to the Company highlighting the Company’s poor performance and poor capital allocation over the past five years.

In the letter addressed to Mr. Okamoto, the President and Representative Director of Aderans, Warren Lichtenstein, Managing Partner of SPJSF wrote: “We have tried to assist you and your management team in the past to improve corporate value for all stakeholders. Unfortunately, you rejected all of our proposals and suggestions. We believe the Company is at a critical point and we must confess that we have lost confidence in your management team’s ability to run Aderans effectively.”

SPJSF noted the Company’s continuing decline in operating income and margins, frequent failure to meet its annual budget, repeated downward revision to its operating forecasts and underperformance versus direct competitors. These factors have contributed to a 58.3% decrease in the Company’s share price since January 6, 2006. Additionally, management’s new three year mid-term plan for FYE Feb 2009-2011, released on September 13, 2007, was wholly insufficient in presenting realistic performance targets and providing concrete details on how management intends to enhance corporate value.

“We strongly believe that you should immediately begin to explore strategic alternatives, specifically identifying a buyer who will take over the leadership of the Company from you and incumbent management,” Mr. Lichtenstein stated.

SPJSF also noted that in addition to poor management of Aderans’ core wig business, the management team has incurred significant losses for the Company by persisting to hold non-core assets, leading to a ¥2.8 billion loss on the Nakajo golf course in FYE Feb 2005 and a ¥141 million loss from managing investment securities in FYE Feb 2007.

“These are examples of how the Company’s lack of focus is destroying corporate value. All stakeholders, including employees and pensioners, have been damaged by your mismanagement of our Company,” Mr. Lichtenstein wrote.

SPJSF has been an investor in Aderans since 2004 and is the largest shareholder of the Company, owning approximately 23.7% of the Company’s outstanding shares.
A full copy of SPJSF’s presentation to Aderans can found at WWW.SPJSF.JP.

Full text of SPJSF letter to Aderans follows:

February 8, 2008

Aderans Holdings Co. Ltd. 1-6-3 Shinjuku, Shinjuku-ku, Tokyo, 160-8429, Japan

Attention: Takayoshi Okamoto, President & Representative Director

Steel Partners Japan Strategic Fund (Offshore), L.P.
P.O. Box 2681 GT, Century Yard, 4th Floor
Cricket Square, Hutchins Drive
George Town, Grand Cayman
Cayman Islands, British West Indies

Dear Mr. Okamoto,

As you know, Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”) is the largest shareholder of Aderans Holdings Co. Ltd. (“Aderans” or the “Company”) owning approximately 23.7% of the Company’s outstanding shares. We have been a patient, long-term shareholder since February 2004.

During that time we have seen:

1. Operating income and operating margins substantially decrease;
2. The Company frequently miss its annual budgets for revenue, operating income and operating margins;
3. Downward revisions to forecasts for revenue, operating income and operating margins for FYE Feb 2007 (which the Company did not meet);
4. Significant downward revisions to revenue, operating income and operating margins for FYE Feb 2008; and
5. Direct competitors strategically and financially outperform the Company.

These factors have contributed to a 58.3% decrease in the Company’s share price since January 6, 2006. We believe the two main issues for Aderans are its lack of focus and its poor execution. Instead of managing and growing Aderans’ core wig business, the Company’s management team and Board of Directors (the “Board”) have made strategic errors that resulted in a lack of focus, which has caused the steady deterioration of the Company’s core Japanese wig business.

Additionally, the Company has non-strategic assets, including the Nakajo Golf Course, cash and investments that ultimately serve as a distraction. We note that management incurred a ¥2.8 billion loss on the golf course in FYE Feb 2005 and a ¥141 million loss from managing investment securities in FYE Feb 2007. These are examples of how the Company’s lack of focus is destroying corporate value. All stakeholders, including employees and pensioners, have been damaged by your mismanagement of our Company.
Over the last four years, we have repeatedly met with you and your management team and offered meaningful suggestions on how to increase corporate value, including an SPJSF-sponsored transaction to take the Company private as well as adding a representative from SPJSF to Aderans’ Board. By taking the Company private, we believed that management would be more effective in making the necessary changes to increase the corporate value and ultimately grow the Company’s core business without the burden that comes from being a public company. Unfortunately, we respected your wishes to remain a public company.

You also rejected our suggestion to add SPJSF-identified candidates to the Aderans Board, who were all well respected businessmen with a demonstrated history of creating value for stakeholders. Most recently, Aderans’ current management published a new long-term plan that appears to be overly optimistic and potentially unachievable. Aderans’ current management also failed to provide any details as to how it intends to meet its new forecasts and specifically how the Company intends to turn around the domestic wig business. This causes us grave concern in light of the Company’s history of failing to meet forecasts over the last few years.

Mr. Okamato, we have tried to assist you and your management team in the past to improve corporate value for all stakeholders. Unfortunately, you rejected all of our proposals and suggestions. We believe the Company is at a critical point and we must confess that we have lost confidence in your management team’s ability to run Aderans effectively. We strongly believe that you should immediately begin to explore strategic alternatives, specifically identifying a buyer who will take over the leadership of the Company from you and incumbent management. We believe this is the only way to prevent Aderans from incurring additional damage to corporate value under your leadership. We attached for your review a presentation that illustrates the poor performance and poor capital allocation suffered by Aderans over the past five years.

We are prepared to discuss these matters with you and the Board at your earliest convenience and hope that you find our suggestions constructive.

Very truly yours,

Warren Lichtenstein

Copy to: Thomas J. Niedermeyer, Jr., managing partner
Yusuke Nishi, representative director, Steel Partners Japan K.K.

* * * * * *

About SPJSF
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.
Aderans (8170)

Financial Performance Review and Recommendations

February 8, 2008
IMPORTANT CAUTIONARY STATEMENT REGARDING PRESENTATION

This presentation (the "Presentation") was prepared by Steel Partners Japan Strategic Fund (Offshore), L.P. ("SPJsf") for the benefit of Aderans Holdings Company Limited ("Aderans") solely for the purpose of reviewing the financial performance of Aderans and to suggest ways Aderans may be able to improve its financial performance and corporate value based on SPJsf's understanding. This presentation is based on publicly available information and may not be relied upon by any other person or used for any purpose other than the foregoing. Certain SPJsf calculations in this Presentation have been performed using estimated results previously announced by Aderans, the accuracy of which SPJsf has not independently verified and thus cannot be assured. While SPJsf has exercised reasonable care as to the information in this presentation, none of SPJsf and its related parties (together, the "SPJsf Parties") make any representation or warranty as to the accuracy or completeness of such information and as such, the SPJsf Parties accept no liability in damages or otherwise for the accuracy or completeness thereof. This presentation is not an offer to purchase or sell shares in any company mentioned in this presentation (or any other company) and is not intended to solicit any shareholder of any such company to appoint any SPJsf Party or any other third party as its proxy in exercising its vote at any general meeting of shareholders of any such company, nor to provide any advice in connection with the exercise of the voting rights by any shareholder of any such company. No company selected for comparison herein is identical to Aderans, and SPJsf’s suggestions or other options for Aderans selected for review herein are not intended to be representative of the entire range of possible options for Aderans. Furthermore, any analysis of publicly traded companies necessarily involves complex considerations and judgments concerning the differences in financial and operating characteristics and other factors that would necessarily affect the analysis of trading multiples of publicly traded companies and the implied value of Aderans relative to the values of other publicly traded companies. The analyses herein are not necessarily indicative of future actual values and future results, which may be significantly more or less favorable than suggested by such analyses. We make no representation herein as to the price at which Aderans common stock will trade at any future time or the future corporate value of Aderans. This presentation is not intended to have an effect on the share price of any such company. The SPJsf Parties assume no responsibility as to any reaction from the market in relation to this presentation.
Adersans Introduction

- Steel Partners Japan Strategic Fund (Offshore), L.P. is the largest shareholder of Adersans and has been a shareholder since February 10, 2004.

- As long-term shareholders of Adersans, we believe that Management has failed in its stewardship of the Company during the current sustained period of intense industry competition.

- Over the last five years, Adersans missed every Consolidated net sales targets. Management has already revised FYE Feb/08 estimates as of 4/20/2007 downward, reducing Parent net sales FYE Feb/08 - 52.2%.

- Operating profit decreased sharply in the last five years with Consolidated and Parent operating profit on average falling - 13.2% and - 17.8%, respectively, per year 1.

- FYE Feb/2008 Consolidated operating profit has already been revised down - 52.7%. In the first nine months of FYE Feb/08, Adersans has only achieved 16.6% of its revised OP forecast. At the Parent level, the Company will report its first operating loss since 1992.

Based on the Company’s latest revised FYE Feb/08 forecasts, Steel Partners believes the Company has reached a critical point, where absent significant changes, the operational and financial well-being of the Company is in jeopardy and corporate value erosion is imminent for all shareholders and stakeholders.

1. Compound Annual Growth Rate (CAGR) calculated from 2002 to 2007.
Aderans Summary

- Over the past year, Steel Partners recognized the issues facing Aderans and offered suggestions to improve corporate value including:
  - Taking the Company private so that Management could ameliorate the business without quarterly pressure and public scrutiny, and
  - Having members of Steel Partners join the Board of Directors.

- Unfortunately, Management rejected our ideas and overtures while destroying corporate value for all stakeholders.

Given Management’s poor performance, we have lost confidence in Management’s ability to run Aderans. We therefore urge the Board of Directors to promptly seek strategic alternatives including possible consolidation with other industry players who will take over the leadership of the Company from the incumbent Management. We also believe the Company should divest all non-strategic assets including the Nakajo Golf Club.
Aderans Conclusion

- Our analysis highlights the following critical issues regarding Aderans’ Management:
  - Failure to address core market
  - Ineffective marketing strategy
  - Failure to control cost
  - Lack of accountability and transparency
  - Lack of management resources

- Given the gravity of these issues we fear, on behalf of all stakeholders, that the likely consequence of Management’s ongoing operation of Aderans is further erosion of the Company’s corporate value.

- We recommend that the Management promptly take the following actions:

  1. Nominate SPJSF representatives to the Board of Directors,
  2. Retain investment bank(s) for financial advisory,
  3. Consider strategic alternatives including potential consolidation with other industry players who would assume management of Aderans.
Aderans Table of Contents

Company Analysis
- Company Overview
- Net sales
  - By Products
  - By Geography
  - Principal Products (Men and Women)
- Sales, General and Administrative Expenses
- Profitability and Management
- EBITDA, Depreciation and Amortization, and Capital Expenditures
- Return on Equity
- Peer Comparison with Affiniture

Performance Analysis
- Net Income and Profitability Ratios
- Consolidated Company Financials
- Parent Company Financials
- Actual Versus Company Forecast Review
- Mid-term Plan
  - FYE Feb/2003 to 2005
  - FYE Feb/2005 to 2008
  - FYE Feb/2009 to 2011
- Stock Price Performance
- Summary and Root Cause Analysis
- Capital Structure and Asset Utilization
- Conclusions

Appendix
- Geographic Profitability
Aderans

Company Analysis
Aderans Company Overview

Company Analysis

**Company Description**
- Aderans is engaged in a variety of hair-related businesses for men and women.
- The Company's principal products and services are wigs, hair extension products, hair transplant services, hair salons, and hair regeneration research.
- Aderans' global presence includes operations in 15 nations, divided into the following areas: Japan (5 Consolidated companies), North America (2 Consolidated companies), Europe (11 Consolidated companies), Asia, excluding Japan, (4 Consolidated companies).
- Employees: 5,963, 2017 Production Volume: 1.24M wigs.
- Aderans' Principal Product Lines include the following:
  - **Domestic Men's Market**
    - Custom-Made Wigs
    - Hair-Thickening Products
    - Healthy Hair Growth Services
  - **Domestic Women's Market**
    - Custom-Made Wigs
    - Ready-Made Wigs (Fantaine)
    - Healthy Hair Growth Services

**Japanese Hair Replacement Market**
- 32.5% (41.5 million over 127.7 million) of the overall Japanese population is a potential candidate for wig/hair replacement. Although demographics suggest that this percentage will continue to rise in the future, the market is viewed as mature.

**Hair**
- The estimated hair loss population in Japan is 12.9 million men, Japan is fourth among 21 countries surveyed with a hair loss rate of 29.1% (0.8% is 5% with a 39.0% hair loss rate and 40.3 million men.)

**Women**
- The potential female market (females aged 50 and over) is 20.6 million.

**2H08 Business Strategy**
- **Japan**
  - Reform/deploy promotion teams.
  - Men - Increase advertisement focused on hair volumizing products.
  - Women - Continue 'try-on' events and television commercials emphasizing fashion aspects of wigs.
  - Fantaine (Women) - Open new department store locations and salons. Increase the number of seminars catering to wholesale channels.
  - North America - Pursue synergies with wig marketing sales/expand sales channels.
  - Europe - Develop launch new products.
  - Asia - Open salons, introduce new products.

Source: Company annual securities reports and investor presentations.
Aderans Net sales – By Products

Company Analysis

FYE Feb 2003-2007 Net Sales Performance

- In the mature hair-replacement industry, Aderans experienced an average -0.2% decline in Consolidated net sales year-over-year! Over the same period, Management raised every year to meet its forecasted sales targets!
- Management was unsuccessful in adapting to changing customer tastes and demographics, particularly in Japan, which, in 2007, comprises 74% of Aderans' net sales.
- Local competitors were more aggressive in differentiating their products in Aderans' key geographic markets.

Principal Products

- Principal products (Custom-Made Wigs^2, Pinpoint and Hair Support^2) are sold by the Parent company solely for use in the Japanese market. Originally comprising 50% of sales (2003), they accounted for less than 50% of 2007 sales.
- Principal product sales dropped sharply in 2007 and have exhibited a general history of negative growth with the exception of slight increase in 2006.
- Management's attempt to rejuvenate product sales with new 2007 marketing initiatives (less product traits, revamped TV advertising) have clearly proven unsuccessful.

Footnotes:
1. *Net CAPE: calculated from FYE 2002 to 2007. The definition remains the same throughout this presentation unless otherwise noted.
2. *Includes Hair Fix.
3. *Includes Physical Care.
**Aderans** Net Sales – By Geography

Company Analysis

- Aderans derived approximately 74% of its net sales and 80% of its operating profit from Japan. This will continue to be the case while the Company is diversifying into other geographies/markets.
- Management has stated that its long-term goal is to derive 50% of its sales outside of Japan. While we recognize this initiative to enter new markets with more growth and potential profitability, we believe that management has been remiss in maintaining profitability domestically, where competition is the most severe.
- The Company has yet to produce a concrete strategy to address its ongoing shortfalls in Japan.
- The poor performance of domestic business and consequential lack of managerial resources offer little comfort with regards to the prospect of overseas business.

Source: Company annual securities reports and investor presentations.
Aderans Net Sales – Principal Products

Company Analysis

**Principal Products Performance**

**Men**
- Net Sales derived from principal products for men is deteriorating at an alarming rate. On average, total Net Sales fell -6.5%, year-over-year.
- Alarming, the new customer sales of principal products for men deteriorated at CAGR - 14.9% from FYE Feb. 2003 to 2007.
- Repeat net sales declined at CAGR - 2.5% from FYE Feb. 2003 to 2007 due to natural customer attrition and potentially reduced annual spending per capita.

**Women**
- Net Sales derived from principal products for women is deteriorating but at a slower rate than men’s. On average, total Net Sales fell -22%, year-over-year.

**Detail**
- The negative growth especially in the men’s segment suggests an ineffective marketing strategy, despite the fact that Aderans spends the largest amount of advertising cost ($12.7 billion for FYE Feb. 2007) in the industry.

---

**Principal Products – Net Sales for Men**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Net Sales (in millions)</th>
<th>New Customer Sales (in millions)</th>
<th>Repeat Net Sales (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>10.5</td>
<td>40.0</td>
<td>10.4</td>
</tr>
<tr>
<td>2006</td>
<td>11.9</td>
<td>42.6</td>
<td>10.9</td>
</tr>
<tr>
<td>2005</td>
<td>12.3</td>
<td>44.0</td>
<td>11.2</td>
</tr>
<tr>
<td>2004</td>
<td>12.4</td>
<td>42.4</td>
<td>11.1</td>
</tr>
<tr>
<td>2003</td>
<td>11.8</td>
<td>40.8</td>
<td>11.6</td>
</tr>
</tbody>
</table>

---

**Principal Products – Net Sales for Women**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Net Sales (in millions)</th>
<th>New Customer Sales (in millions)</th>
<th>Repeat Net Sales (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>15.8</td>
<td>52.4</td>
<td>16.0</td>
</tr>
<tr>
<td>2006</td>
<td>14.9</td>
<td>48.4</td>
<td>14.5</td>
</tr>
<tr>
<td>2005</td>
<td>13.8</td>
<td>42.8</td>
<td>13.4</td>
</tr>
<tr>
<td>2004</td>
<td>13.2</td>
<td>44.2</td>
<td>13.1</td>
</tr>
<tr>
<td>2003</td>
<td>11.8</td>
<td>40.8</td>
<td>11.6</td>
</tr>
</tbody>
</table>

Source: Company annual securities reports and investor presentations.
SG&A Summary

- While consolidated net sales have stagnated, SG&A has continued to grow in absolute and relative terms. Since Feb 03, SG&A margin is estimated to increase by 10 percentage points to 76% by 2008, having a direct negative effect on Aderans’ operating profit.
- The percentage growth is especially significant at the Parent company level, increasing 23 percentage points to 82% over the same period.
- In light of flat net sales growth at the consolidated level and net sales contraction at the Parent level, management needs to manage SG&A expenses with greater efficiency.

Source: Company annual securities reports and investor presentations.
Aderans Operating Profit

Company Analysis

Operating Profit Review

- Operating profit decreased sharply from FYE Feb2003-Feb2007. On average,
  - Consolidated operating profit fell -15.2% year-over-year,
  - Parent operating profit fell -17.9% year-over-year.
- As net sales have plateaued, Management was unable to control ballooning SG&A costs as well as migrate new and existing clients to higher profit products and services.
- Management has already revised Consolidated FYE Feb07 operating profit down -62.7% and expects to report an operating loss at the Parent level. This would be the lowest operating profit amount in the past 10 years for the Company and the first operating loss since 1992.

Consolidated Operating Profit

Parent Operating Profit

Source: Company annual security reports and investor presentations.
Adarans Management and Profitability

Company Analysis

Top Management and Operating Margin Trend

- Since Mr. Okamoto and Mr. Tokumaru were appointed Chairman/CEO and President/COO, respectively, in 2004, the Company's operating profit margin decline has accelerated ([-24.5% on average, year-over-year to 2003]) compared to the previous five-year period (1999-2003, -11%).

Source: Company annual reports, securities reports, and investor presentations.
Aderans EBITDA, Depreciation and Amortization, and Capital Expenditures

Company Analysis

<table>
<thead>
<tr>
<th>Cash Flow Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>• EBITDA and its margin have declined over the past 5 years. On average,</td>
</tr>
<tr>
<td>• Consolidated EBITDA and margin fell $5.0 billion at a rate of -11.3%, year-over-year.</td>
</tr>
<tr>
<td>• Parent EBITDA and margin fell $5.9 billion at a rate of -15.7%, year-over-year.</td>
</tr>
<tr>
<td>• Management's FYE 2008 EBITDA forecasts indicate that a turnaround in profitability is not in sight.</td>
</tr>
<tr>
<td>• The accelerated rate of decline is a direct result of Aderans' steep drop in operating profit, particularly at the Parent level.</td>
</tr>
</tbody>
</table>

The inverse relationship between EBITDA and CapEx indicates a very low to negative return on CapEx and reflects suboptimal capital allocation.

Source: Company annual reports and investor presentations.
Aderans Return on Equity

Company Analysis

Return on Equity

- Based on the most recent revised net income estimate, RoE for FYE Feb08 is considerably worse compared to FYE Feb2007 based on both consolidated and parent level.
- Deteriorating operating profit margin is clearly driving down RoE.
- With regards to FYE Feb08, the estimated RoE is far below 8%, the target RoE indicated by the Japan Pension Fund Association.

Source: Company annual reports, investor presentations.
Aderans Net Income and Profitability Ratios

Company Analysis

**Consolidated Net Income and ROE**

- Net income FYE 2022-2023: -1.8%
- Net income FYE 2021-2022: -5.2%

**Profitability Ratios Review**

- Management needs to work assiduously to maximize corporate value to meet investor expectations.
- ROE, ROA, ROC should be used as benchmarks to evaluate any further deployment of capital for corporate development purposes.

**Consolidated Net Income, ROA and ROC**

- Net income FYE 2022-2023: -1.8%
- Net income FYE 2021-2022: -5.2%

- Management could make similar improvements to ROA and ROE to manage its cash assets more efficiently.

**Parent Net Income and ROE**

- Net income FYE 2022-2023: -2.2%
- Net income FYE 2021-2022: -3.6%

- Management needs to work assiduously to maximize corporate value to meet investor expectations.

**Parent Net Income, ROA and ROC**

- Net income FYE 2022-2023: -2.2%
- Net income FYE 2021-2022: -3.6%

- Management needs to work assiduously to maximize corporate value to meet investor expectations.
# Aderans Consolidated Company Financials

## Performance Analysis

### Historical Consolidated Financials

- Over the last five years (FYE Feb 2002-2007), Aderans has continued to underperform and there are no signs of a turnaround. On average:
  - Net sales fell -0.2% year-over-year.
  - Operating profit fell -13.2% year-over-year.
  - EBITDA fell -11.3% year-over-year.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>74.1</td>
<td>74.4</td>
<td>73.9</td>
<td>73.3</td>
<td>71.5</td>
<td>70.7</td>
<td>-3.6%</td>
</tr>
<tr>
<td><strong>COST OF SALES</strong></td>
<td>-3.3</td>
<td>-3.4</td>
<td>-3.1</td>
<td>-2.2</td>
<td>-2.7</td>
<td>-2.2</td>
<td>-4.8%</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>80.3</td>
<td>80.7</td>
<td>80.8</td>
<td>80.6</td>
<td>80.8</td>
<td>80.9</td>
<td>2.1%</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>-1.0</td>
<td>-1.0</td>
<td>-1.0</td>
<td>-1.0</td>
<td>-1.0</td>
<td>-1.0</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>16.7</td>
<td>15.8</td>
<td>15.8</td>
<td>16.5</td>
<td>18.3</td>
<td>18.3</td>
<td>-20.9%</td>
</tr>
<tr>
<td><strong>Depreciation/Amortization</strong></td>
<td>2.3</td>
<td>2.4</td>
<td>2.6</td>
<td>2.5</td>
<td>2.1</td>
<td>2.2</td>
<td>12.0%</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>18.3</td>
<td>18.2</td>
<td>15.2</td>
<td>16.5</td>
<td>18.3</td>
<td>18.3</td>
<td>8.0%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>8.2</td>
<td>6.6</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
<td>-35.5%</td>
</tr>
<tr>
<td><strong>Earnings Per Share</strong></td>
<td>3.5</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>3.4</td>
<td>55.0%</td>
</tr>
<tr>
<td><strong>Capital Expenditures</strong></td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>55.0%</td>
</tr>
<tr>
<td><strong>Research &amp; Development</strong></td>
<td>0.3</td>
<td>0.5</td>
<td>0.6</td>
<td>0.7</td>
<td>1.1</td>
<td>1.6</td>
<td>159.0%</td>
</tr>
<tr>
<td><strong>Growth (Margins)</strong></td>
<td>4.1%</td>
<td>-4.4%</td>
<td>-4.4%</td>
<td>2.9%</td>
<td>3.2%</td>
<td>1.1%</td>
<td>590.0%</td>
</tr>
<tr>
<td><strong>Good Wont Margin</strong></td>
<td>81.2%</td>
<td>77.8%</td>
<td>70.9%</td>
<td>80.3%</td>
<td>80.6%</td>
<td>79.9%</td>
<td>75.1%</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>15.5%</td>
<td>14.9%</td>
<td>12.9%</td>
<td>10.3%</td>
<td>13.7%</td>
<td>11.2%</td>
<td>8.7%</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>15.5%</td>
<td>15.1%</td>
<td>15.5%</td>
<td>17.1%</td>
<td>15.2%</td>
<td>14.7%</td>
<td>21.6%</td>
</tr>
<tr>
<td><strong>Profitability</strong></td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>3.3%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

**Source:** Company annual securities reports and investor presentations.
### Performance Analysis

#### Historical Parent Financials

At the Parent level, which represents the majority of domestic sales and its key market, Aderans' poor financial performance is readily apparent. On average:
- Net Sales fell -5.1% year-over-year.
- Operating profit fell -17.2% year-over-year. The operating profit for FYE Feb 00 was revised to an operating loss of ¥700 million.
- EBITDA fell -15.7% year-over-year.

#### Table: Aderans Parent Company Financials

<table>
<thead>
<tr>
<th>FYF</th>
<th>FYE</th>
<th>Forecast</th>
<th>Revised</th>
<th>Actual</th>
<th>Variance</th>
<th>Forecast</th>
<th>Revised</th>
<th>Variance</th>
<th>5-Year</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>Net Income</strong></td>
<td><strong>EBITDA</strong></td>
<td><strong>ROA</strong></td>
<td><strong>ROE</strong></td>
<td><strong>Revenue</strong></td>
<td><strong>Net Income</strong></td>
<td><strong>EBITDA</strong></td>
<td><strong>ROA</strong></td>
<td><strong>ROE</strong></td>
<td><strong>Revenue</strong></td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td>55.1</td>
<td>54.9</td>
<td>55.0</td>
<td>55.1</td>
<td>55.2</td>
<td>55.2</td>
<td>55.3</td>
<td>55.4</td>
<td>55.5</td>
<td>55.6</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>45.6</td>
<td>45.4</td>
<td>45.6</td>
<td>45.8</td>
<td>46.0</td>
<td>46.2</td>
<td>46.4</td>
<td>46.6</td>
<td>46.8</td>
<td>47.0</td>
</tr>
<tr>
<td><strong>Operating Profit</strong></td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>15.1</td>
<td>15.1</td>
<td>15.1</td>
<td>15.1</td>
<td>15.1</td>
<td>15.1</td>
<td>15.1</td>
<td>15.1</td>
<td>15.1</td>
<td>15.1</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>EBITDA Margin</strong></td>
<td>17.0%</td>
<td>16.9%</td>
<td>17.0%</td>
<td>17.1%</td>
<td>17.2%</td>
<td>17.3%</td>
<td>17.4%</td>
<td>17.5%</td>
<td>17.6%</td>
<td>17.7%</td>
</tr>
<tr>
<td><strong>ROA</strong></td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>ROE</strong></td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

#### Notes

- Net Sales, except for FYE 2019.

Source: Company annual results reports and investor presentations.
## Comparative Review

- Management missed its Consolidated sales targets for the last five years by an average of -5.6%. Operating profits fell short of forecast by -10.3%.
- Parent level financials reflect similar deviations from targets with sales missing by -7.1% and operating profit by -17.7%.
- For all stakeholders and shareholders, Management's most recent revision to FYE Feb 2026 results in a 52.2% reduction in Parent sales and Parent negative operating profit of -30.7% since the previous year.

### CONSOLIDATED FINANCIALS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$41,235</td>
<td>$41,006</td>
<td>$40,875</td>
<td>$40,756</td>
<td>$40,637</td>
<td>$40,518</td>
<td>$40,399</td>
<td>$40,280</td>
<td>$40,161</td>
</tr>
<tr>
<td>Costs</td>
<td>$38,104</td>
<td>$37,989</td>
<td>$37,874</td>
<td>$37,755</td>
<td>$37,636</td>
<td>$37,517</td>
<td>$37,398</td>
<td>$37,280</td>
<td>$37,161</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$3,131</td>
<td>$3,017</td>
<td>$3,001</td>
<td>$3,001</td>
<td>$3,001</td>
<td>$3,001</td>
<td>$3,001</td>
<td>$3,001</td>
<td>$3,001</td>
</tr>
<tr>
<td>Margin%= 7.6%</td>
<td>7.3%</td>
<td>7.3%</td>
<td>7.3%</td>
<td>7.3%</td>
<td>7.3%</td>
<td>7.3%</td>
<td>7.3%</td>
<td>7.3%</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

### PARENT FINANCIALS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$10,435</td>
<td>$10,306</td>
<td>$10,175</td>
<td>$10,046</td>
<td>$9,917</td>
<td>$9,788</td>
<td>$9,659</td>
<td>$9,530</td>
<td>$9,401</td>
</tr>
<tr>
<td>Costs</td>
<td>$9,124</td>
<td>$9,006</td>
<td>$8,881</td>
<td>$8,756</td>
<td>$8,636</td>
<td>$8,517</td>
<td>$8,398</td>
<td>$8,280</td>
<td>$8,161</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$1,311</td>
<td>$1,299</td>
<td>$1,294</td>
<td>$1,290</td>
<td>$1,281</td>
<td>$1,271</td>
<td>$1,261</td>
<td>$1,250</td>
<td>$1,240</td>
</tr>
<tr>
<td>Margin%= 12.5%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

Source: Company annual reports, press releases, and investor presentations.

Page 21
**Aderans** Fiscal Year End Feb/2003 to Feb/2005 Mid-term Plan Review

**Performance Analysis**

<table>
<thead>
<tr>
<th>FYE Feb/03 to Feb/05 Midterm Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Company’s mid-term plan as of April 2002 promised a much different picture.</td>
</tr>
<tr>
<td>– Net sales over the three year period from FYE Feb/03 to FYE Feb/05 did not grow as planned.</td>
</tr>
<tr>
<td>– Profitability suffered a worse consequence.</td>
</tr>
<tr>
<td>• Given this history, we are naturally skeptical of the management’s ability to correctly plan the mid-term performance as well as of the ability to execute the mid-term plan.</td>
</tr>
</tbody>
</table>

**Midterm and Actual Sales**

Source: Company annual security reports and investor presentations.
**Aderans Fiscal Year End Feb/2006 to Feb/2008 Mid-term Plan Review**

**Performance Analysis**

<table>
<thead>
<tr>
<th>FYE Feb/06 to Feb/08 Midterm Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Both the Company’s revised forecasted consolidated sales (¥75.0B or 94% to the original FYE Feb/08 budget specified in the FYE Feb/2006-2008 Midterm Plan) and operating profit (¥8.3B; 44.1B of recurring profit or 34% of the plan) in FYE Feb/08 are forecasted to miss the Midterm Plan again.</td>
</tr>
<tr>
<td>• No clear explanation was provided why the management will miss the Midterm plan again. Incumbent management lacks accountability and transparency to the shareholders and stakeholders.</td>
</tr>
</tbody>
</table>

---

**Actual, Forecasted and Midterm Consolidated Sales Plan**

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Forecasted</th>
<th>Midterm Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q/08</td>
<td>¥765</td>
<td>¥894</td>
<td>¥970</td>
</tr>
<tr>
<td>2Q/08</td>
<td>¥790</td>
<td>¥894</td>
<td>¥970</td>
</tr>
<tr>
<td>3Q/08</td>
<td>¥820</td>
<td>¥894</td>
<td>¥970</td>
</tr>
</tbody>
</table>

**Actual, Forecasted and Midterm Operating Profit Plan**

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Forecasted</th>
<th>Midterm Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q/08</td>
<td>¥107</td>
<td>¥107</td>
<td>¥107</td>
</tr>
<tr>
<td>2Q/08</td>
<td>¥107</td>
<td>¥107</td>
<td>¥107</td>
</tr>
<tr>
<td>3Q/08</td>
<td>¥107</td>
<td>¥107</td>
<td>¥107</td>
</tr>
</tbody>
</table>

*Source: Company annual security reports and investor presentations.*
Aderans Fiscal Year End Feb/2009 to Feb/2011 Mid-term Plan Review

Company Analysis

<table>
<thead>
<tr>
<th>FYE Feb/09 to Feb/11 Mid-Term Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Company’s mid-term plan appears rather unrealistic in light of the recent performance and the Management’s repeated pattern of missing commitments.</td>
</tr>
<tr>
<td>- Sales has stagnated and operating profits have been deteriorating over the past 5 years as shown in the graphs below.</td>
</tr>
<tr>
<td>- Management missed every consolidated sales targets and operating profit target in the four of the last five years.</td>
</tr>
<tr>
<td>- Net sales and operating profit projection revised for FYE Feb/09 are respectively 98% and 29% of the Company’s original FYE Feb/08 projection, posted as the last year of the mid-term plan for FYE Feb/2008-2009.</td>
</tr>
<tr>
<td>- No clear strategic explanation was provided as to how the Management plans to reinvigorate sales and profitability from Feb/09.</td>
</tr>
<tr>
<td>• Moreover, since September 2007 when the mid-term plan was made public, the monthly net sales over last year same period is consistently below 100% (October 92.5%, November 96.1%) without clear explanation as to why.</td>
</tr>
</tbody>
</table>

Source: Company annual securities reports and investor presentations.
Adherans Stock Price Performance

Performance Analysis

- Since the recent peak price of $3040 as of January 5, 2009, Adherans' stock price has fallen -56.0% to $1172 as of January 31, 2008.
- The decline of the share price reflects the impairment of the market value by the current management.
- Since the end of the fiscal year two years ago, February 28th, 2006, the market capitalization has contracted from $1.26 billion to $0.8 billion as of January 31, 2008 (a difference of $0.4 billion).

Over the period, Adherans has continued to hold excess amounts of cash. When evaluating cash and investments in order to calculate enterprise value, we note that the value of Adherans' business declined -90.0% vs. -92.0% decrease in the stock price over that time.

Source: Bloomberg
# Aderans Summary and Root Cause Analysis

## Performance Analysis

### Stagnated Net Sales
- Over the last 5 years, Aderans has missed every Consolidated net sales forecast by an average of -5.8%. Management has already revised FYE Feb03 estimates downward, reducing Parent level net sales -52.2%.
- Net sales from Japan comprise 74% of total Consolidated net sales with the majority generated from Aderans’s principal products, almost all of which are in various states of negative growth.
- Since FYE03, new customer net sales are falling at an average annual rate of -11.1% indicating that top line performance is heavily dependent on repeat customers.

### Decreasing Operating Profit
- Operating profit decreased sharply in the last 5 years with Consolidated and Parent OP operating profit falling -13.2% and -17.8% respectively per year.
- FYE Feb03 Consolidated operating profit has already been revised down -62.7%. At the Parent level, the Company reported first operating loss since 1992.
- Operating profit margin compression is the result of rising SG&A costs during stagnant net sales growth. Most of this SG&A cost increase is at the Parent level reflecting poor expense management.
- Operating profit in North America, Europe and Asia is negligible and cannot compensate for operating losses in Japan.

### Reduced Cash Flow
- Consolidated EBITDA for $6.0 billion at an average rate of 11.3% year-over-year.
- Parent EBITDA fell $5.9 billion at an average rate of -15.7% over the past 5 years.
- Management’s FYE Feb03 EBITDA forecasts indicate that a turnaround in profitability is not in sight.
- The inverse relationship between EBITDA and CapEx indicates a very low to negative return on CapEx and reflects suboptimal capital allocation.

## Root Cause Analysis
- Failure to address core market: Aderans has missed focus on its potential market especially with regards to products for men.
- Ineffective marketing strategy; it has grossly mismanaged the domestic operation, which includes the ineffective use of advertisement.
- Failure to control cost; meanwhile, Management failed to control SG&A costs despite the stagnated sales.
- Lack of accountability and transparency; the historical pattern of missing annual commitment and mid-term plan shows poor quality of governance as well as the inability to accurately project the future performance and to execute strategies on Management’s part.
- Lack of management resource; Management lacks the resource to properly operate business.
**Aderans Capital Structure and Asset Utilization**

**Company Analysis**

### 1H of FYE Feb 2006 Capital Structure (8Q1/07)

- **Net Cash**: 10% of Total Assets
- **Investment Grade**: 13% of Total Assets

Total Consolidated Assets: ¥92.5bn

**Historical Capital Structure**

<table>
<thead>
<tr>
<th>Year</th>
<th>Business Assets</th>
<th>Non-Business Assets</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>31%</td>
<td>38%</td>
<td>59%</td>
</tr>
<tr>
<td>2005</td>
<td>31%</td>
<td>34%</td>
<td>55%</td>
</tr>
<tr>
<td>2006</td>
<td>35%</td>
<td>30%</td>
<td>65%</td>
</tr>
<tr>
<td>2007</td>
<td>30%</td>
<td>35%</td>
<td>65%</td>
</tr>
</tbody>
</table>

Source: Company annual security reports.

**Inefficient Asset Utilization**

- Aderans continues to retain a significant percentage of its Consolidated assets which do not contribute to its hair replacement business.
- From FYE Feb2003-2007, these non-business assets have, on average, amounted to 48% of Aderans total assets. Such assets include:
  - Cash & Marketable Securities
    - The Company retains ¥21.6 billion of cash and marketable securities. This is equivalent to 32% of its market value.
  - Long Term Investments
    - The Company retains ¥2.1 billion of long term investments. This is equivalent to 38% of its market value.

**Nakano Golf Club**

Located in Takanashi, Nippon prefecture, the 102-hectare facility comprises 18 holes and additional practice facilities. The golf course is operated by ADN Co., Ltd., an Aderans group company, and is home to the Senior PGA Tour "Aderans Wellness Open." SPARF believes that the golf course is a non-strategic asset that should be disposed immediately.

Source: Company annual security reports.
Aderans Conclusion

- Our analysis highlights the following critical issues regarding Aderans' Management:
  - Failure to address core market
  - Ineffective marketing strategy
  - Failure to control cost
  - Lack of accountability and transparency
  - Lack of management resources

- Given the gravity of these issues we fear, on behalf of all stakeholders, that the likely consequence of Management’s ongoing operation of Aderans is further erosion of the Company’s corporate value.

- We recommend that the Management promptly take the following actions;
  1. Nominate SPJSF representatives to the Board of Directors.
  2. Retain investment bank(s) for financial advisory,
  3. Consider strategic alternatives including potential consolidation with other industry players who would assume management of Aderans.
Aderans

Steel Partners Japan Strategic Fund (Offshore), L.P. ("SPJSF")

- SPJSF is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.

- SPJSF can provide Aderans access to its operating partners who have experience in lean manufacturing, 5S, Kaizen and other operational/logistical excellence programs.

SPJSF is a patient, long term shareholder

- SPJSF is the Company's largest shareholder and has been a shareholder since February 10, 2004.
Appendix
Adersas Geographic Profitability

Company Analysis

Japan

- This continues to be Adersas' largest market and major source of profitability.
- Operating profit margin deterioration (12.8%) has dramatically outpaced net sales decline (2.4%).
- Management needs to prioritize company resources on this market to stay competitive.

North America, Europe, Asia

- While Adersas has been active in Europe/Asia since the 1980s and North America since 2001, these markets have minimal earnings impact on the company.
- Based on historical performance, these markets can not compensate for the loss of profitability Adersas is experiencing in Japan.

Asia (Excluding Japan)
Steel Partners Japan Comments on Results of Aderans Shareholder Vote at AGM

Tokyo, May 29, 2008 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“SPJSF”) issued the following statement in response to news that Aderans Holdings Company (TSE Code: 8170) (the “Company) failed to receive enough votes to reelect the Company’s incumbent nominees to the Board of Directors at the Annual General Meeting of Shareholders held today in Tokyo. However, shareholders concurrently elected two new outside directors in order to improve corporate governance.

“The results of today’s AGM clearly show that Aderans’ shareholders have lost confidence in Aderans’ current Board and have voted for change,” stated Warren Lichtenstein, managing partner of SPJSF. “SPJSF has been a loyal shareholder of Aderans since 2004. During that time, we have repeatedly tried to work with the Board to improve the Company’s performance and enhance value for all stakeholders. Unfortunately, our suggestions have been ignored or rejected; consequently, we decided to vote against the incumbent board.”

Mr. Lichtenstein added: “In light of this vote of no confidence by the Company’s stockholders, we hope that the Company will explore all strategic options to enhance corporate value.”

SPJSF has been an investor in Aderans since 2004 and is the largest shareholder of the Company, owning approximately 11,155,000 shares, or 26.7% of the Company’s outstanding shares.

* * * * * *

About SPJSF
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.
Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Japan Comments on Aderans’ Director Nominees, Retention of Nikko Citigroup

Tokyo, June 30, 2008 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“Steel Partners”) today issued the following statement regarding the nomination by Aderans Holdings Co., Ltd. (TSE Code: 8170) (the “Company”) of the slate of candidates for election to the Company’s Board of Directors and the Company’s decision to engage Nikko Citigroup Limited to evaluate strategic alternatives for the Company.

“We welcome and applaud these important steps by Aderans to enhance corporate value and to identify the strongest possible future direction for the Company,” said Warren Lichtenstein, managing partner of Steel Partners. “We look forward to working with the reconstituted Board to promote the best interests of the Company, its employees and its shareholders.”

Steel Partners added that it supports the election of the director candidates nominated by the Company and commends the nomination of Joshua Schechter, a Managing Director of Steel Partners, and Hironori Aihara, a former Director, Senior Executive Vice President, Regional CEO for the Americas, Mitsubishi Corporation and Director, President and CEO, Mitsubishi International Corporation, who has extensive experience as an outside director in Japan.

Mr. Lichtenstein commented: “The nomination of Mr. Aihara, a Japanese executive of the highest caliber, demonstrates the value that Steel Partners can add when given an opportunity to work more closely with management. Mr. Schechter’s presence on the Board will insure that the interests of all shareholders are represented at the board level.”

In closing, Mr. Lichtenstein stated: “Recent events at Aderans clearly demonstrate that shareholders in Japan can no longer be ignored and are ready to assert their right to influence the direction of the companies in which they invest.”

Steel Partners has been an investor in Aderans since 2004 and is the largest shareholder of the Company, owning approximately 11,155,000 shares, or 26.7% of the Company’s outstanding shares.

* * * * *

About Steel Partners
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.
Press Release

Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Nominates 8 Highly Qualified Director Candidates for Election to Aderans Board at 2009 Annual Meeting

Tokyo, March 25, 2009 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“Steel Partners”) announced today that it has nominated a slate of 8 highly qualified director nominees for election to the Board of Directors of Aderans Holdings Co., Ltd. (TSE Code: 8170) (“Aderans” or the “Company”) at the Company’s Annual General Meeting of Shareholders scheduled to be held in May 2009.

Steel Partners detailed its nominations in a shareholder proposal (the “Proposal”) presented to Kiyoshi Hayakawa, President and Representative Director of Aderans.

In the Proposal, Steel Partners said the fresh perspective that its nominees would bring to Aderans is needed to accelerate a recovery in the Company’s corporate value.

“We are proposing to nominate for election eight directors to the Company’s Board of Directors who we believe are qualified and prepared to respond to changing market conditions with the urgency that is necessary for the Company to stave off further decline, to stabilize and then to grow, which a majority of current directors have been unwilling to do,” Steel Partners stated in the Proposal. “Each of our nominees has significant investment or management experience and a record of excellence in executing business operations.”

Steel Partners noted that Aderans’ operating performance has continued the decline that was set in motion several years ago by its current management. Aderans operating income and operating margins have substantially decreased as its direct competitors strategically and financially outperform the Company. In addition, the Company continues to retain a significant percentage of its consolidated assets that do not contribute to its hair replacement business and have resulted in significant losses.

Steel Partners’ nominees include Nobuo Watabe, a former senior executive of the Company, until his retirement in 2006, and current President and Representative Director Kiyoshi Hayakawa. Steel Partners said that Mr. Hayakawa’s short tenure as President does not lend itself to a fair evaluation of his ability or willingness to help the Company out of its current fiscal decline.

Steel Partners director nominees are:

<table>
<thead>
<tr>
<th>Candidate No.</th>
<th>Name</th>
<th>Career Summary and Positions as Representatives of Other Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nobuo Watabe</td>
<td>1969: He joined Aderans Corporation (currently Aderans Holdings Co., Ltd)</td>
</tr>
<tr>
<td></td>
<td>(October 9, 1942)</td>
<td>1981: Director at Aderans Corporation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1984: Managing Director at Aderans Kogei K.K.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1991: President &amp; Representative Director at Aderans Kogei K.K.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1996: Vice President &amp; Representative Director at Aderans Corporation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2005: Executive councilor at Aderans Corporation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2006: He resigned Aderans Corporation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2008: Representative Director at 101 Japan K.K. (up to the present)</td>
</tr>
<tr>
<td></td>
<td>Name</td>
<td>Years</td>
</tr>
<tr>
<td>---</td>
<td>-------------------------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>2</td>
<td>Kiyoshi Hayakawa</td>
<td>1972: He joined Fontaine K.K. 2000: Director &amp; General Manager for Business Section at Fontaine K.K. 2001: Managing Director &amp; General Manager for Business Section at Fontaine K.K. 2003: Executive Managing Director &amp; General Manager for Business Section at Fontaine K.K. 2004: Representative Director, President &amp; General Manager for Business Section at Fontaine K.K. (up to the present) 2008: Representative Director at Aderans Holdings Co., Ltd. (up to the present)</td>
</tr>
<tr>
<td>3</td>
<td>Shigeru Ishiko</td>
<td>1978: He joined Mobil Oil K.K. (currently Exxon Mobil Y.G.) 1998: Director &amp; General Manager at Business Management Section, Shiseido Beauty Company K.K. (currently Shiseido Professional K.K.) 2001: Director &amp; General Manager at Business Management Section, Japan Polaroid K.K. 2006: Outside director, Naigai Co., Ltd. 2007: Representative and Executive Director, Naigai Co., Ltd. Guest Professor at Graduate School of Tokyo University of Technology (up to the present) 2008: Corporate Advisor, Naigai Co., Ltd. Certified Public Accountant/Master of Business Administration</td>
</tr>
<tr>
<td>4</td>
<td>Hiroko Wada</td>
<td>1977: She joined P&amp;G Sun Home K.K. (currently P&amp;G Far East, Inc.) 1998: Vice President, Corporate New Ventures, Asia, Procter &amp; Gamble 2001: Representative Director, Dyson Japan Branch 2004: Representative Director and Chief Operating Officer, Toys “R” Us-Japan, Ltd. 2004: She established Office WaDa, serves as the Representative Director (up to the present) 2009: Guest professor at Momoyama Gakuin University (up to the present)</td>
</tr>
<tr>
<td>5</td>
<td>Hironori Aihara</td>
<td>1962: He joined Mitsubishi Corporation 1992: Director, Mitsubishi Corporation 1994: Executive Director, Mitsubishi Corporation 1998: Director, Vice President, Mitsubishi Corporation 1999: IT business Group CEO, Mitsubishi Corporation 2000: CEO in charge of the Americas &amp; President at Mitsubishi International Corporation 2007: Director Chairman &amp; Advisory Board Member of TTI ellebeau, Inc. (up to the present) Director Chairman Transcu Ltd (Singapore) (up to the present) 2008: Director at Aderans Holdings Co., Ltd. (up to the present) Director &amp; Advisory Board Member at Pasona Inc., Advisory Board member at Deutsche Bank AG, etc.</td>
</tr>
</tbody>
</table>
| 8 | Joshua Schechter  
(March 27, 1973) | 2008: Representative Director & CEO at IIOSS K.K. (up to the present)  
Director at Aderans Holdings Co., Ltd. (up to the present)
1996: Tax Consultant at Ernst & Young LLP  
1998: Associate in Corporate Finance Group of Imperial Capital LLC (M&A, mezzanine debt and equity investment analysis / advisory)  
2001: Partner at Steel Partners, Ltd. (to the present)  
2008: Director at Aderans Holdings Co., Ltd. (up to the present) |

(Notes)

1) None of the above candidates for director has a special interest between each other and the Company, except Mr. Watabe.
2) Mr. Watabe is the representative director of 101 Japan K.K., which conducts business categorized as same as one of the businesses conducted by the Company. Mr. Watabe informed SPJSF that he intends to resign from 101 Japan if he is elected to the board of directors of the Company.

Steel Partners has been an investor in Aderans since 2004 and is the largest shareholder of the Company, owning 11,155,000 shares, or approximately 26.7% of the Company’s outstanding shares.

* * * * *

**About Steel Partners**

Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.
Steel Partners Urges Aderans’ Shareholders to Vote Against Aderans’ Board Slate at 2009 General Shareholders’ Meeting; Reject Unison Tender Offer and Dilutive Sale of Treasury Shares

Says Unison Tender Offer Inadequate, Coercive and Damaging to Existing Shareholders

Tokyo, May 11, 2009 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“Steel Partners”) today urged fellow shareholders of Aderans Holdings Co., Ltd. (TSE Code: 8170) (“Aderans” or the “Company”) to vote AGAINST the election of the Company’s candidates to the Board of Directors (the “Board”), which includes three representatives of the Unison Capital Group (“Unison”), and AGAINST the Company’s proposed issue of treasury shares at the Company’s General Shareholders’ Meeting to be held May 28, 2009 in Tokyo. Steel Partners has been a long-term investor in Aderans since 2004, and is currently its largest shareholder, owning over 26% of the Company’s outstanding shares.

“Unison’s proposed tender offer is inadequate and coercive, and tendering the treasury shares will dilute shareholder ownership of Aderans,” Steel Partners wrote in a letter to Aderans shareholders.

Instead of paying a premium to acquire control of Aderans, Unison has proposed to acquire at least 35.2% of the Company’s outstanding shares for ¥1,000 per share, significantly below Aderans’ book value per share of ¥1,582, as of February 28, 2009, and approximately 25% below the closing price of Aderans shares, for the one-year period through April 15, 2009.

Steel Partners questioned the Aderans’ Board’s support of the Unison tender offer, announced on April 16, 2009, over the objections of three outside directors. Aderans has approximately ¥20 billion in cash and investment securities, or approximately ¥500 per share, and no meaningful debt and thus has no need to raise additional capital. Additionally, management has failed to earn adequate returns on the capital they have currently invested.

“Management is recommending this inadequate, dilutive and coercive bid from Unison in order preserve their current positions,” Steel Partners wrote. “They have no legitimate business reason to recommend a bid at such a low price.”

Steel Partners noted that Aderans’ Board and management team have consistently failed to meet their own business forecasts and the Company has suffered nominal or negative returns on equity (“ROE”) in each of the last two fiscal years and has forecast a paltry 1% ROE for the current fiscal year.

“Management has already demonstrated that it cannot earn an adequate return on its existing capital, has missed budgets, made failed acquisitions and allocated capital poorly,” Steel Partners wrote.

To protect the interests of all shareholders and the welfare of the Company and its employees, Steel Partners urges shareholders to vote FOR Steel Partners’ slate of 8
highly qualified director nominees for election to the Board of Aderans, announced on March 25, 2009. As a long-term investor in Aderans since 2004 and as its largest current shareholder, owning over 26% of the Company’s outstanding shares, Steel Partners believes its nominees will bring a fresh perspective needed to accelerate a recovery in the Company’s business performance and corporate value.

Steel Partners’ director nominees for election to the Board include candidates who have experience restructuring businesses and who will bring to the Company valuable management and operational expertise gained from managing leading companies and enterprises in Japan.

Reference material urging Aderans shareholders to elect the Steel Partners’ slate and to reject the Unison tender offer by voting against the Aderans Board slate and against the tender of treasury shares is available in English at:

http://www.spjsf.jp/english.html

and available in Japanese at:

http://www.spjsf.jp/index.html

DISCLAIMER:

Please note that this release is intended for the purposes of conveying our views to the public including fellow shareholders of Aderans Holdings Co., Ltd. (“Aderans”). While this includes our intention to encourage fellow shareholders to cast their votes against certain proposals by Aderans and in favor of our proposal by either attending the upcoming annual general meeting of Aderans or using the voting card enclosed with the convocation notice from Aderans, it is not intended and should not be considered to solicit, encourage, induce, or seek for fellow shareholders to authorize SPJSF or any other third party as their proxy in exercising their voting rights on their behalf.

***

About Steel Partners
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.
Press Release

Steel Partners Japan Strategic Fund (Offshore), L.P.

Steel Partners Provides Aderans’ Shareholders Further Information Regarding Plans For Operational Improvement

Urges Shareholders to Vote Against Management’s Board Slate and Against the Issuance of Treasury Shares at the 2009 Annual General Meeting

Tokyo, May 14, 2009 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“Steel Partners”) today sent a letter to shareholders of Aderans Holdings Co., Ltd. (TSE Code: 8170) (“Aderans” or the “Company”), providing information regarding Steel Partners’ plans for improving the operational performance of the Company and urging shareholders to vote for Steel Partners’ slate of eight highly qualified director nominees (the “Shareholder Nominees”) to the Company’s Board of Directors at the Company’s upcoming 2009 annual general meeting of shareholders to be held on May 28, 2009 (the “AGM”). At the same time, Steel Partners made available to investors an in-depth presentation it made this week to leading proxy advisory firms RiskMetrics Group and Glass Lewis. In the presentation, Steel Partners outlines its operational objectives for improving the Company’s long-term performance, the significant qualifications of the Shareholder nominees; as well as its concerns about the Company’s alliance with Unison, which contemplates the election of three Unison representatives to the Board, the tendering of the Company’s treasury shares, and the launching of an inadequate and coercive tender offer shortly thereafter.


“Our director nominees are experienced and respected businesspeople in corporate Japan, and they are willing, committed and motivated to effect meaningful positive change at Aderans,” stated Warren Lichtenstein of Steel Partners. “We urge shareholders to evaluate the proposals to be presented at the AGM based on their merits, rather than on rhetoric. If they do, I am confident that shareholders will vote for our director nominees in order to send a strong message to the Company that improving corporate value for all shareholders is paramount.”

Steel Partners wrote in a letter to Aderans’ shareholders that if the Shareholder Nominees are elected, they intend to pursue the following operational goals:

• Restore profitability and refresh the operations of the Company’s core men’s business segment.
• Integrate the woman’s businesses in order to better utilize the Company’s resources for this important business segment.
• Fully integrate the North American subsidiaries in order to maximize efficiencies and profitability.
• Refresh and improve marketing and advertising practices, including target
customer analysis and ROI for each advertising and sales channel.

- Review cost structure and working capital requirements in order to create a healthy and effective balance that will promote long-term stability and improved performance for the Company.
- Accelerate divestiture of non-core assets, specifically the Aderans golf course and other real estate, so that the Company can restore focus on its core businesses and on maximizing customer service and satisfaction.
- Review the Company’s capital allocation practices and cash management systems in order to improve the use of the Company’s resources.
- Improve efficiency of corporate overhead.
- Review the Company’s treasury share holdings and consider their cancellation in order to protect Company’s shareholders from dilution.

Steel Partners reiterated its call for fellow shareholders to (1) vote against the election of the Company’s director nominees (the “Company Nominees”), which includes the three Unison representatives who will resign if Unison’s proposed tender offer (the “Unison TOB”) is not launched or if it fails, and (2) vote the against the Company’s tender of its treasury shares at a significant discount to book value because such a sale would both dilute the holdings of remaining shareholders and would be the equivalent to the Company giving away the assets of its remaining shareholders. Steel Partners stressed that if the Unison TOB is successful, the acquisition of Aderans’ shares at below book value would enable Unison to acquire control of the Company at a discount instead of paying a premium.

“Given the costs, risks and uncertainty presented by the Unison TOB, we urge shareholders to reject the Unison TOB and to vote AGAINST the Company Nominees (Proposal 3) and AGAINST the tender of Treasury Shares (Proposal 5).” Steel Partners said. “By keeping your shares instead of tendering them at 63% of book value, you remain invested in the Company and are able to participate in any future growth in corporate and shareholder value for as long as you own your shares.”

Steel Partners stressed that the 2009 AGM will determine the future direction of the Company, stating, “The deadline to vote is rapidly approaching. Don’t delay, your vote is very important.”

DISCLAIMER:

Please note that this release is intended for the purposes of conveying our views to the public including fellow shareholders of Aderans Holdings Co., Ltd. (“Aderans”). While this includes our intention to encourage fellow shareholders to cast their votes against certain proposals by Aderans and in favor of our proposal by either attending the upcoming annual general meeting of Aderans or using the voting card enclosed with the convocation notice from Aderans, it is not intended and should not be considered to solicit, encourage, induce, or seek for fellow shareholders to authorize Steel Partners or any other third party as their proxy in exercising their voting rights on their behalf.
* * * * * *

About Steel Partners
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.
PROPOSAL TO ELECT NOMINEES TO THE BOARD OF ADERANS HOLDINGS CO., LTD.

May 2009
Disclaimer

Please note that this presentation is intended for the purposes of conveying our views to the public including fellow shareholders of Aderans Holdings Co., Ltd. ("Aderans"). While this includes our intention to encourage fellow shareholders to cast their votes against certain proposals by Aderans and in favor of our proposal by either attending the upcoming annual general meeting of Aderans or using the voting card enclosed with the convocation notice from Aderans, it is not intended and should not be considered to solicit, encourage, induce, or seek for fellow shareholders to authorize Steel Partners or any other third party as their proxy in exercising their voting rights on their behalf.
Background

- Steel Partners Japan Strategic Fund (Offshore), L.P. ("SPJSF")
  - The Company's largest shareholder, currently holding approximately 26.7% of shares outstanding, and has been a shareholder since February 2004
  - Long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders

- During SPJSF's tenure as a shareholder, SPJSF repeatedly attempted to engage management of the Company in constructive discussions

- February 2008 - SPJSF submitted a 31-page Financial Performance Review highlighting Aderans':
  - Failure to address core market
  - Ineffective marketing strategy
  - Failure to control cost
  - Lack of accountability and transparency
  - Lack of management resources
- SPJSF requested that the Company:
  - Nominate SPJSF representatives to the Board of Directors
  - Retain investment bank(s) for financial advisory
  - Consider strategic alternatives including potential consolidation with other industry players who would assume management of Aderans
Background

- May 2008 - shareholders reject the re-election of the Company’s incumbent nominees to the Board
  - On June 30, 2008 the Company announced it had retained Nikko Citigroup to evaluate strategic alternatives

- August 2008 - two outside directors identified by SPJSF elected to the Board at the Extraordinary General Meeting
  - Management continues to underperform
  - Ousted CEO still representative director of key subsidiaries

- March 2009 - SPJSF nominates full slate of candidates to the Board at the 2009 AGM

- April 2009 – Company announces an alliance (the “Alliance”) with Unison Capital Group (“Unison”) which is coercive, inadequate and dilutive
Stock Price Performance

- Aderans Holdings stock price since January 2008

![Graph showing stock price performance with annotations for key events]

Source: Capital IQ and publicly available Company & SPSIF announcements.
Alarming Value Deterioration & Underperformance

- Aderans has missed every consolidated net sales target over the last six years
- Management revised estimates downward twice for the past two years
- Operating profit decreased sharply in the last six years with Consolidated and Parent operating profit falling precipitously
- Alarming sales and profitability trends particularly when compared to nearest domestic competitor, Artnature

<table>
<thead>
<tr>
<th></th>
<th>FYE 2/06(A)</th>
<th>FYE 2/07(A)</th>
<th>FYE 2/08(A)</th>
<th>Original Forecast</th>
<th>Revisions</th>
<th>Original Forecast</th>
<th>Revisions</th>
<th>Actual</th>
<th>Revisions</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>75.7</td>
<td>70.6</td>
<td>74.4</td>
<td>73.7</td>
<td>73.5</td>
<td>80.8</td>
<td>77.8</td>
<td>75.0</td>
<td>75.0</td>
<td>75.0</td>
</tr>
<tr>
<td>Variance as %</td>
<td>(6.7%)</td>
<td>(3.3%)</td>
<td>(2.3%)</td>
<td>(2.9%)</td>
<td>(4.3%)</td>
<td>(5.0%)</td>
<td>(6.4%)</td>
<td>(6.4%)</td>
<td>(10.9%)</td>
<td></td>
</tr>
<tr>
<td>Cumulative Sales Variance From Original Forecasts (05-08)</td>
<td>21.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As a Percentage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Profit</td>
<td>11.9</td>
<td>8.5</td>
<td>10.0</td>
<td>10.3</td>
<td>12.3</td>
<td>8.2</td>
<td>7.4</td>
<td>3.5</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Variance as %</td>
<td>(3.4%)</td>
<td>(3.9%)</td>
<td>(2.1%)</td>
<td>(1.8%)</td>
<td>(1.1%)</td>
<td>(1.2%)</td>
<td>(3.1%)</td>
<td>(3.1%)</td>
<td>(3.1%)</td>
<td></td>
</tr>
<tr>
<td>Cumulative Sales Variance From Original Forecasts (05-08)</td>
<td>31.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As a Percentage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurring Profit</td>
<td>12.3</td>
<td>8.8</td>
<td>10.1</td>
<td>11.1</td>
<td>11.5</td>
<td>8.8</td>
<td>7.7</td>
<td>4.1</td>
<td>4.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Variance as %</td>
<td>(28.8%)</td>
<td>(3.5%)</td>
<td>(14.9%)</td>
<td>(16.9%)</td>
<td>(14.5%)</td>
<td>(14.5%)</td>
<td>(16.5%)</td>
<td>(16.5%)</td>
<td>(37.4%)</td>
<td></td>
</tr>
<tr>
<td>Cumulative Sales Variance From Original Forecasts (05-08)</td>
<td>33.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As a Percentage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Company earnings releases, annual reports and other publicly available data.
Domestic Sales Trends

- Alarming year-over-year monthly domestic sales trends particularly when compared to nearest competitor, Artnature

Source: Company publicly available monthly sales reports.
Weakening Operating Margins & Return on Equity

- Year-over-year OP Margin and ROE trends compared to nearest competitor, Artnature

Source: Company annual reports and public filings.
Note: 2008 indicated Company estimates for Artnature. Adorns figures are actual reported data.
(1) Excludes ¥0.1 billion loss from disposal of HQ for Artnature during fiscal year ending March 2008.
Concerns with Unison Alliance

- Terms and conditions of the Alliance Agreement between the Company and Unison and the contemplated transactions, create significant risk and uncertainty for all shareholders.

- Offer Price (1,000 JPY per share) is inordinately low and inadequate
  - Significantly below the book value of 1,582 JPY as of February 28, 2009
  - Approximately 25% below the average closing price for the one-year period through April 15, 2009

- Tendering Treasury Shares would be at the expense of existing shareholders and serves only to enrich Unison and protect current management
  - As of February 28, 2009. The Company has:
    - Approximately 20 billion JPY in cash and investment securities or 512 JPY per share
    - No meaningful debt
    - Equity ratio above 80%
  - No need to raise additional capital by selling treasury shares, especially at a discount to book value, or through a third party allotment
  - Tendering Treasury Shares to Unison will dilute existing shareholder interests
    - Treasury Shares represent approximately 7% of common shares issued
  - Unison is not confident about completing the TOB without acquiring the Treasury Shares

- Unison is not prepared to pay a premium for the level of control that they are seeking to obtain
Concerns with Unison Alliance

- No announcement as to whether Nikko Citigroup Limited ("Nikko") delivered an opinion regarding the adequacy of the Offer Price
  - Nikko has been the financial advisor of the Company for almost a year
- Unison TOB conditions indicate that Unison does not have a long-term commitment to the Company or its stakeholders
  - Uncertain future of minority shareholders if the Unison TOB results in Unison having a controlling stake in the Company
  - Unison Representatives will immediately resign if the Unison TOB is unsuccessful
    - Possible negative impact of a failed tender offer
    - Lack of leadership on the resulting Board
    - No shareholder representation
    - Current management lacks commitment to make the necessary changes to enable Aderans to grow and return to profitability
  - Authority to approve the Unison TOB rests with the Company Nominees, many of whom were selected by Unison
  - Intentionally coercive and unfair to shareholders because it tries to force shareholders to vote for Unison’s nominees and pressures shareholders to tender their shares at a low price
    - Shareholders who do not tender will suffer dilution of their investment
    - Company giving assets by tendering Treasury Shares at below book value
    - Unison TOB will fail if enough shareholders do not tender because they want to participate in “upside”
- Unison is a private equity fund with a focus and familiarity with running private companies
- **Unison TOB is coercive and would damage corporate and shareholder value**
SPJSF’s Proposal

SPJSF agrees with the Board that a leadership change is necessary to revive Aderans and to that end, SPJSF submitted the Shareholder Proposal to elect a new Board

- SPJSF’s interests are aligned with the interests of the Company’s other shareholders and stakeholders

- SPJSF’s Nominees are willing, committed and motivated to effect meaningful positive change in the management of Aderans without the terms, conditions or threats of resignation associated with the election of the Company Nominees, or the risks and dilutive costs associated with the Unison TOB

- SPJSF’s Nominees are highly qualified professionals with experience restructuring businesses and restoring profitability who will bring to the Company valuable management and operational expertise gained from managing leading companies and enterprises in Japan

- SPJSF’s Nominees include three incumbent outside directors and bring continuity to the Board
SPJSF’s Proposal

SPJSF’s Nominees include three full-time candidates, two of whom are current or former senior executives at the Company. These directors include:

- **Mr. Nobuo Watabe**, Former Representative Director, EVP of Aderans Co., Ltd (until May 2004). Mr. Watabe was one of the first employees when the Company was established and is an experienced executive who has extensive knowledge of the Company’s operations.

- **Mr. Kiyoshi Hayakawa**, current CEO and Representative Director of the Company.

- **Mr. Shigeru Ishiko**, former Representative and Executive Director, Naigai Co. Ltd, former Director & General Manager, Japan Polaroid K.K. Mr. Ishiko is a restructuring expert who has worked with many companies and will bring this valuable experience to the Company to help address some of the fundamental reasons for the deterioration of the Company’s corporate value. Mr. Ishiko, an experienced executive, will offer a fresh outside perspective and full-time commitment to the Company that is missing from the Company’s slate.
SPJSF’s Proposal

- SPJSF’s Nominees include five outside Board candidate nominees, three of whom are incumbent directors and have valuable knowledge about the operations of the Company. These directors include:

  - **Ms. Hiroko Wada**, former VP of Proctor & Gamble, Chief Operating Officer of Toys-R-Us Japan. Ms. Wada brings rich marketing experience in various consumer driven companies to the Company.

  - **Mr. Tadao Otsuki**, former Chairman and CEO of Novations Group Inc., President of Pepsi-Cola Japan. Mr. Otsuki brings rich experience in Japanese consumer market to the Company.

  - **Mr. Seitaro Ishii**, former VP of Applied Materials, Inc. Mr. Ishii is currently an outside Director of the Company and brings deep knowledge of board execution.

  - **Mr. Hironori Aihara**, former director and VP of Mitsubishi Corporation, CEO in charge of the Americas and President at Mitsubishi International Corporation. Mr. Aihara is currently an outside Director of the Company and brings rich board experience to the Company.

  - **Mr. Joshua Schechter**, former Tax Consultant at Ernst & Young LLP, Partner at Steel Partners since 2001. Mr. Schechter is currently an outside Director of the Company with deep experience in corporate tax, M&A, financing and valuation.
**SPJSF’s Proposal**

- SPJSF has a history of calling for operational improvements at the Company and has clear proposals to increase shareholder and corporate value, including:
  - Diligent review of marketing and advertising practices including target customer analysis and ROI for each advertising and sales channel
  - Thorough review of cost structure and working capital requirements
  - Review and integration of subsidiaries (both domestic and overseas)
  - Accelerated divestiture of non-core assets, specifically Aderals’ golf course and other real estate
  - Full review of capital allocation practices and cash management systems
  - Review of Company’s treasury share holdings and consideration of their cancellation

- The election of SPJSF Nominees will enable the Company to pursue changes and reforms necessary to reform management structure and to improve corporate performance and value, without the terms, conditions or threats of resignation associated with the election of the Company Nominees or the risks and dilutive costs associated with the Unison TOB

- For the reasons explained above, we believe that SPJSF Nominees should be elected to the Board
AN IMPORTANT MESSAGE FROM STEEL PARTNERS JAPAN STRATEGIC FUND (OFFSHORE), L.P.

• Vote FOR Steel Partners’ Highly Qualified Candidates For Election To The Board Of Directors Of Aderans Holdings Co., Ltd.

• Do Not Be Misled -- The Proposed Tender Offer By Unison Capital Group Will Not Improve Corporate Value.

May 14, 2009

Dear Fellow Aderans Shareholders,

Steel Partners Japan Strategic Fund (Offshore), L.P. (“Steel Partners”) is the largest shareholder of Aderans Holdings Co., Ltd. (“Aderans” or the “Company”) owning over 26% of the Company’s outstanding shares and has been a shareholder for five years. As a long-term shareholder, our interests are aligned with yours.

We are writing to seek your support and ask that you reject the tender offer contemplated by Unison Capital Group (“Unison”) and vote:

AGAINST Proposal 3 - election of the Company’s director-nominees (the “Company Nominees”);

AGAINST Proposal 5 - the tender of Company treasury shares (the “Treasury Shares”);

FOR Proposal 6 – the election of our 8 director-nominees (the “Shareholder Nominees”) who are standing for election to the Board of Directors (the “Board”) of Aderans at the 40th annual general meeting of shareholders to be held on May 28, 2009 (the “AGM”).

Elding the Company Nominees, which include three representatives from Unison (the “Unison Representatives”), (Proposal 3) and tendering of the Treasury Shares (Proposal 5), is inseparable from the terms and conditions of the Strategic Capital and Business Alliance Agreement (the “Alliance Agreement”) between the Company and Unison. The foundation of the Alliance Agreement is a proposed tender offer by Unison (the “Unison TOB”), which aims to acquire at least 35.2% of Aderans’ outstanding shares at the offer price of ¥1,000 per share (the “Offer Price”).

If Successful, Unison Would Acquire Control Without Paying You A Control Premium

In Fact, They Would Obtain Control At A Discount!
Eelecting The Company’s Nominees, Including Unison’s Representatives, Is Not In The Best Interests Of Shareholders Or The Company
Instead of paying a premium to acquire control of Aderans, Unison is seeking a discount by offering only ¥1,000 per share, which is significantly below the per share book value of ¥1,582, as of February 28, 2009, and approximately 25% below the closing price of Aderans shares, for the one-year period through April 15, 2009. Shareholders who tender their shares at the Offer Price would be hurt because tendering shares at below book value is the equivalent to giving away assets to Unison.

- The Unison TOB is conditioned on Unison gaining control of the Board through the election of the Unison Representatives. But they will resign from the Board if the Unison TOB is not commenced or if it fails. If the Unison Representatives resign, shareholders will be left with a Board lacking shareholder representation and a management team who has proven to be incapable of making the required changes to improve the Company. Shareholder representation on the Board is necessary for meaningful management reform and corporate restructuring.

- Current management is endorsing the Unison TOB in order to save their own positions, as they have no legitimate business reason to recommend a tender offer at such a low price or on such coercive terms.

Tendering the Treasury Shares is Dilutive, Coercive and Will Hurt Both the Company and its Shareholders.

- Tendering the Treasury Shares to Unison at ¥1,000 per share is dilutive and coercive, as Unison will not commence the Unison TOB unless shareholders allow the Company to sell to Unison 2.9 million treasury shares, or approximately 7% of the Company, at a significant discount to their book value.

- The Company has approximately ¥20 billion in cash and investment securities, no meaningful debt, and no need to raise additional capital.

- Shareholders who do not tender their shares in the Unison TOB would be hurt because (a) the Company’s tendering of the Treasury Shares would dilute the holdings of the remaining shareholders and (b) the tendering of the Treasury Shares at below book value would be the equivalent to the Company giving away the assets of the remaining shareholders. The Company’s tender of the treasury shares at below book value would be at the expense of existing shareholders and serve only to enrich Unison and protect current management.

Given the costs, risks and uncertainty presented by the Unison TOB, we urge shareholders to reject the Unison TOB and to vote AGAINST the Company Nominees (Proposal 3) and AGAINST the tender of Treasury Shares (Proposal 5). By keeping your shares instead of tendering them at 63% of book value, you remain invested in the Company and are able to participate in any future growth in corporate and shareholder value for as long as you own your shares.
The Shareholder Nominees are Experienced Professionals Who are Willing, Committed and Motivated to Effect Meaningful Positive Change.

- The Shareholder Nominees will bring to the Company valuable management and operational expertise gained from managing leading companies and enterprises in Japan.

- The Shareholder Nominees include candidates who have experience restructuring businesses and restoring profitability.

- The Shareholder Nominees’ status and reputation will be reassuring to the Company’s personnel, clients, business partners who value integrity and they should support responsible change on the Board.

- The Shareholder Nominees are prepared to bring positive change to Aderans without the terms and conditions associated with the election of the Unison Representatives, or the risks and dilutive costs associated with the coercive Unison TOB.

- The Shareholder Nominees include four incumbent directors, Mr. Hayakawa, the current President of the Company and Representative Director, and three experienced outside directors, all of whom were elected and served full terms on the Board last year. A Board consisting of the Shareholder Nominees brings institutional knowledge and continuity without entrenchment to the Board, which will enable consistent but flexible leadership. This continuity will help avoid confusion or disruption to the Company’s business or operations or a negative disruption to the Company workplace.

- The Shareholder Nominees are committed to working in an open atmosphere to improve corporate performance and value by promoting prompt and efficient management.

We urge you to vote **FOR** the Shareholder Nominees (Proposal 6) and send a strong message to the Company that improving corporate value for all shareholders is paramount.

**If Elected, the Shareholder Nominees Intend to Pursue the Following Improvements:**

- Restore profitability and refresh the operations of the Company’s core men’s business segment.

- Integrate the woman’s businesses in order to better utilize the Company’s resources for this important business segment.

- Fully integrate the North American subsidiaries in order to maximize efficiencies and profitability.

- Refresh and improve marketing and advertising practices, including target customer analysis and ROI for each advertising and sales channel.
• Review cost structure and working capital requirements in order to create a healthy and effective balance that will promote long-term stability and improved performance for the Company.

• Accelerate divestiture of non-core assets, specifically the Aderans golf course and other real estate, so that the Company can restore focus on its core businesses and on maximizing customer service and satisfaction.

• Review the Company’s capital allocation practices and cash management systems in order to improve the use of the Company’s resources.

• Improve efficiency of corporate overhead.

• Review the Company’s treasury share holdings and consider their cancellation in order to protect Company’s shareholders from dilution.

Our interests are aligned with those of all shareholders. Our nominees are experienced, independent and committed to making necessary changes at the Company to improve corporate value for all stakeholders and shareholders. Again, we urge you to vote FOR the Shareholder Nominees (Proposal 6) in order to send a strong message to the Company.

The 40th Annual General Meeting of Shareholders to be held on May 28, 2009 will determine the future direction of the Company. The deadline to vote is rapidly approaching. Don’t delay, your vote is very important.

Please note that this letter is intended for the purposes of conveying our views to the public including fellow shareholders of Aderans Holdings Co., Ltd. (“Aderans”). While this includes our intention to encourage fellow shareholders to cast their votes against certain proposals by Aderans and in favor of our proposal by either attending the upcoming annual general meeting of Aderans or using the voting card enclosed with the convocation notice from Aderans, it is not intended and should not be considered to solicit, encourage, induce, or seek for fellow shareholders to authorize Steel Partners or any other third party as their proxy in exercising their voting rights on their behalf.
Tokyo, May 15, 2009 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“Steel Partners”) announced today that leading proxy advisory firms Glass Lewis & Co. (“Glass Lewis”) and RiskMetrics Group (“RMG”) each issued reports recommending that shareholders vote FOR Steel Partners’ slate of director nominees (proposition 6) to the Board of Directors of Aderans Holdings Co., Ltd. (TSE Code: 8170) (“Aderans” or the “Company”) at the Company’s upcoming Annual General Meeting on May 28, 2009 (the “AGM”).

Glass Lewis and RMG also recommended that Aderans’ shareholders vote AGAINST management’s proposal to tender the Company’s treasury shares (proposition 5) in connection with the proposed tender offer by Unison Capital Group (the “Unison TOB”) stipulated by the Alliance Agreement entered into between the Company and Unison. Glass Lewis further recommended that Aderans shareholders vote AGAINST management’s slate of director nominees (the “Company Nominees”) (proposition 3). RMG recommended that shareholders vote AGAINST the three Unison Capital Group (“Unison”) representatives who were nominated by the Company.

In RMG’s report, which discussed the proposed alliance with Unison and the related proposals to be voted on at the AGM, RMG stated that, “…the problem here is not just the offer price, but the conditions attached to the scheme” and that “RMG believes that the whole scheme leading to the tie up is designed in a way that is unfair to minority shareholders.” RMG also noted that, “…shareholders will find themselves in a prisoner's dilemma situation where the logical choice will be to tender their shares to Unison irrespective of the offer price because a failure to do so would mean that shareholders will be stuck in a company which cannot be expected to increase shareholder value on its own initiative in the years to come.”

Glass Lewis echoed these concerns in its report and stated that it believes “…that there are serious problems at Aderans and that the incumbent board has undertake[n] actions clearly to the contrary to the interests of Shareholders.” Glass Lewis provided further, “[t]his of course says nothing of the board’s decision to push aside the special committee during the final negotiations with Unison nor its failure to make a recommendation to shareholders regarding the tender offer.” Glass Lewis added that it was “…unaware of a similar instance in which an incumbent board took such a passive approach with respect to a strategic transaction at a Company.”

Regarding Steel Partners eight nominees to the Board, Glass Lewis wrote, “…considering the substantial long-term operating problems at Aderans as well as the governance missteps of the leadership, we believe that shareholders should support the Steel Partner[s] slate of nominees.” This sentiment was echoed RMG’s report, which provided, “Because the election of the dissident [Steel Partners] nominees to the board is expected to bring management
expertise and fresh perspectives to the company that could help increase shareholder value, these nominations merit support.”

Regarding the proposed strategic alliance with Unison, Glass Lewis wrote, “…we see little value-add[ed] from the Alliance Agreement and fail to understand the board’s logic for the approval of the tender offer.” Glass Lewis concluded their report stating, “To compound matters, the board has entered into a questionable strategic agreement with Unison that causes us to question the board’s true motive.”

Both the Glass Lewis report and the RMG report questioned the tender of the Company’s treasury shares and recommend shareholders to vote AGAINST this proposal, with RMG’s report stating, “Because the whole scheme leading to the tie up, which includes the questionable tender offer, is not in shareholders’ interest, this proposal does not merit support.”

“The independent analysis by the world’s leading proxy advisory firms clearly shows that the proposed Unison tender offer is not in the best interests of Aderans’ shareholders and confirmed our position that the tender offer is coercive, inadequate and dilutive,” stated Warren Lichtenstein of Steel Partners. “Their endorsement of Steel Partners’ director nominees is significant, and we urge shareholders to follow their recommendations.”

Steel Partners urges fellow shareholders to vote FOR Steel Partners’ nominees (Proposal 6) and reject the Unison TOB and to vote AGAINST the Company Nominees (Proposal 3) and AGAINST the tender of the Company’s treasury shares (Proposal 5).

Steel Partners stressed that the 2009 AGM will determine the future direction of the Company, stating, “The deadline to vote is rapidly approaching. Don’t delay, your vote is very important.”

Steel Partners has been an investor in Aderans since 2004 and is the largest shareholder of the Company, owning 11,155,000 shares, or approximately 26.7% of the Company’s outstanding shares.

DISCLAIMER:

Please note that this release is intended for the purposes of conveying our views to the public including fellow shareholders of Aderans. While this includes our intention to encourage fellow shareholders to cast their votes against certain proposals by Aderans and in favor of our proposal by either attending the upcoming annual general meeting of Aderans or using the voting card enclosed with the convocation notice from Aderans, it is not intended and should not be considered to solicit, encourage, induce, or seek for fellow shareholders to authorize Steel Partners or any other third party as their proxy in exercising their voting rights on their behalf.

* * * * *

About Steel Partners
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.
ALL STEEL PARTNERS’ NOMINEES ELECTED TO BOARD OF DIRECTORS
OF ADERANS HOLDINGS CO., LTD.

COMPANY WITHDRAWS DILUTIVE TREASURY SHARE PROPOSAL

VOTE SETS NEW MILESTONE FOR CORPORATE GOVERNANCE IN JAPAN

Tokyo, May 28, 2009 – Steel Partners Japan Strategic Fund (Offshore), L.P. (“Steel Partners”) announced today that the shareholders of Aderans Holdings Co., Ltd. (TSE Code: 8170) (“Aderans” or the “Company”) have elected ALL of its nominees to the Aderans’ Board of Directors (the “Board”) at the Company’s Annual General Meeting. Steel Partners nominees now represent the majority of the Board.

Additionally, in the face of shareholder opposition the Company’s proposed tender of treasury shares, which Steel Partners strongly opposed, was withdrawn as an agenda item.

“With today’s vote, Aderans’ shareholders demonstrated their strong desire for constructive change in the Company’s leadership and direction and have set a new milestone for corporate governance in Japan,” stated Warren Lichtenstein of Steel Partners. “Our nominees elected to the Board are committed to leading Aderans to stronger corporate performance and increased shareholder value. We are grateful for the support of our fellow shareholders and look forward to working collaboratively with both management and the Board.”

Mr. Lichtenstein added: “Our nominees are committed to working to increase shareholder value. While we strongly opposed the undervalued and coercive offer approved by the former Board, we are confident the new Board would consider any offer made by a bona fide purchaser that is fair to all shareholders from a financial point of view, in accordance with the fiduciary duties governing all board members.”

Newly-elected Board members proposed by Steel Partners bring to the Company valuable management and operational expertise gained from managing leading companies and enterprises in Japan.

“I firmly believe that the newly elected Board is willing, committed and motivated to effect meaningful positive change in the management and corporate performance of Aderans,” stated Warren Lichtenstein. “Furthermore, the Board’s independence assures that their interests are aligned with the interests of the Company’s shareholders and stakeholders.”

Steel Partners said that as the Company’s largest shareholder, it will encourage the new Board to pursue the following operational goals for the benefit of all shareholders:

- Restore profitability and refresh the operations of the Company’s core men’s business segment.
- Integrate the woman’s businesses in order to better utilize the Company’s resources, this important business segment.
Fully integrate the North American subsidiaries in order to maximize efficiencies and profitability.

Refresh and improve marketing and advertising practices, including target customer analysis and ROI for each advertising and sales channel.

Review cost structure and working capital requirements in order to create a healthy and effective balance that will promote long-term stability and improved performance for the Company.

Accelerate divestiture of non-core assets.

Review the Company’s capital allocation practices and cash management systems in order to improve the use of the Company’s resources.

Improve efficiency of corporate overhead.

Review the Company’s treasury share holdings and consider cancellation in order to protect Company’s shareholders from dilution.

Steel Partners has been an investor in Aderans since 2004 and is the largest shareholder of the Company, owning 11,155,000 shares, or approximately 26.7% of the Company’s outstanding shares.

* * * * *

About Steel Partners
Steel Partners Japan Strategic Fund (Offshore), L.P. is a long-term relationship/active value investor that seeks to work with the management of its portfolio companies to increase corporate value for all stakeholders and shareholders.
Company Name: Aderans Co., Ltd. Representative: Katsuji Tokumaru, President Listings: First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange Code No. 8170 Contact: Michiyoshi Takahashi, General Manager, Investor Relations Division Telephone: 81-3-3350-3268

Proposed Measures for Countering Large-scale Acquisitions of Aderans Shares (Takeover Defense Measures)

Aderans herewith announces its planned measures for countering large-scale acquisitions of the Company’s shares (hereinafter together referred to as “the Plan”) and the planned shelf registration for issuance of stock acquisition rights, as resolved at a meeting of the Board of Directors on December 18, 2006. These measures are designed to ensure and enhance the corporate value of the Company and, in turn, the common interest of its shareholders.

1. Efforts toward ensuring and enhancing the Company’s corporate value and the common interest of its shareholders

1.1. The Aderans Group mission and business

The Aderans Group strives to maximize its corporate value through the pursuit of total hair solutions—including wigs, hair care and hair-transplant services—in the global marketplace. Our efforts are based on a mission statement that emphasizes our evolution into a trustworthy organization whose products and services are in constant demand from clients and society as a whole. Indeed, we seek to epitomize the “good company” ideal.

Today, companies operating hair-related businesses face increased competition. Given this operating environment, the Aderans Group embarked on a three-year, medium-term management plan starting on March 1, 2005. As a central strategy in this plan, we enhanced advertising aimed at men in the

This English translation has been prepared for general reference purposes. The Company is not responsible for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated as of December 18, 2006.
domestic market in an attempt to cultivate new client demand. In the domestic women’s market, our aim is to boost sales to all target demographics, from young through middle-aged to mature. Also in the domestic market, we are expanding our collaboration with beauty salons that are not owned by us, and developing our high-value-added salon network. In overseas markets, we aim to expand the market share of each subsidiary and improve their profitability by strengthening sales of wig products and reinforcing our hair-transplant business. We are also making sure strides toward the commercialization of our proprietary hair-regeneration technology.

In terms of numerical targets, we are working toward consolidated net sales of ¥80 billion and a ratio of consolidated net sales to recurring profit of 15% by February 29, 2008. Resulting from the above measures, our performance in both domestic and overseas markets for the year ended February 28, 2006, was an improvement over the previous fiscal year.

Furthermore, one of our top management priorities is the return of profits to shareholders. In this context, we are aiming for a gross shareholder return ratio of 50%, based on consolidated net income.

1.2. Sources of the Group’s value

The corporate value of the Aderans Group is supported by four pillars:

1. our clients’ confidence in the group, built up over about 40 years since the Company’s establishment;
2. our employees, who have the training and expertise to deliver services that guarantee client satisfaction;
3. business partners, such as associate beauty salons and suppliers; and
4. a sound financial base.

Establishing confidence among our clients in the medium to long term is of primary importance to the growth of our business. We seek to respond to each of our customer’s needs through one-on-one dialogue, and by offering top-to-bottom counseling services, made-to-order products and complete after-sales services. The end result is an increase in repeat business as well as the cultivation of new clients.

We have found that the key to acquiring the confidence of clients is employees who have high levels of technics, expertise and know-how. About 60% of our employees are licensed beauticians or hairdresser, and we need to retain and develop such highly trained employees in order to provide high-quality services consistently. To win the hearts and minds of our employees, it’s essential that we offer them more than just money and we therefore place a great emphasis on nonfinancial benefits.
We are also well aware of the importance of trusting relationships with external salons and suppliers to our corporate value, and we cultivate these relationships carefully.

In order to respond to diversifying needs with quality products and services, the Group focuses on research and development (R&D) into new technologies as well as toward improvement of existing products and services at the R&D division of headquarter, and at R&D divisions at each of our production subsidiaries. These R&D activities, which require significant capital investments, are underpinned by our sound financial base.

The Aderans Group is committed to the continued development of all these resources in the belief that ensuring and enhancing its corporate value is the best means of securing the common interest of shareholders.

2. Purpose of introducing the Plan

The Plan will be introduced for the purpose of ensuring and enhancing the corporate value of the Company and the common interest of its shareholders, as explained below.

Currently, in Japan’s capital market, there have been instances of a large number of shares being acquired without obtaining the approval of the management of the target company.

The Company does not generally oppose the acquisition of a large number of company stock if this contributes to corporate value and the common interests of shareholders. The Company also believes a decision regarding any proposed acquisition that would involve a transfer of corporate control of a public company must ultimately be based upon the opinions of all the shareholders.

Nonetheless, there are some large-scale share acquisitions that do not serve the Company’s value or the common interests of its shareholders:

- those with a purpose that would obviously harm the corporate value of the target company and the common interests of its shareholders;
- those with the potential to substantially coerce shareholders into selling their shares;
- those that do not provide sufficient time or information for the target company’s shareholders and board of directors to consider the terms and conditions and the like of the acquisition or for the target company’s board of directors to make an alternative proposal;
and those that require the target company to negotiate with the acquirer in order to procure more favorable terms for shareholders than those presented by the acquirer or similar reasons.

In order to secure our continued growth as a leader of the hair-related business industry, and to maximize corporate value and secure the common interest of its shareholders, as outlined above, it’s essential that we maintain relationships characterized by trust with both clients and business partners, first-rate human resources, and R&D backed by a sound financial base. Unless these matters are secured and improved over the medium and long term by the person offering to acquire a large number of company stock, corporate value and the common interests of shareholders will be impaired. Also, when an offer is received from a person outside the company to acquire a large number of company stock, it will be necessary to consider the effects of a proposed large-scale acquisitions on the corporate value and the common interests of its shareholders by appropriately understanding, in addition to the above issues, various other factors, such as the tangible and intangible management resources of the Aderans Group, the potential effect of future-directed policies, and other matters constituting corporate value.

In view of these issues, the board of directors has decided that a framework is needed when an offer is made to acquire a large number of company stock to be able to deter such offers when they harm corporate value and the shared interests of shareholders by making it possible (1) for shareholders to decide whether to accept this offer, (2) to secure the information and time needed so the board of directors can propose a counter offer to shareholders, and (3) to negotiate in the interest of shareholders.

Management will continue to discuss the Plan until the next General Shareholders’ Meeting, scheduled to be held in May 2007 (hereinafter together referred to as “next General Shareholders’ Meeting”), when there will be a shareholder resolution in connection with the Plan. However, looking at the current rate of corporate buyouts in Japan, we have to admit that the threat exists of impairment of corporate and shareholder value through large scale stock acquisition in the period up to the next General Shareholders’ Meeting. Thus, to avoid a potentially detrimental situation, we felt the need to implement active measures at the present time. For this reason, we resolved to introduce the Plan at the above-mentioned Board of Directors’ meeting as a transitional measure till next General Shareholders’ Meeting. However, as mentioned below, under “Effective period, abolition and revision of the Plan”, it is possible to abolish the Plan by resolution of the Board of Directors’ meeting or the General Shareholders’ Meeting, even in the transitional period until the next General Shareholders’ Meeting.

Principal shareholders of the Company as of August 31, 2006, are disclosed in “Principal
Shareholders of the Company”. Please note that at the present time there are no concrete hostile proposals for large-scale acquisitions of the Company’s shares.

3. Plan details

3.1 Plan outline

(a) Establishment of procedures for triggering the Plan In the event of any proposal that involves acquisition of the Company’s shares or a similar action or proposals excluding those deemed friendly by the Board of Directors’ meeting of the Company (hereinafter referred to as the Acquisition) was made, the Plan sets out procedures for presenting information such as alternative schemes and counterproposals of the Company’s management to the shareholders, and for conducting negotiations with the person effecting the Acquisition (hereinafter referred to as the Acquirer) Furthermore, the Plan allows for requests to the Acquirer to provide information relating to the Acquisition in advance, and for securing sufficient time to collect information with respect to the Acquisition and to give it full consideration (for details see below at 3.2, ‘Procedures for triggering the Plan’).

(b) Use of a gratis allotment of Stock Acquisition Rights If an Acquirer effects an Acquisition without following the procedures set out in the Plan or otherwise acts in a way that is deemed to be harmful to the Company’s corporate value or the common interests of its shareholders (for details of these requirements, see below at 3.3, ‘Requirements for the gratis allotment of Stock Acquisition Rights’), the Company will allot stock acquisition rights having an exercise condition that does not allow the Acquirers to exercise and an acquisition provision to the effect that the Company may acquire the stock acquisition rights from persons other than the Acquirers in exchange for shares in the Company (the main details of such stock acquisition rights are set out below at 3.4, ‘Outline of the gratis allotment of Stock Acquisition Rights’; “Stock Acquisition Rights”) by means of a gratis allotment of stock acquisition rights (prescribed by Article 277 onwards of the Corporation Law of Japan) to all shareholders at that time.

(c) Use of the Independent Committee to eliminate arbitrary decisions by directors In order to eliminate directors’ arbitrary decisions relating to the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, or the acquisition of the Stock Acquisition Rights, the Plan is monitored by an independent committee (see Attachment 1 for a summary), which comprises independent members from the Company’s management, including an outside director of the Company, an outside corporate auditor of the Company and an outside experts (e.g. a company owner with significant past achievements, a person retired from government office, a specialist in the investment banking business, a lawyer, a certified public accountant, or an academic faculty member). We also disclose information about the Plan to shareholders to ensure transparency.

The initial Independent Committee is composed of two outside corporate auditor of the Company and
an outside expert with considerable experience and standing in the community who are highly independent from the management of the Company, and the names and career summaries of the members are mentioned in Attachment 2 (see Attachment 1 for the standards for appointing members, requirements for resolution and resolution matters, of the Independent Committee after the introduction of the Plan).

(d) Exercise of the Stock Acquisition Rights and the Company’s acquisition of Stock Acquisition Rights

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and either the shareholders other than the Acquirer exercises the Stock Acquisition Rights or the shareholders other than the Acquirer receives shares in the Company in exchange for the Company acquiring the Stock Acquisition Rights, then it would be possible for the ratio of Company shareholder voting rights held by the Acquirer to be diluted by up to maximum 50%.

Procedures for triggering the Plan

(a) Targeted acquisitions The Plan will apply in cases where there is an Acquisition that falls under (i) or (ii) below:

(i) An Acquisition that would result in the holding ratio of share certificates, etc. (kabuken tou hoyuu wariai) of a holder (hoyuusha) amounting to 30% or more of the share certificates, etc. (kabuken tou) issued by the Company; or

(ii) A tender offer (koukai kaitsuke) that would result in the owning ratio of share certificates, etc. (kabuken tou shoyuu wariai) of share certificates, etc. (kabuken tou) relating to the tender offer and the owning ratio of share certificates, etc. of a person having a special relationship (tokubetsu kankei-sha) totaling at least 30% of the share certificates, etc. issued by the Company.

(b) Request to the Acquirer for the provision of information

Excluding Acquisitions determined by the Company’s board of directors to be friendly Acquisitions, the Company will require any Acquirer conducting an Acquisition described above at 3.2(a) to submit to the Company in a form prescribed by the Company, before effecting the Acquisition, necessary information for examination of the Company as described in each of the list below (hereinafter referred to as the Essential Information) and a written undertaking that the Acquirer will upon the Acquisition comply with the procedures established by the Plan (hereinafter referred to as the Acquisition Statement)
If we receive an Acquisition Statement, the Board of Directors of the Company will promptly provide it to the Independent Committee. In case the Independent Committee evaluated that the content of the Acquisition Statement is inadequate to the Essential Information, it may fix a deadline for response and request, either directly or indirectly, that the Acquirer additionally provide the Essential Information. In such case, the Acquirer should additionally provide the Essential Information within the relevant time limit.

(i) Details (including the specific name, capital composition, financial condition, and past achievements: same type of transactions to the relevant and results) of the Acquirer and its group (including joint holders, persons having a special relationship and, in the case of funds, each partner and other constituent members).

(ii) The purpose, method and terms of the Acquisition (including amount and type of consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be effected).

(iii) The basis for the calculation of the price of the Acquisitions (including the underlying facts of the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergies from any series of transactions relating to the Acquisition, and the details of such synergies to be shared with other shareholders).

(iv) Financial support for the Acquisition (including the name, financing methods and the terms of any related transactions of the funds providers (including all indirect funds providers)).

(v) Post-Acquisition management policy, business plan, capital and dividend policies for the Company Group.

(vi) Post-Acquisition policies dealing with the Company’s employees, business partners, customers, and any other stakeholders in the Company.

---

1 Defined in Article 27-23(4) of the Securities and Exchange Law of Japan. This definition is applied throughout this document. Including persons described as a holder under Article 27-23(3) of the Securities and Exchange Law of Japan (including persons considered to fall under this provision by the Company’s board of directors). The same is applied throughout this document. Defined in Article 27-23(1) of the Securities and Exchange Law of Japan. Unless otherwise provided for in this document, this definition is applied throughout this document. Defined in Article 27-2(6) of the Securities and Exchange Law of Japan. This definition is applied throughout this document. Defined in Article 27-2(8) of the Securities and Exchange Law of Japan. This definition is applied throughout this document. Defined in Article 27-2(1) of the Securities and Exchange Law of Japan. This definition is applied in 3.2(a)(ii). Defined in Article 27-2(7) of the Securities and Exchange Law of Japan (including persons considered to fall under this provision by the Company’s board of directors); provided, however, that persons provided for in Article 3(2) of the Cabinet Office Regulations concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Securities and Exchange Law of Japan. The same is applied throughout this document.
(vii) Any other information that the Independent Committee or other bodies reasonably considers necessary.

If the Independent Committee recognizes that an Acquirer has initiated an Acquisition without complying with the procedures set by the Plan, as a general rule, it will recommend the Company’s board of directors to implement a gratis allotment of Stock Acquisition Rights in accordance with 3.2(d)(i) below, except in particular circumstances where it should continue with its requests for the submission of an Acquisition Statement and the Essential Information, and its discussion and negotiation with the Acquirer.

(c) Consideration of Acquisition terms, negotiation with the Acquirer, and consideration of an alternative proposal

(i) Request to the Company’s board of directors for the provision of information If the Acquirer submits an Acquisition Statement and the Essential Information, the Independent Committee may set a reply period (up to sixty days as a general rule) and request that the Company’s board of directors present an opinion (including reservations; hereinafter the same) on the Acquirer’s terms and supporting materials, an alternative proposal (if any), and any other information that the Independent Committee considers suitably necessary, in order to compare the details of the Acquisition Statement and the Essential Information to the business plan of the Company’s board of directors and the company valuation conducted by the Company’s board of directors for the purpose of ensuring and enhancing the Company’s corporate value and the common interests of its shareholders.

(ii) Independent Committee consideration Upon taking receipt of the information from the Acquirer and the Company’s board of directors (if the Independent Committee requested the Company’s board of directors to provide information as set out above), the Independent Committee should conduct its consideration of the Acquirer’s Acquisition terms, information collection on the business plans and other information of the Acquirer and the Company’s board of directors and comparison thereof, and consideration of any alternative proposal presented by the Company’s board of directors, and the like until the expiration of a period of sixty days as a general rule from such receipt (provided, however, that in the case described below at 3.2(d)(iii) or the like, the Independent Committee may extend this period (hereinafter the “Independent Committee Consideration Period”).

“Joint holders” are as defined in Article 27-23(5) of the Securities and Exchange Law of Japan, including persons regarded as a joint holder under Article 27-23(6) of the Securities and Exchange Law of Japan (including persons that the Company’s board of directors recognizes as falling under the above). The same is applied throughout this document.
When the Independent Committee makes a demand, directly or indirectly (for example to provide materials or information, or for talks or negotiations to ensue), the Acquirer must comply with the request promptly. Moreover, the Acquirer cannot start any acquisition proceedings until the Independent Committee has completed the prescribed term for consideration.

In order to ensure that the Independent Committee’s decision ensures the Company’s corporate value and the common interests of its shareholders, the Independent Committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts).

(iii) Disclosure of information
Respecting the rule of timely disclosure regulation, at a time the Independent Committee considers appropriate, the Company will disclose the fact that an Acquirer has emerged, the fact that it has received an Acquisition Statement from the Acquirer, that the Board of Directors of the Company has offered alternative proposals to the Independent Committee and any matters considered appropriate by the Independent Committee out of the Essential Information or other information.

(d) Independent Committee procedures for recommendation, etc. If an Acquirer emerges, the Independent Committee will make recommendation to the Company’s board of directors or take other actions in accordance with the following procedures. If the Independent Committee makes any of the resolutions for recommendation to the Company’s board of directors or otherwise as listed in 3.2(d)(i) through 3.2(d)(iii) below, or otherwise believes it to be appropriate, the Independent Committee shall disclose an outline of the recommendation or the like and any other matters that the Independent Committee considers appropriate (in the case of extending the Independent Committee Consideration Period, including the period of and reason for such extension), promptly after the resolution.

(i) The Independent Committee recommends the triggering of the Plan If the Acquirer fails to comply with the procedures set forth in the Plan, or if otherwise as a result of the consideration of the terms of the Acquirer’s Acquisition, the Independent Committee determines that the Acquisition by the Acquirer meets any of the requirements set out below at 3.3, ‘Requirements for the gratis allotment of Stock Acquisition Rights’ and that the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, the Independent Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Company’s board of directors, regardless of whether the Independent Committee Consideration Period has commenced or ended. However, even
after the Independent Committee has already made one recommendation for the implementation of the
gratis allotment of Stock Acquisition Rights, if the Independent Committee determines that either of
the events below apply, it may make a new recommendation by the day prior to the Exercise Period
Commencement Date (defined below at (f) of 3.4, ‘Outline of the gratis allotment of Stock
Acquisition Rights’) that (until the gratis allotment has taken effect) the Company should suspend the
gratis allotment of Stock Acquisition Rights or that (after the gratis allotment has taken effect) the
Company should acquire the Stock Acquisition Rights without consideration.

○ The Acquirer withdraws the Acquisition or otherwise ceases to exist after the recommendation.
○ There is a change in the facts or information upon which the recommendation decision was
  made, and the Acquisition by the Acquirer does not meet any of the requirements set out below
  in 3.3, ‘Requirements for the gratis allotment of Stock Acquisition Rights,’ or it is not
  reasonable to implement the gratis allotment or allow for shareholders to exercise the Stock
  Acquisition Rights even if the Acquisition by the Acquirer does meet one of the requirements
  under 3.3 below.

(ii) The Independent Committee recommends the non-triggering of the Plan If as a result of its
consideration of the terms of the Acquirer’s Acquisition and discussion, negotiation or the like with
the Acquirer, the Independent Committee determines that the Acquisition by the Acquirer does not
meet any of the requirements set out below at 3.3, ‘Requirements for the gratis allotment of Stock
Acquisition Rights,’ or that the implementation of the gratis allotment of Stock Acquisition Rights is
not reasonable even if the Acquisition by the Acquirer does meet one of the requirements set out in 3.3
below, the Independent Committee will recommend the non-implementation of the gratis allotment of
Stock Acquisition Rights to the Company’s board of directors, regardless of whether the Independent
Committee Consideration Period has ended.

However, even after the Independent Committee has already made one recommendation for the non-
implementation of the gratis allotment of Stock Acquisition Rights, if there is a change in the facts,
information or otherwise upon which a recommendation decision was made and the situation has
come to satisfy the requirements set out in the first paragraph of (i) above, the Independent Committee
may make a new decision including a recommendation on the implementation of the gratis allotment
of Stock Acquisition Rights, and recommend that decision to the Company’s board of directors.

(iii) The Independent Committee defers triggering the Plan If the Independent Committee does
not reach a recommendation for either the implementation or non-implementation of the gratis
allotment of Stock Acquisition Rights by the expiry of the initial Independent Committee
Consideration Period, the Independent Committee will, to the reasonable extent that it is considered necessary for actions such as consideration of the terms of the Acquirer’s Acquisition, negotiation with the Acquirer and the consideration of an alternative proposal, pass a resolution to extend the Independent Committee Consideration Period (and any extension of the new period after a period has been extended will follow the same procedure).

If the Independent Committee Consideration Period is extended as a result of the resolution described above, the Independent Committee will continue with its information collection, consideration process and like activities, and use best efforts to make a recommendation for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights within the extended period.

(e) Resolutions of the board of directors

The Company’s board of directors, in exercising their role under the Corporation Law, will promptly pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights taking into consideration any recommendation of the Independent Committee described above to the maximum extent. The Acquirer must not effect an Acquisition until the Company’s board of directors passes a resolution for the non-triggering of the Plan. Promptly after passing such a resolution, the Company’s board of directors will disclose an outline of its resolution, and any other matters that the board of directors considers appropriate.

3.3 Requirements for the gratis allotment of Stock Acquisition Rights

The Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company’s board of directors as described above at (e) of 3.2, ‘Procedures for triggering the Plan,’ if it is considered that an acquisition of an Acquirer falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights. However, the Company’s board of directors will without fail make its determination as to whether an action of an Acquirer falls under a requirement below and if it is reasonable or not to implement the gratis allotment of Stock Acquisition Rights through the recommendation of the Independent Committee in accordance with (d) of section 3.2 above, ‘Procedures for triggering the Plan.’

(a) The Acquirer does not comply with procedures described above, such as providing information, abiding by the term of consideration set by the independent committee or anything defined under 3.2 “Procedures related to the implementation of the Plan” (b)

(b) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through actions including any of the actions below:
(i) A buyout of share certificates to require such share certificates to be compulsorily acquired by the Company at an inflated price.

(ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company’s management for the low-cost acquisition of the Aderans Group’s material assets.

(iii) Diversion of the Aderans Group’s assets to secure or repay debts of the Acquirer or its group company.

(iv) Temporary control of the Company’s management to bring about a disposal of high-value assets that have no current relevance to the Aderans Group’s business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.

(c) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set acquisition terms for the second stage or do not set clear terms that are unfavorable for the second stage).

(d) Acquisitions that do not provide the Company with the period of time reasonably necessary to submit an alternative proposal to the Acquisition.

(e) Acquisitions in which the Essential Information or any other information considered reasonably necessary to assess the Acquisition terms is not provided to Company’s shareholders, or the provision of such information (if any) is inadequate.

(f) Acquisitions whose terms (including amount and type of consideration for the Acquisition, the Acquisition timing, the legality of the Acquisition method, the probability of the Acquisition being effected, post-Acquisition management policies and business plans, and post-Acquisition policies dealing with the Company’s other shareholders, employees, customers, business partners and any other stakeholders in the Company) are inadequate or inappropriate in light of the Company’s intrinsic value.

(g) Acquisitions that materially threaten to be against the corporate value of the Company and, in turn, the common interests of shareholders, by destroying the Company’s corporate culture or relationship with employees, customers and business partners of the Aderans Group or the Company’s corporate culture and the Aderans Group’s brand value, which are indispensable to the generation of the Company’s corporate value.
3.4 Outline of the gratis allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights under the Plan is described below (for particulars regarding the gratis allotment of Stock Acquisition Rights, see Attachment 3, ‘Terms and Conditions of the Aderans Stock Acquisition Rights’).

(a) Number of Stock Acquisition Rights

The number of the Stock Acquisition Rights will be the same number as the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the “Allotment Date”) that is separately determined by the Company’s board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights (“Gratis Allotment Resolution”).

(b) Shareholders eligible for allotment

The Company will allot the Stock Acquisition Rights to those shareholders, other than the Company, who are entered or recorded in the Company’s final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share of the Company held.

(c) Effective date of gratis allotment of Stock Acquisition Rights

The Company’s board of directors will separately determine the effective date of the gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.

(d) Number of shares to be acquired upon exercise of the Stock Acquisition Rights

The number of shares to be acquired upon exercise of each Stock Acquisition Right (the “Applicable Number of Shares”) shall be one share unless a special adjustment made.

(e) The amount of properties to be contributed upon exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share of properties to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined by the Company’s board of directors in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share of the Company.

(f) Exercise period of the Stock Acquisition Rights

The commencement date will be a date determined by the Company’s board of directors in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the “Exercise Period Commencement Date”), and the period will be a period from one month to three months long as determined by the Company’s board of
directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provisions of paragraph (i)(ii) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

*Even if the Company becomes an issuer of multiple classes of shares (Article 2(13) of the Corporation Law) in the future, the class of (i) the shares of the Company to be issued upon the exercise of Stock Acquisition Rights and (ii) the shares to be delivered in exchange for the acquisition of Stock Acquisition Rights shall be the same as the shares being issued by the Company at the time of the Ordinary General Meeting of Shareholders (i.e., common shares).*

(g) Conditions for the exercise of the Stock Acquisition Rights As a general rule, the following parties may not exercise the Stock Acquisition Rights (the parties falling under (I) through (VI) below shall collectively be referred to as “Non-Qualified Parties”):

(I) Specified Large Holders;

(II) Joint Holders of Specified Large Holders;

(III) Specified Large Acquirers;

(IV) Persons having a Special Relationship with Specified Large Acquirers;

(V) Any transferee of or successor to the Stock Acquisition Rights of any person falling under (I) through (IV) without the approval of the Company’s board of directors; or

(VI) Any Affiliated Party of any person falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and ordinances to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that certain nonresidents such as those who may use any exemption provision under applicable laws and ordinances in such foreign country will be able to exercise the Stock Acquisition Rights and the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares of the Company as set out in (i) below). For definitions and details of the terms used above, see Attachment 3, ‘Terms and Conditions of the Aderans Stock Acquisition Rights.’
(h) Restriction on assignment of the Stock Acquisition Rights Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Company’s board of directors.

(i) Acquisition of the Stock Acquisition Rights by the Company

(i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company’s board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day separately determined by the Company’s board of directors, acquire all of the Stock Acquisition Rights without consideration.

(ii) On a day separately determined by the Company’s board of directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company’s board of directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right.

Further, if, on or after the date upon which the acquisition takes place, the Company’s board of directors recognizes the existence of any person holding Stock Acquisition Rights other than Non-Qualified Parties, the Company may, on a day separately determined by the Company’s board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that person that have not been exercised by or on the business day immediately prior to such date determined by the Company’s board of directors (if any) and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

For definitions and details of the terms used above, see Attachment 3, ‘Terms and Conditions of the Aderans Stock Acquisition Rights.’

3.5 Effective period, abolition and amendment of the Plan

The effective period of the Plan at present is until the close of the next General Shareholders’ Meeting.
To confirm that the Plan satisfies shareholders’ requirements, the Board of Directors of the Company is scheduled to obtain approval from shareholders for the Plan, for a plan whose objectives are the same, or for the introduction of other measures in preparation for a large scale stock acquisition, at the next General Shareholders’ Meeting.

However, if, even before the expiration of the Effective Period, the Company’s general shareholders’ meeting or the board of directors passes a resolution to abolish the Plan, the Plan shall be abolished at that time.

Further, subject to the approval of the Independent Committee, the Company’s board of directors may revise or amend the Plan even during the Effective Period of the Plan.

If the Plan is abolished, amended or the like, the Company will promptly disclose facts including the fact that such abolition, amendment or the like has taken place, and (in the event of an amendment or the like) the details of the amendment or the like and any other matters.

4. Rationale of the Plan

4.1 Fully satisfying the requirements of the Guidelines for Takeover Defense Measures

The Plan fully satisfies the three principles (three principals: to ensure and enhance corporate value; to be in the common interest of shareholders, disclosure in advance and shareholders’ will; and to be necessary and appropriate) set out in the Guidelines Regarding Takeover Defense Measures for the Purposes of Ensuring and Enhancing Corporate Value and Shareholders’ Common Interests released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005.

4.2. Introduction to ensure and enhance of corporate value and the common interest of shareholders

As mentioned in “2. Purpose of introducing the Plan” above, the objective of the Plan’s introduction is to ensure and enhance corporate value and to secure the common interest of shareholders. For this, the Plan makes it possible for the Company to secure the necessary information and the time for its shareholders to examine any acquisition proposals, and will enable the Board of Directors of the Company to present a counterproposal, or for the Company to negotiate with the acquirer for shareholders of the Company.

4.3. To Respect Shareholders’ Will
As mentioned in “2. Purpose of introducing the Plan” above, the Plan is being introduced as a transitional measure until the next General Shareholders’ Meeting. The effective term of the Plan is until the close of the next General Shareholders’ Meeting, and to confirm that the Plan satisfies shareholders’ requirements, the Board of Directors of the Company is scheduled to get approval from shareholders for the plan, or for the same sort of Plan, or for the introduction of other measures to counter any large scale stock acquisitions at the next General Shareholders’ Meeting. In addition, as mentioned in “3.5 Effective period, abolition and amendment of the Plan,” above, if the abolition of the Plan is resolved at the general shareholders’ meeting of the Company, the Plan shall be abolished even if before the expiration of term of the Plan. In this way, the shareholders’ will be respected with regard to the continued existence of the Plan.

4.4 Disclosure of information and emphasis on the decisions of independent parties

In introducing the Plan, the Company will establish the Independent Committee as an organization that will eliminate arbitrary decisions by the Board of Directors and its directors, and objectively carry out the substantive decisions on behalf of the shareholders in the event of triggering, abolition or other operation of the Plan.

If an Acquisition of shares in the Company were to actually occur, this Independent Committee would, as set out above in 3.2, ‘Procedures for triggering the Plan,’ and in accordance with the Rules of the Special Committee, make substantive determinations, as to whether or not the Acquisition would have a detrimental effect on the corporate value of the Company and the common interests of shareholders. Then, the Company’s board of directors would, by taking into consideration those determinations to the maximum extent, pass a resolution pursuant to the Corporation Law of Japan.

In this way, the Independent Committee will strictly monitor any arbitrary actions by non-outside directors and disclose outlines of its decisions to the shareholders, and will ensure a structure under which the Plan is only operated in a transparent way to the extent contributing to the corporate value of the Company and the common interests of its shareholders.

In addition, the Company will comprise the Independent Committee with more than 3 persons—including outside directors, outside statutory auditors or outside experts—who are independent from the executive officers and operations of the Company. (see Attachment 1 for the standards for appointing members, requirements for resolution and resolution matters of the Special Committee; see Attachment 2 for the members of the Independent Committee at the time of introduction of the Plan).
4.5 Establishment of reasonably objective requirements

As set out above at section 3.2(d), ‘Independent Committee procedures for recommendation, etc.,’ and 3.3, ‘Requirements for the gratis allotment of Stock Acquisition Rights,’ it can be said that the Plan is established so that it will not be triggered unless reasonable and detailed objective requirements have been satisfied, and ensures a structure to eliminate arbitrary triggering by the Company’s board of directors.

4.6 Obtaining the advice of third-party experts

If an Acquirer emerges, the Independent Committee may seek to obtain the advice of independent third parties (financial advisors, certified public accountants, lawyers, consultants and other experts) at the cost of the Company. This is a mechanism to even more securely enhance the objectivity and fairness of the decisions made by the Independent Committee.

4.7 No dead-hand or slow-hand takeover defense measures

As stated in section 3.5, ‘Effective period, abolition and amendment of the Plan,’ the Plan is designed in a way so that it may be abolished by a person who has acquired a large number of share certificates of the shares in the Company through nomination and election, at a general meeting of shareholders of the Company, of directors so-nominated by that person.

Therefore, the Plan is not a dead-hand takeover defense measure (an takeover defense measure in which even if a majority of the members of the board of directors are replaced, the triggering of the measure cannot be stopped). Also, as the Company has not adopted a staggered board, the Plan is not a slow-hand takeover defense measure either (a takeover defense measure in which triggering takes more time to stop due to the fact that the directors cannot be replaced all at once).

5. Impact on shareholders and other stakeholders

5.1 Impact on shareholders and investors at the time of introduction At the time of its introduction, the Plan will have no direct or material impact on the rights and interests of shareholders and investors. This is because at that time, no actual gratis allotment of Stock Acquisition Rights will be implemented.

5.2 Impact on shareholders and investors at the time of the gratis allotment of Stock Acquisition Rights
When the Board of Directors resolves to grant the gratis allotment of Stock Acquisition Rights, shareholders, of the record on the date specified by a resolution of that meeting, shall be given one Stock Acquisition Right for one share at free of cost. In case a shareholder does not take procedures on execution of the Stock Acquisition Rights including payment in full, as described minutely in the following (b) of 5.3 “Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights” during the exercise period, its own share shall be diluted by execution of Stock Acquisition Rights held by other shareholders.

However, the possibility exists that the Company will acquire the Stock Acquisition Rights of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company, in accordance with the procedures set out in (c) of 5.3, ‘Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights.’ If the Company carries out such acquisition procedures, all shareholders other than Non-Qualified Parties will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the exercise price, and no dilution of the aggregate shares in the Company they hold will result (rather only dilution of the value per share of shares in the Company they hold will result).

Furthermore, the Company, even if after the Allotment Date has come or the gratis allotment of Stock Acquisition Rights has taken effect, the Company may cancel the gratis allotment or acquire those Stock Acquisition Rights without consideration nor delivery of the shares in the Company to the entitled shareholders up until the day immediately prior to the date of commencement of the exercise period due to circumstances such as, for example, if the Acquirer withdraws its Acquisition of the shares in the Company. In these cases any dilution of stock value is not incurred, investors who made selling transactions on the assumption of dilution may suffer losses on stock price fluctuation.

5.3 Necessary procedures for shareholders upon the gratis allotment of Stock Acquisition Rights
(a) Procedures for entry of name transfer
If the Company’s board of directors resolves to implement a gratis allotment of Stock Acquisition Rights, the Company will first make public notice of the Allotment Date for the gratis allotment of Stock Acquisition Rights. In this case, as the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders who are entered or recorded in the Company’s last register of shareholders and register of beneficial shareholders as of the Allotment Date, it will be necessary for shareholders to arrange for the procedures for entry of name transfer as soon as possible. (Please note that no procedures for entry of name transfer are required for those share certificates deposited with the Japan Securities Depository Center, Inc.) In this connection, all of the shareholders who are entered or recorded in the Company’s last register of shareholders or register of beneficial
shareholders as of the Allotment Date will become Stock Acquisition Right holders as a matter of course on the effective date of the gratis allotment of Stock Acquisition Rights.

(b) Procedures for exercising Stock Acquisition Rights

The Company will deliver, as a general rule, an exercise request form for the Stock Acquisition Rights (in a form prescribed by the Company and containing necessary matters such as the terms and number of the Stock Acquisition Rights for exercise and the exercise date for the Stock Acquisition Rights, as well as representations and warranties regarding matters such as whether the shareholders themselves are not Non-Qualified Parties, indemnity clauses and other covenants) and other documents necessary for the exercise of the Stock Acquisition Rights to all shareholders being entered or recorded on the Company’s last register of shareholders or register of beneficial shareholders as of the Allotment Date. After the gratis allotment of Stock Acquisition Rights, the shareholders will be issued one share in the Company per one Stock Acquisition Right upon submitting these necessary documents and paying to the place handling such payments the price determined by the Company’s board of directors in the Gratis Allotment Resolution, which will be an amount within the range between a minimum of one yen and a maximum of any amount equivalent to one-half the fair market value of one share of the Company, both during the exercise period of the Rights and before the acquisition of the Stock Acquisition Rights by the Company takes effect.

(c) Procedures for the acquisition of Stock Acquisition Rights by the Company

If the Company’s board of directors determines to acquire the Stock Acquisition Rights, the Company will acquire the Stock Acquisition Rights in accordance with the statutory procedures, on the day that falls on the date separately determined by the Company’s board of directors. When the Company is to deliver shares in the Company to shareholders in exchange for the acquisition of Stock Acquisition Rights, it shall do so promptly. Further, in such case, the shareholders concerned will be separately requested to submit, in a form prescribed by the Company, representations and warranties regarding matters such as the fact that they are not Non-Qualified Parties, indemnity clauses and other covenants.

In addition to the above, the Company will disclose information or notify all of its shareholders with respect to the particulars of the allotment method of Stock Acquisition Rights, method of procedures for entry of name change, exercise method and method for acquisition by the Company after any resolution of the Company’s board of directors in relation to a gratis allotment of Stock Acquisition Rights, so we request that shareholders check these details at that time.

---End--
Outline of the Rules of the Independent Committee

- The Independent Committee shall be established by resolution of the Company’s board of directors.
- There shall be no less than three (3) members of the Independent Committee, and the Company’s board of directors shall elect the members from
  
  (i) outside directors of the Company,
  
  (ii) outside statutory auditors of the Company, or
  
  (iii) outside experts

who are independent from the management that conducts the execution of the business of the Company. Such experts must be experienced corporate managers, parties with knowledge of the investment banking industry, lawyers, certified public accountants, researchers whose research focuses on Corporation Law of Japan or the like, or parties of similar qualifications, and must have executed with the Company an agreement separately specified by the Company’s board of directors that contains a provision obligating them to exercise the duty of care of a good manager or a similar provision.

Unless otherwise determined by a resolution of the Company’s board of directors, the term of office of members of the Independent Committee shall be until the conclusion of the Ordinary General Meeting of Shareholders relating to the fiscal year ending February 28, 2007. However, the term of office of any member of the Independent Committee who is an outside director or outside statutory auditor shall end simultaneously in the event that they cease to be a director or statutory auditor (except in the case of their re-appointment).

The Independent Committee shall make decisions on the matters listed below and submit recommendations to the Company’s board of directors containing the details of and reasons for the recommendation. Respecting such recommendations of the Independent Committee to the maximum extent, the Company’s board of directors shall pass resolutions concerning the implementation, non-implementation or other action pertaining to a gratis allotment of Stock Acquisition Rights as a function under the Corporation Law of Japan. Each member of the Independent Committee and each director of the Company must make such decisions with a view to whether or not the corporate value of the Company and the common interests of its shareholders will be enhanced, and they must not serve solely for the purpose of their own interests or those of the management of the Company.
(a) The implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.

(b) The cancellation of the gratis allotment of Stock Acquisition Rights or the gratis acquisition of Stock Acquisition Rights.

(c) Any other matters that are for determination by the Company’s board of directors in respect to which it has consulted the Independent Committee.

- In addition to the matters prescribed above, the Independent Committee may conduct the matters listed below.

(a) Determining whether the Acquisitions should be made subject to the Plan.

(b) Determining the information that the Acquirer and the Company’s board of directors should provide to the Independent Committee, and the deadline for the provision of that information.

(c) Examination and consideration of the terms of the Acquirer’s Acquisitions.

(d) Negotiation and discussion with the Acquirer.

(e) Request for an alternative proposal and consideration of the alternative proposal to the Company’s board of directors.

(f) Determining the extension of the Special Committee Consideration Period.

(g) Approval of modification or amendment of the Plan.

(h) Any other matters that the Plan prescribes that the Independent Committee may conduct.

(i) Any matters that the Company’s board of directors separately determines that the Independent Committee may conduct.

- If the Independent Committee decides that the Acquisition Statement and the information provided are inadequate as Essential Information, it shall request that the Acquirer submit Essential Information, additionally. Further, if the Independent Committee receives from the Acquirer the Acquisition Statement and the Essential Information requested to submit additionally by the Independent Committee, it may request that the Company’s board of directors provide within a certain period an opinion regarding the terms of the Acquisition by the Acquirer and materials supporting that opinion, an alternative proposal (if any), and any other information and the like that the Independent Committee may consider necessary from time to time.

- If it is necessary in order to have the terms of the Acquirer’s Acquisition revised from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests
of its shareholders, the Independent Committee shall either directly or indirectly discuss and negotiate with the Acquirer, or present to shareholders or others the alternative plan presented by the Company’s board of directors, or conduct any similar action.

- In order to collect the necessary information, the Independent Committee may request the attendance of a director, statutory auditor or employee of the Company, or any other person that the Independent Committee considers necessary, and may require explanation of any matter it requests.

- The Independent Committee may, at the Company’s expense, obtain the advice of an independent third party (including financial advisors, certified public accountants, lawyers, consultants and other experts) and similar actions.

- Any member of the Independent Committee may convene a meeting of the Independent Committee when an Acquisition arises, or at any other time.

- Resolutions of a meeting of the Independent Committee shall, as a general rule, pass with at least two-thirds of the votes cast when at least two-thirds of the members of the Independent Committee are in attendance.

---End---
Attachment 2 Career Summary of Members of the Independent Committee

Initial members of the Independent Committee at the time of introduction of the Plan will be the following three candidates:

**Masaaki Katagiri**
Career Summary:
- 1948 Born
- Jul. 1976 Established Katagiri Certified Public Accountant Firm
- Mar. 1986 Appointed Partner of Century Audit Corporation
- Mar. 1986 Appointed Corporate Auditor of Aderans Co., Ltd. (Current)
- Jul. 1999 Established Katagiri Certified Public Accountant Firm

Mr. Katagiri and Mr. Toigawa are outside auditors of the Company, as set out in Article 2 (16) of the Corporation Law of Japan. Both of them do not have any special interest in the Company.

**Iwao Toigawa**
Career Summary: 1953 Born Apr. 1991 Registered as Lawyer (The Tokyo Bar Association)
Established Hibiya T&Y Law Firm

Mr. Katagiri and Mr. Toigawa are outside auditors of the Company, as set out in Article 2 (16) of the Corporation Law of Japan. Both of them do not have any special interest in the Company.

**Takehisa Fukazawa**
Career Summary:
- 1934 Born Apr. 1961 Registered as Lawyer (The Tokyo Bar Association) Sep. 2000 Appointed
Supreme Court Justice Jan. 2004 Retired from Supreme Court Justice
Jan. 2004 Registered as Lawyer (The Tokyo Bar Association)

Mr. Fukazawa does not have any special interest in the Company. ----End----
Terms and Conditions of the Aderans Stock Acquisition Rights

I. Determination on Gratis Allotment of Stock Acquisition Rights

1. Terms and number of the Stock Acquisition Rights The terms of stock acquisition rights to be allotted to the shareholders (individually or collectively, the “Stock Acquisition Rights”) include terms set forth in section II below. The number of the Stock Acquisition Rights will be the same number as the final and total number of issued and outstanding shares in the Company (excluding the number of shares in the Company held by the Company at that time) on a certain date (the “Allotment Date”) to be separately determined by the Company’s board of directors in a resolution relating to the gratis allotment of Stock Acquisition Rights (the “Gratis Allotment Resolution”).

2. Shareholders eligible for allotment The Company will allot the Stock Acquisition Rights to those shareholders, other than the Company itself, who are entered or recorded in the Company’s final register of shareholders or register of beneficial shareholders on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share in the Company held.

3. Effective date of gratis allotment of Stock Acquisition Rights The Company’s board of directors will separately determine the effective date of gratis allotment of Stock Acquisition Rights in the Gratis Allotment Resolution.

II. Terms of the Stock Acquisition Rights

1. (1) Number of shares to be acquired upon exercise of the Stock Acquisition Rights The number of shares in the Company to be acquired upon exercise of one Stock Acquisition Right (the “Applicable Number of Shares”) shall be one share. However, when the Company splits or consolidates its common stock, the Applicable Number of Shares shall be adjusted according to the following formula. Any fractions less than one share arising as a result of such adjustment shall be discarded and no adjustment in cash shall be made.
Adjusted Applicable Number of Shares = Applicable Number of Shares X Ratio of stock split or consolidation

2) Adjusted Applicable Number of Shares is applicable from the day next to the record date of stock split or from the day next to effectiveness of consolidation.

3) In addition to the above (1), when total number of shares issued by the Company, not including shares held by itself, is changed or possibly being changed due to gratis allotment of stock, merger, corporate demerger, stock exchanges or other events, the number of base shares shall be adjusted, if necessary, rationally based on the conditions of the events.

2. The amount of properties to be contributed upon exercise of the Stock Acquisition Rights

(1) Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount of properties to be contributed upon exercise of the Stock Acquisition Rights will be an amount equal to the Exercise Price (as defined in (2) below) multiplied by the Applicable Number of Shares.

(2) The amount per share of the Company of properties to be contributed upon exercise of the Stock Acquisition Rights (the “Exercise Price”) will be an amount separately determined by the Company’s board of directors in the Gratis Allotment Resolution, but within the range between a minimum of one yen and a maximum of the amount equivalent to one-half (1/2) of the fair market value per share of the Company. The fair market value means an amount equivalent to the average closing price (including quotations) for regular transactions of the Company’s shares on the Tokyo Stock Exchange on each day during the retroactive ninety (90) day period prior to the date of the Gratis Allotment Resolution (excluding the day on which trades are not made), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.

3. Exercise period of the Stock Acquisition Rights

The commencement date of the exercise period will be a date separately determined by the Company’s board of directors in the Gratis Allotment Resolution (the commencement date of the exercise period shall be hereinafter referred to as the “Exercise Period Commencement Date”), and the period will be a period from one month to three months long as separately determined by the Company’s board of directors in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights in accordance with the provisions of section 7 below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will become the preceding business day.
4. Conditions for the exercise of the Stock Acquisition Rights

(1) The following parties may not exercise the Stock Acquisition Rights:

(i) Specified Large Holders;

(ii) Joint Holders of Specified Large Holders;

(iii) Specified Large Acquirers;

(iv) Persons having a Special Relationship with Specified Large Acquirers;

(v) Any transferee of or successor to the Stock Acquisition Rights of any person falling under (i) through (iv) without the approval of the Company’s board of directors; or

(vi) Any Affiliated Party of any party falling under (i) through (v) (any party set out in (i) through (vi) shall be hereinafter referred to as the “Non-Qualified Party”).

The terms used above shall have the following meanings:

(a) “Specified Large Holder” means a person who is a holder (including any person who is described as a holder under Article 27-23(3) of the Securities and Exchange Law) of share certificates, etc. (as defined in Article 27-23(1) of the Securities and Exchange Law; the same applies hereinafter unless otherwise provided for) issued by the Company and whose holding ratio of share certificates, etc. (as defined in Article 27-23(4) of the Securities and Exchange Law) in respect of such share certificates, etc. is at least 30% or more (including any person who is deemed to fall under the above by the Company’s board of directors).

(b) “Joint Holder” means a person who is defined in Article 27-23(5) of the Securities and Exchange Law, and includes any person who is deemed as a joint holder under Article 27-23(6) of the Securities and Exchange Law (including any person who is deemed to fall under the above by the Company’s board of directors).

(c) “Specified Large Acquirer” means a person who makes a public announcement of acquisition, etc. (as defined in Article 27-2(1) of the Securities and Exchange Law; the same applies hereinafter) of share certificates, etc. (as defined in Article 27-2(1) of the Securities and Exchange Law; the same applies hereinafter in this subparagraph (c)) issued by the Company through tender offer (as defined in Article 27-2(6) of the Securities and Exchange Law) and whose ratio of ownership of share certificates, etc. (as defined in Article 27-2(8) of the Securities and Exchange Law; the same applies hereinafter) in respect of such share certificates, etc. owned by such person after such acquisition, etc. (including similar ownership as prescribed in Article 7(1) of the Order of the Enforcement of the Securities and Exchange Law) is 30% or more when combined with the ratio of ownership of share
certificates, etc. of a person having a Special Relationship (including any person who is deemed to fall under the above by the Company’s board of directors).

(d) “Person having a Special Relationship” is defined in Article 27-2(7) of the Securities and Exchange Law (including persons who are deemed to fall under the above by the Company’s board of directors); provided, however, that those persons provided for in Article 3(2) of the Cabinet Ordinance concerning Disclosure of a Tender Offer by an Acquirer other than the Issuing Company are excluded from the persons described in Article 27-2(7)(i) of the Securities and Exchange Law.

(c) An “Affiliated Party” of a given party means a person who substantially controls, is controlled by, or is under common control with such given party (including any person who is deemed by the Company’s board of directors to fall under the above), or a person deemed by the Company’s board of directors to act in concert with such given party. ‘Control’ is defined as a condition that a company controls decisions on financial and business policies of other companies (Article 3-3 of Rules for the Enforcement of the Corporation Law).

(2) Notwithstanding (1) above, the parties set out in (a) through (d) below are not Specified Large Holders or Specified Large Acquirers:

(a) the Company, its subsidiaries (as defined in Article 8(3) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.) or its affiliates (as defined in Article 8(5) of the Regulations concerning Terminology, Forms and Method of Preparation of Financial Statements, etc.);

(b) a person that the Company’s board of directors recognizes as a person that fell under the requirements as set forth in (1)(i) above with no intention to control the Company and that ceased to fall under the requirements as set forth in (1)(i) above due to a disposal of the share certificates, etc. of the Company held within ten (10) days after falling under the requirements as set forth in (1)(i) above (provided, however, that the ten (10) day period may be extended by the Company’s board of directors);

(c) a person that the Company’s board of directors recognizes as a person that involuntarily fell under the requirements as set forth in (1)(i) above by the Company acquiring treasury stock or for any other reason (excluding cases where the person thereafter newly acquires the Company’s share certificates, etc. at its own discretion); or

(d) a person that the Company’s board of directors recognizes as a person whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company’s corporate value or the common interests of shareholders (including a person previously determined as a Non-Qualified Party by the Company’s board of directors, but whose acquisition or holding of share certificates, etc., of the Company is later determined by the Company’s board of directors not to be contrary to the Company’s corporate value or the common interests of shareholders, and if the Company’s board of directors recognizes as a person whose acquisition or holding of share certificates, etc. of the Company is not contrary to the Company’s corporate value or the common interests of shareholders).
directors determines that an acquisition or holding is not contrary to the Company’s corporate value or common interests of shareholders under certain conditions, such recognition is effective to the extent that these conditions are satisfied.)

(3) Under the applicable foreign laws and ordinances, if a person located under a jurisdiction of such laws and ordinances is required for the purposes of exercising the Stock Acquisition Rights to (i) perform certain procedures, (ii) satisfy certain conditions (including prohibition of exercise for a certain period of time or submission of specified documents), or (iii) both perform such procedures and satisfy such conditions (collectively, the “Governing Law Exercise Procedures and Conditions”), such person may exercise the Stock Acquisition Rights only if the Company’s board of directors recognizes that it fully performs or satisfies the Governing Law Exercise Procedures and Conditions, and such person may not exercise the Stock Acquisition Rights if the Company’s board of directors does not recognize that it satisfies the Governing Law Exercise Procedures and Conditions. The Company shall bear no obligation to implement or satisfy any Governing Law Exercise Procedures and Conditions which are required in order for the person under such jurisdiction to exercise the Stock Acquisition Rights. In addition, if a person located under such jurisdiction is not permitted to exercise the Stock Acquisition Rights under such laws and ordinances, such person who locates in such jurisdiction shall not exercise the Stock Acquisition Rights.

(4) Notwithstanding (3) above, a person located in the United States may exercise the Stock Acquisition Rights, only if (i) such person represents and warrants that it is an accredited investor as defined in Rule 501(a) of the U.S. Securities Act of 1933, and (ii) such person covenants to resell the shares of the Company to be acquired upon exercise of the Stock Acquisition Rights held by such person only through a regular transaction at the Tokyo Stock Exchange or the Osaka Stock Exchange (not on the basis of any previous arrangements and without previous solicitation). In such case only, the Company shall perform or satisfy the Governing Law Exercise Procedures and Conditions under Regulation D of the U.S. Securities Act of 1933 and U.S. state laws that are required to be performed or satisfied by the Company for exercise of the Stock Acquisition Rights by a person located in the United States. A person located in the United States shall not exercise the Stock Acquisition Rights if the Company’s board of directors determines that such person is not permitted to legally exercise the Stock Acquisition Rights under the U.S. Securities Act due to a change in the law of the United States or some other reason, even though such person satisfies the conditions as described in (i) and (ii) above.

(5) A holder of the Stock Acquisition Rights may exercise the Stock Acquisition Rights only if the holder submits to the Company a written statement in which the holder undertakes representations and warranties, including, but not limited to, the fact that the holder is not a Non-Qualified Party, nor a person that has any intention to exercise the Stock Acquisition Rights on behalf of a Non-Qualified Party and that the holder satisfies the conditions for the exercise of the Stock Acquisition Rights,
provisions for indemnification and other matters prescribed by the Company and any written statement required under the laws and ordinances.

(6) Even if a holder of the Stock Acquisition Rights is unable to exercise the Stock Acquisition Rights in accordance with the provisions of this section 4, the Company shall not be liable to such holder of the Stock Acquisition Rights for damages or any other obligations.

5. Capital and capital reserve to be increased upon issuance of shares by exercise of the Stock Acquisition Rights Amounts of increases in capital and capital reserve at exercise of the Stock Acquisition Rights are defined by the resolution of granting the Gratis Allotment of Stock Acquisition by the Board of Directors.

6. Restrictions on assignments of the Stock Acquisition Rights

(1) Any acquisition of the Stock Acquisition Rights by assignment requires approval of the Company’s board of directors.

(2) If a person who intends to assign the Stock Acquisition Rights is located outside Japan and is unable to exercise the Stock Acquisition Rights in accordance with the provisions of section 4(3) and 4(4) (excluding a Non-Qualified Party), then the Company’s board of directors shall determine if it gives such approval as described in the above paragraph considering the following matters:

(a) whether or not a written undertaking prepared and signed or sealed with printed name by the transferor and transferee (including provisions for representations and warranties with respect to the matters described in (b), (c) and (d) below and provisions for indemnification) is submitted with respect to the acquisition by assignment of all or part of the Stock Acquisition Rights by a person who locates in such jurisdiction;

(b) whether or not it is clear that the transferee is not a Non-Qualified Party;

(c) whether or not it is clear that the transferee is not located in such jurisdiction and does not intend to accept the Stock Acquisition Rights for a person located in such jurisdiction;

(d) whether or not it is clear that the transferee does not intend to accept the Stock Acquisition Rights for a Non-Qualified Party.

7. Acquisition of the Stock Acquisition Rights by the Company

(1) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company’s board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day that falls on a date separately determined by the Company’s board of directors, acquire all of Stock Acquisition Rights without consideration.
(2) On a day separately determined by the Company’s board of directors, the Company may acquire all (though partial acquisition is not permitted) of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company’s board of directors, that are held by persons other than Non-Qualified Parties and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right.

Further, if, on or after the date upon which the acquisition takes place, the Company’s board of directors recognizes the existence of any person holding the Stock Acquisition Rights other than Non-Qualified Parties, the Company may, on a day determined by the Company’s board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that person that have not been exercised by or on the business day immediately prior to a date separately determined by the Company’s board of directors and, in exchange, deliver shares of the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter.

8. Delivery of the Stock Acquisition Rights in the case of merger (limited to a merger where the Company ceases to exist due to such merger), absorption-type demerger (kyushu bunkatsu), incorporation-type demerger (shinsetsu bunkatsu), share exchange (kabushiki koukan), and share transfer (kabushiki iten) The Company’s board of directors will separately determine these matters in the Gratis Allotment Resolution.

9. Issuance of certificates representing the Stock Acquisition Rights Certificates representing the Stock Acquisition Rights will not be issued.

10. Revision due to amendment to laws and ordinances The provisions of the laws and ordinances referred to above are subject to the prevailing provisions as of December 18, 2006. If it becomes necessary after such date to amend the terms and conditions or definitions of terms set out in the paragraphs above due to the incorporation, amendment or abolishment and the like of laws and ordinances, the terms and conditions or definitions of terms set out in the paragraphs above shall be read or modified accordingly as required to a reasonable extent, taking into consideration the purposes of such formulation, amendment or abolishment.
### Attachment 4 Principal Shareholders of the Company

Principal shareholders of the Company as of August 31, 2006 are as follows.

<table>
<thead>
<tr>
<th>Name of Shareholders</th>
<th>Status of Investment to the Company</th>
<th>Shareholding Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel Partners Japan Strategic Fund (Offshore) LP</td>
<td>9,811</td>
<td>23.52</td>
</tr>
<tr>
<td>State Street Bank and Trust Company</td>
<td>4,348</td>
<td>10.42</td>
</tr>
<tr>
<td>Nobuo Nemoto</td>
<td>3,852</td>
<td>9.23</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Limited (Trust Account)</td>
<td>1,817</td>
<td>4.35</td>
</tr>
<tr>
<td>The Master Trust Bank of Japan, Limited (Trust Account)</td>
<td>1,798</td>
<td>4.31</td>
</tr>
<tr>
<td>The Dai-ichi Mutual Life Insurance Company</td>
<td>726</td>
<td>1.74</td>
</tr>
<tr>
<td>The Bank of New York Treaty JASDEC Account</td>
<td>482</td>
<td>1.15</td>
</tr>
<tr>
<td>Trust &amp; Custody Service Bank, Limited (Security Investment Trust Account)</td>
<td>475</td>
<td>1.14</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Limited (Trust Account 4)</td>
<td>460</td>
<td>1.10</td>
</tr>
<tr>
<td>Towa Ltd.</td>
<td>445</td>
<td>0.99</td>
</tr>
</tbody>
</table>

(Note) In addition to the above, the Company holds 3,010,000 shares of its own shares.

---End--
To All Concerned Parties

Aderans Co., Ltd. (“The Company”) has received today shareholders’ proposal for the next General Shareholders’ Meeting of March 28, 2007 from Steel Partners Japan Strategic Fund (Offshore) L.P.

1. Proposer Steel Partners Japan Strategic Fund (Offshore) L.P.

2. Summary of proposal

1) Agenda Abolition of measures for countering large-scale acquisitions of Aderans shares (Takeover Defense Measures).

2) Item on agenda Abolish measures for countering large-scale acquisitions of Aderans shares (Takeover Defense Measures) approved by the Board of Meeting of the company on December 18, 2006.

The idea from the Board of Meeting of the Company to the proposal shall be released later to all shareholders after taking prescribed procedure and making thorough analysis of the proposal. End
Request for Shareholders Approval Regarding Measures for Countering Large-scale Acquisitions of Aderans Shares (Takeover Defense Measures)

On December 18, 2006, the Board of Directors determined the details of the terms of the measures for countering large-scale acquisition of the Company’s shares (takeover defense measures) (hereafter, “the Plan”), and such details were made public by the Company on the same date. To ensure that the Plan satisfied shareholders’ requirement, management intends to obtain approval of the Plan from shareholders at the next general meeting of shareholders (hereafter, “the Annual Meeting”). Accordingly, the Company gives notice that the Board of Directors, at its meeting on April 20, 2007, resolved to partially amended the Plan, which is presented below, and to propose the amended Plan to the Annual Meeting, scheduled for May 24, 2007, to reflect shareholders’ will regarding the Plan. Amendments to the Plan have been unanimously approved by the Independent Committee at Aderans.

1. Management’s Thoughts on the Plan

(1) Purpose of the Plan The purpose of the Plan is to ensure and enhance the corporate value of the Company and the common interests of its shareholders by ensuring that all shareholders have the necessary information and time to make proper decisions in the case of large-scale acquisitions of the shares in the Company, and by securing the opportunity to negotiate with the acquirer or to propose alternative proposals from the perspective of maximum corporate value and the best interests of its shareholders.

(2) Efforts toward ensuring and enhancing the Company’s corporate value and the common interests of its shareholders

Even after the details of the terms of the Plan had been decided tentatively, the Company has been carefully engaged in discussions from the perspective of identifying the best options for raising corporate value and the common
C-4

(Translated from the Japanese original)

April 20, 2007

Aderans’ Opinion on Shareholder’s Proposal for the Next General Meeting of Shareholders

1. Request for shareholder’s approval regarding measures for countering large-scale acquisitions of Aderans’ shares (takeover defense measures)

As announced in the press release “Request for Shareholder’s Approval regarding Measures for Countering Large-scale Acquisitions of Aderans’ Shares (Takeover Defense Measures)” (hereafter, “the Press Release on the Plan”), issued on April 20, 2007, Aderans (hereafter, “the Company”) has resolved to partially amend the terms of “Measures for Countering Large-scale Acquisitions of Aderans’ Shares (Takeover Defense Measures)” (hereafter, “the Plan”), which was resolved by the Board of Directors on December 18, 2006, and to obtain the shareholders’ approval regarding the Plan, propose the Plan to the next general meeting of shareholders (hereafter, “the Annual Meeting”), scheduled for May 24, 2007.

Following tentative approval of the details of the terms of the Plan, management has been carefully engaged in discussions to identify the best options for improving the corporate value of Aderans as the only company involved in hair-related businesses to be listed on the First Section of the Tokyo Stock Exchange and, in turn, enhance the common interests of shareholders.

This English translation has been prepared for general reference purposes. The Company is not responsible
for any consequence resulting from the use of the English translation in place of the original Japanese text. In any legal matter, readers should refer to and rely upon the original Japanese text of the press release dated as of April 20, 2007.

As a result of these discussions and with unanimous consent by the Company’s Independent Committee, the Board of Directors resolved at a meeting held on this day to appoint at the Annual Meeting two new outside directors -- a former Supreme Court Justice and a certified public accountant well-acquainted with international accounting practices and corporate valuations -- both of whom are entirely independent of the Company; to significantly strengthen the function of the Independent Committee through the inclusion of two outside auditors in its composition; to restrict the triggering of the Plan; and to extend the Plan’s effective term to three years, subject to shareholder approval at the Annual Meeting. For a full description of the Plan, please refer to the Press Release on the Plan.

As noted in the Press Release on the Plan, management reviewed the existing business strategy and established the new enhancement plan of corporate value, and also intends to comprehensively enhance corporate governance and introduce measures emphasizing shareholder return. Management has concluded that the Plan is indispensable to the constructive implementation of these steps and to efforts aimed at raising corporate value and enhancing the common interests of shareholders.

Management therefore respectfully asks shareholders to endorse the Company’s proposal.

2. Treatment of shareholder’s proposal

As announced in the press release “Shareholder’s Proposal for the Next General Shareholders’ Meeting”, issued March 28, 2007, the Company received on this date a shareholder proposal (hereafter, “the Proposal”) from Steel Partners Japan Strategic Fund (Offshore), L.P. that calls for abolition of the Plan.

The Proposal states that if the Company puts to agenda at the Annual Meeting the adoption or abolition of the same type countermeasures of the Plan, the Proposal may be treated as part of the same agenda as the Company’s agenda. As outlined above, the Company will refer the essentially same plan as the Plan to the Annual Meeting as the Company’s proposals. Notice is therefore given that the Proposal will be treated the same as a corporate proposal and not as a separate item of the Annual Meeting agenda.

The Company intends to include in reference materials presented to shareholders for the Annual Meeting key points of the bill and reason of the proposal on the Proposal, and the Board of Directors’ opinion about it.

END
To All Concerned Parties

Announcement of revision of year-end dividend

Aderans Co., Ltd., (the Company) announce that the Meeting of Board of Directors held on April 20, 2007 resolved to increase per share amount of year-end dividend.

1. Reason for increase in per share amount of year-end dividend The company emphasizes the return of profits to shareholders, and is set the policy of a payout ratio at 30% and gross shareholder return ratio at 50%, based on consolidated net income.

However, for the two fiscal years, until February 2008, shareholder return targets will be amended temporarily, with the payout ratio at 30% and the gross shareholder return ratio at 100%, based on consolidated net income, unless the Company requires significant funds for investment, such as merger and acquisition.

Accordingly, per share amount of year-end dividend increases by ¥25.00, to ¥50.00 bigger than originally planned and by ¥28.00 from the corresponding period a year earlier. As a result, expected per share amount of fiscal year 2007 shall be changed to ¥75.00, up ¥31.00 from previous fiscal year. Aderans will submit a proposal at the General Shareholders’ Meeting, scheduled to be held on May 24, 2007.

2. Revision of dividends [Unit: Yen]

<table>
<thead>
<tr>
<th></th>
<th>Interim period</th>
<th>Year-end</th>
<th>Fiscal year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous outlook announced on October 12, 2006</td>
<td>¥25.00</td>
<td>¥25.00</td>
<td>¥50.00</td>
</tr>
<tr>
<td><strong>Revised outlook</strong></td>
<td>¥25.00</td>
<td>¥50.00</td>
<td>¥75.00</td>
</tr>
<tr>
<td>Year ended February 28, 2006</td>
<td>¥22.00</td>
<td>¥22.00</td>
<td>¥44.00</td>
</tr>
</tbody>
</table>

End
April 20, 2007

Notice of Transition to Holding Company Structure

Tokyo, April 20, 2007 -- The Board of Directors resolved at its meeting today that Aderans Co., Ltd., (the “Company”) will split off its hair-related business (the “Business”) into a separate entity (the “Split”) and become a holding company, effective September 1, 2007.

In line with this transition, the Company will be renamed Aderans Holdings Company, Limited, as of September 1, 2007.

The corporate split and the transition to holding company status for the Company shall be subject to shareholders’ approval at the regular general meeting of shareholders scheduled for May 24, 2007.

Particulars

1. Purpose of Corporate Split
The Aderans Group is a globally active collection of companies offering a comprehensive approach to hair-related concerns. We seek to epitomize the “good company” ideal and strive to raise corporate value by pursuing activities from a client-oriented perspective. Our efforts are guided by a mission statement emphasizing development into an organization built on the enduring trust of clients and society as a whole, and we maintain momentum through the provision of products, such as wigs and hair-replacement products, and a range of services, from beauty and hairdressing to hair-growth treatments and hair-transplant procedures.

In recent years, the hair industry has been characterized by increasingly intense competition, highlighted by the debut of products and services geared to changing consumer needs and aggressive marketing campaigns by industry rivals designed to distinguish each from the others and thereby accelerate market recognition of respective products and services.

In this operating environment, the Aderans Group embarked on a three-year medium-term management plan in March 2005 to maximize corporate value. Under this plan, the
main objective in the domestic men’s market is to elicit new demand through the use of eye-
catching promotional materials, particularly advertising. In the women’s market, our goal is
to reinvigorate sales by widening the age range of our target group. Our strategy for overseas
markets hinges on efforts to expand share and boost profitability by reinforcing wig sales and
fostering greater interest in hair transplants.

A major obstacle, however, is the declining birthrate in Japan. It has caused the
population of young men to shrink, narrowing one of our key client age groups. In the
domestic women’s market, the age group for mainstay custom-made wigs is not expanding
much at all.

We also face unprecedented changes in our operating environment, typified by the
debut of an oral hair-growth treatment.

Having considered the prevailing situation, we decided that the management priority
of utmost importance was to strengthen the Group by stabilizing business capabilities and
ensuring timely responses to evolving market needs, and the means to this end would be to
revitalize the hair business --the pillar of Group operations -- and promote the beauty and
hairdressing business.

Essentially, we had to realign the organizational building blocks of the Group for
growth. Under our chosen holding company structure, subsidiaries will gain more
administrative freedom and an independent perspective on growth. It will reinforce the
Group’s overall hair business and create advantageous synergies. Furthermore, we intend to
enhance corporate governance to achieve the Group’s ends.

It is also our intention to utilize this new structure to cultivate our brand image and,
through future-oriented Group restructuring, establish an organizational makeup that meets
the expectations of all stakeholders.

The primary function of the holding company will be to support operating companies
from a see-all position. The holding company will focus on the business of the Aderans
Group, draft strategies for all companies under the umbrella and ensure implementation, and
nurture productive synergies.

We expect the holding company structure to underpin efforts to expand activities in
the hair business and foster new growth opportunities, so it is vital that the holding company
exercise direct control of subsidiaries involved in this business. Toward this end, each
subsidiary will operate as an individual business unit under the holding company umbrella.

To create synergies in the wig business, we will carve out new sales channels that
encourage client contact and product cross-selling.

Placing sales subsidiaries alongside production subsidiaries in this manner is an
arrangement we believe most suitable for facilitating control by the holding company.

Regional holding companies -- please refer to page 8 -- will act as coordinators for
sales companies in the same region to preclude duplication of clients and products within that
geographical market. These companies will also present a bridging advantage, when
necessary, to smooth the merger-and-acquisition process inherent in local business expansion.

With client needs likely to become increasingly diverse, the Company has
emphasized methods to deliver quick and accurate responses to changing preferences while
ensuring continuous growth for the Group. After many discussions on possible methods, the
Group is now ready to apply a holding company structure to boost group-wide corporate
value and will prudently address the following six tasks to achieve this goal.
Reinforce the Group’s result-management foundation.

Enhance corporate governance and take a flexible approach to decision-making at companies within the Group.

Seek flexibility in business activities and in personnel policy within the Group.

Demonstrate synergistic effect of new structure as quickly as possible.

Eliminate competition within the Group.

Build a global brand.

Working through these tasks, we will pursue business activities from a client-oriented perspective and, as a globally active collection of companies offering a comprehensive approach to hair-related concerns, we will raise corporate value as well as shareholder value of the Group as a whole.

2. Outline of Corporate Split

(1) Schedule of Corporate Split

February 28, 2007  Date of record for regular general meeting of shareholders

April 20, 2007  Meeting of board of directors to approve planning documents for corporate split; production of said documents

May 24, 2007 (planned)  Regular general meeting of shareholders to approve corporate split

September 3, 2007 (planned)  Registration and effective date of corporate split

(2) Method of Corporate Split

a. Method

As the splitting company, the Company will apply butteki bunkatsu --a draw down approach --wherein the Company newly establishes an entity with the same name (the “New Company”) to assume the Business and then retains all shares issued and allocated by the New Company to the Company.

No stock certificates will be issued.

b. Reason for adopting this method of corporate split This method has been selected because it will ensure smooth and efficient transition to a holding company structure.

c. Reduction of capital due to corporate split None.

d. Treatment of stock acquisition rights and bonds with stock acquisition rights in the split company Holders of stock acquisition rights in the Company will not receive equivalent stock acquisition rights in the New Company.

e. Rights and obligations assumed by the New Company Except as otherwise provided in the planning documents regarding the Split, rights and obligations transferred to the New Company by the Company in the Split shall cover assets and liabilities incidental to the Business, based on calculations current to
February 28, 2007, and account for respective increases and decreases between this date and the date of the corporate split, as well as contractual positions. Even after the Split is completed, the Company will carry all transferred commitments jointly with the New Company and thereby continue to shoulder liabilities incurred prior to the Split.

f. Prospects for performance of liabilities Using the Company’s most recent balance sheet to calculate post-Split assets, liabilities and net assets for both the Company and the New Company, management anticipates sufficient net assets to ensure performance of liabilities. Taking future business development into account as well, management does not foresee any difficulties that might prevent the Company or the New Company from achieving performance of liabilities.
## 3. Outline of Parties to Corporate Split

<table>
<thead>
<tr>
<th>(1) Corporate name</th>
<th>At February 28, 2007</th>
<th>At September 3, 2007 (planned)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) Main business</td>
<td>Hair-related business, including the sale of wigs and beauty, hairdressing and hair care services</td>
<td>Hair-related business, including the sale of wigs and beauty, hairdressing and hair care services</td>
</tr>
<tr>
<td>(3) Established</td>
<td>March 1, 1969</td>
<td>September 3, 2007</td>
</tr>
<tr>
<td>(4) Head office</td>
<td>6-3 Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8429</td>
<td>6-3 Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8429</td>
</tr>
<tr>
<td>(5) Representative</td>
<td>Katsuji Tokumaru, President and Chief Operating Officer</td>
<td>Katsuji Tokumaru, President and Chief Operating Officer</td>
</tr>
<tr>
<td>(6) Paid-in Capital</td>
<td>¥12,944 million</td>
<td>¥2,000 million</td>
</tr>
<tr>
<td>(7) Number of Shares Issued</td>
<td>41,713,388</td>
<td>2,000</td>
</tr>
<tr>
<td>(8) Net Assets</td>
<td>¥65,192 million</td>
<td>Undecided</td>
</tr>
<tr>
<td>(9) Total Assets</td>
<td>¥75,384 million</td>
<td>Undecided</td>
</tr>
<tr>
<td>(10) Fiscal year-end</td>
<td>Last day of February</td>
<td>Last day of February</td>
</tr>
<tr>
<td>(12) Principal shareholders and shareholding ratio</td>
<td>Steel Partners Japan Strategic Fund (Offshore) LP State Street Bank and Trust Company Nobuo Nemoto The Mater Trust Bank of Japan, Limited (Trust Account) Japan Trustee Services Bank, Limited (Trust Account)</td>
<td>Aderans Holdings Company, Limited 100.00%</td>
</tr>
<tr>
<td>(13) Main banks</td>
<td>Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
<td>Sumitomo Mitsui Banking Corporation The Bank of Tokyo-Mitsubishi UFJ, Ltd.</td>
</tr>
</tbody>
</table>
(14) Business relationships with the Company

<table>
<thead>
<tr>
<th>Capital relationship</th>
<th>The New Company is a wholly owned subsidiary of the Company.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel relationship</td>
<td>Some directors of the Company will hold concurrent positions as directors of the New Company.</td>
</tr>
<tr>
<td>Business relationship</td>
<td>The New Company is expected to issue payments, including dividends and management service fees to the Company.</td>
</tr>
</tbody>
</table>

(15) Business results for the three most recent fiscal years

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>Non-Consolidated</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>44,883</td>
<td>44,990</td>
</tr>
<tr>
<td>Operating income</td>
<td>6,620</td>
<td>7,594</td>
</tr>
<tr>
<td>Recurring profit</td>
<td>9,325</td>
<td>10,314</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(6,813)</td>
<td>6,700</td>
</tr>
<tr>
<td>Net income (loss) per share</td>
<td>(168.03)</td>
<td>164.74</td>
</tr>
<tr>
<td>Dividend per share (yen)</td>
<td>38.00</td>
<td>44.00</td>
</tr>
<tr>
<td>Net assets per share (yen)</td>
<td>1,537.28</td>
<td>1,617.11</td>
</tr>
</tbody>
</table>

4. Outline of business to be split off

(1) Activities undertaken by business to be split off Hair-related business, including the sale of wigs, Hair-related business, including the sale of wigs and beauty, hairdressing and hair care services

(2) Operating results from business to be split off (Fiscal 2007)

<table>
<thead>
<tr>
<th></th>
<th>Hair-Related Business (a)</th>
<th>Actual Fiscal 2007 Results (b)</th>
<th>Ratio (a/b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥42,645 million</td>
<td>¥42,645 million</td>
<td>100.0%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>¥35,075 million</td>
<td>¥35,075 million</td>
<td>100.0%</td>
</tr>
<tr>
<td>Operating income</td>
<td>¥9,550 million</td>
<td>¥5,251 million</td>
<td>181.9%</td>
</tr>
<tr>
<td>Recurring profit</td>
<td>¥9,610 million</td>
<td>¥8,041 million</td>
<td>119.5%</td>
</tr>
</tbody>
</table>

(3) Hair-related business asset and liability line items and amounts (As of February 28, 2007)

<table>
<thead>
<tr>
<th>Line Item</th>
<th>Book Value</th>
<th>Line Item</th>
<th>Book Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>¥5,833 million</td>
<td>Current liabilities</td>
<td>¥6,085 million</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>¥12,230 million</td>
<td>Fixed liabilities</td>
<td>¥3,489 million</td>
</tr>
<tr>
<td>Total</td>
<td>¥18,063 million</td>
<td>Total</td>
<td>¥9,575 million</td>
</tr>
</tbody>
</table>
5. Status as listed company following corporate split (planned)
(Status of the Company following transition into holding company)

(1) Corporate name  Aderans Holdings Company, Limited
(2) Main business  Control and manage the business activities undertaken by the
subsidiaries and affiliates.
(3) Head office  6-3 Shinjuku 1-chome, Shinjuku-ku, Tokyo 160-8429
(4) Representative  Takayoshi Okamoto, President
(5) Paid-in capital  ¥12,944 million
(6) Fiscal year-end  Last day of February

6. Outline of accounting treatment
Because the Split will cover transactions under common control in the categories of
combined business accounting, it will not generate any goodwill of business.

7. Effect on business results
Because the New Company will become a wholly owned subsidiary of the Company, the
Split will not have any effect on consolidated results.
In regard to non-consolidated results, the Company will become the holding company
following the Split, so its own revenues will largely comprise dividend income and business
management fees from subsidiaries and affiliates, and expenses will be those linked to the
Company’s function as a holding company.
The Company will disclose a post-Split performance outlook once relevant details
have been determined.
8. Key Companies in Expected Post-Split Group Structure

Notes:
1. Hair Trust Holdings Co., Ltd., Aderans Holding Co., Ltd., and Aderans Europe B.V., are regional holding companies.
2. The scope of consolidation covers 31 companies.

END
Company Name: Aderans Co., Ltd. Representative: Katsuji Tokumaru, President and Chief Operating Officer

Aderans’ opinions on proxy solicitation by Steel Partners Japan Strategic Fund(Offshore) L.P.

Tokyo, May 11, 2007 — Aderans will put forward as part of the agenda at the general meeting of shareholders (hereafter, “the Annual Meeting”) on May 24, 2007, “Approval of measures for countering large-scale acquisitions of Aderans’ shares (takeover defense measures)” (hereafter, “the Agenda Item”) to obtain shareholders approval regarding measures for countering large-scale acquisition of the Aderans’ shares (takeover defense measures) (hereafter, “the Plan”), which was originally announced on December 18, 2006, and later partially amended with the revised version announced on April 20, 2007.

Since May 2, 2007, Steel Partners Japan Strategic Fund (Offshore) L.P., a shareholder of the Company, has been soliciting other shareholders of the Company to vote against the Agenda Item.

The Company hopes that by clarifying the opinions held by the Board of Directors regarding Steel Partners’ proxy solicitation, shareholders will better understand the Company’s position on this matter and support the Agenda Item as proposed by the Company.

The Board of Director’s opinions are presented below.

Board of Directors’ Opinions

1. **Basic premise**
   As addressed in the press release “Aderans’ Opinion on shareholder Proposal for the Next General Meeting of Shareholder”, issued April 20, 2007, the Board of Directors believes that the Plan is absolutely essential because it will, in the event an offer is made to acquire a large number of the Company’s shares, serve to secure the information and time shareholders would need to form an appropriate decision, and will also ensure opportunities for management to pursue negotiations with potential buyers to the benefit of shareholders.

   The Company is indeed committed to raising corporate value and enhancing the common interests of shareholders and will achieve this through ongoing efforts to revise existing business strategies and through the implementation of a new corporate value improvement strategy.

2. **The Plan will not deprive shareholders of their right to decide whether or not to sell shares in response to an offer to acquire.**
   The Plan will not stand in the way of large-scale acquisition of shares, if such acquisitions contribute to the corporate value and the common interests...
of shareholders, and neither will the Plan deprive shareholders of their right to decide whether or not to sell shares in response to an offer to acquire.

As described in 1. above, the Company’s purpose in introducing the Plan is to secure the necessary information and time for shareholders to decide whether or not to respond in the event an offer is made to acquire a large number of the Company’s shares and to provide management with the opportunity to pursue negotiations with potential buyers to the benefit of shareholders.

Therefore, the Plan is not one that would deprive shareholders of the right to decide for themselves whether or not to respond to an offer to acquire shares. Rather, it is one that would ultimately guarantee shareholders the opportunity to sell shares without restriction and, notwithstanding acquisition proposals with the potential to erode corporate value, preempt, for example, a situation wherein shareholders accept an acquisition proposal based on erroneous assumptions stemming from insufficient information. The Plan also supports corporate value and the common interests of shareholders.

3. **The Plan merely provides a needed and equitable framework and will neither impose an excessive burden on a potential acquirer nor cause it significant harm.**

The Plan will require a potential acquirer to provide information essential for shareholders to form a well-considered decision on whether or not to accept an acquisition proposal, and fulfilling this requirement will not impose an excessive burden on a potential acquirer. The Company believes shareholders must not be put at a disadvantage whereby an acquisition process in effect forces shareholders to sell stock without the information and time needed to form a well-considered decision. Therefore, any person intending to acquire shares must, within reason, provide such necessary information. In addition, the information a potential acquirer is required to submit, as outlined in the Plan, is absolutely essential for shareholders if they are to determine whether or not an acquisition could contribute to the Company’s corporate value and the common interests of its shareholders, and a request for such information does not impose an excessive burden on a potential acquirer.

4. **The Plan is vital in protecting shareholder interests.**

The Plan does not run counter to the intent of the Securities and Exchange Law. The Plan is absolutely essential for the Company to secure, within reason, sufficient time and information on behalf of shareholders. Revision of the Securities and Exchange Law, in 2006, led to several amendments, including a requirement for greater information disclosure, the legal right of a target company to ask questions of an acquirer, and the ability of a target company to request an extension in the tender offer period. However, regulations under the Securities and Exchange Law dictate only minimal obligations in regard to protecting investors, and even at the lawmaking stage, the revised law was never intended to have any effect on the legal framework for takeover defense measures. Moreover, the purpose of the revised Securities and Exchange Law is not necessarily on the same level as the intended objective of takeover defense measures.
As far as the right to ask questions is concerned, even if a target company exercises this right, the Securities and Exchange Law allows the public bidder to refuse to answer or to reserve the right not to answer should that bidder deem an answer unnecessary. Consequently, the Company believes the Plan is absolutely vital for ensuring a suitable amount of time and information regarding the sale of Company stock so that shareholders are not put at any disadvantage in arriving at their respective decisions.

5. Request from Aderans

Given the Company’s recent fiscal results and the performance status of other business, management analyzed market conditions and meticulously examined issues that currently plague existing operations, then reviewed the Company’s prevailing business strategies with an eye toward dramatically higher corporate value, and formulated a new corporate value improvement strategy. On April 20, 2007, the Company disclosed the key points of this strategy. Guided by the new corporate value improvement strategy, the Aderans Group is pressing steadily forward in the pursuit to raise corporate value and enhance the common interests of shareholders. This commitment is exemplified by a basic agreement formed with Leavitt Management, Inc., to acquire its hair transplant business, Medical Hair Restoration, Inc., the No. 2-ranked provider of hair transplant procedures in the United States. (For details on this agreement, please see the press release Notice regarding basic agreement to purchase hair transplant business by the Aderans Group, issued May 2, 2007.) Management believes the Plan is absolutely essential if the Company is to maintain this kind of business expansion and equally indispensable to the Company’s goal to raise corporate value and enhance the common interests of shareholders. Thoughts on the Plan and details about efforts aimed at raising corporate value are available on the Company website at http://www.aderans.co.jp/e/company/goannai. The Board of Directors believes the opinions expressed above will give shareholders a better understanding of the situation and draw support in favor of the Agenda Item.

END

Aderans’ opinion on the press release dispatched by Steel Partners Japan Strategic Fund (Offshore) L.P. on May 11, 2007, shall be released later.

Contact: 81-3-3350-3268 Investor Relations Division
Or 81-3-3350-3222 Public relations Division
Company Name: Aderans Co., Ltd.
Representative: Katsuji Tokumaru, President

Aderans’ opinion on the press release of May 11, 2007 issued by Steel Partners Japan regarding additional information for proxy solicitation


Regarding the revised Securities and Exchange Law, 2006 (“Revised Law”)

- The current revision only addresses rules on tender offers and does not adequately ensure the corporate value of a company or the common interests of its shareholders


Unfortunately, Steel Partners is mistaken, misconstruing the intent of the Revised Law and the logic behind the Revised Law, for the following reasons:

- Owing to increasing instances of companies implementing takeover defense measures in Japan, the Revised Law accords an acquirer certain avenues of pursuit even in the event the target company triggers takeover defense measures\(^1\), and in no way does the Revised Law nullify takeover defense measures or obviate the need for such measures.

\(^1\) For example, assuming that a target company will implement takeover defense measures, the Revised Law prevents an acquirer from incurring unforeseen losses by enabling the acquirer to 1) withdraw the tender offer if takeover defense measures are sustained, and 2) reduce the offer price if the target company activates said measures and executes a gratis allotment of stock acquisition rights.
• From the beginning, the creation of the Report by the Tender Offer Working Group (hereafter, “the Working Group Report”) was meant 1) to ensure greater transparency and impartiality in the tender offer process and fairness among investors; 2) to fully demonstrate the function of price formation; and 3) to facilitate corporate restructuring efforts. In contrast, the purpose of takeover defense measures is to reinforce corporate value and the common interests of shareholders. The Revised Law does contribute in part to improved corporate value and the common interests of shareholders, but it in no way guarantees achievement of sufficient corporate value or common interests of shareholders.

• This is also clear from statements, such as “Treatment of laws and ordinances ... will be kept to a minimum and any aspects falling outside this scope may be addressed independently by the parties involved.”, which appear in the Working Group Report regarding the right to question in the tender offer system. To protect investors, the Securities and Exchange Law enforces certain articles and metes out statutory punishment for violation of such articles, but this law does not necessarily obviate the need for the parties involved to implement independent measures over and above these articles. Rather, tender offer rules pursuant to the Revised Law assume independent action will be taken as necessary to supplement the legally required minimum. Aderans believes the provisions of the Securities and Exchange Law are by themselves insufficient to ensure the Company’s corporate value and protect the common interests of shareholders, and deems the introduction of takeover defense measures absolutely indispensable.

The Revised Law does not necessarily ensure sufficient benefit for shareholders through expression of opinion and the right of target company to question acquirer

Steel Partners’ assertion that takeover defense measures are unnecessary stems from Securities and Exchange Law provisions that obligate a target company to express its opinion on a tender offer and recognize the target company’s right to question an acquirer.

However, an expression of opinion by a target company must be made within 10 business days of date on which a tender offer is submitted, and were a tender offer to be launched suddenly, the task of preparing such an expression of opinion within 10 business days would be more than a little difficult. This situation is obvious from the fact that a reservation of expression of opinion is recognized (in the event an expression of opinion cannot be presented) in Note 3 of Form No. 4 of the Cabinet Order of the Revised Law regarding disclosure of a tender offer for stock certificates, etc., by someone other than the issuer.

In addition, according to the Working Group Report, the right to question is not mandated but left to the parties involved to address independently because an overly detailed legal framework could narrow the range of questions addressed and thereby prevent adequate information disclosure in the minds of the parties involved and perhaps lead to a court judgment, which would impede the provision of information still further. Consequently, because the Plan requires an acquirer to disclose certain information, it can be regarded as an independent approach by the Company and is therefore in line with the intent of the Revised Law and certainly does not run counter to said legislation.
Comments on this issue by the lawmaking agency in charge of the Revised Law clearly state that questions other than those dealing with the legal system “shall be left to the discretion of parties involved in the market”. ("Comment 4 of the Financial Instruments and Exchange Law: Tender Offer System and Large Shareholding Reporting System", by

- **The Revised Law does not necessarily ensure sufficient benefits for shareholders through an extension of the tender offer period**

The Steel Partners’ press release cites the fact that a tender offer period can be extended to 30 business days if the target company makes a request to the acquirer, and claims that the period set out in the Plan for the Board of Directors and the Independent Committee to consider a tender offer is unreasonably long.

However, the Revised Law gives no guarantee of adequate information disclosure in the event a hostile bidder suddenly issues a tender offer. In addition, a certain amount of time is needed to make a request for information and a certain amount of time is also needed for the Board of Directors to formulate opinions on the information received and then draft a counteroffer. Furthermore, the Company’s Independent Committee comprises external directors who are completely independent of the Company’s executive team and who are expected to look not to the Company but to lawyers and financial advisors of their own choosing to obtain opinions with which to pursue careful deliberation of a tender offer. Given the high level of independence granted to the Company’s Independent Committee, a period of 30 business days may not be long enough to determine an appropriate response to the tender offer.

The Steel Partners’ press release also asserts the belief that extension of the tender offer period is set at 30 business days because an excessively long tender offer period could exert an adverse effect on the stock market.

However, the aforementioned Working Group Report makes no determination as to the potential of a tender offer period exceeding 30 business days adversely effecting the stock market. The Working Group Report merely calls for discussion regarding a dramatic extension of the tender offer period beyond a maximum of 60 days and reserves a final decision on any drastic extension of the tender offer period to address active opinion for extension and cautiously passive opinion on it.

Moreover, an acquirer may begin the procedures set forth in the Plan before tendering an offer. The beginning of the deliberation period, according to the Plan, does not start with a tender offer. Rather, the Plan assumes discussion and negotiation between the Company and an acquirer before an offer is tendered, and giving an acquirer some incentive is intended to derive purchasing conditions more beneficial to shareholders.

The Steel Partners’ press release misinterprets this point and confuses the task to be initiated, that is, Plan procedures or tender offer. The Plan is suitable and takes possible effect on the stock market into full consideration.

- **Claim that a special resolution is required at the general meeting of shareholders is inaccurate**
The Steel Partners’ press release says the Plan, which facilitates issuance of stock acquisition rights through a resolution by the Board of Directors, has no legal basis, citing that issuance of stock acquisition rights at conditions favorable to some shareholders and not others necessitates a special resolution at the general meeting of shareholders.

To the contrary, the Company Law of Japan only requires that a special resolution be put forward in the event the right to subscribe to new shares is presented to third parties at particularly favorable conditions or cash amounts, and not in the event of a gratis allotment of stock acquisition rights. The view presented in the Steel Partners’ press release is based on a flawed premise.

In addition, Guidelines regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders’ Common Interests (hereafter, “Takeover Defense Measure Guidelines”), announced jointly by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005, allow the Board of Directors to adopt a resolution on an allotment of stock acquisition rights with discriminatory treatment of shareholders, such as issuance of stock acquisition rights on the condition that those who are able to exercise the rights are shareholders not holding shares in excess of a specified percentage.

On this point, if the terms of an issuance are likely to cause excessive damage to the financial interests of the acquirer, Takeover Defense Measure Guidelines will promote compliance on three principles set forth in the guidelines to raise the legality of stock acquisition rights and thus avert the risk that issuance will be regarded as illegal and thereby necessitate a special resolution on the issuance of rights to subscribe to new shares at an especially favorable rate for the aforementioned third parties.

On this point, the Plan raises legality by addressing all three principles and follows Takeover Defense Measure Guidelines. From this perspective, as well, the claim by Steel Partners has no merit. (For details, please refer to the Company’s press release “Acknowledgement of shareholder communication regarding measures for countering large-scale acquisitions of Aderans’ shares (takeover defense measures)”, issued April 20, 2007.)

**Institutional Shareholder Services Inc. supports agenda item for takeover defense measures** As shareholders are already well aware, Institutional Shareholder Services Inc., an international leader in proxy voting and corporate governance solutions that enjoys solid support from institutional investors, performed a detailed analysis of the Company’s Plan, for takeover defense measures, and its corporate value improvement strategy. Please keep in mind that ISS supports the Company’s takeover defense measures.

As explained above, the Steel Partners’ press release is merely a unilateral statement of the Fund’s own legal perspectives and is not necessarily based on an accurate reading of the law or a proper interpretation of the Plan.
The Company hopes that shareholders see the Board of Directors’ opinions in the right light, based on correct information. Management looks forward to your support.

END

Contact:  81-3-3350-3268 Investor Relations Division
or  81-3-3350-3222 Public Relations Division
May 24, 2007

Company Name: Aderans Co., Ltd.
Representative: Katsuji Tokumaru, President
Code Number: 8170 (First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange)
Contact: Michiyoshi Takahashi, General Manager of Investor Relations

Notice
regarding shareholders’ approval of measures for countering large-scale acquisitions of Aderans’ shares (takeover defense measures)

Tokyo, May 24, 2007 — Aderans Co., Ltd., (hereafter, “Aderans” or “The Company”) planned to present measures initially introduced at the Board of Directors’ meeting on December 18, 2006, for countering large-scale acquisition of Aderans’ shares (takeover defense measures) (hereafter, “the Plan”) and partially revised at the Board of Directors’ meeting on April 20, 2007, for approval at the general meeting of shareholders (hereafter, “the Annual Meeting”) on this day to ascertain shareholders’ will regarding the Plan. The Company gives notice that the Plan was duly brought forward at the Annual Meeting as the agenda item “Approval of measures for countering large-scale acquisitions of Aderans’ shares” and received majority approval from shareholders.


In accordance with the will of shareholders, as demonstrated on this day, Aderans is firmly committed to efforts that will further enhance corporate value and improve the common interests of shareholders.

End
To All Concerned Parties

Announcement of Revised Semiannual Financial Result Outlook

Aderans Co., Ltd. (“Aderans”) has revised its consolidated and non-consolidated result outlook for the first half year ending August 31, 2007, previously announced on April 20, 2007. Result outlook for the fiscal year ending February 29, 2008 will be revised, if necessary, at the time of announcement of semiannual financial results.

1. Revision of financial result outlook for the first half year ending August 31, 2007

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Recurring Profit</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>[Consolidated]</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previous outlook (A)</td>
<td>37,600</td>
<td>1,800</td>
<td>1,900</td>
<td>500</td>
</tr>
<tr>
<td>Revised outlook (B)</td>
<td>36,200</td>
<td>500</td>
<td>800</td>
<td>-500</td>
</tr>
<tr>
<td>Difference (B – A)</td>
<td>-1,400</td>
<td>-1,300</td>
<td>-1,100</td>
<td>-1,000</td>
</tr>
<tr>
<td>Change (%)</td>
<td>-3.7</td>
<td>-72.2</td>
<td>-57.9</td>
<td>-100</td>
</tr>
<tr>
<td><strong>1st half year ended August 31, 2006</strong></td>
<td>36,062</td>
<td>3,428</td>
<td>3,713</td>
<td>2,670</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Recurring Profit</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>[Non-consolidated]</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previous outlook (A)</td>
<td>21,400</td>
<td>1,100</td>
<td>3,600</td>
<td>2,700</td>
</tr>
<tr>
<td>Revised outlook (B)</td>
<td>20,000</td>
<td>100</td>
<td>2,700</td>
<td>900</td>
</tr>
<tr>
<td>Difference (B – A)</td>
<td>-1,400</td>
<td>-1,000</td>
<td>-900</td>
<td>-1,800</td>
</tr>
<tr>
<td>Change (%)</td>
<td>-6.5</td>
<td>-90.9</td>
<td>-25.0</td>
<td>-66.7</td>
</tr>
<tr>
<td><strong>1st half year ended August 31, 2006</strong></td>
<td>21,660</td>
<td>2,493</td>
<td>4,958</td>
<td>4,481</td>
</tr>
</tbody>
</table>

2. Reason for revision

Aderans has revised downward its consolidated outlook, because non-consolidated net sales are forecasted to fall below the previous outlook, and extraordinary expenses of ¥600 million are recorded due to increase in the allowance for doubtful account of loan and investment by Samson Co., Ltd., to
its non-consolidated subsidiary.

The company has also revised its outlook of non-consolidated result as well, because non-consolidated net sales are below the previous outlook, and extraordinary expenses of ¥1,200 million are posted due to increase in the allowance for doubtful account to regional holding company. The allowances are added because Samson reported the extraordinary expenses as mentioned above.

This report includes forward-looking statements that are based on management’s view from the information available at the time of the announcement. These statements involve risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Aderans include, but not limited to, general economic condition, the ability of Aderans to continue to timely introduce new products and services in the markets, consumption trend, competition, technology trend, exchange rate fluctuations.
Announcement of Revised Full-Year Result Outlook

(Translated from the Japanese original)

October 11, 2007
To All Concerned Parties

Aderans Holdings Co., Ltd. (“Aderans”) has revised its consolidated and non-consolidated result outlook for fiscal year ending February 29, 2008, previously announced on April 20, 2007.

1. Revision of financial result outlook for the fiscal year ending February 29, 2008 [Consolidated]  
[Unit: Millions of Yen]

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Recurring Profit</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous outlook (A)</td>
<td>77,800</td>
<td>-</td>
<td>7,700</td>
<td>3,600</td>
</tr>
<tr>
<td>Revised outlook (B)</td>
<td>76,800</td>
<td>3,600</td>
<td>4,400</td>
<td>1,200</td>
</tr>
<tr>
<td>Difference (B – A)</td>
<td>-1,000</td>
<td>-</td>
<td>-3,300</td>
<td>-2,400</td>
</tr>
<tr>
<td>Change (%)</td>
<td>-1.3</td>
<td>-</td>
<td>-42.9</td>
<td>-66.7</td>
</tr>
<tr>
<td>Fiscal year ended February 28, 2007</td>
<td>73,498</td>
<td>8,212</td>
<td>8,815</td>
<td>6,091</td>
</tr>
</tbody>
</table>

2. Reason for revision
Aderans has revised downward its non-consolidated outlook, based on the interim result and inheritance of the hair related business to newly established company, Aderans Co., Ltd., effective as from September 1, 2007 because of the transform to holding company structure.

The company has also revised its outlook of consolidated result as well, based on the interim result and expectation that the challenging conditions that currently characterize the domestic core
business are unlikely to ease in the second half.

This report includes forward-looking statements that are based on management’s view from the information available at the time of the announcement. These statements involve risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Aderans include, but not limited to, general economic condition, the ability of Aderans to continue to timely introduce new products and services in the markets, consumption trend, competition, technology trend, exchange rate fluctuations.
(Translated from the Japanese original)

January 10, 2008

To All Concerned Parties

Company Name: Aderans Holdings Co., Ltd.
Representative: Takayoshi Okamoto, President
Code Number: 8170 (First Section of Tokyo Stock Exchange and Osaka Securities Exchange)
Contact: Michiyoshi Takahashi, General Manager of Corporate Communications Office
Tel. 81-3-3350-3268

Announcement of Revised Full-Year Financial Result Outlook

Based on the current business activities, Aderans Holdings Co., Ltd. (the Company) has revised its consolidated and non-consolidated result outlook for fiscal year ending February 29, 2008, previously announced on October 11, 2007.

1. Revision of financial result outlook for the year ending February 29, 2008

<table>
<thead>
<tr>
<th></th>
<th>[Consolidated]</th>
<th>[Unit: Millions of Yen]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net Sales</td>
<td>Operating Income</td>
</tr>
<tr>
<td>Previous outlook (A)</td>
<td>76,800</td>
<td>3,600</td>
</tr>
<tr>
<td>Revised outlook (B)</td>
<td>75,000</td>
<td>3,500</td>
</tr>
<tr>
<td>Difference (B – A)</td>
<td>-1,800</td>
<td>-100</td>
</tr>
<tr>
<td>Change (%)</td>
<td>-2.3%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Fiscal year ended February 28, 2007</td>
<td>73,498</td>
<td>8,212</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>[Non-consolidated]</th>
<th>[Unit: Millions of Yen]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net Sales</td>
<td>Operating Income</td>
</tr>
<tr>
<td>Previous outlook (A)</td>
<td>20,800</td>
<td>-800</td>
</tr>
<tr>
<td>Revised outlook (B)</td>
<td>20,800</td>
<td>-700</td>
</tr>
<tr>
<td>Difference (B – A)</td>
<td>-</td>
<td>100</td>
</tr>
<tr>
<td>Change (%)</td>
<td>-</td>
<td>12.5%</td>
</tr>
<tr>
<td>Fiscal year ended February 28, 2007</td>
<td>42,646</td>
<td>5,251</td>
</tr>
</tbody>
</table>

2. Reason for revision

The Company has revised its consolidated performance forecast for fiscal 2008 due mainly to impairment loss treatment of domestic consolidated subsidiaries' goodwill and lower expectations for revenues from the hair-transplant business in the United States.

The Company has also revised its non-consolidated performance forecast for fiscal 2008 as well due mainly to increased allowance for doubtful account of loans to consolidated subsidiaries and increased foreign exchange loss.

End
(Translated from the Japanese original)

February 8, 2008

To All Concerned Parties

Company Name: Aderans Holdings Co., Ltd.
Representative: Takayoshi Okamoto, President
Code Number: 8170 (First Section of Tokyo Stock Exchange and Osaka Securities Exchange)
Contact: Michiyoshi Takahashi, General Manager of Corporate Communications Office
Tel. 81-3-3350-3208

Announcement

Tokyo, February 8, 2008 — Aderans Holdings Co., Ltd. received a letter regarding "Financial Performance Review and Recommendations" from Steel Partners Japan Strategic Fund (Offshore), L.P.

End
(Translated from the Japanese original)

For Your Information

Company Name: Aderans Holdings Co., Ltd.
Representative: Takayoshi Okamoto, President
Code Number: 8170 (First Section of Tokyo Stock Exchange and Osaka Securities Exchange)
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Tel. 81-3-3350-3268

Letter to Steel Partners Japan Strategic Fund (Offshore), L.P.

Aderans Holdings Co., Ltd. ("Aderans") today sent a letter to Steel Partners Japan KK, in reply to the letter Aderans received from Steel Partners Japan Strategic Fund (Offshore), L.P. dated February 6, 2008. We attach the English translation of our letter for your information.
Mr. Warren Lichtenstein
Steel Partners Japan Strategic Fund (Offshore), L.P.
P.O. Box 2681 GT, Century Yard, 4th Floor
Cricket Square, Hutchins Drive
George Town, Grand Cayman
Cayman Islands
British West Indies

Dear Mr. Lichtenstein,

Thank you very much for your letter of February 8, 2008. In response, we would like to briefly explain our current views.

Recognizing that we face a very severe business environment, we believe it is vital that we thoroughly analyze our business in order to decide upon specific, concrete steps that will enable us to enhance corporate value.

With this objective in mind, we have already taken a number of initiatives, including the appointment of an outside management consulting firm to assist us with a thorough review and analysis of our business operations and the issues facing management. This review will result in the development of a new mid-term business plan that will be implemented in our next fiscal year, which begins in March 2008.

We would also like to note the following:

- We have further strengthened our management team and improved our corporate governance by drawing on the expertise of two independent outside Directors whom we appointed to our Board in May 2007. One of these is a highly qualified lawyer (a former Supreme Court Justice), and the other a certified public accountant with extensive international business and accounting experience.
- We established a holding company structure in September 2007, and have put in place a stronger organizational structure to achieve mid- to long-term growth.

- All of our employees are immensely proud of what their company has achieved as the pioneer and leader of the wig market in Japan, and they are totally committed to their work and to achieving identified growth objectives.

- We will continue to actively research new market needs and sources of future growth, and will be aggressive and innovative in maximizing growth opportunities, including opportunities in overseas markets.

We believe the approach we are taking is the true way to enhance corporate value over time, and bring real benefits to all our stakeholders, including our shareholders, our customers, our business partners and our employees.

Thank you again for your support of our Company.

Very truly yours,

Takayoshi Okamoto,
President and Representative Director

[This is the English version of the Japanese original.]
(Translated from the Japanese original)

Company Name: Aderans Holdings Co., Ltd.
Representative: Takayoshi Okamoto, President
Stock Listings: First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3350-3208

Regarding the Medium-term Management Plan

Tokyo, April 17, 2008 -- Aderans Holdings Co., Ltd. (the “Company”), recently drafted a new medium-term management plan aimed at improving corporate value over the next three fiscal years -- fiscal 2009 through fiscal 2011 -- from March 1, 2008 through February 28, 2011.

Management duly considered the fact that consolidated results for the fiscal year ended February 29, 2008, were considerably below the numerical targets of the previous medium-term management plan, which ran from March 2005 through February 2008, and seeking to elicit a radical improvement in corporate value through the transition to a holding company structure in September 2007, management meticulously analyzed the challenges characterizing the current business environment and the status of existing operations and determined appropriate courses of action that have been incorporated into the plan as business strategies.

A summary of the new plan follows.
A detailed version of the plan is available for viewing on the Company's website.

1. Basic Direction of the Medium-term Management Plan

During the three years of the previous medium-term management plan, Aderans' domestic core business suffered a considerable blow, as sluggish demand in the men's market had a particularly damaging impact on fiscal results. This trend is likely to persist because a rapidly declining birthrate in Japan will streamline the target demand segment.

In this challenging market environment, the Aderans Group will steadily implement measures and business strategies based on directions specific to each business segment and thereby elicit a great leap forward as a globally active group of companies involved in hair-related businesses and also achieve higher corporate value. In addition, the Group will work to raise the level of satisfaction among all stakeholders and through this commitment epitomize the "good company group" ideal that emphasizes development into a trustworthy group of companies with products and services in constant demand from clients and society as a whole.
2. Medium-term Management Directions for the Group
Seeking to achieve the basic direction stated in the medium-term management plan, the Company will implement segment-specific business directions, based on the following medium-term management directions for the Group.

1) Strengthen marketing capabilities to anticipate changes in demand.
2) Utilizing the building blocks of client trust, pursue and realize Group synergies highlighting products.
3) Define and establish a growth platform primed for a major leap forward in business.
4) Identify the best practices for consistently raising corporate value and share them throughout the Group for widespread success.
5) Ensure thorough management of processes for every business activity.

3. Business Direction by Segment

1) Domestic Core (Aderans) Business
   i) Business Foundation
      • Aderans will execute thorough control of processes aimed at improving corporate value and promote greater differentiation among salons by identifying the best practices at highly efficient salons and sharing these methods with all salons under the Aderans umbrella for widespread application.
      • Aderans will boost profitability and productivity through a review of all operations, marketing offices and salons as well as administrative divisions.
   ii) Men’s Market
       Aderans will promote higher profitability in the men’s market by shifting its marketing emphasis toward enhanced wig and hair-volumizing products and will reassess its client base to encourage more repeat sales.
   iii) Women’s Market
       Aderans will develop greater competitive superiority in the market for ladies’ custom-made wigs and pursue marketing strategies in line with client needs to surpass rivals.

2) Fontaine Business
   The goal is to achieve an overwhelming lead over the competition in the fashion wig market by laying a foundation for growth, essentially, a springboard that will launch the company way ahead of its rivals.
   i) Fontaine will strive to maximize relationships of trust fostered between clients and business associates, strengthen customer management capabilities, and broaden the scope of business activities.
   ii) Fontaine will pursue synergistic effects and actively work with other members of the Aderans Group to carve out new sales channels and attract a wider range of clients.
iii) Fontaine will revamp its corporate structure and accelerate the establishment of a stronger foundation from which to undertake activities by forging ahead with solid business improvement plans.

3) Overseas Core (Wig) Business
Overseas members of the Aderans Group involved in the wig business will reinforce respective brands in line with market needs and strive to expand business activities paralleling sustainable profit growth in each country where the subsidiaries enjoy a market presence through joint access to the Group’s management resources.

i) Subsidiaries will utilize the advantages afforded by Aderans’ integrated production and sales structure and seek marketing opportunities that leverage brand power in each country of operations.

ii) Aderans Group will broaden and strengthen its sales network through M&A activity in the United States and Europe and the introduction of the Aderans-style business model into operations in Asia, excluding Japan.

iii) Through a learning organization perspective, Aderans Group will promote better marketing capabilities within the Group, innovate existing operations, and tackle structural realignment.

4) Hair-Transplant Business
Placing Aderans Medical Holdings, Inc., at the center of its hair-transplant business, Aderans will foster an awesome presence in the U.S. hair-transplant market and lay the foundation of a high-growth, high-revenue business.

i) Aderans Group will maintain the brand independence of Bosley and MHR and encourage these companies to acquire larger market shares through internal growth facilitated by reinforcement of respective office networks and differentiation in client contact approaches.

ii) Aderans Group will encourage the companies to forge tighter affiliations with medical groups and private clinics to complement existing office networks and stress business integration with these corporate groups.

iii) Aderans Group will seek to maximize merits of scale, Group synergies and higher management efficiency to underpin a solid business infrastructure.

4. Enhance Corporate Governance
In May 2007, Aderans, current Aderans Holdings as a new entity, welcomed two outside directors to its Board of Directors -- a lawyer and former-Supreme Court Justice with a deep understanding of the law, and an accountant with expertise in international business and book accounting.

Management believes the addition of these two experts to the Board of Directors has reinforced business management practices and strengthened the compliance structure.
To enhance corporate governance still further, the Company is considering an increase in the number of outside directors.

5. Numerical Targets, Capital Policy, Shareholder Return Policy

1) Numerical Targets
By February 28, 2011:
Consolidated net sales of ¥90 billion and consolidated operating income of ¥11.1 billion.
(Anticipated exchange rates: 1 US dollar = ¥100 and 1 euro = ¥155)

2) Capital Policy and Shareholder Return Policy
i) The Company targets a payout ratio of 50% and a total shareholder return ratio of 100%, based on consolidated net income.
ii) The Company will probably earmark ¥15 billion over three years toward M&As.
iii) As an indicator of capital efficiency, the Company seeks consolidated return-on-equity of more than 10% by February 28, 2011.
(Translated from the Japanese original)

Company Name: Aderans Holdings Co., Ltd.
Representative: Takayoshi Okamoto, President
Stock Listings: First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3350-3268

Regarding the Medium-term Management Plan

Tokyo, April 17, 2008 — Aderans Holdings Co., Ltd. (the "Company"), recently drafted a new medium-term management plan aimed at improving corporate value over the next three fiscal years — fiscal 2009 through fiscal 2011 — from March 1, 2008 through February 28, 2011.

Management duly considered the fact that consolidated results for the fiscal year ended February 29, 2008, were considerably below the numerical targets of the previous medium-term management plan, which ran from March 2005 through February 2008, and seeking to elicit a radical improvement in corporate value through the transition to a holding company structure in September 2007, management meticulously analyzed the challenges characterizing the current business environment and the status of existing operations and determined appropriate courses of action that have been incorporated into the plan as business strategies.

A summary of the new plan follows.
A detailed version of the plan is available for viewing on the Company’s website.

1. Basic Direction of the Medium-term Management Plan

During the three years of the previous medium-term management plan, Aderans' domestic core business suffered a considerable blow, as sluggish demand in the men's market had a particularly damaging impact on fiscal results. This trend is likely to persist because a rapidly declining birthrate in Japan will streamline the target demand segment.

In this challenging market environment, the Aderans Group will steadily implement measures and business strategies based on directions specific to each business segment and thereby elicit a great leap forward as a globally active group of companies involved in hair-related businesses and also achieve higher corporate value. In addition, the Group will work to raise the level of satisfaction among all stakeholders and through this commitment epitomize the "good company group" ideal that emphasizes development into a trustworthy group of companies with products and services in constant demand from clients and society as a whole.
2. Medium-term Management Directions for the Group
   Seeking to achieve the basic direction stated in the medium-term management plan, the Company will implement segment-specific business directions, based on the following medium-term management directions for the Group.

   1) Strengthen marketing capabilities to anticipate changes in demand.
   2) Utilizing the building blocks of client trust, pursue and realize Group synergies highlighting products.
   3) Define and establish a growth platform primed for a major leap forward in business.
   4) Identify the best practices for consistently raising corporate value and share them throughout the Group for widespread success.
   5) Ensure thorough management of processes for every business activity.

3. Business Direction by Segment

   1) Domestic Core (Aderans) Business
      i) Business Foundation
         • Aderans will execute thorough control of processes aimed at improving corporate value and promote greater differentiation among salons by identifying the best practices at highly efficient salons and sharing these methods with all salons under the Aderans umbrella for widespread application.
         • Aderans will boost profitability and productivity through a review of all operations, marketing offices and salons as well as administrative divisions.
      ii) Men's Market
          Aderans will promote higher profitability in the men’s market by shifting its marketing emphasis toward enhanced wig and hair-volumizing products and will reassess its client base to encourage more repeat sales.
      iii) Women’s Market
          Aderans will develop greater competitive superiority in the market for ladies’ custom-made wigs and pursue marketing strategies in line with client needs to surpass rivals.

   2) Fontaine Business
      The goal is to achieve an overwhelming lead over the competition in the fashion wig market by laying a foundation for growth, essentially, a springboard that will launch the company way ahead of its rivals.
      i) Fontaine will strive to maximize relationships of trust fostered between clients and business associates, strengthen customer management capabilities, and broaden the scope of business activities.
      ii) Fontaine will pursue synergistic effects and actively work with other members of the Aderans Group to carve out new sales channels and attract a wider range of clients.
iii) Fontaine will revamp its corporate structure and accelerate the establishment of a stronger foundation from which to undertake activities by forging ahead with solid business improvement plans.

3) Overseas Core (Wig) Business
Overseas members of the Adhara Group involved in the wig business will reinforce respective brands in line with market needs and strive to expand business activities paralleling sustainable profit growth in each country where the subsidiaries enjoy a market presence through joint access to the Group’s management resources.

i) Subsidiaries will utilize the advantages afforded by Adhara’s integrated production and sales structure and seek marketing opportunities that leverage brand power in each country of operations.

ii) Adhara Group will broaden and strengthen its sales network through M&A activity in the United States and Europe and the introduction of the Adhara-style business model into operations in Asia, excluding Japan.

iii) Through a learning organization perspective, Adhara Group will promote better marketing capabilities within the Group, innovate existing operations, and tackle structural realignment.

4) Hair-Transplant Business

Placing Adhara’s Medical Holdings, Inc., at the center of its hair-transplant business, Adhara will foster an awesome presence in the U.S. hair-transplant market and lay the foundation of a high-growth, high-revenue business.

i) Adhara Group will maintain the brand independence of Bosley and MHR and encourage these companies to acquire larger market shares through internal growth facilitated by reinforcement of respective office networks and differentiation in client contact approaches.

ii) Adhara Group will encourage the companies to forge tighter affiliations with medical groups and private clinics to complement existing office networks and stress business integration with these corporate groups.

iii) Adhara Group will seek to maximize merits of scale, Group synergies and higher management efficiency to underpin a solid business infrastructure.

4. Enhance Corporate Governance

In May 2007, Adhara, current Adhara Holdings as a new entity, welcomed two outside directors to its Board of Directors—a lawyer and former Supreme Court Justice with a deep understanding of the law, and an accountant with expertise in international business and book accounting.

Management believes the addition of these two experts to the Board of Directors has reinforced business management practices and strengthened the compliance structure.
To enhance corporate governance still further, the Company is considering an increase in the number of outside directors.

5. Numerical Targets, Capital Policy, Shareholder Return Policy

1) Numerical Targets

By February 28, 2011: Consolidated net sales of $90 billion and consolidated operating income of $11.1 billion.

(Anticipated exchange rates: 1 US dollar = $1.00 and 1 euro = €1.55)

2) Capital Policy and Shareholder Return Policy

i) The Company target a payout ratio of 50% and a total shareholder return ratio of 100%, based on consolidated net income.

ii) The Company will probably earmark $15 billion over three years toward M&As.

iii) As an indicator of capital efficiency, the Company seeks consolidated return-on-equity of more than 10% by February 28, 2011.

END
To All Concerned Parties

Company Name: Aderans Holdings Co., Ltd.
Representative: Takayoshi Okamoto, President
Code Number: 8170 (First Section of Tokyo Stock Exchange and Osaka Securities Exchange)
Contact: Michiyoshi Takahashi, General Manager of Corporate Communications Office
Tel. 81-3-3350-3268

Difference between non-consolidated result outlook and actual results for fiscal 2008

Aderans Holdings Co., Ltd., announced the difference between its non-consolidated result outlook for fiscal year ended February 29, 2008, previously announced on January 10, 2008, and its actual results of fiscal 2008.

1. Difference between non-consolidated result outlook and actual results for fiscal 2008.

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Recurring Profit</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous outlook (A)</td>
<td>20,800</td>
<td>-700</td>
<td>2,100</td>
<td>0</td>
</tr>
<tr>
<td>Actual results (B)</td>
<td>20,804</td>
<td>-378</td>
<td>2,233</td>
<td>105</td>
</tr>
<tr>
<td>Difference (B – A)</td>
<td>4</td>
<td>322</td>
<td>133</td>
<td>105</td>
</tr>
<tr>
<td>Change (%)</td>
<td>0.0</td>
<td>46.0%</td>
<td>6.3%</td>
<td>—</td>
</tr>
</tbody>
</table>

2. Reason for difference

Operating income was dramatically up thanks to reduction in selling, general and administrative expenses, such as research and development expenses, while recurring profit and net income were slightly up due to an increase in exchange loss (non-operating expenses).

End

This report includes forward-looking statements that are based on management’s view from the information available at the time of the announcement. These statements involve risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Aderans include, but not limited to, general economic condition, the ability of Aderans to continue to timely introduce new products and services in the markets, consumption trend, competition, technology trend, exchange rate fluctuations.
Resolutions Passed at the 39th General Shareholders’ Meeting and Personnel Changes

Tokyo, May 29, 2008—Resolutions passed by shareholders at the 39th Ordinary General Shareholders’ Meeting on this date are as follows:

Proposal 1 (Appropriation of retained earnings): Approved by a majority of votes.
Proposal 2 (Election of nine members to the Board of Directors): Election of two members approved by a majority of votes, election of seven members opposed by a majority of votes.
Proposal 3 (Election of three members to the Board of Corporate Auditors): Approved by a majority of votes.

Consequently, the post-General Shareholders’ Meeting Board of Directors comprised 11 members—the nine current directors and two newly elected outside directors—who are granted, according to the law, the rights and obligations of directors.

Details

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Takayoshi Okamoto</td>
</tr>
<tr>
<td>Director</td>
<td>Katsuji Tokumaru</td>
</tr>
<tr>
<td>Director</td>
<td>Tsuguo Tanaka</td>
</tr>
<tr>
<td>Director</td>
<td>Hiroyasu Yamakawa</td>
</tr>
<tr>
<td>Director</td>
<td>Mutsuo Minowa</td>
</tr>
<tr>
<td>Director, Supreme Advisor</td>
<td>Nobuo Nemoto</td>
</tr>
<tr>
<td>Director, Supreme Advisor</td>
<td>Haruo Okita</td>
</tr>
<tr>
<td>Director (outside)</td>
<td>Takehisa Fukazawa</td>
</tr>
<tr>
<td>Director (outside)</td>
<td>Shingo Majima</td>
</tr>
</tbody>
</table>
Director (outside)    Seitaro Ishii (newly elected)
Director (outside)    Yoshiko Shirata (newly elected)

END
Our opinion about the rejection of a part of "Proposal 2"

May 29, 2008, the 39th Ordinary General Shareholders' Meeting was held, and a part of proposal 2, the election of seven members to the Board of Directors, was opposed while the election of two members was approved by a majority of votes.

We listen sincerely to the voice of shareholders who opposed the proposal, prepare the best management structure for Adenus Group, and will announce it upon decided.
(Translated from the Japanese original)

June 2nd, 2008

Company: Aderans Holdings Co., Ltd.
Name:
Representative: Takayoshi Okamoto, President
Stock Listings: First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact:Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3550-3268

Additional information for the measures for countering large-scale acquisition of the Company's shares

Aderans Holdings Co., Ltd., (the Company) announces the board of directors held on May 29, 2008, after the 39th Ordinary General Shareholders' Meeting, resolved that two outside directors approved at the shareholders' meeting became the member of Independent Committee. The measures for countering large-scale acquisition of the Company's shares were approved at the Ordinary General Shareholders' Meeting held on May 24, 2007. Accordingly, the number of the member of Independent Committee became six.

Profiles of the new members

<table>
<thead>
<tr>
<th>Name</th>
<th>Current Representation in Other Companies</th>
</tr>
</thead>
</table>
                        | Oct. 1978 Joined Gulf Western Inc.  
                        | Oct. 1982 Director of said company.  
                        | Nov. 1992 Group vice president of Applied Materials, Inc.  
                        | Jan. 2005 Retired from said company.  
                        | Jan. 2008 Established TFOSS KK. President and CEO (current)                                             |
                        | Apr. 1996 Associate professor at Tsukuba College of Technology.                                         |
                        | Mar. 1999 Completed doctorate program at Tsukuba University in business administration.                |
                        | Apr. 2001 Associate professor of accounting at Nihon University College of Economics.                   |
| Apr. 2002  | Professor of accounting at Nihon University College of Economics. |
| Dec. 2003  | Credit risk management consulting advisor at Teikoku Databank. |
| Apr. 2005  | Professor of accounting at Shibaura Institute of Technology, Graduate School of Management Engineering. |
| Apr. 2007  | Professor of accounting at Graduate School of Business Science at the University of Tsukuba. (current) |
June 30, 2008

Company Name: Aderans Holdings Co., Ltd.
Representative: Takayoshi Okamoto, President
Stock Listings: First section of the Tokyo Stock Exchange
Osaka Securities Exchanges
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager,
Corporate Communications Office
Phone: +81-3-3350-3268

Notice of Decision to Convene Extraordinary General Shareholders Meeting, Nominees for Directors, and Change in Representative Director

At the board of directors (the "Board") meeting held today, Aderans Holdings Co., Ltd. (the "Company" or "Aderans Holdings") resolved: i) to convene the extraordinary general shareholders meeting that it gave notice of on June 12, 2006, in its press release entitled "Notice on Establishment of Record Date for Convocation of Extraordinary General Shareholders Meeting" (the "EGM"), and ii) to approve the nominees who the Company will propose be elected as directors by the Company's shareholders at the EGM. The Company also provisionally decided to change its representative director. The Company intends to make an official decision at the EGM and subsequent board of directors meeting regarding the change in representative director.

1 Date of EGM 10:00 a.m. August 9, 2006 (Saturday)
2 Location of EGM Belle Suite Nishi-Shinjuku Hall
1st Floor Sumitomo Fudosan Nishi-Shinjuku Building No. 3
4-15-3 Nishi-Shinjuku, Shinjuku-ku, Tokyo
3 EGM Agenda Item No. 1 Election of Seven (7) Directors
4 Record Date for EGM June 30, 2008 (Monday)
5 Decision on election of nominees as directors and change in Representative Director

Since the conclusion of the Company's 39th Annual General Shareholders Meeting (the "AGM"), held on May 28, 2008, the Board has been considering nominees for election as new directors of the Company, and it has resolved to propose at the EGM the election of the seven (7) nominees set out below (the "Nominees"). If the Nominees are elected as directors at the EGM,
the Company's Board will then be composed of nine (9) directors, namely, Mr. Seitaro Ishii and Ms. Yoshiko Shirata, who were elected at the AGM, and the seven (7) Nominees. It has subsequently been provisionally decided that the Company's current President and Chairman of the Board, Mr. Takeyoshi Okamoto, will step down as the representative director (President and Chairman of the Board) and that Mr. Kyoshi Hayakawa will be appointed as representative director (President and Chairman of the Board).

In light of the competitive and fast changing environment in which it operates, the Company has been considering and evaluating strategic alternatives to enhance corporate and shareholder value of the Company. The Company believes that each of the Nominees is highly qualified to serve on the Board for carrying out measures to enhance corporate and shareholder value of the Company. Nikko Citigroup Limited has been retained to assist the Company with the evaluation of strategic alternatives.

Several of the Company's major shareholders, including Steel Partners Japan Strategic Fund (Offshore) L.P., have committed to support the Company's selection of Nominees as directors.

(1) The Nominees

<table>
<thead>
<tr>
<th>Name</th>
<th>New title and/or responsibilities</th>
<th>Current title and/or responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyoichi Hayakawa</td>
<td>Director, President of Adelans Holdings</td>
<td>President of FONTAINE Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>President of FONTAINE Co., Ltd.</td>
<td></td>
</tr>
<tr>
<td>Tsuguo Tanaka</td>
<td>Director</td>
<td>Director</td>
</tr>
<tr>
<td>Hiroyasu Yamakawa</td>
<td>Director</td>
<td>Director</td>
</tr>
<tr>
<td>Mutsumo Minowa</td>
<td>Director</td>
<td>Director</td>
</tr>
<tr>
<td>Takehisa Fukazawa</td>
<td>Outside Director</td>
<td>Outside Director</td>
</tr>
<tr>
<td>Hironori Aihara</td>
<td>Outside Director ( Newly elected)</td>
<td>Chairman of the Board of Directors at TTI ellebeau, Inc.</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Directors at TTI ellebeau, Inc.</td>
<td>Chairman of the Board of Directors at Transcu Ltd (Singapore)</td>
</tr>
<tr>
<td></td>
<td>Chairman of the Board of Directors at Transcu Ltd (Singapore)</td>
<td></td>
</tr>
<tr>
<td>Joshua Schechter</td>
<td>Outside Director ( Newly elected)</td>
<td>Steel Partners Limited, Partner</td>
</tr>
</tbody>
</table>
• Messrs. Takehisa Fukazawa, Hironori Alhara, and Joshua Schechter are candidates for outside director. If the newly constituted Board resolves to form a special committee for the purpose of reviewing and evaluating strategic alternatives for enhancing the corporate and shareholder value of the Company and making recommendations to the Board, those three candidates for outside director are intended to serve on the special committee.

(2) Retiring Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>New title and/or responsibilities</th>
<th>Former title and/or responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takayoshi Okamoto</td>
<td>Special advisor</td>
<td>President of Aderans Holdings</td>
</tr>
<tr>
<td>Nobuo Nemoto</td>
<td>Supreme advisor</td>
<td>Supreme advisor and director</td>
</tr>
<tr>
<td>Haruo Okita</td>
<td>Supreme advisor</td>
<td>Supreme advisor and director</td>
</tr>
<tr>
<td>Katsujii Tokumaru</td>
<td>President of Aderans Co., Ltd.</td>
<td>Director</td>
</tr>
<tr>
<td></td>
<td></td>
<td>President of Aderans Co., Ltd.</td>
</tr>
<tr>
<td>Shingo Majima</td>
<td>-</td>
<td>Outside Director</td>
</tr>
</tbody>
</table>

(3) Career Summary of Candidate for New Representative Director and Other New Directors of Aderans Holdings etc.

Position: President and Chairman of the Board  
Name: Kiyoshi Hayakawa  
Birth Place: Osaka  
Education: Kansai University, Faculty of Letters  
Date of Birth: April 30, 1948  
Current Address: Wada, Suginami-ku, Tokyo  
Career Summary:  
1972 - Joined FONTAINE Co., Ltd.  
1999 - Director, Sales Division, FONTAINE Co., Ltd.  
2000 - Managing Director, Sales Division, FONTAINE Co., Ltd.  
2003 - Senior Managing Director, Sales Division, FONTAINE Co., Ltd.  
2004 - President, Sales Division, FONTAINE Co., Ltd. (current)

• The Company anticipates that at a meeting of the new Board following the conclusion of the EGM (August 9, 2008) and Mr. Hayakawa's election to the Board, the new Board will appoint Mr. Hayakawa as the Company's representative director (President and Chairman of the Board) of Aderans Holdings.
<table>
<thead>
<tr>
<th>Position</th>
<th>Outside Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Hironori Aihara</td>
</tr>
<tr>
<td>Birth Place</td>
<td>Kanagawa</td>
</tr>
<tr>
<td>Education</td>
<td>University of Tokyo, Engineering Faculty (B.S., Aerospace Engineering)</td>
</tr>
<tr>
<td>Date of Birth</td>
<td>June 17, 1938</td>
</tr>
<tr>
<td>Career Summary</td>
<td>1962 Joined Mitsubishi Corporation</td>
</tr>
<tr>
<td></td>
<td>1994 Managing Director, Mitsubishi Corporation, Information Systems &amp; Services Group</td>
</tr>
<tr>
<td></td>
<td>2001 Director, Senior Executive Vice President, Regional CEO for the Americas, Mitsubishi Corporation</td>
</tr>
<tr>
<td></td>
<td>2001 Director, President and CEO, Mitsubishi International Corporation</td>
</tr>
<tr>
<td></td>
<td>2005 Director, Chairman and Advisory Board Member, Transcu Ltd. (Singapore) (current)</td>
</tr>
<tr>
<td></td>
<td>2007 Director, TTI ellebeau, inc. (current)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Outside Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Joshua Schechter</td>
</tr>
<tr>
<td>Birth Place</td>
<td>United States of America</td>
</tr>
<tr>
<td>Education</td>
<td>University of Texas, Austin (B.B.A., Accounting, and Master of Professional Accounting)</td>
</tr>
<tr>
<td>Date of Birth</td>
<td>March 27, 1973</td>
</tr>
<tr>
<td>Career Summary</td>
<td>1996 Tax Consultant at Ernst &amp; Young LLP</td>
</tr>
<tr>
<td></td>
<td>1997 Financial Analyst at LeifierCapital Inc.</td>
</tr>
<tr>
<td></td>
<td>1998 Associate in Corporate Finance Group of Imperial Capital LLC (mergers &amp; acquisitions, mezzanine debt and equity investment analysis/advisory)</td>
</tr>
<tr>
<td></td>
<td>2001 Joined Steel Partners (currently Managing Director, Steel Partners LLC)</td>
</tr>
</tbody>
</table>
The Resolution Passed at the Extraordinary Shareholders' Meeting

Adarans Holdings (the Company) announces that the Extraordinary Shareholders Meeting was held today and the proposal 1, the election of seven members to the Board of Directors, was approved by a majority of votes. End

(Reference)
Nine members of the board, consisted of seven approved today (Please refer to the news release announced on June 30, 2008) and two approved at the General Shareholders' Meeting held on May 29, 2008, will manage the Company.

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Kiyoshi Hayakawa</td>
</tr>
<tr>
<td>Director</td>
<td>Tsuguo Tanaka</td>
</tr>
<tr>
<td>Director</td>
<td>Hiroyasu Yamakawa</td>
</tr>
<tr>
<td>Director</td>
<td>Mutsuo Minowa</td>
</tr>
<tr>
<td>Director (outside)</td>
<td>Takahisa Fukazawa</td>
</tr>
<tr>
<td>Director (outside)</td>
<td>Seitaro Ishii</td>
</tr>
<tr>
<td>Director (outside)</td>
<td>Yoshiko Shiruta</td>
</tr>
<tr>
<td>Director (outside)</td>
<td>Hironori Alhara</td>
</tr>
<tr>
<td>Director (outside)</td>
<td>Joshua Schechter</td>
</tr>
</tbody>
</table>
Translated from the Japanese original)

August 11, 2008

Company: Aderans Holdings Co., Ltd.
Name: Kiyoshi Hayakawa, President
Stock Listings: First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3350-3268

Notice concerning reduction in size of Independent Committee to monitor measures for countering large-scale acquisitions of the Company’s shares (takeover defense measures)

Tokyo, August 11, 2008—Aderans Holdings Co., Ltd. (hereafter, “the Company”) hereby gives notice that the retirement of outside director Shingo Majima at the extraordinary shareholders’ meeting on August 9, 2008, ended not only his term as an outside director of the Company but also, in accordance with the Company’s Rules of the Independent Committee, his involvement as a member of the Independent Committee that was established with the approval of shareholders at the general meeting of shareholders on May 24, 2007, to monitor measures for countering large-scale acquisitions of the Company’s shares (takeover defense measures).

Consequently, the Independent Committee for monitoring takeover defense measures comprises five members and still satisfies the requirement of no less than three members, as set forth in Rules of the Independent Committee.

END
(Translated from the Japanese original)

August 15, 2008

Company: Aderans Holdings Co., Ltd.
Name: Kiyoshi Hayakawa, President
Stock Listings: First section of the Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3350-3268

Announcement of Revised Financial Result Outlook

Based on the current business activities, Aderans Holdings Co., Ltd. ("The Company") has revised its consolidated result outlook for the first-half year ending August 31, 2008 and fiscal year ending February 28, 2009, previously announced on April 17, 2008.

1. Revision of financial result outlook for the first half year ending August 31, 2008
[Consolidated] [Unit: Millions of Yen]

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Recurring Profit</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous outlook (A)</td>
<td>38,600</td>
<td>1,700</td>
<td>1,900</td>
<td>300</td>
</tr>
<tr>
<td>Actual results (B)</td>
<td>35,800</td>
<td>400</td>
<td>500</td>
<td>700</td>
</tr>
<tr>
<td>Difference (B - A)</td>
<td>-2,800</td>
<td>-1,300</td>
<td>-1,400</td>
<td>-1,000</td>
</tr>
<tr>
<td>Change (%)</td>
<td>-7.3</td>
<td>-76.5</td>
<td>-73.7</td>
<td>—</td>
</tr>
<tr>
<td>1st half year ended</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>August 31, 2007</td>
<td>36,296</td>
<td>461</td>
<td>865</td>
<td>-568</td>
</tr>
</tbody>
</table>

2. Revision of financial result outlook for the fiscal year ending February 28, 2009
[Consolidated] [Unit: Millions of Yen]

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Recurring Profit</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous outlook (A)</td>
<td>79,100</td>
<td>5,400</td>
<td>5,800</td>
<td>2,300</td>
</tr>
<tr>
<td>Actual results (B)</td>
<td>75,000</td>
<td>2,700</td>
<td>3,000</td>
<td>500</td>
</tr>
<tr>
<td>Difference (B - A)</td>
<td>-4,100</td>
<td>-2,400</td>
<td>-2,800</td>
<td>-1,800</td>
</tr>
<tr>
<td>Change (%)</td>
<td>-5.2</td>
<td>-50.0</td>
<td>-48.3</td>
<td>-78.3</td>
</tr>
<tr>
<td>Fiscal year ended</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>February 29, 2008</td>
<td>74,998</td>
<td>4,066</td>
<td>4,407</td>
<td>590</td>
</tr>
</tbody>
</table>
3. Reasons for revision
(1) Outlook for the first-half year ending August 31, 2008
The sales for female clients in our domestic subsidiaries, Aderans Co., Ltd., and Fontaine Co., Ltd., which is Japan's leading supplier of ready-made wigs, are forecasted to fall substantially below the previous outlook, mainly due to the sluggish personal consumption.

In overseas operation, the sales from Hair-transplant Business in North America are lower than expected, because of the deterioration in economic conditions caused by subprime loan crisis.

The Company has revised downward its outlook of profits, as cut down the selling, general and administrative expenses, included advertising expenses could not compensate the decrease in income.

(2) Outlook for fiscal year ending February 28, 2009
Our operation in domestic and overseas markets will remain in challenging. In addition, the prolonged management confusion might have possible influence to inside and outside company.

The Company has revised the sale budget of Aderans Co., Ltd., while will focus on increasing the efficiency by the readjustments of advertising expenses and the revision of salon expansion. We have also revised the sales target in Hair-transplant Business and Fontaine business which have a possibility to be affected by the situation of personal consumption.

END

Cautionary Statement
This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements involve risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Aderans group include, but not limited to, general economic condition, the ability of Aderans group to continue to timely introduce new products and services in the markets, consumption trend, competition, technology trend, exchange rate fluctuations.
(Translated from the Japanese original)

August 15, 2008

Company: Aderans Holdings Co., Ltd.
Name: Representative: Kiyoshi Hayakawa, President
Stock Listings: First section of the Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3350-3268

Announcement of Revised Financial Result Outlook

Based on the current business activities, Aderans Holdings Co., Ltd. ("The Company") has revised its consolidated result outlook for the first-half year ending August 31, 2008 and fiscal year ending February 28, 2009, previously announced on April 17, 2008.

1. Revision of financial result outlook for the first half year ending August 31, 2008
[Consolidated] [Unit: Millions of Yen]

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Recurring Profit</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous outlook (A)</td>
<td>38,600</td>
<td>1,700</td>
<td>1,900</td>
<td>300</td>
</tr>
<tr>
<td>Actual results (B)</td>
<td>35,800</td>
<td>400</td>
<td>500</td>
<td>-700</td>
</tr>
<tr>
<td>Difference (B - A)</td>
<td>-2,800</td>
<td>-1,300</td>
<td>-1,400</td>
<td>-1,000</td>
</tr>
<tr>
<td>Change (%)</td>
<td>-7.3</td>
<td>-76.5</td>
<td>-73.7</td>
<td>—</td>
</tr>
<tr>
<td>1st half year ended August 31, 2007</td>
<td>36,296</td>
<td>461</td>
<td>865</td>
<td>-568</td>
</tr>
</tbody>
</table>

2. Revision of financial result outlook for the fiscal year ending February 28, 2009
[Consolidated] [Unit: Millions of Yen]

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Recurring Profit</th>
<th>Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous outlook (A)</td>
<td>79,100</td>
<td>5,400</td>
<td>5,800</td>
<td>2,300</td>
</tr>
<tr>
<td>Actual results (B)</td>
<td>75,000</td>
<td>2,700</td>
<td>3,000</td>
<td>500</td>
</tr>
<tr>
<td>Difference (B - A)</td>
<td>-4,100</td>
<td>-2,400</td>
<td>-2,800</td>
<td>-1,800</td>
</tr>
<tr>
<td>Change (%)</td>
<td>-5.2</td>
<td>-50.0</td>
<td>-48.3</td>
<td>-78.3</td>
</tr>
<tr>
<td>Fiscal year ended February 29, 2008</td>
<td>74,998</td>
<td>4,066</td>
<td>4,407</td>
<td>590</td>
</tr>
</tbody>
</table>
3. Reasons for revision

(1) Outlook for the first-half year ending August 31, 2008
The sales for female clients in our domestic subsidiaries, Aderans Co., Ltd., and Fontaine Co., Ltd., which is Japan's leading supplier of ready-made wigs, are forecasted to fall substantially below the previous outlook, mainly due to the sluggish personal consumption.

In overseas operation, the sales from Hair-transplant Business in North America are lower than expected, because of the deterioration in economic conditions caused by subprime loan crisis.

The Company has revised downward its outlook of profits, as cut down the selling, general and administrative expenses, included advertising expenses could not compensate the decrease in income.

(2) Outlook for fiscal year ending February 28, 2009
Our operation in domestic and overseas markets will remain in challenging. In addition, the prolonged management confusion might have possible influence to inside and outside company.

The Company has revised the sale budget of Aderans Co., Ltd., while will focus on increasing the efficiency by the readjustments of advertising expenses and the revision of salon expansion. We have also revised the sales target in Hair-transplant Business and Fontaine business which have a possibility to be affected by the situation of personal consumption.

END

Cautionary Statement
This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements involve risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Aderans group include, but not limited to, general economic condition, the ability of Aderans group to continue to timely introduce new products and services in the markets, consumption trend, competition, technology trend, exchange rate fluctuations.
February 20, 2009

Company
Aderans Holdings Co., Ltd.

Representative:
Kiyoshi Hayakawa, President

Stock Listings:
First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange

Stock Code: 8170

Contact:
Michiyoshi Takahashi, General Manager, Corporate Communications Office

Phone: +81-3-3350-3268

February 20, 2009

Announcement of Revised Financial Results Forecast and record of Extraordinary loss

Based on current business activities, Aderans Holdings Co., Ltd. (“The Company”), has revised its consolidated results forecast for the fiscal year ending February 28, 2009. The company has also expected to record of extraordinary loss.

1. Revision of consolidated financial results forecast for the fiscal year ending February 28, 2009

(Millions of yen)

<table>
<thead>
<tr>
<th></th>
<th>Net Sales</th>
<th>Operating Income</th>
<th>Ordinary Profit</th>
<th>Net Income</th>
<th>Net Income per Share (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous outlook (A)</td>
<td>74,000</td>
<td>3,000</td>
<td>3,300</td>
<td>300</td>
<td>7.75</td>
</tr>
<tr>
<td>Revised outlook (B)</td>
<td>70,300</td>
<td>2,000</td>
<td>2,000</td>
<td>-2,100</td>
<td>-54.24</td>
</tr>
<tr>
<td>Difference (B–A)</td>
<td>-3,700</td>
<td>-1,000</td>
<td>-1,300</td>
<td>-2,400</td>
<td>—</td>
</tr>
<tr>
<td>Change (%)</td>
<td>-5.0</td>
<td>-33.3</td>
<td>-39.4</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Previous fiscal year-end (February 2008, actual)</td>
<td>74,998</td>
<td>4,066</td>
<td>4,407</td>
<td>590</td>
<td>15.25</td>
</tr>
</tbody>
</table>

2. Reason for revision

Amid deteriorating economic conditions, which have impacted the Hair Transplant Business in the U.S. market, and the women’s sector of the Domestic Core Business (Aderans business) as well as
the Fontaine Business, consolidated net sales are forecast to fall below goals previously announced on October 16, 2008.

The Company decreased selling and administrative expenses, including advertising expenses, in order to limit a further decline in operating income. However, the Company booked foreign exchange losses of ¥350 million under non-operating expenses due to the sharp appreciation of yen, a ¥1,150 million unrealized loss on investment securities under extraordinary expenses due to the collapse of Yamato Mutual Life Insurance Co. and a worsening stock market, a valuation loss of ¥230 million in stock and investments due to deteriorating business conditions for one of its subsidiaries, and impairment loss of ¥2,060 million, including goodwill. As a result, the Company might incur a net loss.

The Company anticipates that year-end cash dividend is to be determined and announced by the end of March, in light of the Company’s dividend policy and various conditions at the time of its decision.

END

The performance outlook stated in this report are based on information available to management as of the date on which these performance-related figures were disclosed, and various factors may cause actual results to differ from these estimates.
Shareholders' proposal for the next General Shareholders' Meeting

Adamas Holdings Co., Ltd. ("The Company") has received today shareholders' proposal for the next General Shareholders' Meeting scheduled for May, 2009 from Steel Partners Japan Strategic Fund (Offshore) L.P.

The idea from the Board of Directors Meeting of the Company to the proposal shall be released later to all shareholders after making thorough analysis of the proposal.

1. Proposer
Steel Partners Japan Strategic Fund (Offshore) L.P.

2. Summary of proposal
1) Agenda
The election of 8 members to the Board of Directors

2) Item on agenda
Steel Partners Japan Strategic Fund (Offshore) L.P., will elect the following nominees as members of the Board of Directors, and has obtained informal consent from all members except Kiyohei Hayakawa.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nobuo Watabe</td>
<td>Representative Director at 101 Japan K.K.</td>
</tr>
<tr>
<td>Kiyohi Hayakawa</td>
<td>Representative Director at Adamas Holdings Co., Ltd.</td>
</tr>
<tr>
<td>Shigeru Ishikawa</td>
<td>Guest Professor at Graduate School of Tokyo University of Technology</td>
</tr>
<tr>
<td>Hiroko Wada</td>
<td>Representative Director at OdaWa</td>
</tr>
<tr>
<td>Hironori Aihara</td>
<td>Director at Adamas Holdings Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>Director Chairman &amp; Advisory Board Member of TTIellebeau, Inc.</td>
</tr>
<tr>
<td></td>
<td>Director Chairman Transax Ltd. (Singapore)</td>
</tr>
<tr>
<td>Tsahio Otsuki</td>
<td>President &amp; Representative Director, Onuki Consulting International, Inc.</td>
</tr>
<tr>
<td></td>
<td>Japanese Representative of Apogee Foundation, USA (NPO)</td>
</tr>
<tr>
<td>Seiuro Ishii</td>
<td>Director at Adamas Holdings Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>Representative Director &amp; CEO at DOSS K.K.</td>
</tr>
<tr>
<td>Joshua Schecter</td>
<td>Director at Adamas Holdings Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>Partner at Steel Partners, Ltd.</td>
</tr>
</tbody>
</table>
April 16, 2009

Adens’ Opinion on the Shareholder’s Proposal
for the next General Shareholders’ Meeting

On March 25, 2009, Adens Holdings Co., Ltd. received a document from the Steel Partners Japan Strategic Fund (Offshore) L.P. (hereafter referred to as “the proposing shareholder”) relating to the exercising of Shareholder Proposal Rights, as detailed in the press release dated that same day (“Shareholders’ proposal for the next General Shareholders’ Meeting”), for next General Shareholders’ Meeting scheduled for May, 2009 (the proposal to be put to Adens Holdings’ General Shareholders’ Meeting in accordance with the relevant application hereafter referred to as “the shareholder proposal”). The Board of Directors has decided to reject the shareholder proposal for the following reasons.

1. Management reform in accordance with a Strategic Capital and Business Alliance Agreement

In light of the recent rapid deterioration in economic conditions and ongoing delays in reforming the business operations of the Adens Group, Adens Holdings has given careful consideration to the question of how to achieve the best interests of our shareholders while fundamentally reforming our business operations to create a foundation for the medium- to long-term development of corporate value in the future.

Specifically, we have determined that, in order to fundamentally reform the company’s operating structure, it would be best to form a capital and business alliance with a third party capable of demonstrating a commitment to enhancing the company’s corporate value from a medium- to long-term perspective. As such, we went through the process of examining and discussing the feasibility of capital and business alliances with more than forty domestic and overseas candidates. Ultimately, we came to the decision that the Union Capital Group, which is a pioneer in private equity investment in Japan, would be the best partner in a capital and business alliance with Adens Holdings and on April 16, 2009 concluded a Strategic Capital and Business
Alliance Agreement with Unison® (hereafter referred to as "the Strategic Capital and Business Alliance Agreement"), as well as an agreement relating to a tender offer.

In order to continually enhance Aderans Holdings' corporate value, and by extension the common interests of its shareholders, we believe that the best option is to push ahead with the reform of our business operations over the medium to long term, whilst also drawing on cooperation from the Unison Capital Group to strengthen growth strategies and governance, supplement the personnel executing the relevant growth strategies and adhere to compliance regulations, thereby avoiding any detrimental effect on the corporate value that we have built up to date.

For further details regarding the background to the conclusion of the Strategic Capital and Business Alliance Agreement with Unison and its contents, please refer to the Aderans Holdings press release dated April 16, 2009 ("Strategic Capital and Business Alliance Announced").

2. A company proposal is essential in order to enhance corporate value and shareholders' common interests

In accordance with the Strategic Capital and Business Alliance Agreement, Aderans Holdings plans to submit a Director Appointment Proposal nominating the seven persons listed in the Appendix as candidates to become directors (hereafter referred to as the company proposal) to the company's 40th General Shareholders' Meeting scheduled for May 28, 2009 (hereafter referred to as the General Shareholders' Meeting). We believe that the appointment of these seven candidates as directors is essential to the implementation of measures in accordance with the Strategic Capital and Business Alliance Agreement.

In order to effectively enhance the company's corporate value and shareholder value, it goes without saying that it is essential that the directors entrusted with the management of Aderans Holdings' operations have both knowledge of and experience in corporate management, as well as keen insight of corporate value and shareholder value. It is also crucial for us to ensure that directors are capable of building up strong trusting relationships with group personnel, clients and business partners such as salons and suppliers so that the Aderans Group as a whole can work together to improve its overall performance.

Of the candidate directors listed in the company proposal, Kiyoshi Hayakawa, Senkichii Yagi and Kunie Ie all have extensive knowledge of and experience in the company's hair-related business and have built up strong trusting relationships with personnel throughout the Aderans Group and with the company's customers and clients over a great many years. In particular,
Senkichi Yagi, the Executive Director at Adranos Co., Ltd, and Kunio Is, Managing Director, Fontaine Co., Ltd, have been experienced marketing on the front line and are leaders of our next generation. Genichi Tamatsuka meanwhile is the former President of Fast Retailing Co., Ltd, and is currently CEO of Revamp Corporation, which specializes in corporate revitalization. As a corporate manager in the retail industry and a professional specializing in corporate revitalization, he has extensive knowledge and will have a high degree of independence as an outside director. Kenichi Kisk and Osamu Yamamoto have both been involved in numerous investment projects as partners at the Union Capital Group and have a track record of improving the performance of their investments, which have included Tobato Inc., from a shareholder-oriented perspective. Shiori Nagata, who is scheduled to transfer from the Union Capital Group, will undertake tasks such as reforming the company's operating structure in her role as standing director and reinforcing operations in the domestic women's wig market, which is expected to grow significantly in the future.

By fully harnessing the strengths and uniqueness of each of these candidates and setting them to work on reforming the Aderans Group's operations in partnership with the group's own personnel, we firmly believe that it will be possible to maximize the impact of the Strategic Capital and Business Alliance in terms of enhancing the company's corporate value and shareholders' common interests.

3. Risk of damage to the company's corporate value if the shareholder proposal is approved

With pointing out our current business performance, the proposing shareholder claims that the objective perspectives and innovative approaches of the candidates put forward as directors in its own proposal (hereafter referred to as "the candidates proposed by the shareholder") are essential to the short-term recovery of the company's corporate value. However, no explanation has been provided by the proposing shareholder with regard to matters such as management policies or measures to restore corporate value once the candidates proposed by the shareholder have been appointed or even if it will be possible to enhance the company's corporate value. In addition, none of the candidates proposed by the shareholder has shown her objective perspectives or innovative approaches. Furthermore, as none of the candidates proposed by the shareholder has a trusting relationship with the company's personnel, its clients or business partners, the appointment of the relevant candidates could be readily expected to cause considerable disruption in the workplace in relation to the company's business and operations. We therefore believe that, if the relevant candidates were to be appointed as directors, there would be risk of damage to the company's corporate value and, by extension, the common interests of its shareholders.

Although the list of candidates proposed by the shareholder includes Kiyoshi Hayakawa, the
current President of Ademans Holdings, he has not received any explanation regarding his inclusion on the relevant list by the proposing shareholder and has not agreed to accept the position of director with the proposing shareholder.

Taking all of the above factors into account, we firmly believe that the company should be managed by candidates put forward as directors in the company proposal and that this would enhance the company's corporate value and, by extension the common interests of its shareholders. As such, we reject the shareholder proposal.

This document was prepared to publicly announce the opinion of the Board of Directors on the Shareholder's proposal. It was not prepared or should not be considered to be prepared to solicit our shareholders to authorize Ademans or third parties to exercise their voting rights over propositions made by Ademans at its General Shareholders' Meeting.
### Candidates for the Position of Director

<table>
<thead>
<tr>
<th>Name</th>
<th>Career Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Name</strong> (Date of Birth) <strong>Career Summary</strong></td>
</tr>
<tr>
<td></td>
<td>Apr. 1972 Joined Fontaine Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>May 1999 Director, Sales Division at Fontaine</td>
</tr>
<tr>
<td></td>
<td>Feb. 2000 Managing director, Sales Division at Fontaine</td>
</tr>
<tr>
<td></td>
<td>May 2003 Senior Managing director, Sales Division at Fontaine</td>
</tr>
<tr>
<td></td>
<td>Feb. 2004 President, Sales Division at Fontaine (current)</td>
</tr>
<tr>
<td></td>
<td>Aug. 2008 President of Aderans Holdings Co., Ltd. (current)</td>
</tr>
<tr>
<td>Kiyoshi Hayakawa</td>
<td>Mar. 1983 Joined Aderans Holdings Co., Ltd.</td>
</tr>
<tr>
<td>(April 30, 1948)</td>
<td>May 2003 Director at Aderans Holdings Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>Sept. 2007 Director at Aderans Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>Mar. 2008 Executive Director at Aderans Co., Ltd. (current)</td>
</tr>
<tr>
<td>Senkichi Yagi</td>
<td>Apr. 1974 Joined Mitsukoshi Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>Mar. 1998 President at PDC Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>Feb. 2002 President at Restaurant Nikko Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>Mar. 2004 Executive Director at Mitsukoshi Kanejo Service Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>May. 2005 Director, Sales Division at Fontaine Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td>May. 2006 Executive Director, Sales Division at Fontaine.</td>
</tr>
<tr>
<td></td>
<td>Oct. 2008 Managing Director, Sales Division, at Fontaine (current)</td>
</tr>
<tr>
<td>Kunito Ie</td>
<td>Apr. 1990 Joined Tohatsu Consulting Ltd. (now Deloitte Tohatsu Consulting Ltd.)</td>
</tr>
<tr>
<td>(February 8, 1952)</td>
<td>June 2004 Joined Tohato Inc.</td>
</tr>
<tr>
<td></td>
<td>Jan. 2007 Joined Unison Capital, Inc. Associate (current)</td>
</tr>
<tr>
<td>Shiiori Nagata</td>
<td>Apr. 2000 Joined Morgan Stanley (Tokyo Branch)</td>
</tr>
<tr>
<td></td>
<td>Oct. 2001 Joined Goldman Sachs (Tokyo Branch)</td>
</tr>
<tr>
<td></td>
<td>Apr. 2002 Joined Unison Capital, Inc. Director</td>
</tr>
<tr>
<td></td>
<td>May. 2003 President at Tohato Inc.</td>
</tr>
<tr>
<td></td>
<td>Jan. 2004 Partner at Unison Capital Inc. (current)</td>
</tr>
<tr>
<td>Kenichi Kiso</td>
<td>Apr. 1988 Joined Sanyo Bank</td>
</tr>
<tr>
<td></td>
<td>Jan. 2001 Joined Unison Capital, Inc. Director</td>
</tr>
<tr>
<td>Osamu Yamamoto</td>
<td>Apr. 1988 Joined Sanwa Bank</td>
</tr>
<tr>
<td></td>
<td>Jan. 2001 Joined Unison Capital, Inc. Director</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
</tr>
<tr>
<td>------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>Jan. 2004</td>
<td>Partner at Unison Capital Inc. (current)</td>
</tr>
<tr>
<td>Apr. 1985</td>
<td>Joined Asahi Glass Co., Ltd.</td>
</tr>
<tr>
<td>Oct. 1998</td>
<td>Joined IBM Japan</td>
</tr>
<tr>
<td>Dec. 1998</td>
<td>Joined Fast Retailing Co., Ltd. (UNIQLO)</td>
</tr>
<tr>
<td>Nov. 1999</td>
<td>Director at Fast Retailing Co., Ltd.</td>
</tr>
<tr>
<td>Sept. 2000</td>
<td>Executive Director at Fast Retailing Co., Ltd.</td>
</tr>
<tr>
<td>June 2002</td>
<td>Vice President at Fast Retailing Co., Ltd.</td>
</tr>
<tr>
<td>Nov. 2002</td>
<td>President and COO at Fast Retailing Co., Ltd.</td>
</tr>
<tr>
<td>Sept. 2005</td>
<td>Managing Partner at Revamp Corporation (current)</td>
</tr>
</tbody>
</table>

Genichi Tamatsuka  
(May 23, 1962)  

(Note) If the tender offer by Unison under the agreement with tender offer is not successful or does not start by June 30, 2009, Mr. Kenichi Kiso, Mr. Osamu Yamamoto and Ms. Shiori Nagata, who are candidates for directors, shall resign as directors, even though the company Director proposal is approved at this General Shareholders' Meeting under this strategic capital and business alliance agreement.
April 16, 2009

Company Name: Aderans Holdings Co., Ltd.
Representative: Kiyoshi Hayakawa, President
Address: 6-1, Shinjuku Ichi-cho, Shinjuku-ku, Tokyo
Stock Listings: First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager,
Corporate Communications Office
Phone: +81-3-3350-3268

Announcement on a Strategic Capital and Business Alliance

Aderans Holdings Co., Ltd. ("Aderans" or "we") hereby announces that, our Board of Directors (the "Board") resolved at its meeting held on April 16, 2009 to form a capital and business alliance (the "Alliance") with Unison Capital I, L.P., Unison Capital II, L.P. and Unison Capital III, L.P. (collectively, "Unison"), members of the Unison Capital Group (Please see Section 3 "Profile of Unison" below for details on the Unison Capital Group.), and upon the Board’s resolution Aderans and Unison have entered into the Strategic Capital and Business Alliance Agreement (the "Alliance Agreement") and an Agreement regarding a Tender Offer (the "Tender Offer Agreement").

As noted below, Unison plans to implement a tender offer for shares in Aderans (the "Tender Offer") subject to the shareholders’ approval of the proposal made by Aderans at the General Shareholders’ Meeting regarding the 40th Business Year of the Company (the "General Shareholders’ Meeting") to be held on May 28, 2009. (Please see Section 2 (3) "Execution of the Tender Offer" for specific terms and conditions.)

If the Tender Offer is implemented, Aderans will not only express the opinion to support the Tender Offer subject to approval at the General Shareholders’ Meeting of the director appointment proposal (the "Proposal of the Election of Directors") and based on the resolution at the board meeting to be held after the General Shareholders’ Meeting, but also plans to tender the treasury stock held by Aderans in response to the Tender Offer subject to approval at the General Shareholders’ Meeting of the Proposal of the Election of Directors and the proposal to tender treasury stock in response to the Tender Offer, based on the resolution at the board meeting to be held after the General Shareholders’ Meeting.

1. Reason for the Alliance
(1) Background to the Alliance Agreement

The Aderans Group has been working to improve our corporate value by taking various measures in accordance with our three-year Medium-term Management Plan, which was announced in April 2008 and commenced in the fiscal year ending February 2009, to reverse the decline in our performance resulting from the stagnation of our core domestic operations particularly evident in the male market.

At present, however, we have not achieve the turnaround in the performance of the Aderans Group, and in the end we posted a loss for fiscal year ending February 2009. We believe that the main reasons for this are the deterioration in the market environment as a result of the recent rapid deterioration in economic conditions, a fall in domestic individual consumption, and a deterioration in the environment that surrounds Aderans, such as employment uncertainties, as well as the delay in reforming the business management of the Aderans Group against the background of weak foundations of the business management of the Aderans Group.

The Aderans Group is taking such circumstances seriously, giving deep consideration on how to realize the best interests of our shareholders while fundamentally reforming our business management to create a firm foundation for the medium- to long-term development of future corporate value.

(2) Events leading up to the Execution of the Alliance Agreement

Since the extraordinary shareholders’ meeting held on August 9, 2008, we have been considering and evaluating strategies to enhance Aderans’s corporate and shareholder value, establishing a special committee (the “Special Committee”) comprised of our three outside directors (Joshua Schecter, Takahisa Fukuzawa and Hiroshi Aikura), to consider and evaluate strategic options to enhance Aderans’s corporate and shareholder value.

Specifically, with a view to implementing a capital and business alliance in order to enhance our corporate and shareholder value, we approached more than 40 potential Japanese and overseas partners who were willing to form a capital and business alliance including the acquisition of Aderans shares based on the advice from Nikko Citigroup Limited, a financial advisor of Aderans, in September 2008, and conducted a first round bid in October 2008. We subsequently discussed the conditions and details of such alliance with several candidates who proposed terms meeting the requirements for an alliance partner, and conducted a final round bid in December 2008. As a result of the final round bid, we gave preferential negotiation rights to Unison
Capital Group, which is a pioneer in Japanese private equity investments with a superior track record, and discussed the capital and business alliance from the perspective of enhancement in our corporate and shareholder value.

In the process of considering an alliance with the Ademco Group, the Unison Capital Group conducted a thorough analysis of our operational structure using consultants and other appropriate means. Through repeated discussions with our various employees in charge of the practical aspects of our business, Unison carefully considered the full range of measures for turning around our earnings results. On March 27, 2009, Unison provided us with a draft proposal for the essential features of how to reform the Ademco Group business management.

At the Board meeting held on April 13, 2009, our Board received the presentation on the proposed management reforms directly from Unison Capital Group and deliberated on these proposals. Furthermore, while this proposal contains the Proposal of the Election of Directors for the General Shareholders' Meeting regarding Ademco's 40th Business Year (the "General Shareholders' Meeting"), as noted in Section 2(2), one of our shareholders, Steel Partners Japan Strategic Fund (Offshore), L.P. ("Steel Partners Japan"), has exercised its right to make a proposal as a shareholder (the "Shareholder Proposal Right") on the Proposal of the Election of Directors that is incompatible with Unison Capital Group's proposal (the "Unison Proposal").

As a result, Joshua Schachter, a representative from Steel Partners, and Hironori Aihara, nominated by Steel Partners, both of whom also constitute a majority of the Special Committee, may not have independence appropriate for consideration and evaluation of the Unison Proposal. As this gives rise to a possibility that the Special Committee is unable to consider and evaluate the Unison Proposal in a neutral manner, the Board resolved at its April 13, 2009 meeting by a vote of 5 to 1 directors present to consider the Unison Proposal directly. (Joshua Schachter voted against this).

Then, at its meeting on April 16, 2009, the Board confirmed and again resolved by a vote of 6 to 3 directors that the Unison Proposal is to be considered directly by the Board (the 3 directors who voted against this proposal are Joshua Schachter, Seitaro Ishii and Hironori Aihara). Then the Board, after making final deliberation on forming the Alliance with Unison, decided that it was desirable to enhance Ademco's corporate and shareholder value by forming the Alliance with Unison and by carrying out fundamental reforms of our business management and resolved by a vote of 6 to 3 directors to execute the Alliance Agreement (the 3 directors who voted against this proposal are Joshua Schachter, Seitaro Ishii and Hironori Aihara (Hironori Aihara expressed his opinion against this proposal and left before the vote as he had other business)).
The Board also resolved at this meeting (i) the execution of the Tender Offer Agreement, which covers such things as the execution of the Tender Offer by Union with respect to Ademans common shares, as described in Section 2(3); (ii) in accordance with the Tender Offer Agreement, if the Tender Offer is implemented, Ademans will (a) not only announce its opinion in favor of the Tender Offer (subject to an approval at the General Shareholders' Meeting of the Proposal of the Election of Directors as originally proposed by Ademans and pursuant to the resolution at the Board meeting to be separately be held after the General Shareholders' Meeting), but also will (b) tender its treasury shares in response to the Tender Offer (subject to an approval at the General Shareholders' Meeting of the Proposal of the Election of Directors as originally proposed by Ademans and the proposal of the tendering of its treasury shares in response to the Tender Offer will be approved at the General Shareholders' Meeting as originally proposed by Ademans), as noted in Section 2(3), by a vote of 6 to 3 directors (the 3 directors who did not vote in favor of this proposal are Joshua Schechter, Saitaro Ishii and Hironori Alhara) (Hironori Alhara expressed his opinion against this proposal and left before the vote as he had other business)).

(3) Reasons for the execution of the Alliance Agreement
After having considered and discussed with Union Capital Group for four months regarding fundamental reform of our management structure to improve our performance, we have decided the best option to improve Ademans's corporate value and shareholder value is to carry out fundamental reform of our business management in the medium- to long term by creating a capital and business alliance relationship with Unison, thereby receiving cooperation from Unison by strengthening growth strategies and governance, complementing our personnel in the execution of these growth strategies, and adhering to compliance regulations. We therefore entered into the Alliance Agreement and the Tender Offer Agreement on April 16, 2009.

2. Details of the Alliance

(1) Details of the Alliance

The Alliance Agreement aims to enhance the corporate value and the shareholder value of the Ademans Group. With this objective in mind, Ademans will actively expand its operations in both Japan and overseas and continuously provide customers with high quality, value-added services, based on our management philosophy, "'good company' ideal that emphasizes development into a trustworthy group of companies with products and services in constant demand from clients and society as a whole." Under the Alliance Agreement, Unison will support the execution of
our growth and marketing strategies, strengthen our governance and our managing functions for
our business operations and financial strategies, complement our personnel, strengthen our store
developments, strengthen compliance, dispatch officers, and consider and execute measures to
return profits to shareholders.

Aderans also plans to reform our business operations as follows in order to maximize our
corporate value and the shareholder value under the Alliance Agreement. Union Capital Group
plans to support Aderans’s management to the maximum extent to reform its business operations
by dispatching directors (including one executive director) and auditors as described in (2)
“Appointment of Directors and Auditors” below.

- Recovering growth by concentrating business resources on the women’s wig market
  The Aderans Group possesses world-class technologies and expertise in the field
  relating to hair. Moreover, the manufacture and sale of wigs, which is one of the
core businesses of the Aderans Group, satisfies customer’s needs for “anti-aging,”
  which will expand in future. Therefore, we expect further growth of our business
  based on our technologies and expertise and by addressing customer needs. We
  intend to concentrate our business resources on the growing women’s wig market and
  seek the further growth of Aderans.

- Comprehensive pursuit of customer satisfaction
  Aderans will continue to bring new products into the market that meet customer
  needs in order to gain patronage from new customer segments as well as existing
  customer segments. We will renew our existing brands to achieve a product system
  that will better resonate with customers. We will also recreate our sales channels
  and continue to create new stores and renew existing stores that are more comfortable
  and approachable for our customers. Aderans is looking to revise operations from
  the customer’s perspective. We will also establish a system that enables us to
deliver products to our customers as soon as possible by improving the service and
skill levels at our stores as well as by fundamentally reforming the supply chain for
the entire group.

- Introducing organizations and systems to bring out the best in our employees
  In order to realize the reforms above, it is necessary to bring out the best in every one
  of our employees. To maintain an environment where employees can take pride in
  their work and work with high motivation, we will promote working side by side as a
team by having an open atmosphere within our organization. We will also modify our personnel system to one that enables us to recognize the effort and ability of the employees. We will introduce highly transparent business operations in an endeavor to make our business processes within the group more visible so that we can immediately discover and share problems, and create a PDCA cycle that comprehensively pursues a resolution to the problem.

(2) Appointment of Directors and Auditors

In order to effectively execute fundamental reforms to our business management, Aderans will seek to revise the makeup of the management. Specifically, following the anticipated retirement of 8 of our 9 current directors, we will elect, Kiyoshi Hayakawa, our current President and Representative Director and 6 new candidates, subject to an approval by shareholders at the General Shareholders' Meeting.

The 6 new candidates will include: (i) Senkichi Yagi, the current Managing Director of Aderans, and Kenzo Ie, the Managing Director of Fontaine Co., Ltd., who are engaged in the front line of marketing and are expected to be leaders of our next generation; (ii) Genichi Tamatsuka, the representative director of Revamp Corporation (which is engaged in corporate revitalization) and the former representative director and CEO of Fast Retailing Co., Ltd., who has extensive knowledge both as a retail company manager and a corporate revitalization professional; (iii) Kenichi Kiso and Osamu Yamamoto, who have been engaged in various investment transactions as partners at Unison Capital Group and have achieved improvement of the business of the invested company from the view of shareholders; and (iv) Shiori Nagata, who will move from Unison Capital, Inc. to Aderans and will attempt to implement the proposed reforms into our business management.

Unison and Aderans have agreed that Aderans shall submit a proposal to the General Shareholders’ Meeting nominating the above candidates to become directors (the “Proposal of the Election of Directors”) under the Alliance Agreement. However, under the Alliance Agreement, even if the Proposal of the Election of Directors is approved at the General Shareholders' Meeting and Kenichi Kiso, Osamu Yamamoto and Shiori Nagata were elected as directors, they shall resign as directors if (i) the Tender Offer is commenced but not successfully concluded or (ii) the Tender Offer is not commenced by June 30, 2009.
Proposed New Candidates of Aderans Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Current Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kiyoshi Hayakawa</td>
<td>President and Representative Director, Aderans</td>
</tr>
<tr>
<td>Senkichi Yagi</td>
<td>Managing Director, Aderans</td>
</tr>
<tr>
<td>Kunito Ie</td>
<td>Managing Director, Fontaine Co., Ltd.</td>
</tr>
<tr>
<td>Shiori Nagata</td>
<td>Associate, Unison Capital, Inc.</td>
</tr>
<tr>
<td>Kenichi Kiso</td>
<td>Partner, Unison Capital, Inc.</td>
</tr>
<tr>
<td>(Candidate for outside director)</td>
<td></td>
</tr>
<tr>
<td>Osamu Yamamoto</td>
<td>Partner, Unison Capital, Inc.</td>
</tr>
<tr>
<td>(Candidate for outside director)</td>
<td></td>
</tr>
<tr>
<td>Genichi Tanatsuka</td>
<td>Representative Director and Managing Partner,</td>
</tr>
<tr>
<td>(Candidate for outside director)</td>
<td>Revamp Corporation</td>
</tr>
</tbody>
</table>

As to the Proposal of Election of Directors, we note that one of our shareholders, Steel Partners Japan, exercised its Shareholder Proposal Right on March 25, 2009, in accordance with Articles 303 and 305 of the Companies Act. We oppose this shareholder proposal because we believe that our proposed Board composition with the 7 candidates above is essential for enhancing our corporate and shareholder value while cooperating with Unison in accordance with the Alliance Agreement. For more information about our thoughts on this shareholder proposal, refer to “Aderans’ thoughts on the Shareholder Proposal for this General Shareholders’ Meeting” in a separate press release disclosed today.

In addition to their Proposal of Election of Directors, Aderans and Unison have agreed in the Alliance Agreement to submit a proposal to the General Shareholders’ Meeting nominating Yoshiko Shirota and Toru Yasuoka as candidates to become auditors. However, under the Alliance Agreement, even if such proposal of the election of auditors is approved at the General Shareholders’ Meeting and Toru Yasuoka were elected as directors, they shall resign as directors if (i) the Tender Offer is commenced but not successfully concluded or (ii) the Tender Offer is not commenced by June 30, 2009.

(3) Commencement of the Tender Offer

Under the Tender Offer Agreement, Aderans and Unison agree that Unison shall commence the Tender Offer as described below, on the condition that (i) the proposals submitted by Aderans at

1 For a short curriculum vitae of these candidate auditors, Yoshiko Shirota and Toru Yasuoka, refer to the “Notice of the Convening of the 49th General Shareholders’ Meeting”, which was sent to shareholders separately.
the General Shareholders’ Meeting are all approved as proposed by Aderans and (ii) all of the other conditions precedent\(^2\) are met (or Unison waives satisfaction of such conditions at its discretion). With respect to the key terms of the Tender Offer, please see the “Notice regarding the Strategic Capital Alliance” which Unison disclosed publicly today.

In addition, the current members of the Board have resolved that the Board will approve the Tender Offer pursuant to a resolution to be made by the Board composed of directors to be elected at the General Shareholders’ Meeting, if the Tender Offer is to be commenced, considering various factors such that (i) the successful completion of the Tender Offer is set out as a precondition for the Alliance Agreement, (ii) Unison can increase the chances of an improvement in Aderans’s corporate and shareholder value by holding Aderans’s shares in accordance with the Alliance Agreement, and (iii) the Tender Offer provides Aderans’s shareholders with significant opportunities to determine whether they will sell Aderans’s shares at prices that include a premium over their latest market prices (i.e., prices that exceed approximately 35.5% premium over 738 yen, the simple average price of the closing prices of Aderans’s shares quoted at the Tokyo Stock Exchange over the three months prior to April 15, 2009 (the “base date”), or approximately 31.6% premium over 760 yen, the simple average price over the one month prior to the base date, or at prices that include approximately 5.8% premium over 945 yen, the closing price on the base date. However, as noted in Section 2(4), we intend to continue the listing of our shares even after the Tender Offer and will give the shareholders who continue to hold Aderans’s shares an opportunity to be entitled to the benefits of the enhanced corporate value resulting from the Alliance Agreement. Therefore, we believe it is appropriate that the decision on whether to tender for the Tender Offer should be made by shareholders at their own discretion.

Furthermore, Aderans’s opinion regarding the Tender Offer will be resolved at a meeting of the Board comprised of the directors to be elected at the General Shareholders’ Meeting, which is scheduled to be held immediately after obtaining confirmation from Unison for their commencement of the Tender Offer, and will consequently be announced.

\(^2\) In addition to the conditions precedent described above, the commencement of the Tender Offer shall be subject to the following requirements: (i) no decisions, orders, or similar rulings from courts or administrative government agencies to prohibit or suspend the implementation of the Tender Offer have been given or in there any threat that such decisions, orders, or similar rulings will be given, (ii) no circumstances that may have a material adverse effect on the business or assets of Aderans or its subsidiaries or a material adverse effect on any other matters of the Tender Offer have arisen on or after February 20, 2008, (iii) Aderans’s representations and warranties in the Tender Offer Agreement are true and correct as of the commencement date of the Tender Offer, (iv) Aderans is not in material breach of its obligations under the Tender Offer Agreement, and (v) none of the withdrawal events of the Tender Offer have occurred.
| Tender offeror          | Unison Capital I, L.P.  
|                       | Unison Capital II, L.P.  
|                       | Unison Capital III, L.P.  
| Offer period          | For 21 business days from June 1, 2009  
|                       | (scheduled) (provided, however, that such period may be extended pursuant to the applicable laws and ordinances.)  
| Offer price           | 1,000 yen per common stock  
| Number of shares expected to be purchased | (Minimum number of shares expected to be purchased) 14,683,200 shares  
|                       | (Maximum number of shares expected to be purchased) None  
| Withdrawal events     | When any of the events described in Item 1-(a) through 1-(f) and 1-(i) through 1-(y), Item 2, Item 3-(a) through 3-(b), and Item 4 of Paragraph 1 of Article 14 or the events described in Item 3 through Item 6 of Paragraph 2 of Article 14 of the the Financial Instruments and Exchange Law occurs  

It should be noted that if the amount of dividends approved at the General Shareholders' Meeting is more than 15 yen, the amount proposed by Aderans, the tender offeror may reduce the offer price by such surplus amount. In addition, Aderans plans to dispose of its treasury stock by tendering to the Tender Offer as described below, on the condition that the Proposal of Election of Directors and the proposal of the disposition of the treasury stock will be approved (by number of votes required for ordinary resolution or simple majority) at the General Shareholders' Meeting as originally proposed by Aderans. Aderans intends to use the proceeds from the treasury stock disposal to continue testing of a new hair-recovery solution (currently at the second phase of approval by the U.S. Food and Drug Administration) conducted by a wholly-owned subsidiary of Aderans, Aderans Research Institute, Inc. (a Delaware corporation), and to supplement its working capital or the like. Furthermore, the disposal of the relevant treasury stock will be resolved at a meeting of the Board comprised of the directors to be elected at the General Shareholders' Meeting, which is scheduled to be held immediately after obtaining confirmation from Unison for their commencement of the Tender Offer, and will consequently be announced.
(i) Number of treasury shares intended to be disposed of: Common stock, 2,956,600 shares (approximately 7% of total issued shares; the number of treasury shares as of February 28, 2009 is 2,994,500 shares)

(ii) Disposal price: 1,600 yen per share (the same as offer price per share of the Tender Offer)

(iii) Total disposal amount: 2,956,600,000 yen

(iv) Disposal method: Shares will be tendered and sold through the Tender Offer.

(v) Tendering date or period: Within July 2009 (to be decided specifically in accordance with the period of the Tender Offer and the commencement date of the purchase price payment of the Tender Offer)

(vi) Payment date or period: Within July 2009 (to be decided specifically in accordance with the period of the Tender Offer and the commencement date of the purchase price of the Tender Offer)

(vii) Purchaser and the number of shares to be purchased: The tender offeror of the Tender Offer; 2,956,600 shares

(viii) The amount of treasury shares after the disposition: 37,900 shares

Subject to approval at the General Shareholders’ Meeting of a Proposal of the Election of Directors as originally proposed by Ademans, the current Board resolved by a vote of 6 to 3 directors that if the Tender Offer by Union is commenced, Ademans will confirm that the Tender Offer does not fall under the definition of “Acquisition” as provided for in the Measures for Countering Large-Scale Acquisitions of Ademans Shares (the “Takeover Defense Measures”) introduced at the board of directors meeting held on December 12, 2006 and approved at the annual shareholders’ meeting concerning the 38th fiscal year of Ademans held on May 24, 2007. The 3 directors who did not vote in favor of this proposal are Joshua Schecter, Seitaro Ishii and Hironori Aihara. (Hironori Aihara expressed his opinion against this proposal and left before the vote took place as he had other business.)

(4) Cooperation to maintain the listing of the shares

While Ademans’s shares are listed on both the First Sections of Tokyo Stock Exchange and Osaka Stock Exchange, there is a possibility that these shares may be delisted through a prescribed procedure pursuant to the delisting criteria of those Exchanges, depending on the results of the Tender Offer, as the Tender Offer sets no maximum limit to the number of shares to be acquired. However, the execution of the Tender Offer is not aimed at delisting the shares, and Ademans and Union have confirmed that they intend to maintain the listing of Ademans’s shares both at the
Tokyo Stock Exchange and the Osaka Securities Exchange after the execution of the Tender Offer. If the status of Aderans's shares meets, or is likely to meet, the criteria for delisting established by the Tokyo Stock Exchange or the Osaka Securities Exchange as a result of the Tender Offer, Aderans and Unison will cooperate in good faith to maintain the listing of Aderans's shares. Furthermore, we currently do not have any decisions with respect to measures for maintaining the listing, and we would consider them carefully in the event that the risk of meeting the delisting criteria became significant.

3. Profile of Unison

Unison was formed under the laws of the Cayman Islands as an exempted limited partnership whose ownership interests are held by investment funds belonging to the Unison Capital Group (the "Affiliated Funds") for the purpose of investing in Aderans. A profile of Unison is provided below.

(1) Unison Capital I, L.P.
   (i) Name: Unison Capital I, L.P.
   (ii) Main Businesses: To acquire and hold shares of Aderans through the Tender Offer and to run the business of Aderans after the completion of the Tender Offer.
   (iii) Established: March 13, 2009
   (iv) Head Office: UBS Fund Services (Cayman) Ltd., UBS House, PO Box 852 UBS House, 227 Elgin Avenue, George Town, Grand Cayman, KY1-1103, Cayman Islands
   (v) Company representative: Unison Capital I, Ltd.
   (vi) Relationship with Aderans: None

(2) Unison Capital II, L.P.
   (i) Name: Unison Capital II, L.P.
   (ii) Main Businesses: To acquire and hold shares of Aderans through the Tender Offer and to run the business of Aderans after the completion of the Tender Offer.
   (iii) Established: March 12, 2009
   (iv) Head Office: UBS Fund Services (Cayman) Ltd., UBS House, PO Box 852 UBS House, 227 Elgin Avenue, George Town, Grand Cayman, KY1-1103, Cayman Islands
   (v) Company representative: Unison Capital II, Ltd.
   (vi) Relationship with Aderans: None

(3) Unison Capital III, L.P.
   (i) Name: Unison Capital III, L.P.
(ii) Main Businesses: To acquire and hold shares of Aderans through the Tender Offer and to run the business of Aderans after the completion of the Tender Offer.

(iii) Established: March 25, 2009

(iv) Head Office: UBS Fund Services (Cayman) Ltd., UBS House, PO Box 852 UBS House, 227 Elgin Avenue, George Town, Grand Cayman, KY1-1103, Cayman Islands

(v) Company representative: Unison Capital III, Ltd.

(x) Relationship with Aderans: None

Note: The Unison Capital Group is an investment fund group that has been a pioneer of private equity investments in Japan. Through Unison, the Unison Capital Group has invested as much as approximately 700 billion yen as total corporate value in a variety of companies, including companies that are engaged in consumer businesses similar to Aderans’s business. These portfolio companies include Tobato Inc., Drug Eleven Inc., MediaLeaves, Inc. (formerly ASCII Corporation and Enterbrain, Inc.), and Akindo Sushi Co., Ltd. With considerable experience and expertise in business management, the Unison Capital Group has directly provided support to companies seeking to maximize their corporate value and has developed an extensive network with business corporations, financial institutions, business managers, consultants, and other institutions both in Japan and overseas.

Through Unison, each investment fund which belongs to the Unison Capital Group is formed by funding from leading institutional investors both in Japan and overseas. With regard to investment in Japan, Unison Capital, Inc. provides information on analyses and investigations into the management of invested companies and advises on investment structure. A profile of Unison Capital, Inc. is provided below.

Unison Capital, Inc. (http://www.unisoncap.com/)

(i) Name: Unison Capital, Inc

(ii) Major Business: M&A advisory and management consulting business

(iii) Established: October 22, 1996

(iv) Head Office: 4-5 Kincho, Chiyoda-ku, Tokyo

(v) Capital: 100 million yen

(vi) CEO: Nobuyoshi Ebara

4. Schedule

April 16, 2009: Execution of the Alliance Agreement

May 28, 2009: General Shareholders' Meeting
June 1, 2009: Commencement of the Tender Offer (TBC)
June 29, 2009: Completion of the Tender Offer (TBC)
During July 2009: Disposal of treasury stock (TBC)

5. Future outlook

Adenus will strive to improve both corporate and shareholder value in accordance with the Alliance Agreement. Taking into account the surrounding business environment, Adenus is closely examining the specific timing of the commencement of measures for management reform that will be carried out with Unison. Adenus will continue to discuss with Unison the reform of Adenus’s business structure and will expect to carry out measures, when necessary, that will contribute to the improvement of its corporate value. As a result, details of the impact on Adenus’s business results arising from the Alliance Agreement are not yet available. We intend to publish the impact on Adenus’ business results once it is identified.

Furthermore, although Adenus is trying to enhance the corporate value based on the mid-term management plan starting from the previous consolidated fiscal year, Adenus decided at the board meeting held today to revise the mid-term management plan due to a large discrepancy between the mid-term management plan and the first year. Adenus will announce the new mid-term management plan once formulated. The projection for consolidated results contained in the “Summary of Financial Results for Fiscal Year ending February 2009” disclosed today does not incorporate the impact of the Alliance Agreement.

Attachments: “Notice of Strategic Capital and Business Alliance” dated April 16, 2009, prepared by Unison.
Unison in Strategic Capital and Business Alliance

Unison Capital I, L.P., Unison Capital II, L.P., and Unison Capital III, L.P., (subsequently 'Unison'), belong to Unison Capital Group, announced today that it has concluded an Agreement Concerning Tender Offer and Strategic Capital and Business Alliance Agreement with Aderans Holdings Co., Ltd. (subsequently 'Aderans', TSE and OSE 1st: 8710) to realize a strategic capital and business alliance.

Through this strategic capital and business alliance, Unison will provide solid supports from various perspectives as a strategic partner to Aderans in order to further raise Aderans' corporate value. For specifics, please refer to the "Strategic Capital and Business Alliance Announced" released today by Aderans.

Unison's support under this strategic capital and business alliance is subject to (i) the approval of the proposals by Aderans as proposed at Aderans' annual general meeting of shareholders scheduled for May 28, 2009 (subsequently "the shareholders meeting"), and (ii) the successful conclusion of a tender offer for Aderans' shares conducted by Unison (subsequently "the tender offer"), itself also subject to the approval of the proposals described above and other conditions.

Aderans announced today that the board of directors of Aderans passed a resolution that Aderans plans to support the tender offer and not to invoke previously-introduced takeover defense measures if the tender offer is commenced, based on its judgment that the tender offer benefits not only Aderans, but also raises the profits of Aderans shareholders, taking into account the offer price and other conditions of the tender offer below and the efforts to raise corporate value through this strategic capital and business alliance with Unison.

In relation to this strategic capital and business alliance, Unison agreed with Nobuo Nemoto, Aderans large shareholder, (holder of 3,871,458 shares, or approximately 9.28% of Aderans shares outstanding) that for the next three years he will not transfer or dispose of his held shares in Aderans and that he will exercise his voting rights at annual shareholders meetings for the proposals by Aderans which will be proposed based on discussion with Unison. In addition, subject to the approval of the proposal to the effect that Aderans will apply the treasury stock for the tender offer at the shareholders meeting, Unison agreed with Aderans that Aderans will in principal apply 2,956,600 shares of held treasury shares (approximately 7.09% of shares outstanding) for the tender offer if it is commenced.

Note

1. Summary of the Tender Offer

Below is a summary of the tender offer, as it currently stands.
(1) Offer period: From June 1 (Monday) to June 29 (Monday).

(2) Offer price: 1,000 yen per one common share.

(Taking Aderans market share price until April 15, 2009, as a standard, this price attaches approximately 35.5% premium on the arithmetic average of the closing price over the past 3 months, approximately 31.6% on the arithmetic average of the closing price over the past 1 month, and approximately 5.8% on the latest closing price.)

(3) Minimum number of shares to be purchased: 14,683,200 shares (35.2% of Aderans shares outstanding)

(4) Maximum number of shares to be purchased: None

(5) Withdrawal events: If any of the matters set forth in Article 14, Paragraph 1, Item 1 (i) through (ix), (xii) through (xviii), Item 2, Item 3 (i) through (vii), Item 4 or Paragraph 2, Items 3 through 6 of the same article of the Enforcement Regulations for Financial Instruments and Exchange Law occur.

(6) Others (maintaining listing of stock): Although there is no upper limit set on the purchase of shares in the tender offer, there is no plan to delist Aderans shares. Both Unison and Aderans acknowledge their common understanding that both parties have a policy to maintain the listing of common shares after the tender offer is completed, and that if concerns arise over a violation of listing requirement, then both parties will discuss measures to avoid delisting.

Note 1: If the conditions set forth in "2. Conditions necessary to commence tender offer" below are not fully satisfied as of June 1, 2009, then there is a possibility that the commencement date of the tender offer could be changed. In this case the offer period would be 21 business days from the finally determined commencement date. In addition, there is a possibility of extending the offer period in accordance with relevant laws and ordinances.

Note 2: If the amount of the distribution of surplus to be approved at the shareholders meeting exceeds 15 yen per share despite the proposal by Aderans, there is a possibility that Unison will commence the tender offer at the offer price reduced by the amount exceeding 15 yen per share as per 2 (1).

2. Conditions necessary to commence tender offer

Unison plans to commence the tender offer in the event that the below conditions are satisfied in full; provided, however, that in the event that the below conditions are not satisfied, in full or in part, Unison may, at its discretion, waive applicable conditions and commence the tender offer.

(1) That the proposals by Aderans (election of 7 directors, election of 2 auditors, the application of the treasury stock for the tender offer, dividend of 15 yen per share, and changes to the articles of incorporation) are approved as proposed at the shareholders meeting.

Note: As described above, Unison may, at its discretion, commence the tender offer even though a dividend exceeding 15 yen per share is approved regarding the
proposal of surplus distribution. In that case, there is a possibility that the tender offer will be commenced at the offer price reduced by the amount exceeding 15 yen per share.

(2) That the Adarans board of directors resolves and announces their approval of the tender offer without invoking takeover defense measures.

(3) That circumstances do not arise that may have a material adverse effect on the business or assets of Adarans or its subsidiaries or a material adverse effect on any other matters of the tender offer.

(4) That there is no material breach by Adarans of its obligations, or breach of representations or warranties by Adarans in the agreements concluded between Unison and Adarans.

(5) That there is no decision or order by a court or administrative agency to prohibit or suspend the execution of the tender offer, and that there exist no concerns over such decisions or orders to be given.

(6) That none of the withdrawal events permitted in accordance with applicable laws and ordinances in the case the tender offer is commenced have occurred.

About Unison Capital Group

A pioneer in the private equity market in Japan, Unison Capital, Inc. has always aimed to help portfolio companies create value and deliver long-term growth since its founding in 1998. Unison has made 14 investments to date, with a total corporate value base of 700 billion yen. Including Fund III established in 2008, Unison presently operates total funds of about 200 billion yen, and is continuing its proactive investment activities.

<Media contact>

Kraub Gavin Anderson And Company

Tel : 03-5404-0640

Please be fully warned that unless you do so 12 hours after the public announcement of this document, there is a possibility that in accordance with Article 167, Paragraph 3, of Financial Instruments and Exchange Law and Article 30 of the enforcement ordinance of such law, you may be prohibited from making any purchase or the like of share certificates or the like of the Adarans Holdings Co., Ltd. as a primary information recipient in relation to the insider trading regulations. It should be understood that even if you are subjected to criminal charges or civil or administrative liability for making such a purchase or the like, in no event will we accept any liability whatsoever in relation to any such charges or liability.
Aderns Holdings Co., Ltd.
April 16, 2009

and Business Alliance
Announcement on Strategic Capital
Aderns Group
Management is taking their failure to improve corporate value very seriously.
Strategic and effective measures for improvement of corporate value to be announced today.

Now is the time for the company to reform.

Of present conditions

Strong sense of crisis concerning continuation of harsh criticism from shareholders and stakeholders

Future Management Plans
Improving our corporate value.

Unison is the most reliable business partner for alliance with Unison, as we are confident that we have formed a strategic capital and business alliance and)...
<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Total Commitment Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNISON CAPITAL</td>
<td>200 Billion Yen (approx.)</td>
</tr>
</tbody>
</table>

Japanese private equity investment-related business, etc.

Advisor Name

Number of Investments

Business description

Profile of UNISON Capital Group
1. Shareholders will decide at the General Shareholders' Meeting whether or not to approve the management reform measures and the capital and business alliance at the General Shareholders' Meeting.

2. After obtaining approval at the General Shareholders' Meeting, Union Capital Group will execute a tender offer and implement the capital and business alliance.

Establish a process that is fair and transparent to all.
Basic Strategies for Management Reform
Rebuilding Acer's Group Strengths

Customer Pursuit of

Bring out the Best and Systems to

Corporate and Shareholder Value.

Measures to recover growth and improve

Basic Strategies for Management Reform
Achieve growth by concentrating business resources in women's wig market which is expected to grow.

Products of hair-related expertise in the field, knowledge and world-class technical expertise.

"Anti-Aging"

(1) Rebuilding Adelans Group's Strengths
- Reform operations from the customer's perspective.
- Create stores that are welcoming and put customers at ease.
- Launch new products and relaunch existing brands to satisfy customer needs.

(2) Comprehensive Pursuit of Customer Satisfaction

Adapting Rhythm
- Through until resolved (PDCA)
- Mechanisms that ensure problems are followed detected and shared (Visibility)
- Mechanisms that ensure problems are always

- High-Perform Business Operations

- One's effort and ability
- A fair personnel system that properly evaluates
- Teamwork across the organization
- An open organization without hierarchy

- In their job and be highly motivated
- Create a workplace where employees can take pride

Bringing out the best in employees
Proposed Composition of Holdings Directors

- Dispatch of outside directors from Unison Capital Group
- Promote Reform
- Appointment of the next-generation management team

Management Reform Team
Framework and Specific Details of the Strategic Capital and Business Alliance
Launch of TOB
Price: 1,000 yen, minimum: 35.2%
Plan to maintain listing of the shares

Launch of Unison Capital Group's tender offer

Conclusion of the Capital and Business Alliance Agreement by the Board of Directors and resolution on the Director Appointment Proposal at the General Shareholders Meeting

Specific Details of the Capital and Business Alliance
We kindly request your support and understanding to implement these reforms.

<table>
<thead>
<tr>
<th>Corporate Value</th>
<th>(2) Execute management reforms and improve shareholders</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>on a framework that is fair and transparent to all</td>
</tr>
<tr>
<td></td>
<td>Implement the Capital and Business Alliance based</td>
</tr>
<tr>
<td></td>
<td>through the whole group, we promise to:</td>
</tr>
<tr>
<td></td>
<td>In carrying out the management reforms</td>
</tr>
</tbody>
</table>

**Execution of Management Reforms**
To Our Shareholders:

Company Name: Aderans Holdings Co., Ltd.
Representative: Kiyoshi Hayakawa, President
Address: 6-3, Shijigakuen 1-chome, Shijigakuen, Tokyo
Stock Listings: First sections of Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3350-3268

Fundamental Business Reform for the Group

May 14, 2009

On May 11, 2009, the shareholders of Aderans Holdings Co., Ltd. ("Aderans" or the "Company") received a letter from Steel Partners Japan Strategic Fund (Offshore), L.P. ("Steel Partners") titled "Aderans Holdings AGM - Protect Shareholder & Corporate Value." It is, however, regrettable that the letter is not based on an accurate understanding of the Company's proposal, and includes much potentially misleading information.

The Company hereby provides notification of the Fundamental Business Reform to the Aderans group ("the Aderans Group") that are currently being considered by the Company to ensure that shareholders exercise their voting rights at the May 28, 2009 annual general meeting of shareholders (the "AGM") based on an accurate understanding of the Company's approach. We will also provide an explanation of the Company's views on the Strategic Capital and Business Alliance with Union Capital I, L.P., Union Capital II, L.P., and Union Capital III, L.P., that belong to the Union Capital Group (collectively "Unison") as previously notified on April 16, 2009.

I. Matters the Company would like to be understood by our shareholders

An outline of the matters the Company would like to be understood by our shareholders is shown below.

- The Aderans Group will push through Fundamental Business Reform

For months, the Aderans Group has considered a Fundamental Business Reform proposal for restoring the Aderans Group's performance while receiving a variety of valuable
suggestions from Unison. The Fundamental Business Reform proposal will restore the Company's business and maximize interests of the Company and its shareholders. Therefore, the Company will push through the Fundamental Business Reform proposal regardless of whether or not Unison's tender offer succeeds.

- **The Company's management structure will be overhauled**

All but one of the nine current directors of the Company will step down simultaneously, making a generational transition to a new generation of leaders with an abundance of experience within the Adexum Group who have been responsible for considering the Fundamental Business Reform proposal with Unison, and they will handle the management of the Company with a professional in corporate reorganization, Mr. Genichi Tanaka, who is the representative director of Revamp Corporation and former representative director and CEO of Fast Retailing Co., Ltd. Along with these four candidates for directors, the addition of directors from Unison is expected to bring about further advancement of the Company's Fundamental Business Reform proposal.

- **By implementing a tender offer for shares in the Company, Unison has shown a commitment to enhancing the corporate value and shareholders' interest of the Company in the mid-to-long term.**

By implementing a tender offer at a price with premium to the market value of the shares in the Company, Unison is committed to acquiring a large volume of shares in the Company and realizing the common interests with the shareholders to advance the enhancement of the Company's corporate value and its shareholders' interest in the mid-to-long term.

This tender offer by Unison is not coercive because (i) this tender offer will only be commenced if approved in advance by shareholders at the AGM and (ii) it is intended to maintain the listing of the shares in the Company. The tender offer by Unison provides shareholders who wish to sell their shares with an opportunity to sell them at a price with premium, but it is the shareholders who make the decision on whether to sell their shares.

Indeed tendering of the Company's treasury stock to Unison's tender offer may dilute the Company's net asset value per share\(^1\) by approximately 2.6%. However, the tender offer

---

\(^1\) Net asset value per share = (Total of net assets section in the consolidated balance sheet – stock
will increase the effectiveness of our strategic capital and business alliance with Unison, and we believe this will outweigh the dilutive effect as the engine for dramatically increasing the Company's corporate value and its shareholders' interest is strengthened by the tender offer.

- Steel Partners is not committed to making a continued investment in the Company in the mid-to-long term, and there is no guarantee that Steel Partners will restore the Company's performance and bring about mid-to-long term developments in the Company's business in the future.

   The Company has taken on an outside director dispatched by Steel Partners since August last year and attempted to restore the Company's performance, but the director dispatched by Steel Partners has unfortunately not provided any constructive commentary aimed at restoring the Company's performance. In fact, neither Steel Partners nor the director dispatched by Steel Partners has provided any business plans or management plans for rebuilding the Company's business.

- The director candidates proposed by Steel Partners may cause great confusion in Aderans Group's businesses and business relations.

   The director candidates proposed by Steel Partners do not have sufficient knowledge or understanding of the Company's current business or management, and do not have any relationship of trust with Aderans Group's officers, business partners or customers.

   Although Steel Partners has included Company President Kiyoshi Hayakawa among the director candidates to claim continuity of the Company's current management, President Hayakawa himself has not agreed to accept the position set forth in the shareholder proposal from Steel Partners.

   The Company needs an environment in which the Company can concentrate on restoring the Company's business and enhancing the Company's true corporate value and its shareholders' interest by pushing forward with the realization of the Fundamental Business Reform proposal.

acquisition rights = minority shareholder interests / number of outstanding shares of common stock = number of common shares of treasury stock (as of the end of February 2009). Dilution was calculated assuming all treasury stock is subscribed to the tender offer.
2. Significance of the Fundamental Business Reform of the Aderans Group and Strategic Capital and Business Alliance

As we noted in the press release titled "Announcement on Strategic Capital and Business Alliance" dated April 16, 2009, on that same day the Board of Directors resolved to implement a strategic capital and business alliance with Unison (the "Strategic Capital and Business Alliance").

The Aderans Group has worked, and engaged in discussions, with Unison for months to identify problems with the current management and business structures of the Aderans Group and to find measures to fundamentally reform the present situation of the Aderans Group whose performance has been deteriorating. Consequently, we decided to reshuffle the management of the Company and to implement various and specific measures to fundamentally reform the business of the Aderans Group under the new-generation management team. We believe that implementation of this Strategic Capital and Business Alliance is the best way to fundamentally reform the business that in turn would maximize our corporate value and shareholders' interest.

We would sincerely like our shareholders (i) to understand the details of the Fundamental Business Reform of Aderans Group that is currently being considered by the Company and the role this Strategic Capital and Business Alliance plays in realization of the reforms and (ii) to support the Fundamental Business Reform of Aderans Group.

We have 9 incumbent directors and all of them except Kiyoshi Hayakawa will step down from the Board. This means that the incumbent management has no intention of trying to preserve their current positions in relation to the business reform plan below and the Strategic Capital and Business Alliance with Unison. Rather, the incumbent directors, by not listing their names as candidate directors to be reelected and not seeking their own individual interest, decided to propose to our shareholders the reshuffle of the management and implementation of the Strategic Capital and Business Alliance with Unison after considerable discussions on the best measures which would contribute to the interest of the Company and our shareholders.

3. Fundamental Business Reform of Aderans Group

(1) Details of Fundamental Business Reform plan

Through discussions with Unison over four months, the Company nominated Senkichi Yagi and Kunio Is, who are expected to be leaders of next generation of Aderans Group, to be key
executives responsible for thoroughly analyzing the problems Aderans Group is currently facing. We simultaneously have been giving deep consideration as to how to fundamentally reform the business of Aderans Group and enhance dramatically our corporate value and the common interests of shareholders, while receiving valuable input from Unison.

Following is an explanation of the specific measures the Company has been considering. We believe that the Fundamental Business Reform plan will contribute to Aderans Groups' corporate and shareholder value and our new management team will carry out the Fundamental Business Reform plan, whether or not the tender offer by Unison is commenced or successfully concluded.

The consolidated performance forecasts for fiscal 2010 ending February 28, 2010 disclosed on April 16, 2009 does not reflect the impact that would be brought from the implementation of the Fundamental Business Reform plan.

(i) Concept of the Fundamental Business Reform Plan

The concept of the Fundamental Business Reform plan we are contemplating consists of the following four points:

A) Revenue Growth: Realization of growth in the domestic market for women's wig
   - Concentrate the business resources such as advertising and human resources in this growth area
   - Strengthen the cooperation between Aderans' female business unit and Fontaine business unit
   - Thoroughly pursue customer satisfaction

B) Profit Enhancement: Streamline the organizational structure and operations
   - Reform costs for domestic headquarters
   - Reform less profitable domestic stores
   - Reform non-operating assets
   - Fundamentally reform the male domestic business
   - Restore profitability of the U.S. hair transplant business

C) Capital Efficiency Improvement: Explore cash-flow oriented management
   - Reform supply chain
• Introduce consolidated tax payments

D) Organizational and Human Resource Systems Reform: Rebuild the system that brings out the best in Human Resources and maximize their capabilities
• Create a workplace where employees can take pride in their job and be highly motivated
• Realize organizational and operational transparency

(ii) Specific Measures for Fundamental Business Reform plan

A) Revenue Growth: Realization of growth in the domestic market for women's wig

Ademans Group covers a lot of business fields inside and outside of Japan, from men's and women's wigs to hair transplants. We expect tremendous growth potential in the domestic market for women's wig when comparing the Ademans Group's growth rate with the market growth rate.

Currently, customers 60 years and older account for nearly 70% of all customers for Ademans in the domestic market for women's wigs when examining the current business conditions in the domestic market for women's wigs for the Ademans Group, namely Ademans female business unit and Fontaine business, and it can be said the Company's customer stratum is unevenly distributed. We believe we can realize further growth in this market by further tapping the segment of customers 60 years and older, and pioneering in the young and middle-aged segment.

In order to realize the above growth, we plan to implement measures to thoroughly pursue customer satisfaction. Specifically, we plan to launch new products, renew our existing brands, create stores that are more comfortable and approachable for our customers, and reform our operations from the customer's perspective.

In order to ensure the implementation of these measures, Ademans Group will also consider integrating two organizations, Ademans female business unit and Fontaine business, gradually but effectively for this market. Although Ademans Group has two distinctive strengths in the domestic wig market for women, Ademans and Fontaine, the Ademans Group as a whole has not been able to leverage and realize those strengths sufficiently so far. Hence, we propose in our Fundamental Business Reform to appoint Senkichi Yagi and Kunio Ie as new directors, in
order to break the organizational silos of the two business units and realize the growth in the domestic wig market for women. These directors will help the Company implement measures in the Fundamental Business Reform and facilitate the transformation by carrying out the responsibilities for joint-projects while taking initiatives in the front line of marketing and sales for both business units. We believe this alignment facilitates the new management team in exercising leadership and ensuring the execution of the Fundamental Business Reform.

The Adieran Group believes that the above measures are feasible taking into account the results of those already implemented. To be specific, Adieran Group is hosting joint trial fitting and sales events by Adieran and Fontaine at department stores, leveraging the individual strengths of the two business units. The results of the joint trial fitting and sales events are so remarkable that we are confident that we can accelerate revenue growth in the domestic wig market for women beyond organizational barriers. We launched Adieran’s custom-made products in Fontaine’s department store channel in an appeal to our customers. Despite the limited length of time over which the sales events were held, sales results from those events were comparable to annual sales from the Fontaine shop in the same department store. We hosted the joint sales events three times for 10 days in total for the fiscal year ended in February 2009 and we have hosted the events four times for 25 days in total so far and are planning to conduct such events 32 times for 129 days in total throughout this fiscal year ending February 2010. We have organized a joint sales team of Adieran and Fontaine to expand these joint trial fitting and sales events nationwide, and seek to further shed the traditional top-down sectionalism that has existed.

B) Profit Enhancement: Streamline the organizational structure and operations

The Adieran Group will ensure adequate review of the Company’s cost structure to reduce fixed costs and a review of non-business assets to achieve improved earnings.

For earnings improvement, the Adieran Group will reduce costs at the head offices of its major domestic group companies (Adieran Holdings, Adieran and Fontaine) through the merger of common divisions, aiming at maximizing the balance between sales and costs. The Adieran Group will also work on the reduction of operating costs in stores by reviewing less profitable stores in its domestic divisions. Furthermore, for poor performing stores (of which 11 such stores were already closed from by the end of the business year ended February 2008), we will manage the contributing profits of each store more strictly, support poor-performing stores and integrate the stores.
On the other hand, we understand it is important to consider the execution process taking great care that, when implementing these cost reduction measures, we do not decrease customer satisfaction. As for Aderans' and Fontaine's less profitable sales offices, location is not the only problem – sales and earnings of a store depend greatly on the person responsible in the store and the ability of the sales staff there. Accordingly, we will introduce performance evaluation figures to raise productivity at sales sites, vitalizing human resources in the process of consolidation of sales offices.

In the male domestic business (Aderans Male Business), business resources have already been shifted from offering services such as hair restoration (hair support) to focusing on sales of custom-made wigs (Aderans Hair Club). In addition to the above reduction of operating costs at stores, we will improve profits and earnings at stores by screening products to be handled. We are now focusing on Aderans Hair Club, which is showing a drastic improvement in repeat sales compared with the past customer retention rates. We plan to acquire new customers of this product to increase the total number of retained customers, thereby constructing a more stable revenue base.

Concerning the deficit in the hair transplant business in the U.S., measures have been taken to quickly move it into the black by streamlining operations. Those measures specifically include: 1) implementation of measures to improve average customer spending, 2) more efficient advertising campaigns, 3) improvement of the contract rate through better services at call centers and by counselors, and 4) implementation of cost reduction measures such as outsourcing of call center services and review of less profitable stores. The above measures will be incorporated into the business plan for the business year ending February 2010 and put into action. For streamlining of operations, we have worked earnestly to lower the break-even point from the latter half of the previous business year, in an attempt to achieve a 20% or more reduction in terms of the number of treatments administered. Efforts for cost reduction will be constant work as it is necessary to obtain more solid financial strength in the environment where a slump in sales is foreseen.

On the other hand, assets not closely related to core businesses will be reviewed on a continual basis during the execution of business-related cost reduction.

C) Capital Efficiency Improvement: Explore cash-flow oriented management
We are considering the reform of our entire supply chain to reduce operating capital and to increase customer satisfaction through implementation of excellent capital efficiency in our operation. Specifically, the reform will be through:

(i) more sophisticated demand forecasting through stronger cooperation between sales division and production division;
(ii) improved order placing and receiving within the Adenras Group; and
(iii) strengthened inventory management through enhancing information systems.

In terms of financial affairs, the Company is proactively considering introducing consolidated tax payments.

D) Organization and System Reform: Rebuild the system that brings out the best in human resources and maximize their capabilities

In order to realize these reforms, we consider it important to create a work place where our employees can work with pride and high motivation to get the best out of them. To achieve excellent performance from our employees, the following four courses of action should be pursued:

(i) Reduce hierarchy and have a level organization with an abundance of communication and exchange of ideas;
(ii) Establish a cross-functional committee to facilitate horizontal teamwork;
(iii) Adjust the internal management system to promote cooperation among different divisions; and
(iv) Switch to a finer personnel system where efforts and abilities are evaluated effectively.

Due to the characteristics of the product we are handling (wigs), hair dressing and beauty expertise on hair styling are important. Accordingly, an exchange of training between Adenras and Fontaine is to be carried out to provide services with excellent wig setting and styling expertise.

In order to implement and achieve the above-mentioned business reforms, we must understand the factors required for such achievement (KPI, which stands for Key Performance Indicator) and execute Plan Do Check Action (which means that we must always grasp the achieved status on the KPI and take measures without delay should any problem arise).
In a clear departure from the past business operations, we are planning to manage figures management based on the KPI, establish a system whereby appropriate leadership can be exercised, clarify accountability of responsible persons through "transparency" and strengthen the PDCA Cycle for constant management of goal achievement, working constantly in order to ensure that business strategies and the measures will work to improve our business performance. In order to improve the present situation of poor performance which has continued over several years, we are required to earnestly repeat the PDCA Cycle, stubbornly and honestly, going back to basics to restore the pride of Aderans Group by achieving stronger results. Aderans will focus the power of all employees throughout the organization on this reform, getting the best out of them, and there will be no turning back.

(ii) Management System Reform

The Aderans Group will execute Fundamental Business Reform to bring about a brand-new innovation relative to the existing management. In order to realize such drastic innovation, we need to reform the management system and bring in a new style of management to the Aderans Group. For this, 8 out of 9 incumbent directors, except Kiyoshi Hayakawa who assumed the position of president last August, will step down from their positions with implementation of the reform.

At a recent board meeting we passed a resolution to submit at the AGM a proposal of election of 7 candidates for directors who will be in charge of the realization of the Fundamental Business Reform.

In order to realize the Fundamental Business Reform of the Aderans Group to maximize the Company's corporate value and its shareholders' interest, the new management needs to review our current business from a different perspective from the former management, while having a deep understanding, expertise and know-how on the Company's business that is based on Aderans Group's thorough counselling and after-care services such as custom-made wigs, beauty and hair restoration services and hair transplant services.

From this point of view, we have determined to nominate Senkich Yagi, current executive director of Aderans Co., Ltd. and Kunio Ie, current executive director of FONTAINE Co., Ltd., as our new directors. Both of them are acquainted with the latest operation of the Aderans Group and have the ability to conduct management reform. We have also determined to nominate Kiyoshi Hayakawa, current president and CEO, again as a director to secure management stability.
We will also welcome a professional in the field of corporate reorganization, Genichi Tamatsuaka (representative director of Revamp Corporation and former representative director and CEO of Fast Retailing Co., Ltd.) as an outside director because we are in urgent need to bring about a quick turn to recovery. Along with our highly-independent outside auditors, we can maintain an appropriate system for corporate governance.

In this way, our new members of the Company's new management team, Kiyoshi Hayakawa, Sen'ichi Yagi, Kazu To and Genichi Tamatsuaka, make the best formation to drive the reforms to the new generation of the Aderans Group management.

The Fundamental Business Reform engine for the Aderans Group will be reinforced by welcoming directors dispatched from Unison and we are sure to make dramatic progress.

4. Further acceleration of business reform through Strategic Capital and Business Alliance

(1) Mid-to-long term support to Aderans Group's management

As described above, the Company will push through the Fundamental Business Reform and implement the business reform with a new management team consisting particularly of new-generation leaders to establish a management team for Aderans Group that is clearly distinguished from the former management. The management team proposed by the Company has the strong leadership necessary to drive the reform forward.

It is highly valuable for this new management team to obtain support from partners who commit to the Company in the mid-to-long term and work united on reform in order to focus on the Fundamental Business Reform and realize true improvement in corporate value.

In this regard, Steel Partners has not committed to continue investing in the Company in the mid-to-long term. Furthermore, although Steel Partners has dispatched a director to the Company since last August, neither Steel Partners nor the dispatched director has not given constructive suggestion on the recovery in the performance of the Company or growth in its businesses.

On the other hand, the Company has been discussing the details regarding the Fundamental Business Reform and the Strategic Capital and Business Alliance with Unison over the past
four months. During the discussions, Unison has given various important suggestions to improve the business of the Adenaus Group and maximize its corporate value and shareholders' interest based on Unison's extensive investment experience and know-how it has accumulated as professionals in corporate reconstruction. Furthermore, Unison intends to strive to improve corporate value and shareholders' interest of the Company for the med-to-long term after aligning its interests with the Company's shareholders by acquiring shares in the Company through the tender offer and holding them over the med-to-long term.

For the reasons described above, the Company believes that it is extremely beneficial to have Unison to join with management of the Company in order to carry out the Fundamental Business Reform of the Adenaus Group. Also, under this Strategic Capital and Business Alliance, we will continuously provide customers with high-quality and value-added services based on our management philosophy, "be a trustworthy organization with products and services in constant demand from clients and society as a whole" -- epitomize the "good-company group" ideal, and actively expand operations in both Japan and overseas. Unison will support the execution of our growth and marketing strategies, strengthen our governance and our managing functions for our business operations and financial strategies, complement our personnel, strengthen our store developments, strengthen compliance, dispatch officers, and consider and execute measures to provide returns or distributions to shareholders in order to enhance the corporate value and shareholders' interest of the Adenaus Group. The Company has determined that it is the best option, in order to achieve the concrete results of Fundamental Business Reform, to implement this Strategic Capital and Business Alliance and receive mid-to-long term support from Unison for the management of the Adenaus Group.

As part of the mid-to-long term support, Unison intends to support the Company's management to the maximum extent to reform its business operations by various means -- including dispatch of directors and auditors to the Company. Furthermore, Unison has also suggested recommending personnel who can be leaders for reform in each business segment, taking advantage of Unison's significant investment experience and network of personal connections, which will contribute to accelerate the reform.

(2) Commitment to enhancement of the Adenaus Group's corporate value from the mid-to-long term perspective through acquisition of shares in the Company through the tender offer

Unison plans to implement a tender offer at a price that includes a premium over their recent
market prices (i.e., a price that offers approximately 35.5% premium over the simple average of the closing prices of shares in the Company quoted at the Tokyo Stock Exchange over the three months prior to April 15, 2009 (the "base date"), or approximately 31.6% premium over the simple average price over the one month period prior to the base date, or approximately 5.8% premium over the closing price on the base date) subject to the shareholders' approval of the proposal. If Unison acquires shares in the Company through the tender offer, Unison will hold shares in the Company over the mid-to-long term period, and will strive to enhance the Company's corporate value and shareholders' interest from the mid-to-long term perspective, with the common interests of the shareholders. The tender offer for shares in the Company implies Unison's commitment to enhance the Company's corporate value from the mid-to-long-term perspective.

The tender offer carried out by Unison provides an opportunity for shareholders to sell a large volume of shares at a price with premium over their market prices.

- Objection to Steel Partners' Proposal #1 – Non-existence of coercive tender offer

Steel Partners insisted in their letter that a tender offer carried out by Unison conditional upon the Company tendering treasury stock shows a coercive aspect of the proposal.

However, Unison will commence the tender offer subject to approval at the AGM. Thus, only with shareholders' approval will the tender offer proceed. Furthermore, the tender offer consistently provides the opportunity for shareholders to sell their shares at a price with premium, therefore the decision on whether or not to tender shares in response to the tender offer should be made by shareholders at their own discretion. Moreover, Unison and Aderans intend to maintain Aderans's shares listed even after the tender offer. Consequently, the tender offer is not coercive.

- Objection to Steel Partners' Proposal #2 – Appropriateness of the tender of treasury stock

Secondly, Steel Partners posed the question in their letter regarding the treasury stock to be tendered in response to the tender offer at a price lower than the net asset value per share in the Company (albeit higher than its current market price).

The Company plans to tender treasury stock in response to the tender offer in accordance with the resolution of the board of directors to be held separately subject to the approval at
the AGM. The net asset value per share in the Company might be diluted by approximately 2.6% if the Company tenders treasury stock in response to the tender offer by Unison.

However, we consider that the tender of treasury stock would have a positive impact on the Company's corporate value and its shareholders' interest even after taking into account the effect of dilution, as a result of which the Aderans Group would obtain Unison's support for Aderans over the mid-to-long term based on the Strategic Capital and Business Alliance and further accelerate the execution of the Fundamental Business Reform, which are to achieve a quick turnaround and dramatically enhance the Company's corporate value and shareholders' interest. The cash proceeds from the tender of treasury stock will be used for research and development at the Company's subsidiaries in the U.S.

With respect to the tender offer price, the Company obtained an evaluation report from Plato Consulting Co., Ltd. ("Plato"), a fully independent third party evaluation organization, dated April 15, 2009 regarding the value of the Company's shares. Plato is an independent third party institution who has no business connection with the Company.

5. Possibility of deterioration in the corporate value and shareholders' interest in case Steel Partners' proposal regarding the election of the directors is approved

We would like to point out the following matters with respect to the candidates for directors nominated by Steel Partners.

First, Kiyoshi Hayakawa, the current president of the Company, was nominated by Steel Partners as a candidate for a director. However, to-date, he has not received any explanation, inquiry, offer or request regarding appointment as a director from Steel Partners nor has he accepted the appointment to director if Steel Partners' proposal is approved at the AGM.

Nobuo Watabe, retired from the office of director of the Company in May 2005, has engaged in a competing business since February 2007, and aggressively cooperates with the counterparty in an ongoing case against us. He is thus in a hostile relationship with the Company.

The candidates for directors nominated by Steel Partners have no knowledge or understanding of our business and management or a trusting relationship with our employees and business partners.
It is easily predicted that the relationship with employees and business partners would be aggravated, resulting in confusion in our business and significant harm to our corporate value if the candidates become directors of the Company.

In addition, Steel Partners and candidates for directors nominated by Steel Partners have proposed no specific proposal to improve our business performance, grow the business or genuinely enhance our corporate value.

Meanwhile, as described in 3(2) above, the candidates for directors nominated by the Company have been in charge of planning for business reform and are the best candidates to implement the Fundamental Business Reform. Upon their appointment, they will accomplish the concrete Fundamental Business Reform described in 3(1) above.

6. Conclusion

As stated above, we believe it is crucially important for realization of our Fundamental Business Reform that our proposal, including Agenda Item 3, the election of our candidates as directors, and Agenda Item 5, the tender of treasury stock to the tender offer carried out by Unison, be approved at the AGM, and that we realize a Strategic Capital and Business Alliance with Unison.

On the other hand, if the Steel Partners’ proposal for shareholders (Agenda Item 6) is approved, it could cause confusion in our business and significantly harm the Company’s corporate value and shareholders’ interest in the mid-to-long-term.

We would like you to understand the Fundamental Business Reform proposed by the Company and approve our agenda items at the AGM, and to support the Strategic Capital and Business Alliance with Unison.

Please note that this press release is intended to provide shareholders details of the agenda items that Aderans will propose at the 40th annual general meeting of shareholders (the “AGM”) to be held on May 28, 2009 and Aderans’ view on these agenda items. It is not intended and should not be considered to encourage shareholders to authorize us or any other third party to act as their proxy in exercising their voting rights.
May 25, 2009

To Our Shareholders:

Company Name: Aderans Holdings Co., Ltd.
Representative: Kiyoshi Hayakawa, President
Address: 6-3, Shinjuku 1-chome, Shinjuku-ku, Tokyo
Stock Listings: First sections of Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3350-3268

Changes to Terms and Conditions Concerning Scheduled Tender Offer by Unison Capital Group for Aderans Holdings Co., Ltd. Shares

Aderans Holdings Co., Ltd. ("Aderans" or "we") hereby announces that we have received a notice from Unison Capital Group ("Unison Capital") that Unison Capital has determined based on discussions with Aderans to change (i) the conditions precedent of the tender offer for shares in Aderans ("Tender Offer") to be effected by Unison Capital I, L.P., Unison Capital II, L.P., and Unison Capital III, L.P., (collectively, "Unison") announced in our press release titled "Announcement on a Strategic Capital and Business Alliance" dated April 16, 2009, and (ii) the offer price for the Tender Offer to 1,200 yen per share.

Details

1. Details of Change

(1) Change to Offer Price
Unison determined to increase the offer price for the Tender Offer, if effected, from 1,000 yen to 1,200 yen per share of common stock.

(2) Changes to Conditions Precedent of Tender Offer
As already announced, Unison set as one of the conditions precedent of the Tender Offer that the proposal regarding the tender of 2,956,600 shares of Aderans' treasury stock to the Tender Offer ("Treasury Proposal") be approved and adopted as proposed at the 40th annual general meeting of Aderans' shareholders to be held on May 28, 2009 ("AGM"). (For details of the Tender Offer, please refer to our press release titled "Announcement on a
Strategic Capital and Business Alliance" dated April 16, 2009.) However, Unison determined to waive the condition that the Treasury Proposal be approved at the AGM.

(3) Other Terms and Conditions

Although Unison Capital announced in its press release titled “Unison in Strategic Capital and Business Alliance" dated April 16, 2009 that the approval of the proposal regarding amendments to the Articles of Incorporation at the AGM ("Amendment Proposal") was one of the conditions precedent of the Tender Offer, Unison Capital has revised the conditions precedent such that approval of the Amendment Proposal is not required. The details of the Tender Offer and the terms and conditions for commencement of the Tender Offer other than those described above remain unchanged from those announced in the press release.

For details of the changes, please refer to Unison Capital’s press release dated May 25, 2009 titled “Change of the Terms and Conditions Concerning the Tender Offer for the Shares of Aderans Holdings Co., Ltd."

2. Notice Regarding AGM

As described above, material changes have been made to the basic facts concerning our proposals at the AGM to be determined by the shareholders. If you have already exercised your voting rights by submitting a voting card or assigned your voting rights by submitting a power of attorney and have questions with respect to changing the vote submitted on the voting card or the details of the power of attorney, please contact our legal department.

Contact: Aderans Holdings Co., Ltd. Legal Department
TEL: +81-3-3350-3221

End of Document

* Attachment: Unison Capital’s press release dated May 25, 2009 titled “Change of the Terms and Conditions Concerning the Tender Offer for the Shares of Aderans Holdings Co., Ltd.

Please note that this press release is intended to provide shareholders details of the changes to the terms and conditions of the Tender Offer. It is not intended to solicit the shareholders to authorize Aderans or any third party to exercise their voting rights with respect to the proposals at the AGM, does not constitute solicitation of authorization of exercise of their voting rights, or must not be interpreted as solicitation of authorization of exercise of their voting rights.
Change of the Terms and Conditions Concerning the Tender Offer
for the Shares of Aderans Holdings Co., Ltd.

Unison Capital Group announced today that Unison Capital I, L.P., Unison Capital II, L.P., and Unison Capital III, L.P., (subsequently 'Unison'), all of which belong to Unison Capital Group, have, as described below, upon consultation with Aderans Holdings Co., Ltd. (subsequently 'Aderans'), changed the offer price announced in the "Unison in Strategic Capital and Business Alliance" dated April 16, 2009 (subsequently the 'Press Release dated April 16, 2009'), in which Unison Capital Group announced (i) Unison's intention to conduct a tender offer (subsequently the 'Tender Offer') for the shares of Aderans, (ii) a summary of the Tender Offer and (iii) the conditions of commencement of the Tender Offer.

Further, with respect to the conditions of commencement of the Tender Offer, Unison has decided to waive the condition concerning the approval of the proposal regarding the application of the treasury stock of Aderans for the Tender Offer at Aderans's annual general meeting of shareholders, as Unison Capital Group has announced that Unison may, at its discretion, waive all or part of the conditions of commencement of the Tender Offer. In addition, with respect to the previously announced condition of commencement of the tender offer concerning the proposal to change the articles of incorporation at Aderans's annual general meeting of shareholders, Unison Capital Group hereby corrects this condition as set out below because Unison and Aderans have agreed that such condition should not be a condition of commencement of the Tender Offer. Unison Capital Group announced today that the conditions of commencement of the Tender Offer set forth in the Press Release dated April 16, 2009 have been changed as follows as a result of this waiver and correction.

In addition, with the exception of matters set forth below, the announced summary of the Tender Offer and the conditions of commencement of the Tender Offer are not changed at this time.

Note

1. Offer price

(before change) 1,000 yen per one common share

(after change) 1,200 yen per one common share

(Taking Aderans market share price on the first section of the Tokyo Stock Exchange until April 15, 2009 as a standard, this price attaches approximately 62.6% premium on the arithmetic average of the closing price over the past 3 months (from January 16, 2009 to April 15, 2009), approximately 57.9% on the arithmetic average of the closing price over the past 1 month (from March 16, 2009 to April 15, 2009), and approximately 27.0% on the latest closing price (April 15, 2009).)
2. Conditions of Commencement of the Tender Offer

(before change)

Unison plans to commence the tender offer in the event that the below conditions are satisfied in full; provided, however, that in the event that the below conditions are not satisfied, in full or in part, Unison may, at its discretion, waive applicable conditions and commence the tender offer.

(1) That the proposals by Aderans (election of 7 directors, election of 2 auditors, the application of the treasury stock for the tender offer, dividend of 15 yen per share, and changes to the articles of incorporation) are approved as proposed at the shareholders meeting.

(after change)

Unison plans to commence the tender offer in the event that the below conditions are satisfied in full; provided, however, that in the event that the below conditions are not satisfied, in full or in part, Unison may, at its discretion, waive applicable conditions and commence the tender offer.

(1) That the proposals in respect of the election of 7 directors, election of 2 auditors, and dividend of 15 yen per share, from among the proposals by Aderans are approved as proposed at the shareholders meeting.

About Unison Capital Group

Unison Capital Group is a pioneer of the private equity market in Japan. Since its establishment in 1998, Unison has worked consistently to design and implement strategies to raise the long-term corporate value of its portfolio companies. Unison has made 14 investments to date, with a total corporate value base of 700 billion yen. Including Fund III established in 2008, Unison presently operates total funds of about 200 billion yen, and is continuing its proactive investment activities.

<Media contact>

Kreib Gavin Anderson And Company

Press contact: Tel : 03-5404-0640

Please be fully warned that unless you do so 12 hours after the public announcement of this document, there is a possibility that in accordance with Article 167, Paragraph 3, of Financial Instruments and Exchange Law and Article 30 of the enforcement ordinance of such law, you may be prohibited from making any purchase or the like of share certificates or the like of the Aderans Holdings Co., Ltd. as a primary information recipient in relation to the insider trading regulations. It should be understood that even if you are subjected to criminal charges or civil or administrative liability for making such a purchase or the like, in no event will we accept any liability whatsoever in relation to any such charges or liability.
(Translated from the Japanese original)

May 28, 2009

Company: Aderans Holdings Co., Ltd.
Name: Nobuo Watabe, President
Stock Listings: First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3350-3268

Resolutions Passed at the 40th General Shareholders' Meeting and Personnel Changes
Tender Offer for Shares of Aderans Holdings Co., Ltd. by Unison Capital Group

Tokyo, May 28, 2009—Resolutions passed by shareholders of Aderans Holdings (hereafter, "the Company") at its 40th Ordinary General Shareholders' Meeting, held on this date, are as follows:

<Company Proposals>
Proposal 1 (Appropriation of retained earnings):
Approved by a majority of votes.
Proposal 2 (Partial Amendment to the Articles of Incorporation):
Approved by a majority of votes.
Proposal 3 (Election of seven members to the Board of Directors):
Of the seven director candidates put forward by the Company, the majority of shareholders approved the election of four—Kiyoshi Hayakawa, Senkichi Yugi, Kanjo Ie and Genichi Tamatsuka—and opposed the election of three candidates—Shiori Nagata, Kenichi Kiso and Osamu Yamamoto.
Proposal 4 (Election of two members to the Board of Corporate Auditors):
Of the two corporate auditor candidates, the majority of shareholders approved the election of Yoshiko Shirata and opposed the election of Toru Yamaoka.
Proposal 5 Allocation of Treasury Stock to Tender Offer
The agenda item was withdrawn, obviating the need to approve or oppose the proposal.

<Shareholder Proposal>
Proposal 6 (Election of eight members to the Board of Directors):
Approved by a majority of votes.
Consequently, at the conclusion of the Ordinary Shareholders' Meeting, the following 11 members formed the Company's Board of Directors.

Details

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Nobuo Watabe (New)</td>
</tr>
<tr>
<td>Director</td>
<td>Kiyoshi Hayakawa</td>
</tr>
<tr>
<td>Director</td>
<td>Senkichi Yagi (New)</td>
</tr>
<tr>
<td>Director</td>
<td>Kunio Ie (New)</td>
</tr>
<tr>
<td>Director</td>
<td>Genichi Tamatsuka (New)</td>
</tr>
<tr>
<td>Director</td>
<td>Shigeru Ishiko (New)</td>
</tr>
<tr>
<td>Director</td>
<td>Hiroko Wada (New)</td>
</tr>
<tr>
<td>Director</td>
<td>Tadao Osuki (New)</td>
</tr>
<tr>
<td>Director</td>
<td>Hironori Atsura</td>
</tr>
<tr>
<td>Director</td>
<td>Senta Koishi</td>
</tr>
<tr>
<td>Director</td>
<td>Joshua Schochter</td>
</tr>
</tbody>
</table>

Please note that Unison Capital Group members Unison Capital I, L.P., Unison Capital II, L.P., and Unison Capital III, L.P. (hereafter, collectively, "Unison Capital") were prepared to execute a tender offer for the Company's shares (hereafter, the "Tender Offer") upon fulfillment of certain conditions, as described in announcements "Unison in Strategic Capital and Business Alliance," dated April 16, 2009, and "Change of the Terms and Conditions Concerning the Tender Offer for the Shares of Adamas Holdings Co., Ltd.,” dated May 25, 2009. However, resolutions passed at the Company's Ordinary Shareholders' Meeting have prevented fulfillment of all prerequisites for the Tender Offer to move ahead.

The Company hereby provides notification that Unison Capital has decided not to commence the Tender Offer on June 1, 2009, originally set as the commencement date of the Tender Offer, and has informed the Company that it will announce by June 5, 2009, its next course of action.

Unison Capital has prepared its own press release. Please refer to the attachment "Announcement Concerning Tender Offer for Shares of Adamas Holdings Co., Ltd.,” dated May 28, 2009, for further details.

END

Attachment: Press release by Unison Capital Group “Announcement Concerning Tender Offer for Shares of Adamas Holdings Co., Ltd.,” dated May 28, 2009
UNISON CAPITAL

May 28, 2009

Announcement Concerning Tender Offer for Shares of Aderans Holdings Co., Ltd.

In the announcement, "Unison in Strategic Capital and Business Alliance" dated April 16, 2009 and the announcement, "Change of the Terms and Conditions Concerning the Tender Offer for the Shares of Aderans Holdings Co., Ltd." dated May 25, 2009, Unison Capital Group announced (i) the Intentions of Unison Capital I, L.P., Unison Capital II, L.P. and Unison Capital III, L.P. (hereinafter collectively referred to as "Unison"), all of which belong to Unison Capital Group, to conduct a tender offer (hereinafter the 'Tender Offer') for shares of Aderans Holdings Co., Ltd. (hereinafter 'Aderans') with a scheduled commencement date of June 1, 2009, (ii) a summary of the Tender Offer and (iii) the conditions of commencement of the Tender Offer.

At the annual general meeting of shareholders of Aderans held today, out of the seven candidates in Aderans' proposal for the election of directors, the election of three candidates who were to be dispatched by Unison Capital Group was not approved, and out of the two candidates in Aderans' proposal for the election of statutory auditors, the election of one candidate who was to be dispatched by Unison Capital Group was not approved. As such, one of the conditions of commencement of the Tender Offer has failed to be satisfied. Accordingly, Unison decided not to commence the Tender Offer on June 1, 2009, which was the scheduled commencement date of the Tender Offer. The future actions to be taken by Unison, including whether or not Unison will terminate the Agreement Concerning the Tender Offer and the Strategic Capital and Business Alliance Agreement with Aderans, both dated April 16, 2009, will be announced by June 5, 2009.

About Unison Capital Group

Unison Capital Group is a pioneer of the private equity market in Japan. Since its establishment in 1998, Unison has worked consistently to design and implement strategies to raise the long-term corporate value of its portfolio companies. Unison has made 14 investments to date, with a total corporate value base of 700 billion yen. Including Fund III established in 2008, Unison presently operates total funds of about 200 billion yen, and is continuing its proactive investment activities.

<Media contact>

Kreab Gavin Anderson  Press contact: Tel : 03-5404-0640
Please be fully warned that unless you do so 12 hours after the public announcement of this document, there is a possibility that in accordance with Article 167, Paragraph 3, of Financial Instruments and Exchange Law and Article 30 of the enforcement ordinance of such law, you may be prohibited from making any purchase, sale or the like of share certificates or the like of the Aderas Holdings Co., Ltd. as a primary information recipient in relation to the insider trading regulations. It should be understood that even if you are subjected to criminal charges or civil or administrative liability for making such a purchase, sale or the like, in no event will we accept any liability whatsoever in relation to any such charges or liability.
C-33

(Translated from the Japanese original)

June 1, 2009

Company: Aderans Holdings Co., Ltd.
Name:
Representative: Nobuo Watabe, President
Stock Listings: First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3350-3268

Cancellation of Tender Offer for Shares of Aderans Holdings Co., Ltd., by Unison Capital Group and Strategic Capital and Business Alliance

Tokyo, June 1, 2009 — As announced in the press release titled “Resolutions Passed at the 40th General Shareholders' Meeting and Personnel Changes, and Tender Offer for Shares of Aderans Holdings Co., Ltd., by Unison Capital Group” on May 28, 2009, Aderans Holdings (hereafter, “Aderans”) announced that we have received a notice from Unison Capital Group (hereafter, “Unison”) that Unison has decided to terminate the Agreement Concerning the Tender Offer and the Strategic Capital and Business Alliance Agreement with Aderans, both dated April 16, 2009, and not to proceed with a tender offer for shares of Aderans and the strategic capital and business alliance with Aderans.

The anticipated consolidated results for fiscal 2010 announced on April 16, 2009, had not included possible impact from this matter. Consequently, the cancellations will give a minor impact to the consolidated results for fiscal 2010.

The management policies including a revision of medium term management plan that will guide our efforts are being fine-tuned right now and will be announced as soon as they are ready.

End

Attachment: Press release by Unison Capital Group “Announcement Concerning Cancellation of Tender Offer for Shares of Aderans Holdings Co., Ltd. and Strategic Capital and Business Alliance” dated June 1, 2009
Announcement Concerning Cancellation of Tender Offer for Shares of Aderans Holdings Co., Ltd. and Strategic Capital and Business Alliance

Unison Capital I, L.P., Unison Capital II, L.P. and Unison Capital III, L.P. (hereinafter collectively referred to as "Unison"), all of which belong to Unison Capital Group, hereby announce that Unison has decided to terminate the Agreement Concerning the Tender Offer and the Strategic Capital and Business Alliance Agreement with Aderans Holdings Co., Ltd. ("Aderans"), both dated April 16, 2009, and not to proceed with a tender offer for shares of Aderans and the strategic capital and business alliance with Aderans in light of the results of the annual general meeting of shareholders of Aderans held on May 28, 2009.

About Unison Capital Group

Unison Capital Group is a pioneer of the private equity market in Japan. Since its establishment in 1998, Unison has worked consistently to design and implement strategies to raise the long-term corporate value of its portfolio companies. Unison has made 14 investments to date, with a total corporate value base of 700 billion yen. Including Fund III established in 2008, Unison presently operates total funds of about 200 billion yen, and is continuing its proactive investment activities.

<Media contact>
Kreab Gavin Anderson
Press contact: Tel: 03-5404-0640

Please be fully warned that unless you do so 12 hours after the public announcement of this document, there is a possibility that in accordance with Article 167, Paragraph 3, of Financial Instruments and Exchange Law and Article 30 of the enforcement ordinance of such law, you may be prohibited from making any sale or the like of share certificates or the like of the Aderans Holdings Co., Ltd. as a primary information recipient in relation to the insider trading regulations. It should be understood that even if you are subjected to criminal charges or civil or administrative liability for making such a sale or the like, in no event will we accept any liability whatsoever in relation to any such charges or liability.
Resignation of Director

Tokyo, June 1, 2009 — Although Aderans Holdings (hereafter, "Aderans") had released "Resolutions Passed at the 40th General Shareholders' Meeting and Personnel Changes, and Tender Offer for Shares of Aderans Holdings Co., Ltd., by Unitson Capital Group" on 28 May, 2009, Aderans announced today that we have received a request of Genichi Tamatsuka to resign a director, and accepted it. Consequently, Aderans' board of director consists of ten members.

End
Final Resolutions Passed at the 40th General Shareholders’ Meeting

Final resolutions passed by shareholders of Aderans Holdings at its 40th Ordinary General Shareholders’ Meeting, held on May 28, 2009, are as follows:

<table>
<thead>
<tr>
<th>Agenda</th>
<th>Result</th>
<th>Percentage of Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposal by the company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agenda 1. Appropriation of Retained Earnings</td>
<td>Passage</td>
<td>94.60%</td>
</tr>
<tr>
<td>Agenda 2. Partial Amendments to the Articles of Incorporation</td>
<td>Passage</td>
<td>94.59%</td>
</tr>
<tr>
<td>Agenda 3. Election of seven (7) Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kiyoshi Hayakawa</td>
<td>Passage</td>
<td>56.03%</td>
</tr>
<tr>
<td>Senkichi Nagat</td>
<td>Passage</td>
<td>55.89%</td>
</tr>
<tr>
<td>Kanui Ie</td>
<td>Passage</td>
<td>55.89%</td>
</tr>
<tr>
<td>Shigeru Ishii</td>
<td>Rejection</td>
<td>37.43%</td>
</tr>
<tr>
<td>Kenichi Kiso</td>
<td>Rejection</td>
<td>37.59%</td>
</tr>
<tr>
<td>Osamu Yamamoto</td>
<td>Rejection</td>
<td>37.49%</td>
</tr>
<tr>
<td>Genki Tanaka</td>
<td>Passage</td>
<td>55.87%</td>
</tr>
<tr>
<td>Agenda 4. Election of two (2) Corporate Auditors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yoshiko Shimura</td>
<td>Passage</td>
<td>60.19%</td>
</tr>
<tr>
<td>Tomo Yamaoka</td>
<td>Rejection</td>
<td>37.14%</td>
</tr>
<tr>
<td>Agenda 5. Allocation of Treasury Stock to Tender Offer</td>
<td>Withdrawal</td>
<td></td>
</tr>
<tr>
<td>Proposal by shareholder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agenda 6. Election of eight (8) Directors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nobuo Watabe</td>
<td>Passage</td>
<td>56.20%</td>
</tr>
<tr>
<td>Kiyoshi Hayakawa</td>
<td>Passage</td>
<td>56.94%</td>
</tr>
<tr>
<td>Shigeru Ishii</td>
<td>Passage</td>
<td>56.34%</td>
</tr>
<tr>
<td>Hiroshi Wada</td>
<td>Passage</td>
<td>56.34%</td>
</tr>
<tr>
<td>Hiroshi Aibara</td>
<td>Passage</td>
<td>56.79%</td>
</tr>
<tr>
<td>Tadao Otsuki</td>
<td>Passage</td>
<td>56.21%</td>
</tr>
<tr>
<td>Seiichiro Ishii</td>
<td>Passage</td>
<td>56.79%</td>
</tr>
<tr>
<td>Joshua Schaefer</td>
<td>Passage</td>
<td>56.61%</td>
</tr>
</tbody>
</table>

The percentages of proxy votes change by agenda. The highest percentage was approximately 91%.

End
(Translated from the Japanese original)

June 18, 2009

<table>
<thead>
<tr>
<th>Company Name:</th>
<th>Adarans Holdings Co., Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representative:</td>
<td>Nobuo Watanabe, President</td>
</tr>
<tr>
<td>Stock Listings:</td>
<td>First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange</td>
</tr>
<tr>
<td>Stock Code:</td>
<td>8170</td>
</tr>
<tr>
<td>Contact:</td>
<td>Michiyoshi Takahashi, General Manager, Corporate Communications Office</td>
</tr>
<tr>
<td>Phone:</td>
<td>+81-3-3350-3258</td>
</tr>
</tbody>
</table>

**Announcement of Cancellation of Treasury Stock**

On June 18, 2009 — Adarans Holdings Co., Ltd. (the "Company") announced that the meeting of Board of Directors held today, has resolved to cancel its treasury stock, pursuant to Article 178 of the Japanese Corporate Law.

1. Class of shares to be cancelled: Common stock of the Company
2. Number of shares to be cancelled: 1,500,000 shares (Representing 3.59% of issued shares prior to cancellation)
3. Scheduled cancellation date: June 30, 2009

(Reference)
1. Total number of outstanding shares after cancellation will be 40,213,388 shares.
2. Total number of the Company's treasury stock after cancellation will be 1,495,598 shares.
(Translated from the Japanese original)

June 18, 2009

Company Name: Aderans Holdings Co., Ltd.
Representative: Nobu Watabe, President
Stock Listings: First sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Stock Code: 8170
Contact: Michiyoshi Takahashi, General Manager, Corporate Communications Office
Phone: +81-3-3350-3268

Notice Regarding End to Measures for Countering Large-Scale Acquisitions of Aderans’ Shares (Takeover Defense Measures)

Tokyo, June 18, 2009—Prior to the establishment of Aderans Holdings (hereafter, "the Company"), the board of directors of the old Aderans Co., Ltd., met on December 18, 2006, and resolved to introduce measures for countering large-scale acquisitions of Aderans’ shares (hereafter, "the Plan"). The content of the Plan was carefully checked, and changes were approved by the board of directors at that time at their meeting on April 20, 2007. The Plan subsequently received shareholder approval at the ordinary general meeting of shareholders on May 24, 2007.

On June 18, 2009, the Company’s current Board of Directors resolved to terminate the Plan, as of this date. Details regarding the decision are provided below.

Particulars

The board of directors at the time of the meeting on December 18, 2006, approved the Plan, the purpose of which was this: In the event an offer was made to acquire a large number of the Company’s shares, the Plan would serve to secure the information and time necessary for shareholders to form an appropriate decision on the offer and also enable Aderans—and following the transition to a holding company structure, the Company—to sustain and further enhance corporate value and the common interests of shareholders by facilitating negotiations with potential buyers from the perspective of maximum corporate value and greatest benefit to shareholders and by giving the Board of Directors the opportunity to present alternative proposals.

Since the Plan was introduced, management has often given careful consideration to approaches that would be particularly effective for realizing higher corporate value and getting more out of the Plan, from the perspective of groupwide corporate value and by extension return to shareholders.
Consequently, management has come to the conclusion that the Plan is no longer needed because the current operating environment is significantly different from the one that prevailed when the Plan was introduced, maximizing corporate value is considered as the strongest takeover defense measures and the establishment and amendment of legal procedures, in accordance with the Financial Instruments and Exchange Law, now serve to secure sufficient information and time for shareholders to decide on an offer to acquire a large number of shares, which was the intended purpose of the Plan.

Even after the Plan is terminated, the Board of Directors will strive to ensure sufficient information and time for shareholders to form an appropriate decision in the event an offer is made to acquire a large number of the Company’s shares, primarily by demanding any potential buyer to disclose its intentions and by publicly announcing its own conclusions and opinions on the offer. In addition, when necessary, the Board of Directors will take suitable steps, within the scope permitted by the Company Law and other related laws and ordinances, to address issues associated with large-scale acquisition of shares.

END
Press Release

Efforts to Enhance Corporate Value at Aderans Holdings

The Board of Directors at Aderans Holdings (hereafter, "the Company") approved on this date the items described below to facilitate progress on the planning of business reforms currently being fine-tuned and to further enhance corporate value.

Based on the results of voting at the 40th Annual General Shareholders' Meeting on May 28, 2009, the Aderans Group embarked on the next chapter of its corporate history with a new management structure. Under this structure, which hinges on new directors and executive officers, employees and the new management team will strive to work as a cohesive unit to address day-to-day business issues and thereby enable the Group to fully realize the expectations of all stakeholders.

Particulars

1. Formation of Advisory Committees (as of June 18, 2009)
The Company will establish four committees, with most seats filled by outside directors, to function in an advisory capacity, using specific areas of expertise to closely examine issues discussed by the Board of Directors and offer possible responses from their expert perspectives. The Company will also work to enhance corporate value and reinforce governance.

Of note, the Marketing Committee, which will be headed by two outside directors—Hiroko Wada and Tadao Otsuki—who are authorities in the area of consumer goods marketing in Japan, will carefully select proposals from the newly established Corporate Marketing Office to build a new Aderans corporate image.

<table>
<thead>
<tr>
<th>Committee</th>
<th>Primary Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel/Compensation Committee</td>
<td>Convey opinion on personnel system and compensation for executives and managers at Aderans Holdings and its subsidiaries.</td>
</tr>
<tr>
<td>Finance/Capital Committee</td>
<td>Offer advice on efficient application of Group capital to elicit higher corporate/shareholder value.</td>
</tr>
<tr>
<td>Marketing Committee</td>
<td>Discuss and suggest annual marketing budgets for principal operating companies, based on strategic priority ranking.</td>
</tr>
<tr>
<td>Compliance/Governance Committee</td>
<td>Present approaches grounded in the corporate code of conduct of the Aderans Group to make compliance more thorough, enhance corporate/shareholder value and maintain optimum corporate governance.</td>
</tr>
</tbody>
</table>
2. Establishment of Corporate Marketing Office (as of June 4, 2009)
To put business results back on track, the Company will invest more resources in business areas with growth potential, particularly the domestic women's segment, while accelerating business reforms in the domestic men's segment. The Corporate Marketing Office has been given the duty of drawing up a master plan for marketing activities in Japan and making advertising and promotional activities more effective. The drivers of success in this effort are executive officers Yuji Hiraoka, who has a rich background and proven results in consumer goods brand management, and Yoshihiro Tsumura and Junko Miwa, both of whom have honed their marketing skills at Aderans, the subsidiary responsible for domestic core operations.

3. Cancellation of Treasury Stock
The Board of Directors has resolved to retire treasury stock as part of the Company's shareholders return policy. One use of the unretired portion will be as an incentive to directors and employees. For more details, please refer to the press release "Announcement of Cancellation of Treasury Stock," dated June 18, 2009.

4. End to Takeover Defense Measures
The Board of Directors is of the opinion that maximizing corporate value is the most effective way to avert a takeover and has therefore decided to terminate the Company's takeover defense measures. Background to this decision can be found in the press release "Notice Regarding End to Measures for Countering Large-Scale Acquisitions of Aderans' Shares (Takeover Defense Measures)," dated June 18, 2009.

The business and administrative reforms planned for the Aderans Group have only just begun. Stakeholders should know that management will not take the easy way out but resolutely execute the reforms needed to ensure the Group's status as the world's No. 1 provider of total hair-related solutions. Everyone under the Group umbrella will contribute to this new chapter in an already admirable corporate history, and the support and encouragement of stakeholders will be integral to overall success.

For more information, please contact Corporate Communications Office, at +81-3-3350-3268.
Appendix D

Press Releases
DaVinci Advisors

D-1

The following is a translation of a Japanese Language press release, and is provided for your convenience only.
Osaka Securities Exchange, Hercules (Code number: 4314)
April 25th, 2007

K.K. DaVinci Advisors
6-2-1 Ginza Chuo-ku, Tokyo
Representative Director & President:
Osamu Kaneko
Media Contact: Hiroki Nakajima
(TEL: 81-3-6215-9587)

DaVinci Advisors proposes Tender Offer for Shares of Common Stock of TOC Co., Ltd. to Protect the Interest of TOC’s Shareholders

K.K. DaVinci Advisors (“DaVinci Advisors”) today proposed to TOC Co., Inc. (“TOC”) a tender offer for its shares of common stock. (See attached proposal for details.)

The Board of Directors of TOC resolved to support the tender offer by Y.K. Otani Fund TO (“Otani Fund”) to acquire TOC’s shares at JPY 800 per share, and on April 9, 2007, TOC filed a “Report on Expression of Opinion” with the regulatory agency stating its support for the tender offer.

As a shareholder of TOC, indirectly holding approximately 10% of the total number of TOC’s outstanding shares through an affiliated company, Y.K. Algarve, DaVinci Advisors has closely examined the tender offer proposal by Otani Fund. The tender offer price does not reflect unrealized capital gains of TOC’s real estate and the potential profit growth accomplished by leveraging such capital gains. DaVinci Advisors has reached the conclusion that the successful completion of Otani Fund’s tender offer would be against the interest of TOC’s shareholders. Under the intention to protect the interest of TOC’s shareholders, DaVinci Advisors today proposed to the management of TOC a tender offer subject to their approval.

DaVinci Advisors has extensive experience and expertise in real estate investment and real estate value increase, and we strongly believe that by cooperating with TOC, we can realize the maximum potential corporate value. It is our firm belief that our proposal is in the best interest of TOC’s shareholders. We hope that the Board of Directors of TOC will support our proposal under fair and appropriate consideration for the maximization of the interest of its shareholders.

End
To: All

K.K. DaVinci Advisors 6-2-1 Ginza, Chuo-ku Tokyo, Japan

Osamu Kaneko, Representative Director (Code: 4314) Contact: Hiroki Nakashima  Tel: 03-6215-9587

Regarding Our Proposal to TOC Co., Ltd. and Questions Regarding Our Proposal for a Tender Offer for TOC Co., Ltd. Shares

Today, May 7, 2007, we received by registered mail a document from TOC Co., Ltd. ("TOC") dated May 3, 2007 that contains questions regarding our proposal of April 25, 2007 for a tender offer for TOC’s shares.

In response to our receipt of the questionnaire, TOC has offered to meet with us tomorrow, May 8, 2007, so that we might explain our responses further, and once we have completed that discussion, we will move to quickly disclose the results.

Please refer to TOC’s press release of May 7, 2007, for more information regarding the content of their questions.
Regarding Our Proposal of a Tender Offer to TOC Co., Ltd.

On May 7, 2007, we received via registered mail a document from TOC Co., Ltd. (“TOC”) dated May 3, 2007 containing questions regarding our proposal for a tender offer for shares of stock issued by TOC (the “Proposal”). Today, we responded to TOC (please refer to the attached materials).

We have an extensive track record and expertise in real estate investment and in raising the value of such investments, and we are convinced that by collaborating with TOC we can realize its potential value. This led to our Proposal of April 25, 2007, and today, we again asked that TOC support the Proposal. Further, in order to give TOC’s shareholders adequate time to carefully compare our Proposal with the tender offer currently being conducted by YK Otani Fund TO (“Otani Fund”), we have also requested that TOC urge Otani Fund to extend the term of their tender offer.

In any case, although we had already made our wishes known to TOC regarding our Proposal, with the closing date for the tender offer from Otani Fund fast approaching, we felt it necessary, from the point of view of protecting shareholder value, to restate our request.
May 8, 2007

To the Board of Directors
TOC Co., Ltd.

K.K. DaVinci Advisors Representative
Director and President Osamu Kaneko

Response to Your Questions

Dear Sirs,

As you are aware, on April 25, 2007, we sent you a proposal for a tender offer of 1,100 yen per share of common stock issued by your company (the “Proposal”, originally titled “Proposal for Protecting Shareholder Value through a Tender Offer for Shares of Stock Issued by TOC, Co., Ltd.”). Yesterday, May 7, 2007, at just before 11 a.m., we in turn received via registered mail a questionnaire from you (the “questionnaire”) dated May 3, 2007 titled “Regarding the Document Dated April 25, 2007 and Titled the ‘Proposal for Protecting Shareholder Value through a Tender Offer for Shares of Stock Issued by TOC Co., Ltd.’”. In the questionnaire, you make reference to certain administrative sanctions (“sanctions”) imposed by the Ministry of Finance on K.K. DaVinci Select (“DaVinci Select”), our 100%-owned subsidiary, and express concerns about our group’s approach to and systems for ensuring regulatory compliance, stating that any consideration of our Proposal would be contingent upon your having a full understanding of the specific facts behind those sanctions and of the structures our group has in place for ensuring regulatory compliance. Further, yesterday you issued a press release, also titled “Regarding the Document Dated April 25, 2007 and Titled ‘Proposal for Protecting Shareholder Value through a Tender Offer for Shares of Stock Issued by TOC Co., Ltd.’”, in which you make public the fact that you have provided us with a questionnaire, and are working to ascertain certain facts as part of consideration of our Proposal, but that at the same time, there is no change in your opinion that the tender offer for shares of your common stock extended by YK Otani Fund TO (“Otani Fund”) on April 6, 2007 should be supported. On the one hand, we take the said sanctions very seriously and have already taken concrete steps to improve internal control systems at our group companies; on the other hand, we do not feel that the sanctions in question represent any impediment to your consideration of our proposal to protect your company’s shareholder value via a tender offer for shares of your company’s stock, and we find it difficult to understand exactly what your concerns in the matter are. Based on the foregoing background, please find below our response to your questionnaire along with our views.
1. Administrative sanctions against DaVinci Select, and company measures regarding legal compliance

(1) Facts leading to the administrative sanctions against DaVinci Select, and the specific terms of the sanctions

The facts leading to the administrative sanctions against DaVinci Select involved how the company went about obtaining valuation assessments in the course of property transactions, specifically, that it “failed not only to present appropriate materials to the real estate appraisers hired by DaVinci Select for the appraisal of assets, in the course of the appraisal procedure required at the time of acquisition of the real estate which was to be incorporated into the assets, but also failed to confirm the content of the appraisal made notwithstanding a lack of appropriate materials, leaving the erroneous appraisal overlooked, and as a result, leading DaVinci Select to acquire the assets of the investment firm based on an exaggerated valuation” (see the DA Office Investment Corp. press release of February 14, 2007, provided herein as Attachment 1).

Note that, because the facts leading to the administrative sanctions were the result not of any structural or organizational deficiencies on the part of K.K. DaVinci Select, but were caused by the simple carelessness of a single individual in charge of the matter at the time, the business improvement order handed down by the Ministry of Finance concerned not improvements to the regulatory compliance structure (a sustained and/or uniform structure/system) of the company, but was an order to work on improving the company’s attitude (a transitory and/or limited approach or response) toward such issues. Since that time, DaVinci Select has not only complied with the order by completing implementation of a double (two-person) check system—something the department in charge had failed to do at the time—when conducting assessments, but has gone beyond the requirements of the business improvement order and has instigated and disclosed a new system of checks by a department other than the one in question.

Further, the business suspension order against DaVinci Select specifies only that DaVinci Select is prohibited from entering into any new asset management agreements with investment corporations other than DA Office Investment Corp. (through June 13, 2007) and is not targeted at the asset management services DaVinci Select currently provides to DA Office Investment Corp. Thus, there are currently no restrictions placed on the asset management, operations, and new property acquisition and conveyance work DaVinci Select performs for DA Office (see the DA Office Investment Corp. press release of March 13, 2007, provided herein as Attachment 2).

(2) Design and implementation of DaVinci Select’s compliance approach

The formulation of an approach to regulatory compliance at DaVinci Select, and the status of its implementation, are described below.
Upon receiving the above sanctions, on March 28, 2007, DaVinci Select adopted its “Basic Management Principles”, and at the same time implemented certain organizational and personnel changes (see the DA Office Investment Corp. press release of March 28, 2007, provided herein as Attachment 3), and on April 13, 2007, submitted to the Ministry of Finance a business improvement plan that included steps to clarify its management approach, establish a regulatory compliance and internal management system, and clarify responsibility, including that at the management level, along with specific measures to prevent a recurrence, which plan was accepted by the Ministry on the same day (see the DA Office Investment Corp. press release of April 13, 2007, provided herein as Attachment 4). Note that, aside from some additional hiring, the business improvement measures and steps to prevent a recurrence outlined in the business improvement plan have already been completely implemented, a fact which the company has reported to the Ministry of Finance (see the DA Office Investment Corp. press release of April 26, 2007, provided herein as Attachment 5).

(3) Status of our instructions to our subsidiary, DaVinci Select, regarding regulatory compliance

DaVinci Select is operated independently of DaVinci Advisors. We are involved with DaVinci Select’s individual business activities to the extent permissible by law, and we will continue to offer our proactive support for their efforts to improve their compliance structures.

(4) Formulation and management of a compliance structure at DaVinci Advisors

We are strongly cognizant of the fact that solid regulatory compliance is an essential component of corporate management, and we position it as one of our highest management priorities.

At DaVinci Advisors, in addition to legally mandated auditing by our Board of Corporate Auditors and accounting auditors, we work to ensure regulatory compliance by conducting regular audits of our business activities and the effectiveness of our internal controls through our Internal Audit Department, which reports directly to the Representative Director of the company. To further strengthen our compliance infrastructure, in February of 2007, we split off from our Legal Department a new, independent Compliance Department, and at the same time hired an outside attorney as Compliance Officer, providing even greater strength to our overall compliance efforts. In addition, our Internal Audit Department participates in internal meetings along with members of the Legal and Compliance departments, enabling them to constantly monitor the effectiveness of our internal controls and the conduct of business, and regularly check whether our everyday business is being carried out appropriately and effectively in compliance with the law and with our internal regulations.

Finally, as part of our efforts to improve corporate ethics and ensure complete compliance, it is important that we raise the level of awareness of these issues among our individual employees, and to that end, we have established the K.K. DaVinci Advisors Code of Conduct, which all employees are required to honor.

(5) Disclosure of other information

The above is an explanation of the specific circumstances leading to the administrative
sanctions against DaVinci Select, and the development and implementation of a compliance infrastructure within our group companies. However, it is still not clear to us why you feel that the fact that DaVinci Select was handed these sanctions in the past, and has already implemented measures to improve their operations, might interfere with our (DaVinci Advisors’) proposal to protect shareholder value through a tender offer, or what specific adverse effects you are concerned might accrue to you and your shareholders were we to acquire your shares. Compared to Otani Fund’s current tender offer, under which they intend to acquire complete ownership of your company, we are offering your shareholders both a higher price and terms equal to or better than those offered by Otani Fund, which we believe will contribute to increased corporate value for you. If the above response still does not serve to relieve your concerns, please let us know exactly what possible adverse effects you are concerned about. Upon signing of a Non-Disclosure Agreement, we are prepared to provide you with disclosure of detailed materials about our group’s compliance measures, which we believe will dispel any concerns you may have. Again, please let us know exactly what those issues are.

2. Requests from us

Given that your Board of Directors has already expressed its opinion that Otani Fund’s current tender offer, under which they intend to acquire complete ownership of your company, provides an opportunity, of which you approve, for your shareholders to sell their shares, we believe that your Board of Directors has an obligation, under its duty of care, to maximize shareholder value by agreeing to any offer which will provide your shareholders an opportunity to sell at an even higher price, and at terms equal to or better than those otherwise offered. Again, if you feel that you require further explanation of the regulatory compliance situation at our company and at our subsidiaries, or of your other concerns, we are prepared to respond promptly with further detail upon completion of the necessary formalities. While we believe such further explanation will be sufficient to dispel your concerns, the fact that the price of your shares is approaching the per share price incorporated in our proposal is an indication that there are shareholders who are looking forward to your support of that offer, and we are strongly confident that in consideration of their responsibility to your shareholders, your Board of Directors will approve our proposal.

Further, in order to provide your shareholders with sufficient time to fully compare our proposal with the offer from Otani Fund, we would also ask that you urge Otani Fund to extend the term of their current tender offer.

Again, we are prepared at any time to provide your Board of Directors with further detailed explanation of the content of our proposal and to discuss our offer with you directly. We look forward to hearing from you at your earliest convenience.
Securities and Exchange Surveillance Commission Recommendation based upon the result of the inspection of K.K. DaVinci Select and DA Office Investment Corporation

1. Recommendation Issued

As a result of having inspected K.K. DaVinci Select (“DS”, Chuo-ku, Tokyo, Representative Director: Takashi Abe, capital: 200,000,000 yen, number of employees and directors: 22), as an Investment Trust Company for the DA Office Investment Corporation (“DAO”), the Securities and Exchange Surveillance Commission discovered that DS violated laws and regulations as described below. Because of the violation, it recommended to the Prime Minister and the commissioner of the Financial Services Agency today to take administrative disciplinary action against DS pursuant to Article 20 paragraph 1 of the Act for the Establishment of the Financial Services Agency.

Circumstances

- Kankan Chui Gimu Ihhan, i.e., Breach of managerial diligence duty. In its dealings with DAO, DS did not provide appropriate information to the third party appraisal institute at the time of the acquisition of the properties. In addition, DS overlooked that appraisals were overvalued because it did not check the appraisal results in detail, which were calculated based on inappropriate information. As a result of this, it acquired the properties with an overvalued appraisal price. The actions DS performed on behalf of DAO violate Article 34, Paragraph 2-2 of the Law relating to investment trusts and investment corporations, which prescribes that "An Investment Trust Company must accomplish its duties on behalf of an investment corporation with the diligence of a good manager." Real Estate Acquisition Appraisal Procedures that were not followed

- Booking the revenue of a write-off of security deposit which belonged to the previous owner
- Revenue of a write-off of security deposit, that actually belonged to the previous owner
- Revenue of vending machine, which actually did not exist (but that existed before the DS acquisition)
In addition, since DS did not check the appraisal results in detail prepared by the third party appraisal institute, it acquired the properties with overvalued appraisal prices.

- **Overbooked revenue and Underbooked expenses** When acquiring the properties, DS misconducted the appraisal process by not providing the following information, without intention, to the third party appraisal institute.
  - recently updated information of utilities and building maintenance costs
  - information relating to a decrease in revenue of the sign boards

- **Overbooking of free rents not reflected** Although there were free rents in some properties which DS was to acquire on behalf of the DAO, it did not provide the information to the third party appraisal institute. Therefore, the third party appraisal institute did not reflect the free rents in the appraisal results.

Note: The above are the examples that the appraisal results were overvalued because DS did not provide appropriate information to the third party appraisal institute. However, we noted that the lack of documents and information did not have impact on some of other appraisals as a result of DS’s recalculation in capitalization method or other evaluation methods.
The impact on appraisal

<table>
<thead>
<tr>
<th>Property name</th>
<th>Ginza 620</th>
<th>Shinbashi 510</th>
<th>Shinbashi 610</th>
<th>Shin-yokohama 131</th>
<th>Tsukiji 616</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition date</td>
<td>IPO (oct-05)</td>
<td>IPO (oct-05)</td>
<td>IPO (oct-05)</td>
<td>Jan’06</td>
<td>Mar’06</td>
</tr>
<tr>
<td>Overbooked revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Security deposit</td>
<td>0.55</td>
<td>1.37</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vending machines</td>
<td>-</td>
<td>0.54</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>▲ 5.80</td>
<td>4.80</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sign board</td>
<td>-</td>
<td>0.90</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Free rent</td>
<td>6.97</td>
<td>-</td>
<td>1.02</td>
<td>9.97</td>
<td>-</td>
</tr>
<tr>
<td>Underbooked expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>-</td>
<td>3.05</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Building maintenance costs</td>
<td>-</td>
<td>2.94</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Property management fee</td>
<td>-</td>
<td>0.11</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraisal (Acquisition price)</td>
<td>14,100</td>
<td>660</td>
<td>2,080</td>
<td>1,350</td>
</tr>
<tr>
<td>Appraisal in recalculation</td>
<td>no impact</td>
<td>608</td>
<td>1,990</td>
<td>no impact</td>
</tr>
</tbody>
</table>

The difference between appraisal and recalculation

Sales price -790 ···· unit: million yen

- The figures in revenues and expenses show the differences between appraisal and recalculation (rough calculated figures).
- This chart indicates annual cash flow.
[English Translation]
This translation of the original Japanese Notice is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

March 13, 2007

DA Office Investment Corporation
Kotaro Matsuoka, Executive Officer
(TES Code: 8976)

For inquiries:
K.K. DaVinci Select Investor Relations,
Yoshiki Nishigaki Phone: +81 3 6215-9649

Notice of Administrative Order against Investment Trust Management Company

DA Office Investment Corporation (“DA Office”) hereby provides notice that its investment trust management company, K.K. DaVinci Select (“DaVinci Select”) received an administrative order today, March 13, 2007, from the Financial Services Agency. The details of the administrative order are described below.

The business suspension order, one of the orders described below, prohibits DaVinci Select from entering into a new asset management contract with an investment corporation other than DA Office, but it does not apply to the asset management services that DaVinci Select provides to DA Office. Therefore, the business suspension order will not restrict the services DaVinci Select provides to DA Office, such as the management and operation of its assets, the conduct of additional acquisitions, and the transfer of properties. In addition, the current forecast of the asset management performance of DA Office will not be revised.

DaVinci Select has expressed its sincere apology to all concerned parties and takes this administrative order very seriously. In connection with the business improvement order described below, DaVinci Select will vigorously work to clarify management’s stance regarding regulatory compliance and have management build its system of compliance and internal controls into a responsible state of readiness. In particular, in order to ensure the implementation of measures to confirm the appropriateness of any documentation that is provided to appraisal companies and that such documentation is properly reflected in their appraisals, DaVinci Select is reviewing its management operations, including by strengthening its
internal control system through an organizational change that will include the establishment of a new
department exclusively responsible for internal controls. The details of such review will be incorporated
into a business improvement plan in consultation with and under the guidance of the competent authorities,
and announced as soon as it has been prepared.

NOTE

1. Reason for the Order

While managing the assets of DA Office pursuant to an asset management agreement between
DaVinci Select and DA Office, DaVinci Select not only failed to provide proper documentation to the
appraisal companies that were assessing real properties to be incorporated into DA Office’s assets, it also
failed to review the resulting appraisals, which were based on the improper documentation. As a result,
DaVinci Select overlooked the inaccuracy of the resulting appraisals and acquired real properties for DA
Office based on inflated appraisal values.

The above actions of DaVinci Select constitute a breach of the provisions of Article 34-2,
Paragraph 2 of the Investment Trust and Investment Corporation Law (the “Law”) which provides that an
investment trust management company “shall conduct asset management services for an investment
corporation with the due care of a good manager”.

2. Details of the Order

(1) Business Suspension Order (Article 42, Paragraph 1, Item 1(A) of the Law) Prohibits DaVinci Select
from entering into new asset management contracts for three (3) months.

(2) Business Improvement Order (Article 40, Paragraph 1 of the Law)
(i) To ensure the fair and proper conduct of its business as an investment trust management company,
DaVinci Select must clarify its management stance regarding regulatory compliance, have management
build its system of compliance and internal controls into a responsible state of readiness, and review its
business methods to make steady progress in achieving the foregoing.

(ii) In particular, when acquiring or operating properties for an investment corporation, DaVinci Select
must implement measures to prevent a recurrence of any problem, including establishing procedures to
confirm that the documentation provided to appraisal
companies is appropriate, and that such documentation is properly reflected in their appraisals, so that properties can be acquired based on a properly appraised value.

(iii) DaVinci Select must clarify its responsibilities, including those of management, based on the results of the recent inspection.

(iv) DaVinci Select must submit a business improvement plan by April 13, 2007 to implement items (i) through (iii) above and begin enforcing it immediately thereafter.

- End -

- The original Japanese version of this Notice has been distributed to The Kabuto Club, the Ministry of Land, Infrastructure and Transport (“MLIT”) Press Club, and the MLIT Press Club for Construction Publications.

- DA Office’s website can be found at: http://www.da-office.co.jp.
DA Office Investment Corporation

March 28, 2007

Real Estate Investment Trust Name:
DA Office Investment Corporation 6-2-1 Ginza, Chuo-ku, Tokyo Kotaro
Matsuoka, Executive Director (Code No. 8976)

Investment Management Company:
K.K. DaVinci Select Representative Director and President:
Takashi Abe For Inquiries: IR & Planning Dept, General Manager, Yoshiki Nishigaki, Phone: +81 3 6215-9649

Adoption of “Basic Principles of Management” by the Investment Management Services Company;
Announcement of Reorganization

K.K. DaVinci Select (the “investment management company”), the investment management services company to which our investment corporation entrusts the management of its assets, received, on March 13 of this year, and as advised on that date, a business improvement order, and is currently working under the direction of the relevant authorities to develop a business improvement plan. As a critical part of that plan, today the company announces the adoption of a “Basic Principles of Management”, certain organizational changes, and the implementation of changes in personnel. Full details of the investment management company’s business improvement plan will be made public once it has completed its submission of the plan to the regulatory authorities.

Notice

1. Adoption of “Basic Principles of Management”

The investment management company is fully cognizant of the fact that recent deficiencies in its compliance procedures could seriously undermine both the foundation of its own management, as well as that of the investment corporation for which it provides services, and has positioned thorough compliance as a basic principle of its management policy (Investment Management Company Compliance Regulation Article 3, Section 1). Nevertheless, it is taking the recent business improvement order as an opportunity to further clarify its management approach to regulatory compliance, and to that end, announces that today its
Board of Directors has made ensuring such compliance an official part of the investment management company’s “Basic Principles of Management”. These “Basic Principles of Management” will of course form the fundamental code of conduct for the investment management company’s executive staff, and will be disseminated throughout the company as a basic guideline for the conduct of all employees, as we work to assure that solid compliance becomes a part of every individual business activity.

2. Organizational Changes (As of March 28, 2007)

As part of reforming its administrative structure in order to further strengthen its approach to regulatory compliance and internal management, the investment management company today put in place the following two organizational changes:

(1) Establishment of an Internal Control Office

The Administrative Department’s former Compliance Team has been split off, and newly established as the Internal Control Office, reporting directly to the Representative Director.

The primary goal of the creation of this Internal Control Office is to create a structure whereby a department unrelated to the fund management division can review materials already checked once by fund management division staff, in particular those related to asset acquisitions on behalf of the investment corporation, where the appropriateness of appraisal assessment materials provided to appraisal companies at their request is reviewed, and the company makes sure that the content of such materials is reflected in the actual appraisal. By ensuring regulatory compliance and strengthening internal controls when acquiring assets on behalf of the investment corporation, the company has moved quickly to prevent a recurrence of the issues specified in the business improvement order.

(2) Establishment of an IR General & Planning Department

The Finance Department’s former IR Team has been split off, and is now the newly established IR General & Planning Department.

The goal of establishing this IR General & Planning Department is not only the disclosure of information that directly affects the management and financial standing of the investment corporation, but to provide investors with proactive disclosure of the investment management company’s efforts to conduct its business with a proper approach to regulatory compliance and internal controls. This provides a structure whereby investors gain a more transparent view of the investment management company’s operations, and to ensure such proactive disclosure is carried out appropriately, the company has separated the IR Team from the Finance Department of which it was previously a part, and established it as an independent department.
(3) Personnel Changes (As of March 28, 2007)

In addition to the above organizational changes, the investment management company has today
implemented the personnel changes noted in (1) and (2), below, and separately from the changes noted
above, has also instituted the move noted in (3), below (which is not part of the business improvement plan
in question here).

1. Internal Control Office (New)  Head of the Internal Control Office  Masaaki Kuroda
2. IR & Planning Department (Old)   Finance Department, IR Team Manager  Yoshiki Nishigaki (New)  IR
   General & Planning Department, General Manager Yoshiki Nishigaki
3. Investment Management Department (Resigned) Research Team Leader  Chiaki Matsumoto

   Note that the personnel moves noted in (2) and (3) below are considered significant changes in
   personnel under regulations governing investment trusts and investment corporations, and as such are
   reported to the director of the Ministry of Finance. Also, under terms related to permits to act as a
discretionary agent, they must also be reported to the Minister of Land, Infrastructure, and Transport
as significant changes in personnel.

• Distribution of these materials: Kabuto Club, Land, Infrastructure and Transport Press Club, Ministry of
  Land, Infrastructure, and Transport Press Club for Construction Trade Journals
• The Investment Corporation’s web site is at http://www.da-office.co.jp
DA Office Investment Corporation
Kotaro Matsuoka, Executive Officer
(TES Code: 8976)

For inquiries:
K.K. DaVinci Select IR & Investor Relations
General Planning Dept, General Manager
Yoshiki Nishigaki Phone: +81 3 6215-9649

Notice of Submission of “Business Improvement Plan” by Investment Trust Management Company

DA Office Investment Corporation (“DA Office”) hereby provides notice that its investment trust management company, K.K. DaVinci Select (“DaVinci Select”), has formulated and submitted a business improvement plan (the “Plan”) today, April 13, 2007, to the Financial Services Agency, after receiving an administrative order on March 13, 2007, as announced on the same date.

The details of the Plan are described below. Although portions of the Plan have already been implemented by DaVinci Select as announced in its notice dated March 28, 2007, DaVinci Select will continue to work to further strengthen its system of compliance and internal controls and to achieve fair and proper management operations in order to fulfill the expectations of investors.
NOTE

Business Improvement Plan of DaVinci Select (Summary)

I. Clarification of Management Stance and Creation of Responsible System of Compliance and Internal Controls

1. Clarification of Management Stance concerning Compliance

   (1) Adoption of Basic Management Principles and Submission of Oath

   As announced on March 28, 2007, thorough compliance was adopted as a basic management principle of DaVinci Select at a meeting of its Board of Directors held on March 28, 2007. Since then, each officer and employee of DaVinci Select has submitted his or her oath to the representative director certifying that he or she will always keep DaVinci Select’s basic management principles in mind and conduct its business while ensuring compliance.

   (2) of Details Regarding Business Improvement Plan (the “Plan”)

   DaVinci Select will hold a meeting to explain the Plan and will disseminate the details of the Plan to its officers and employees.

2. Creation of a Responsible System of Compliance and Internal Controls by Management

   (1) Response to Recognized Issues

   DaVinci Select will (i) conduct its management operations in compliance with its operational procedures in an effort to never lose sight of the importance of its operations, (ii) make an effort to hire personnel in the numbers and with the qualifications necessary, so as to eliminate carelessness that can result from being understaffed, and (iii) create a system of confirming all documentation that is provided to an appraisal company by formulating an Appraisal Reports Manual and establishing an Internal Controls Office.

   (Note 1) Since September 2006, DaVinci Select has been conducting an internal project to review the business process for each of its operations and will establish these business processes as a set of new internal rules. The business process that will be formulated for the acquisition of properties by an investment corporation will be incorporated in the full-fledged amendment of the current Property Acquisition Manual.
(Note 2) The Appraisal Reports Manual will be newly formulated and included as a part of the amended Property Acquisition Manual.

(Note 3) An Internal Controls Office was established on March 28, 2007, as announced on the same date.

(2) Strengthening Compliance and Internal Controls Systems

An Internal Controls Office has been established to exercise internal control and/or conduct investigations of actual business procedures and contents, and to further strengthen DaVinci Select’s system of compliance and internal controls. The effectiveness of the Internal Controls Office will be monitored by a compliance officer and the compliance committee. In addition, an IR & Planning Department has been created separate from and independent of the existing Finance Department in order to appropriately provide enhanced transparency and appropriate disclosure of management operations to investors.

(Note 4) A new IR & Planning Department was established on March 28, 2007, as announced on the same date.

II. Specific Measures to Prevent Recurrence

1. Preventative Measures DaVinci Select will establish procedures for requesting an appraisal report from an appraisal company upon the acquisition of a property by an investment corporation, as well as checklists of operational items to be confirmed in its Appraisal Reports Manual. Accordingly, DaVinci Select will (i) establish a system where both the responsible investment management employee and his or her manager confirm the appropriateness of all documentation that is provided to an appraisal company and that such documentation is properly reflected in the resulting appraisal, and (ii) ensure that the Internal Controls Office confirms that the above confirmation procedures have been carried out properly. The effectiveness of the double-confirmation procedure, as well as the confirmation of such double-confirmation procedure by the Internal Controls Office, will be enhanced through subsequent investigation and/or confirmation, as well as internal inspections conducted by the compliance officer and compliance committee.

2. Real Estate Appraisal Business Training

DaVinci Select’s employees who are qualified in real-estate appraisal will conduct appraisal training for its other officers and employees to enhance its preventative measures and ensure that personnel who handle appraisal reports have adequate knowledge to conduct the company’s operations responsibly.

3. Clarification of Decision Making Process for Acquisition of Properties

In the amended Property Acquisition Manual, DaVinci Select will clarify the process whereby the appropriateness of the terms of any property acquisition by DA Office, and of the acquisition itself, including confirmation that the data provided as a basis for determining the purchase price is
The appropriate, are reviewed and/or passed upon by each responsible department and inspected confirmed by the appropriate committee. Detailed confirmation of the appropriateness of the data will be a prerequisite to the review and decision-making process to be conducted by each responsible department. Therefore, DaVinci Select believes that the above procedures will prevent a recurrence of the problems that led to the administrative order.

III. Clarification of Responsibilities, Including Management

1. Clarification of Responsibilities of Each Personnel DaVinci Select defines the responsibilities of the employees who are directly responsible for each operation and of the chief administrator and responsible manager in its “Business Process”, “Property Acquisition Manual” and “Appraisal Reports Manual”.

2. Clarification of Responsibilities of Management The board of directors of DaVinci Select is the decision making body responsible for basic matters of compliance and ensuring that thorough compliance is placed at the top of management’s agenda. Therefore, the Board of Directors has been charged with the responsibility of establishing and implementing the Plan. The board of directors will ensure that it continues to fulfill its responsibilities appropriately and will ensure the implementation of DaVinci Select’s compliance and internal controls systems.

3. Sanctions

In connection with its recent administrative order, DaVinci Select has established internal sanctions as follows:

(1) Sanctions pursuant to Article 55 of the Rules of Employment Subject Employee/Officer: Director and Investment Management General Manager, Kotaro Matsuoka Particulars: Reprimand (submission of a written apology and caution regarding future conduct)

(2) Salary Reduction Subject Employee/Officer: Representative Director, Takashi Abe Particulars: Salary reduction of 12% for one year beginning April 2007 (Note 5) The key employee responsible for the events leading to the administrative order will not be subject to sanctions since he/she has already resigned from DaVinci Select.

- End -

The original Japanese version of this Notice has been distributed to The Kabuto Club, the Ministry of Land, Infrastructure and Transport (“MLIT”) Press Club, and the MLIT Press Club for Construction Publications.

DA Office’s website can be found at: http://www.da-office.co.jp.
[English Translation]

This translation of the original Japanese Notice is provided solely for information purposes. Should there be any discrepancy between this translation and the Japanese original, the latter shall prevail.

DA Office Investment Corporation

April 26, 2007

Real Estate Investment Trust Name: DA Office Investment Corporation 6-2-1 Ginza, Chuo-ku, Tokyo Kotaro Matsuoka, Executive Director (Code No. 8976)

Investment Management Company:
K.K. Da Vinci Select Representative Director and President: Takashi Abe For Inquiries: IR & Planning Dept, General Manager,
Yoshiki Nishigaki Phone: + 81 3 6215-9649

Announcement of the Completion of the Investment Management Service Company’s “Business Improvement Plan”

K.K. Da Vinci Select (the “investment management company”), the investment management services company to which DA Office Investment Corporation entrusts the management of its assets, which under a business improvement order dated March 13, 2007, submitted its business improvement plan (Note 1) to the Ministry of Finance on April 13, 2007, today reported to the Ministry of Finance that it has completed (Note 2) implementation of the business improvement measures outlined in that plan, and has finished taking steps to prevent a recurrence of the issues leading to the original order.

The investment management company, which has established regulatory compliance as a basic management principle, intends to continue working to ensure that the business improvement measures and preventative steps it has implemented continue to be properly maintained, managed, and expanded, and will work to further strengthen its approach to regulatory compliance and internal controls, to build a fair and open operation worthy of the trust of its investors.

Note 1. Please refer to our announcement of April 13, 2007, “Investment Management Services Company Submits Business Improvement Plan” for an overview of the business improvement plan. Note 2. Does not include steps to increase staff during the current fiscal year (of which a portion has been completed as of today). Further staff increase will be reported to the Ministry of Finance as they are implemented.

* The investment corporation’s web site is at http://www.da-office.co.jp
May 11, 2007

To: All

K.K. DaVinci Advisors 6-2-1 Ginza, Chuo-ku Tokyo, Japan

Osamu Kaneko, Representative Director (Code: 4314) Contact: Hiroki Nakashima Tel: 03-6215-9587

Regarding Financing Related to that Project Located in the 21-28 Block of Minato Mirai; Status of Your Review of Our Proposal

In its press release dated May 7, 2007 titled “Regarding the Development of the 21-28 Block of Minato Mirai”, TOC Co., Ltd. (“TOC”) announced that the large-scale multi-use commercial facility project that it is pursuing in the 21-28 block of Minato Mirai would cost a total of 40 billion yen (excluding approximately 14.5 billion for land acquisition, which is already complete) and that it intends to move ahead quickly with its consideration and determination of financing for the project, which could include cash on hand, loans from financial institutions and equity financing. Considering how an equity financing could present a significant risk to the interests of existing shareholders, we have asked TOC to enter into discussions with us regarding a proposal that we had previously presented to protect shareholder value.

Further, regarding the proposal we made to TOC on April 25, 2007 for a tender offer for the company’s shares, on May 3, 2007, we received a list of questions from TOC outlining their concerns about our legal compliance systems and other issues, to which we responded on May 8, 2007, and we received a list of additional questions from TOC dated May 10, 2007 (and received by us on May 11, 2007). Having given their questions our serious consideration, we believe that once we enter into a Non-Disclosure Agreement, as requested by TOC, we will be able to quickly respond to all of them and completely address their concerns.

Please refer to TOC’s press releases of May 7 and May 11, 2007 for information regarding the content of their questions.

Our offer is in the interest of the shareholders of TOC, and we are hopeful that TOC’s Board of Directors, with the maximization of shareholder value in mind, will make an appropriate and fair decision regarding our proposal.

Please refer to TOC’s press release dated May 7, 2007, and titled “Project Located in the 21-28 Block of Minato Mirai 21”.

D-4

(Translation)
Please refer to TOC’s press releases of May 7 and May 11, 2007, for information regarding the content of their questions.

End

May 11, 2007
To the Board of Directors
TOC Co., Ltd.

K.K. DaVinci Advisors
Osamu Kaneko, President

Regarding Financing Related to that Project Located in the 21-28 Block of Minato Mirai; Status of Your Review of Our Proposal

Dear Sirs,

In a press release dated May 7, 2007 titled “Regarding the Development of the 21-28 Block of Minato Mirai”, your company announced that the large-scale multi-use commercial facility project that you are pursuing in the 21-28 block of Minato Mirai would cost a total of 40 billion yen (excluding approximately 14.5 billion for land acquisition, which is already complete) and that you intend to move ahead quickly with your consideration and determination of financing for the project, which could include cash on hand, loans from financial institutions and equity financing.

Your company has expressed its intent to take its common stock, which is currently traded on the First Section of the Tokyo Stock Exchange, private through a management buyout, and even after receipt of our counter-proposal, you have continued to support the 800 yen per share tender offer for the common stock from YK Otani Fund TO (the “Otani Fund”), leading us to the understanding that you have decided to withdraw from the capital markets. On the one hand, the company, which has never used equity financing to raise funds since it listed its shares, expresses its intent to withdraw from the capital markets, and immediately thereafter, while on the same day confirming that there has been no change in that thinking, you announce that you are considering equity financing for your project. This leads us to question the consistency of your management behavior. In addition, based on your current financial condition, we believe that there are other possible sources of financing other than equity financing through the sale of new shares, including loans from financial institutions, that would not dilute shareholder value, and we further believe, as we have already proposed, that you should focus on enhancing shareholder value and make the protection of shareholder interests your first priority by incorporating leverage through the utilization of the unrealized gains related to your real estate holdings. Further, given the expected timing under which project funds will be required, we find it difficult to believe that there is any real need for turning to equity financing at this point in time, and given that you currently have several other proposals in front of shareholders, including a transfer of control of the company, a move to simply issue more common stock with its attendant voting rights could cause significant damage to the interests of your existing shareholders. We are concerned that such actions will be seen as a decision by management for its own self-protection, leaving you...
open to the risk of being accused of violation of your duty of care, with adverse effect on the management of the business.

For these reasons, we believe that even if, at some time in the future, it does become necessary to conduct equity financing, you should conduct such financing through a rights offering to existing shareholders, which would entitle them to the right to receive an allotment of any new issue in proportion to their current holdings. We believe that equity financing in the form of a third-party allotment should only be made when sufficient funds cannot be raised through the method described above, and in that case, we are prepared to offer a price of more than 1,100 per share of common stock, under reasonable terms that are at least as favorable to shareholders as those offered by other investors, for all of the equity (not just stock, but also rights to subscribe for new shares, bonds with rights to subscribe for new shares, and all other similar equity) issued under the third-party allotment method. Should you decide to undertake such measures, we hereby strongly urge that you first contact us and give us an opportunity to discuss the matter with you. We are confident that we can provide enormous added value to you, not just as an investor, but as your strategic partner in the real estate business, and we believe that, even if you are considering a third-party allotment with another strategic partner, you can best protect shareholder value by notifying us and giving us the same opportunity to enter into discussions with you.

In the event you decide equity financing is necessary, or even if you have already made the decision internally to move ahead with it, we believe that it is your obvious duty as directors of the company to explore plans for equity financing that provide more favorable terms for your shareholders, in other words those that offer better pricing and terms that are equal to or better. Given that, we are confident that the proposal for funding we outline above will meet with the unequivocal approval of your company and its shareholders.

If you have already decided to move ahead with equity financing, even if only internally, this is an issue of great interest to all of your shareholders, and we strongly urge that you move to quickly inform the shareholders of whether or not such a decision has been made.

While we are always prepared to provide additional explanation and enter into discussions with you regarding not only the proposal for a tender offer for your common stock, which we have been sharing with you for some time, but also your equity financing plans, unfortunately you have yet to offer us any concrete opportunity to sit down with you. We are in receipt of your correspondence dated May 10, 2007, titled “Responses to the Questionnaire Dated May 8, 2007”, containing questions regarding our business, and we will move to quickly send you a draft Non-Disclosure Agreement for your consideration, which, when signed, will enable us to provide the necessary materials and otherwise respond to your requests in good faith. We are confident this will dispel all of your concerns about the legal compliance systems in place at DaVinci Select and all of our group companies. Given that we have responded to all of your questions in good faith, we would ask that you now schedule an opportunity for us to present a detailed explanation of our proposal to all of your board members.
At the same time, we would note that shares of your common stock traded on the First Section of the Tokyo Stock Exchange are approaching a price level near the price that we have laid out in our proposal, indicating that there are many investors newly acquiring your stock in expectation that our proposal will be accepted. We also understand that there are many investors among your existing shareholders who are giving our proposal their serious consideration. We would ask again that you also continue to give your most serious consideration to support our plan and to an extension of the term for the tender offer by the Otani Fund.
May 17, 2007

To: All

K.K. DaVinci Advisors
6-2-1 Ginza, Chuo-ku
Tokyo, Japan

Osamu Kaneko,
Representative Director
(Code: 4314)
Contact: Hiroki

Nakashima
03-6215-9587

Regarding the Questionnaire Dated May 17, 2007 received from TOC Co., Ltd.

On May 15, 2007, we sent TOC Co., Ltd. ("TOC") a draft Non-Disclosure Agreement, in response to the request therefore included in its Questionnaire dated May 10, and today we received further correspondence from the company stating that they would like us to respond promptly, without waiting for a Non-Disclosure Agreement to be provided, to those questions noted in its Questionnaire which do not relate to matters concerning our trade secrets.

Pursuant to TOC’s request, we have today provided prompt responses regarding those items the answers for which we do not consider a Non-Disclosure Agreement to be necessary, and we intend to continue responding in good faith.

Our company has an extensive track record and expertise in real estate investment and in raising the value of such investments, and we are convinced that by collaborating with TOC we can realize its potential value. Our offer is in the interest of the shareholders of TOC.

We would again ask that TOC’s management give our proposal their serious consideration.

Please refer to our letter of today, attached hereto.
May 17, 2007

To the Board of Directors TOC Co., Ltd.

K.K. DaVinci Advisors
Osamu Kaneko, President

Regarding Your Correspondence of May 17, 2007

Dear Sirs,

On May 15, 2007, we sent you a draft Non-Disclosure Agreement, in response to the request therefore included in your Questionnaire dated May 10. Today we received your further correspondence in which you request that we respond promptly, without waiting for a Non-Disclosure Agreement to be provided, to those questions noted in your Questionnaire which do not relate to matters concerning our trade secrets.

Per your request, we intend to provide prompt responses regarding those items the answers for which we do not consider a Non-Disclosure Agreement necessary, and it is our intention to continue responding in good faith. In turn, we would again ask that you give our proposal your most serious consideration.

Sincerely,
K.K. DaVinci Advisors Code of Conduct

Effective: January 1, 2002 Amended: September 1, 2006

Chapter 1: Basic Principles

Management principles
Section 1  We will conduct our primary business of creating, operating and managing real estate funds according to our management principle of “Growing with our investors.”

Relationship between the company and its employees; work environment
Section 2  As a company committed to the respect of all people, K.K. DaVinci Advisors endeavors to ensure that each of its employees can make use of their abilities and talents to realize their full potential, by providing a conducive working environment and enhancing our internal systems.

Sound and fair business activities
Section 3  In its corporate activities in Japan and overseas, K.K. DaVinci Advisors shall behave soundly, fairly, honestly and in good faith at all times, respecting laws and principles of ethics. Further, we shall strive to make fair decisions in the course of our business, based not on our own internal logic, but on ethics of society.

Chapter 2: Social Responsibility

Promoting corporate activities that contribute to society
Section 4  K.K. DaVinci Advisors shall work to meet the demands of society by engaging in business activities that contribute to the advancement and development of society without creating cause for criticism. The company shall also fulfill its social responsibilities in conserving the environment and natural resources.

Balanced actions regarding shareholders, investors and other stakeholders
Section 5  K.K. DaVinci Advisors shall strive for balance and harmony in its conduct towards shareholders, investors, employees, government institutions and other stakeholders.

Prohibition against unfair trade
Section 6  Under no circumstances shall any executive or employee of the company engage in collusion, connivance, favoritism or other illegal actions in any of their business transactions.

Vendor selection and reciprocal deals
Section 7  When purchasing goods and services, the optimal supplier will be selected based on a fair and open evaluation of terms. Favorable treatment of specific suppliers or entering into reciprocal deals is prohibited.
Responding to gifts and hospitality
Section 8  Executives and employees of the company may not, in the course of their business relationships, offer or receive gifts, meals or other material benefits that exceed the bounds of common sense. Certain cases may require prior approval in accordance with internal regulations.

Entertaining public officials
Section 9  To entertain public officials in the course of businesses beyond certain reasonable social standards is prohibited.

Political Contributions
Section 10  While political contributions (including the purchase of fundraising event tickets) are not illegal in Japan, prior approval is required to make such contributions.

Responses to antisocial individuals and organizations
Section 11  Employees must not respond to requests for special deals or monetary demands from antisocial individuals or organizations. Buying subscriptions for, or placing advertising in, magazines published by corporate racketeers shall be prohibited.

Chapter 3: Conduct and Obligations of Executives and Employees

Conduct and obligations of executives and employees, as individuals and as members of the Company
Section 12  Executives and employees of K.K. DaVinci Advisors shall conduct themselves in a disciplined manner, both as individuals and as members of our organization.

Avoiding conflicts of interest
Section 13  Executives and employees may not allow their personal interests to conflict with those of the Company or its customers, nor cause such conflicts to arise.

Membership in other organizations
Section 14  To avoid conflicts of interest for either party, executives and employees must obtain the formal approval of the Company prior to becoming a member of any competing institution or organization.

Personal investments
Section 15  Executives and employees may not engage in speculative investments, gambling or other excessive behavior. To transact stock and other securities, executives and employees shall be required to apply for and receive approval in advance, pursuant to the procedures set forth in the internal regulations of the Company.

Accountant’s ethical responsibility
Section 16  Accounting personnel must properly perform their accounting activities pursuant to certain fair and reasonable accounting principles as required by law and business requirements. Financial Data shall be recorded and reported accurately, and those
designated to handle expenses shall do so appropriately and provide a detailed report regarding such use.

Relationship with other executives and employees

Section 17 As members of an organization, employees must not discriminate against others on the basis of nationality, creed, religion, gender or physical disability. In the workplace, employees shall refrain from harassment and from words or behavior which cause discomfort to others.

Maintenance of Company property and handling of Company data

Section 18 Employees must refrain from abuse or misuse of Company property and must protect the confidentiality of trade secrets.

Care of Company tangible and intangible assets

Section 19 Employees will strive to protect Company assets (such as tangible and intangible assets including data, furnishings, equipment, supplies and software) and shall not abuse or misuse such assets.

Confidentiality

Section 20 Strict maintenance of confidentiality is a basic principle in conducting business. Employees are required to strictly protect the confidentiality of all Company secrets, both formal and informal.

Information about the Company, its customers and its vendors

Section 21 Undisclosed trade secrets, confidential information and internal information of the company, its customers and vendors must not be revealed to outside parties.

Government requests

Section 22 Requests from government agencies or other government-related authorities for information about the company beyond ordinary reporting must be discussed with legal counsel before being addressed.

Managing computer data

Section 23 Information required by a company in the course of its business is maintained not only in printed form but in other output forms as well. Such information may not be used without proper authorization obtained through due process.

Return of company assets and confidentiality obligation after leaving the Company

Section 24 When leaving the Company, employees are required to return to the company any company property (including information and data). They are also required to continue preserving the confidentiality of any trade secrets they may have obtained in the course of their employment.

Chapter 4: Legal Compliance
Compliance with the law
Section 25  K.K. DaVinci Advisors considers compliance with the law a matter of course in the conduct of its business.

Compliance with relevant regulations
Section 26  The Company strives to comply with all relevant regulations (including laws, government orders, guidance and internal regulations) in the everyday conduct of its business. When interpretation of such regulations is ambiguous, we shall endeavor to adhere to the spirit and intent of the law. When there is confusion or doubt about such regulations, consultation with a superior, the Company’s compliance officer, the Internal Audit Department or legal experts shall be required.

Insider information and stock market transactions
Section 27  Misuse of undisclosed confidential information obtained in the course of one’s duties for transactions leading to personal financial gain is illegal and is strictly prohibited.

Chapter 5: System for Ensuring Compliance with the Code of Conduct

General provisions
Section 28  The Code of Conduct applies to all executives and employees of the Company and shall be administered by the Compliance Officer and/or the Internal Audit Department.

Questions regarding referrals and advice
Section 29  The confidentiality of any party requesting referrals or advice shall be strictly maintained.

Internal referrals and contacts
Section 30  If, in the course of business, decisional difficulties based solely on the content of the Code of Conduct should arise, such issues should be referred to either a direct superior, the Compliance Officer or the Internal Audit Department, who will then discuss such issue with the parties involved.

Personal inquiries
Section 31  When employees have questions about whether or not their personal behavior may conflict with the Code of Conduct, they should be referred to the Compliance Officer or the Internal Audit department for clarification.

External legal counsel
Section 32  Executives and employees shall observe company regulations when referring issues regarding compliance with the Code of Conduct to the Company’s official outside legal counsel, accounting auditors or consultants.

Disciplinary action and other penalties for violation of the Code
Section 33  The Code of Conduct and company regulations shall be considered as one when carrying out penalties for violation of the Code of Conduct.

Violations of the Code of Conduct
Section 34  Violations of the Code of Conduct shall be treated as cause for dismissal or other action, as provided for under applicable labor rules and internal regulations.

Legal measures
Section 35  If actions of executives and/or employees represent a material violation of the law, the
company may, as it sees necessary, seek compensation or pursue other legal measures.
May 18, 2007

To: All

K.K. DaVinci Advisors 6-2-1 Ginza, Chuo-ku Tokyo, Japan

Osamu Kaneko,  
Representative Director  
(Code: 4314) Contact:  
Hiroki Nakashima  Tel: 03-6215-9587

Regarding the Correspondence Dated May 17, 2007 Received from TOC Co., Ltd.

On May 15, 2007, we sent TOC Co., Ltd. (“TOC”) a draft Non-Disclosure Agreement, in response to the request therefore included in its Questionnaire dated May 10, and today we received further correspondence from the company stating that they would like us to respond promptly, without waiting for a Non-Disclosure Agreement to be provided, to those questions noted in its Questionnaire which do not relate to matters concerning our trade secrets. Per TOC’s request, we have provided prompt responses regarding those items the answers for which we do not consider a Non-Disclosure Agreement necessary, and we intend to continue responding in good faith.

Please refer to our letter of today, attached herein.

Further, at our Board of Directors meeting held on May 18, 2007, we have decided to move forward with the acquisition of TOC shares through a tender offer. We have an extensive track record and expertise in real estate investment and in raising the value of such investments, and we are convinced that by collaborating with TOC we can realize its potential value. Our offer is in the interest of the shareholders.

Please refer to our press release of May 18, 2007 titled “Announcement Regarding Start of Tender Offer for Shares of TOC Co., Ltd.” for details of our tender offer.

End
May 18, 2007

To the Board of Directors
TOC Co., Ltd.

K.K. DaVinci Advisors
Osamu Kaneko, President

Responses to Your Questions Regarding Our Company and Our Corporate Group

Dear Sirs,

In your correspondence of May 10, 2007 entitled “Questions Regarding the Company,” you asked several questions regarding the systems we have in place for legal compliance, but because the questions cover a broad range of issues, our responses would, of necessity, include confidential information about our business. However, because you have expressed a willingness to enter into a Non-Disclosure Agreement with us, and because we believe that coming to agreement on the terms of an NDA would, in itself, not take a great deal of time, we were prepared to provide our responses upon receipt of such an Agreement. Thus on May 15, 2007, we sent a draft Non-Disclosure Agreement to you for your consideration. Subsequently, on May 17, 2007, we received further correspondence from you titled “Request Regarding Responses to Our Questionnaire of May 10, 2007” in which you asked that, even without an NDA in place, we quickly, and prior to completing an NDA, we respond to those questions which we felt would not require the disclosure of confidential information. Our response to such request is attached hereto.

Please note that our responses are based on your request that we respond to those items possible under the circumstances, despite our not yet having received a Non-Disclosure Agreement from you, and thus our responses cover only such information that we decided we are able to disclose without a signed NDA in place. In particular, with respect to information about K.K. DaVinci Select (“DaVinci Select”), because the company is an accredited Real Estate Investment Trust and therefore part of a regulated industry, no information about DaVinci Select can be disclosed to any third party—including us, its parent company—without an institutional decision by its Compliance Committee which includes outside committee members. Thus, without a Non-Disclosure Agreement from you, it would be difficult to give you more information on DaVinci Select than what we have provided in our response. In addition, please note that some materials regarding DaVinci Select require the approval not only of its Compliance Committee but that of regulatory authorities prior to their disclosure.

We would again like to point out that, in your letter dated May 10, 2007 titled “Regarding Responses to Our Questionnaire of May 8, 2007,” you indicated that you were prepared, within reasonable limits, to enter into a Non-Disclosure Agreement with us as part of
obtaining responses to your questions, and with that understanding, on May 15, 2007, we sent you what we believed was a reasonable draft NDA for your consideration. Again, in order for us to respond any further to the questions you have presented, we will first need to receive the completed NDA from you. We would ask that you either sign and return the NDA which we provided to you as soon as possible, or if necessary, we can respond to any reasonable requests you may have for revisions to the agreement. In either case, we would ask that you act on this matter as soon as possible.
RESPONSES

1. Compliance structure of our company and group

(1) **Specific company names and primary areas of business of our affiliates** Because this question involves the protection of confidential business matters, we are unable to respond at this time. We will provide a response once a Non-Disclosure Agreement has been signed.

(2) **Status and operation of internal control and compliance systems** In order to maximize corporate value, the Company engages in swift but fair management decision-making, and also works to see that the necessary internal control systems are in place to ensure that the supervisory and oversight functions of the company are fully exercised. In particular, we are acutely conscious of the fact that assuring compliance is fundamental to managing a business, and this is positioned as one of management’s highest priority issues, not just in terms of compliance with laws and internal policies, but also in the broader sense of adhering to societal norms, including corporate ethics. In order to further strengthen our compliance function, in February 2007, we established out of our Legal Department a new Compliance Office and brought in an outside attorney to serve as Compliance Officer. Regarding the performance of our business, we have an Internal Audit Department which periodically monitors our different divisions to make sure they are conducting business in line with applicable regulations, and the Compliance Office conducts its own checks from a legal viewpoint from time to time. Members of the Internal Audit Department and the Compliance Office also attend internal meetings, etc., again to periodically check on the conduct of business.

(3) **Relevant departments and their areas of responsibility**

- **Compliance Officer** (Attorney) is responsible for: Handling all requests for advice regarding compliance issues Advice, recommendations, and interpretation from a legal standpoint Gathering opinions, providing advice and interpretation at internal training sessions Reviewing the content of compliance and other legal documentation

- **Compliance Office** (1 person) is responsible for: Collecting and creating materials related to laws and regulations Collecting information and opinions regarding compliance within the company Creating and editing various relevant bylaws Double-checking compliance-related documentation Setting schedules for internal compliance training sessions Reporting to the Compliance Officer

- **Legal Department** (1 legal scrivener) is responsible for: Work related to corporate registration and other related matters Contact with and requests to outside agencies (attorneys, certified public accountants) Drafting of legal documents

- **Internal Audit Department** (2 people) is responsible for: Creation and implementation of a periodic internal audit plan Monitoring the implementation and effectiveness of internal control systems Reporting to the President and Corporate Auditors

An overview of the organizational structure is provided in the diagram below. Note that the number of our employees as of December 31, 2006 was 79, on a non-consolidated basis.
(4) **K.K. DaVinci Advisors Code of Conduct** Please refer to the attached “K.K. DaVinci Advisors Code of Conduct” for more information. This Code comprises one portion of our company regulations. Thus, violations of the Code are dealt with appropriately under the provisions of the Labor Law.

(5) **Monitoring of our arrangements for complying with regulations** In order to provide outside monitoring of management, we have appointed Shigeki Funabashi, an attorney, and Koichi Yasuda, a CPA, as outside corporate auditors, and in accordance with our audit plan and policies, they monitor the performance of duties of our directors, giving us a fully functioning management supervisory capability. Regarding internal audits, a full-time internal audit department, which reports directly to the President, conducts periodic investigations to determine whether our everyday business is being conducted appropriately and effectively in line with the applicable laws and internal regulations. The results of their investigations are reported regularly to the President and the corporate auditors. Regarding outside audits, accounting audits based on the Company Law and the Securities Exchange Law are conducted, based on an annual audit plan, by Azusa & Co. with which we have entered into an audit contract.

(6) **Guidance and other action by government agencies in the past two and the current fiscal year**

No relevant facts to report.
(7) **Overview of group transactions** Because this question involves the protection of confidential business matters, we are unable to respond at this time. We will provide a response once a Non-Disclosure Agreement has been signed.

(8) **Handling of matters related to (7), above** Because this question involves the protection of confidential business matters, we are unable to respond at this time. We will provide a response once a Non-Disclosure Agreement has been signed.

2. **Specific details regarding the issues that led to the company receiving the administrative disposition in question (the “Disposition”)** Because this question involves the protection of confidential business matters, we are unable to respond at this time. We will provide a response once a Non-Disclosure Agreement has been signed.

3. **Details regarding DaVinci Select’s compliance structure** Because this question involves the protection of confidential business matters, we are unable to respond at this time. We will provide a response once a Non-Disclosure Agreement has been signed.

4. **Relationship between your company and DaVinci Select, and your company’s involvement in the Disposition.** Because this question involves the protection of confidential business matters, we are unable to respond at this time. We will provide a response once a Non-Disclosure Agreement has been signed.

5. Others
ANNOUNCEMENT OF COMMENCEMENT OF TENDER OFFER FOR SHARES OF TOC CO., LTD.

K.K. DaVinci Advisors (the “Tender Offeror” or the “Company”) hereby announces that it has resolved at the meeting of the Board of Directors on May 18, 2007 to commence the tender offer (the “Tender Offer”) for shares of TOC Co., Ltd. (the “Target Company”) as follows.

1. Purposes of Tender Offer

The Tender Offeror was incorporated as a company conducting real estate investment advisory business in August 1998.

Since its establishment, the Company has been entrusted fund management by domestic and foreign institutional investors, pension funds, foundations and others, and has set up, managed and administered real estate investment funds, under a management policy of “growing together with our investors”. Also, since its listing on the NASDAQ Japan exchange (which has since been renamed the Hercules exchange) in 2001, the Company has realized increases in revenues and profits for six consecutive fiscal years. The Company believes that this was achieved not only as a result of its achieving considerable returns on investment based on its accumulation of significant experience and know-how in real estate investment, but also because its management policy of “growing together with our investors” has been well received by U.S., European and other institutional investors. Under this management policy, the Company is conducting its business with an aim to increase corporate value by maximizing investors’ interests and shareholder value.

The Tender Offeror is conducting this Tender Offer with an aim of acquiring a majority of the voting rights of the common stock of the Target Company for the purpose described below.

The purpose of this Tender Offer is to acquire a majority of the voting rights of the
common stock of the Target Company and to enhance its shareholders’ value together with the other shareholders. The Tender Offeror believes that, if the proposed business plan (as described below) is implemented based on the Target Company’s high-quality real estate assets, employees and customers, there is a possibility of a significant increase in shareholder value as a result of increased profitability.

The Tender Offeror’s vision for realizing a significant increase in shareholder value after the consummation of this Tender Offer is as follows.

The current operation of the Target Company by its current management does not make effective use of the unrealized gains related to its real estate assets and overly relies on the Nishi Gotanda TOC Building, which is an old building in need of preparation for redevelopment. The two main points to the Tender Offeror’s proposed business plan regarding the Target Company are as follows:

1. Apply the effect of leverage based on the utilization of the unrealized gains on real estate assets. Obtain loans that utilize the unrealized gains on the Target Company’s real estate assets, while maintaining a sufficient level of shareholders’ equity that is consistent with industry standards, and acquire revenue-producing real estate assets to increase revenues.

2. Replace the Nishi Gotanda TOC Building with revenue-producing real estate assets to prevent a decrease in revenues during the redevelopment of such building.

We assume that the Target Company’s current management realizes that, unlike other businesses, it is possible for real estate businesses to scrap and build an existing asset while maintaining revenues through the replacement of the asset. However, if it is difficult to procure revenue-producing real estate assets with a value comparable to the Nishi Gotanda TOC Building, then it may be possible for the Company to procure replacement assets from the large number of real estate assets held by real estate funds that are advised by the Company.

The following is an explanation of the history that led up to this Tender Offer: a part of the current management of the Target Company decided to attempt a management buyout (the “MBO”) (Note); Y.K. Otani Fund TO (the “Otani Fund”) incorporated by a part of the current management of the Target Company and related parties thereof launched a tender offer for ordinary shares of the Target Company at 800 Yen per share on April 9, 2007; the board of directors of the Target Company resolved to support the tender offer on April 6 and submitted an Opinion Report stating its support on April 9.

The Tender Offeror has examined the tender offer by Otani Fund in detail because Y.K. Algarve (“Algarve”), a consolidated subsidiary of the Tender Offeror, owned 10% of the shares of the Target Company. Because the purchase price proposed by Otani Fund does not include the value of the proper utilization of real estate owned by the Target Company or reflect the unrealized gains related thereto, the Company concluded that there was a high possibility that a buyout at the proposed purchase price would lead to the monopolization by the Otani Fund of profits that should inherently be enjoyed by all Target Company shareholders. Consequently, on April 25, 2007, the Company suggested to the management of the Target Company a tender offer targeting shares of common
stock of the Target Company at 1,100 yen per share, subject to approval of the management of the Target Company, for the purpose of protecting shareholder value and then requested entering into detailed discussions. The Company requested the board of directors to support the proposal of the Tender Offeror and seek to extend the original tender offer period to allow a sufficient period for the shareholders of the Target Company to decide which is desirable, the proposal by Otani Fund or that by the Tender Offeror.

In response, the Target Company, without responding to the suggestion of discussions between the Tender Offeror and the Target Company, submitted questions in writing dated May 3, 2007 (received on May 7, 2007) to the Tender Offeror that referred to administrative sanctions that were issued against K.K. daVinci Select (“daVinci Select”), a subsidiary of the Tender Offeror, and asked about the facts that were the subject of such administrative sanctions, the compliance structure of the Tender Offeror and the status of its implementation. On May 8, the Tender Offeror responded in writing with answers regarding: the facts that were the subject of such administrative sanctions; the specific content of such administrative sanctions; the compliance structure of daVinci Select and the status of its implementation; the status of oversight of daVinci Select’s compliance practices by the Tender Offeror; and the compliance structure of the Tender Offeror and the status of its implementation. The Tender Offeror also met with the management of the Target Company in person to explain using various specific written materials and at the same time made a proposal that would protect shareholder value for all shareholders of the Target Company in a friendly, sincere and dogged manner. Because the Target Company asked additional questions to the Tender Offeror in writing dated May 10 regarding the compliance structure and implementation thereof for group companies of the Tender Offeror other than daVinci Select and the Tender Offeror, the Tender Offeror on May 15 delivered to the Target Company a proposed draft of a confidentiality agreement, upon which the Target Company requested in writing dated May 17 to first disclose matters that do not related to confidential business matters. As set forth in the Tender Offeror’s press release dated May 17, the Tender Offeror intends to continue to respond in a sincere manner.

Regarding the tender offer by Otani Fund at a purchase price of 800 yen, the purchase price was clearly regarded as too low by the market given that the share price of the Target Company remained at a level greatly over 800 yen from immediately after the launch of such tender offer. As a result, the tender offer ended up in failure. This demonstrates that the tender offer by Otani Fund could not obtain the support of a large majority of shareholders of the Target Company. As stated above, the Tender Offeror made a proposal for a purchase price that is clearly higher than that of Otani Fund, responded in good faith to questions from the Target Company, and then requested support from the management of the Target Company for the proposal of the Tender Offeror, arrangement of a meeting for detailed presentation and discussion on a concrete plan for enhancing shareholder value of the Target Company, as well as extension of the tender offer period by Otani Fund. However, the tender offer period by Otani Fund was not extended. While the Target Company’s management is believed to be continuing its consideration of whether to support the proposal by the Tender Offeror, the Target Company has not presented a concrete management policy that would benefit the interests of all shareholders of the Target Company, and no specific discussions with the
Tender Offeror regarding the enhancement of shareholder value have been held up until the time of launch of this Tender Offer.

Furthermore, although the board of directors of the Target Company agreed that the Target Company should go private through an MBO and thus decided to withdraw from the capital markets, after a tender offer by the Tender Offeror was proposed, they announced in a press release on May 7, 2007 that they will consider conducting an equity financing. Considering how the Target Company has not conducted equity financing since its original listing, the Tender Offeror is deeply concerned that the consideration of an equity financing that could dilute the per-share shareholder value at this time while avoiding the substantive discussion of enhancing shareholder value could lead to the impairment of shareholder value by the Target Company’s management in neglect of its obligation to protect the interests of all shareholders.

The Tender Offeror, subject to obtaining the support of the Target Company’s management as stated previously, proposed conducting a tender offer for the common stock of the Target Company for 1,100 yen per share on April 25, 2007. There are investors who subsequently acquired the shares of the Target Company at a price approaching our proposal on the expectation that such proposal and the proposal from Otani Fund would be compared and the proposal of the Tender Offeror would be agreed by the Target Company’s management. Considering the moral responsibility of the Tender Offeror towards such investors, the Tender Offeror believes that such investors should be given an opportunity to sell their shares. The Tender Offeror has concluded that this Tender Offer needs to be commenced, even though the approval for this Tender Offer has not yet obtained from the Target Company’s management, considering the risk of any delays leading to impairment to the Target Company’s shareholder value in light of how the Tender Offeror has not been given an opportunity for detailed discussions with the Target Company’s management and how the Target Company announced after a tender offer by the Tender Offeror was proposed that it will consider conducting equity financing even though its management had agreed to withdraw from the capital markets by going private through an MBO. Of course, the Tender Offeror intends to make continued efforts to obtain support for this Tender Offer from the Target Company’s management.

As for the price proposed by Otani Fund stated previously, it reflected a premium based on the 655 yen average of the published closing price for shares of the Target Company over the 6 months ending April 5, 2007 on the Tokyo Stock Exchange. In contrast, the price for this Tender Offer would represent an approximately 67.9% premium with reference to the same 655 yen average of the closing price for shares of the Target Company for the 6 months ending April 5, 2007, an approximately 44.7% premium to the closing price for shares of the Target Company on April 5, 2007, and an approximately 2.2% premium to the closing price for shares of the Target Company on May 17, 2007, and this would fairly provide all shareholders of the Target Company an opportunity to benefit from the proper current shareholder value based on the Tender Offeror’s significant track record in managing real estate investments. In addition, the offer price (1,100 yen) for this Tender Offer is consistent with the level of the highest trading price for the shares of the Target Company in recent years, so the Tender Offeror believes this will provide all shareholders of the Target Company a favorable opportunity for sale.
If the Tender Offer completes successfully, the Tender Offeror will be a holder of a majority of voting rights. If the management of the Target Company agrees to support the Tender Offer within tender offer period, we plan to have the current management continue participating in the operation of the Target Company after the Tender Offer. Even in such case, however, the Tender Offeror’s intention is to appoint a majority of the Board members. In any case, because the Tender Offeror prefers to successfully complete the Tender Offer with the support of the current management of the Target Company, it will continue to seek specific discussions to obtain the support from such management.

Algarve (head office: Chuo-ku, Tokyo; Yoshimasa Kimura, Director), a consolidated subsidiary of the Tender Offeror, holds 10.02% of the voting rights of the common stock of the Target Company. Algarve has agreed in principle to tender a certain portion of such shares in the Tender Offer and to exercise the voting and other rights as shareholders of the Target Company jointly with the Tender Offeror.

The number of shares scheduled to be purchased pursuant to the Tender Offer is 68,440,500 shares (50.001% of the issued shares). If the aggregate number of shares tendered is less than 68,440,500, the Tender Offeror will not purchase any of the tendered shares. If the aggregate number of shares tendered exceeds the aggregate of the scheduled 68,440,500 shares and the scheduled excess shares of 1,559,500 shares (the “Excess Shares”), or 70,000,000 shares (the “Expected Number of Shares”), the Tender Offeror will not purchase all or a portion of such excess shares, and the delivery and other settlement with respect to the purchase of shares will be performed pursuant to the pro rata method as prescribed in Paragraph 5 of Article 27-13 of the Securities and Exchange Law (the “SEL”). The Tender Offeror, in its letter dated April 25, 2007, subject to the support of management of the Target Company, suggested a tender offer for the shares of the Target Company without upper limitation on the number of shares, but because we have not been able to obtain the support of management of the Target Company, this Tender Offer adopts an upper limitation as described above. The Tender Offeror has chosen to target acquisition of a majority of voting rights of the common stock of the Target Company and to make the Target Company a subsidiary of the Tender Offeror.

The Target Company is listed on the First Section of the Tokyo Stock Exchange. If this Tender Offer is successful, the Tender Offeror currently intends to maintain the listing of the common shares of the Target Company while holding a majority of the voting rights of the common stock of the Target Company. However, depending on the circumstances in which shares are tendered pursuant to this Tender Offer and the circumstances in which shareholders continue to hold shares after the consummation of this Tender Offer, it is possible that a cause for delisting could arise under the rules of the Tokyo Stock Exchange.

(Note) “MBO” is an abbreviation of Management Buy Out, which is a transaction in which the management or the employees of a target company acquire such target company through the acquisition of the shares thereof and other methods.

General Description of Tender Offer, etc.
(1) Profile of Target Company
① Company Name
TOC Co., Ltd.

② Description of Business
Operation of offices, shopping buildings, distribution-related buildings, etc. Allotment and sale of buildings, land and living accommodations, etc. Operation of exhibition spaces, etc. Operation of gyms, health spas, etc. Operation of shops for fashion-related goods and restaurants, etc. Production and sale of medicines and health foods, etc. Operation of linen suppliers and laundries Venture enterprise development and investment in companies Planning and development of IT business related to the above-mentioned businesses

③ Date of Incorporation
April 3, 1926

④ Address of Head Office
Shinagawa-ku, Tokyo

⑤ Title and Name of Representatives
Kazuhiko Otani, Representative Chairman
Takuo Otani, Representative President

⑥ Capital Stock
11,768,190,000 yen (as of September 30, 2006)

⑦ Major Shareholders and Ownership Ratio
New Otani Co., Ltd. 12.67% Y.K. Otani Kosan 9.61%
Japan Trustee Services Bank, Ltd. (Trust Account) 8.36%
The Master Trust Bank of Japan Ltd. (Trust Account) 5.80% Y.K. Otani Fund 4.69%
Nippon Life Insurance Company (Special Pension Fund Account) 2.65%
Masako Otani 2.65%
Japan Trustee Services Bank, Ltd. (Trust Account 4) 2.51%
State Street Bank and Trust Company (Standing Proxy: Mizuho Corporate Bank Kabuto-cho branch clearing division) 2.08%
Mizuho Corporate Bank, Ltd. 1.92%

(Note) The information listed above is based on the Semi-Annual Securities Report (41st fiscal year) filed by the Target Company on December 22, 2006, and indicates the status of the major shareholders of the Target Company as of September 30, 2006. The ownership ratio of the major shareholders disclosed in major shareholding reports (as well as any amendment reports) is as follows:

Fidelity Investments Japan Limited 10.28%
Y.K. Algarve 9.96%
Credit Suisse (Hong Kong) Limited and its three co-shareholding shareholders 6.50%
Schroder Investment Management (Japan) Limited and its three co-shareholding shareholders 4.28%

Mizuho Corporate Bank, Ltd. and its two co-shareholding shareholders 3.94%

8 Relationship between Tender Offeror and Target Company

Capital Relationship

The Tender Offeror owns 500 shares of the Target Company. In addition, Y.K. Algarve, a consolidated subsidiary of the Tender Offeror, owns 13,639,500 shares of the Target Company

Personnel Relationship N/A

Business Relationship N/A

Applicability of Related Persons N/A
2.
(2) Period of Tender Offer
① Initial Tender Offer Period From Monday, May 21, 2007 to Wednesday, July 18, 2007 (42 business days)
② Possibility of extension of Tender Offer Period upon request of the Target Company
N/A

(3) Offer Price 1,100 yen per share

(4) Basis of Calculation of Purchase Price, etc.
① Basis of Calculation

The Tender Offeror has calculated the offering price based on the current market value of the real estate owned by the Target Company. In reviewing and calculating the current market value of the real estate owned by the Target Company, the Tender Offeror has utilized its rich experience of evaluation of real estate developed throughout the years. The Tender Offeror has experience in real estate investments in which the Tender Offeror provided advice on more than 200 real estate transactions through real estate funds, which had an aggregate transaction value of 1.2 trillion yen.

Under the circumstances, in calculating the current market value of the 11 principle real estate assets owned by the Target Company, the Tender Offeror concluded that an increase in the value of the assets could be achieved by improving the profitability as to 10 premises, and the remaining 1 premise could be evaluated as vacant land using the discounted cash flow method. In the same calculation, absent the opportunity to conduct due diligence of the Target Company’s real estate, the Tender Offeror has used analysis and considerations based on certain conditions and risk factors with respect to uncertainties, such as renovation costs and reserves therefor that would be required in the future, the amount of capital expenditures set aside for aging buildings and facilities, the terms of lease agreements with tenants, etc. After taking such analysis into consideration in a comprehensive manner, the Tender Offeror reached the conclusion that the range of the current market value of the real estate owned by the Target Company would be from 230 billion yen to 280 billion yen.

Taking into consideration as a whole the revised asset value per share as calculated based on the current market value of the real estate owned by the Target Company and other factors, the Tender Offeror arrived at the Offer Price of 1,100 yen per share.

② Process of Calculation
Certain members of the current management of the Target Company decided to propose a management buyout. Such management members and their affiliates established the Otani Fund, which commenced a tender offer bid to purchase common stock of the Target Company for 800 yen per share on April 9, 2007. The board of directors of the Target Company approved the management buyout by a resolution on April 6, and submitted an opinion report on April 9, 2007.

Since Algarve, a consolidated subsidiary of the Tender Offeror, owned approximately 10% of the issued and outstanding shares of the target, the Tender Offeror reviewed and studied the proposal of the Otani Fund in detail, and concluded that the purchase price proposed by the Otani Fund did not reflect the proper value of and unrealized gains on the real estate assets owned by the Target Company, thereby leading to a high possibility that the profits that should be enjoyed by all the shareholders of the Target Company would become monopolized by the Otani Fund.

Therefore, for the purpose of protecting the interests of all of the shareholders, the Tender Offeror requested discussion with and the support of the management of the Target Company as to its proposal of a tender offer for the purchase of common stock of the Target Company for 1,100 yen per share on April 25, 2007, and extension of the Otani Fund’s tender offer period to allow a sufficient period for the shareholders to decide which of the proposals made by the Tender Offeror and the Otani Fund is desirable. However a meeting with the management of the Target Company to discuss the Tender Offeror’s proposal was never held and the Otani Fund’s tender offer period was not extended, and as a result the tender offer by the Otani Fund ended unsuccessfully on May 11, 2007.

As stated above, the Tender Offeror submitted on April 25, 2007 the proposal of its tender offer bid for the purchase of common stock of the Target Company for 1,100 yen per share subject to the support of the management of the Target Company. As of this date, the Tender Offeror has not received any opportunity for discussion with management. The Tender Offeror has concluded that this Tender Offer needs to be commenced, even though the approval for this Tender Offer has not yet obtained from the Target Company’s management.

The Tender Offeror examined the market price trends of shares of the Target Company and obtained the results that the simple arithmetic average of the closing share price of the Target Company during the past six-months ended on April 5, 2007 (the day immediately prior to the date on which the Otani Fund offered the MBO) on the Tokyo Stock Exchange was 655 yen (rounded to the nearest yen). The simple arithmetic average of the closing share price during the past three months ended on April 5, 2007 was 710 yen (rounded to the nearest yen) and the simple
arithmetic average of the closing share price during the past one month ended on April 5, 2007 was 743 yen (rounded to the nearest yen), and the simple arithmetic average of the closing share price during the past six-months ended on May 17, 2007 (two business days prior to the commencement of the Tender Offer) on the Tokyo Stock Exchange was 737 yen (rounded to the nearest yen), the simple arithmetic average of the closing share price during the past three-months was 847 yen (rounded to the nearest yen) and the simple arithmetic average of the closing share price during the past one-month was 1,003 yen (rounded to the nearest yen). The offer price per share of 1,100 yen represents approximately 67.9%, 54.9% and 48.0% of the average closing share price of the Target Company on the Tokyo Stock Exchange for the six month-, three month- and one month-periods ending April 5, 2007 (the day before Otani Fund's MBO proposal) and approximately 49.3%, 29.9% and 9.7% of the average closing share price for the six month-, three month- and one month-periods ending May 17, 2007.

③ Relationship with Calculation Agent
N/A

(5) Number of Shares to be Purchased

<table>
<thead>
<tr>
<th>Type of Shares, etc.</th>
<th>① Minimum Number of Shares Scheduled to be Purchased (in terms of shares)</th>
<th>② Excess Number of Shares that may be Purchased (in terms of shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Certificates</td>
<td>68,440,500</td>
<td>1,559,500</td>
</tr>
<tr>
<td>Stock Acquisition</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Right Certificates</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Bond Certificates</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Acquisition Rights</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Depositary Receipt</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Shares</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total:</td>
<td>68,440,500</td>
<td>1,559,500</td>
</tr>
</tbody>
</table>

Exchange for the six month-, three month- and one month-periods ending April 5, 2007 (the day before Otani Fund's MBO proposal) and approximately 49.3%, 29.9% and 9.7% of the average closing share price for the six month-, three month- and one month-periods ending May 17, 2007.

Number of Voting Rights Represented by the Shares Held by the Tender Offeror before Tender Offer
Number of Voting Rights Respect to Shares Scheduled to be Purchased Pursuant to the Tender Offer
Total Number of Voting Rights of All Shareholders of the Target Company

Percentage of Offer, Tender (Ownership Shares before 0.00%)
Percentage of Offer, Tender (Ownership Shares after 61.42%)
(Note 1) If the total number of tendered shares is less than the minimum number of shares scheduled to be purchased (68,440,500 shares) (the “Minimum Number of Shares”), none of the tendered shares will be purchased. If the total number of tendered shares exceeds the total of the Minimum Number of Shares and the additional number of shares that may be purchased (1,559,500 shares) for a total of 70,000,000 shares (the “Expected Number of Shares”), all or a portion of the excess shares will not be purchased, and delivery and other settlement concerning purchase of shares will be performed pursuant to the pro rata method (the “Pro Rata Method”) as prescribed in Article 27-13, Paragraph 5 of the SEL and Article 32 of the Cabinet Order Concerning Disclosure on Tender Offer for Shares, Etc. by Non-Issuer (the “Cabinet Order”).

(Note 2) The treasury shares owned by the Target Company will not be purchased through the Tender Offer.

(Note 3) Shares less than one unit (tangen-miman-kabushiki) also fall within the scope of this Tender Offer; provided, however, that the share certificates must be submitted upon tendering the shares (if shares less than one unit are registered by Japan Securities Depository Center, Inc. through the tender offer agent (Japan Asia Securities Co., Ltd., as specified in (11) below), the tender of share certificates is not required).

(6) Change in Ownership Percentage of Shares as a result of Tender Offer

(Note 1) “Number of Voting Rights With Respect to Shares Scheduled to be Purchased Pursuant to the Tender Offer” is the number of voting rights represented by the aggregate of the Minimum Number of Shares (68,440,500 shares) and the Excess Shares (1,559,500 shares), which together constitute the Expected Number of Shares (70,000,000 shares).

(Note 2) The “Total Number of Voting Rights of All Shareholders of the Target Company” indicates the number of voting rights of all of the shareholders as of September 30, 2006 as described in the semi-annual report of the Target Company for the period ending on September 30, 2006 (the 41st Fiscal Year) (filed on December 22, 2006). However, since shares less than one unit (tangen-miman-kabushiki) also fall within the scope of this Tender Offer, “Ownership Percentage of Shares before Tender Offer” and “Ownership Percentage of Shares after Tender Offer” are calculated based on the assumption that “Total Number of Voting Rights of All Shareholders of the Target Company” is 272,376, which is calculated by adding 1,616, which is the total number of voting rights related to individual shares less than one unit (tangen-miman-kabushiki) as of September 30, 2006 as stipulated in the semi-annual report above (such number of shares less than
one unit (tangen-miman-kabushiki) is 808,067, excluding 285 which is the number of such shares held as treasury shares) thereto. (The number of shares that form one unit is 500.)

(Note 3) "Ownership Percentage of Shares after Tender Offer" indicates the percentage related to the sum (167,280) of the "Number of Voting Rights Represented by the Shares Held by the Tender Offeror before Tender Offer (1), the aggregate number of voting rights (27,279) with respect to shares held by Algarve, a special related party of the Tender Offeror, and the "Number of Voting Rights With Respect to Shares Scheduled to be Purchased Pursuant to the Tender Offer" (140,000). If the Tender Offeror purchases no voting rights with respect to shares held by Algarve, the total ownership percentage of shares after this Tender Offer of the Tender Offeror and Algarve will be 61.42%. If the Tender Offeror purchases all voting rights with respect to shares held by Algarve, such percentage will be 51.40%.

(Note 4) "Ownership Percentage of Shares before Tender Offer" and "Ownership Percentage of Shares after Tender Offer" are rounded to two decimal points.

(7) Consideration for Purchase 77,000,000,000 yen
   (Note) This amount is calculated by using the aggregate of the Minimum Number of Shares (68,440,500 shares) and the Excess Shares (1,559,500 shares), which together constitute the Expected Number of Shares (70,000,000 shares), and multiplying by the Offer Price per share (1,100 yen).

(8) The Method of Settlement
   1) Name and Address of Head Office of Securities Company in Charge of Settlement Japan Asia Securities Co., Ltd. 1-7-9, Kakigara-cho, Nihonbashi, Chuo-ku, Tokyo 103-0014
   2) Commencement Date of Settlement Thursday, August 2, 2007
   3) The Method of Settlement A notice of purchase will be mailed to the addresses of the tendering shareholders (or the standing proxy in the case of non-Japanese shareholders) without delay after the end of the Tender Offer Period. Payment of the Purchase Price will be made in cash. The Tender Offer Agent will remit the Purchase Price without delay after the commencement date of settlement, to the place designated by the tendering shareholders.

(9) Other Terms and Method of Purchase, etc.
   ④ Conditions set forth in each Item of Article 27-13, Paragraph 4 of the SEL.
   If the total number of tendered shares is less than the Minimum Number of Shares, none of the tendered shares will be purchased. If the total number of tendered shares exceeds the Expected Number of Shares, all or a portion of such excess shares will not be purchased. Delivery and other settlements concerning purchase of shares shall be performed based on the Pro Rata Method. (In the case where a number of shares less than one unit is included in the number of shares tendered by
When the total of the number of shares to be purchased from each tendering shareholder calculated by having rounded off the number of shares less than 1 unit (500 shares) using the Pro Rata Method is less than the Expected Number of Shares, one unit of shares of the tendering shareholders with a greater number of shares omitted as a result of rounding down shall be purchased one by one (when the number of tendered shares is exceeded if one unit is purchased by the addition, then only up to the number of tendered shares) per each tendering shareholder until the total number of shares to be purchased reaches the Expected Number of Shares. If the Expected Number of Shares is exceeded by purchasing shares from all of the tendering shareholders in respect of whom the omitted number of shares are equal using the above method, the shareholders from whom shares are to be purchased shall be decided by lot from among the relevant tendering shareholders within the range in which the number of shares to be purchased does not fall below the Expected Number of Shares.

When the total of the number of shares to be purchased from each tendering shareholder calculated by having rounded up the number of shares less than one unit in the calculation based on the Pro Rata Method is greater than the Expected Number of Shares, the shares of tendering shareholders with a greater number of shares included as a result of rounding up shall be decreased one by one (if, after application of the Pro Rata Method, the number of shares to be purchased is less than one unit, such shares shall be excluded from the number of shares to be purchased) per each tendering shareholder until such number that does not fall below the Expected Number of Shares. If the number of shares goes below the Expected Number of Shares due to decreasing from all the tendering shareholders in respect of whom the omitted number of shares are equal using the above method, the shareholders whose shares must be so decreased shall be decided by lot from among the relevant tendering shareholders within the range in the number of shares to be purchased does not fall below the Expected Number of Shares.

5 Conditions of Withdrawal of Tender Offer, Details thereof and Method of Disclosure of Withdrawal

Upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9 and Items 1.11 through 1.17, Item 2, Items 3.1 through 3.8, Item 5 and Article 14, Paragraph 2, Items 3 through 6 of the Enforcement Order of the SEL (the “Enforcement Order”), the Tender Offeror may withdraw its offer.
In the event that the Tender Offeror decides to withdraw the Tender Offer, it shall give public notice electronically, and publish the fact that such public notice has been made in the *Nihon Keizai Shimbun*; provided, however, if it is deemed impractical to place such public notice by the last day of the Tender Offer Period, the Tender Offeror shall make a public announcement pursuant to Article 20 of the Cabinet Order and forthwith give public notice.

⑥ Conditions of Reduction of the Purchase Price, Details thereof and Method of Disclosure of Reduction

If the Target Company conducts any of the acts listed in Article 13, Paragraph 1 of the Enforcement Order, pursuant to Article 27-6, Paragraph 1, Item 1 of the SEL, the Purchase Price may be reduced in accordance with the criteria under Article 19, Paragraph 1 of the Cabinet Order.

In the event that the Tender Offeror decides to reduce the Purchase Price, it shall give public notice electronically, and publish the fact that such public notice has been made in the Nihon Keizai Shimbun; provided, however, if it is deemed impractical to place such public notice by the last day of the Tender Offer Period, the Tender Offeror shall make a public announcement pursuant to Article 20 of the Cabinet Order and forthwith place public notice. The Tender Offeror will purchase shares for which the tender was made prior to the date of such public notice in accordance with the changed terms and conditions.

⑦ Matters concerning Tendering Shareholders’ Right to Cancel the Agreement

Any tendering shareholder may cancel any agreement to tender shares in the Tender Offer at any time during the Tender Offer Period. For the termination of an agreement to sell shares pursuant to the Tender Offer, documents concerning such cancellation and a tender receipt (the “Cancellation Documents”) must be delivered or sent by mail to the main office or domestic branch offices (except for the Ginza Branch) of the Tender Offer Agent, on or prior to 3:30 p.m. of the last day of the Tender Offer Period. The termination of an agreement shall become effective when the Cancellation Documents are delivered to or received by the Tender Offer Agent. Therefore, when sending by mail, please be informed that the cancellation will not be made if the Cancellation Documents do not reach the Tender Offer Agent by 3:30 p.m. of the last day of the Tender Offer Period. The Tender Offeror will not claim the payment for any damage or penalty to the tendering shareholders, etc. even in case the cancellation is made. Any cost needed for the return of deposited share certificate, etc. will be borne by the Tender Offeror.

⑧ Method of Disclosure in the Event the Conditions, etc. of Tender Offer are Changed
The Tender offeror may change the terms and conditions of the Tender Offer during the Tender Offer Period unless otherwise prohibited by the provisions of Paragraph 1, Article 27-6 of the SEL. In the event the Tender Offeror intends to change the terms and conditions of the Tender Offer, a public notice providing the details of the change shall first be issued electronically and then a public notice to such effect shall be published in the Nihon Keizai Shimbun. However, when it is impractical to issue such public notice before the last day of the Offer Period, the Tender Offeror shall first make a public announcement in accordance with the procedures described in Article 20 of the Cabinet Order and shall release a public notice immediately thereafter. The Tender Offeror will purchase shares tendered prior to the date of such public notice in accordance with the changed terms and conditions.

⑨ Method of Disclosure if Amendment Statement is Filed

In the event an Amendment to the Registration Statement is filed with the Director of the Kanto Local Finance Bureau in Japan, the Tender Offeror shall publicly and promptly announce the contents of the Amendment to the Registration Statement to the extent it relates to information in the Public Notice of the Commencement of the Tender Offer, in a manner prescribed in Article 20 of the Cabinet Order. The Tender Offeror shall also promptly amend the Tender Offer Explanatory Statement and deliver the amended Tender Offer Explanatory Statement to the tendering shareholders who have received the Tender Offer Explanatory Statement prior to the amendment. However, if the amendments are limited to minor sections in the Tender Offer Explanatory Statement, the Tender Offeror will amend the Tender Offer Explanatory Statement by delivering to the tendering shareholders a document stating the reasons for such amendments, the items that have been amended, and the contents of the amendments.

⑩ Method of Disclosure of Results of Tender Offer

The results of the Tender Offer will be publicly announced in accordance with the procedures prescribed in Article 9-4 of the Enforcement Order and in Article 30-2 of the Cabinet Order on the date immediately following the last day of the Tender Offer Period.

(10) Date of Public Notice of the Commencement of the Tender Offer Monday, May 21, 2007

(11) Tender Offer Agent Japan Asia Securities Co., Ltd.
3. Others

(1) Agreements with the Target Company, or its Directors and Officers, and the Details Thereof. None.

(2) Other Information that is deemed necessary for investors to Consider the Tender Offer

The Target Company has submitted a semi-annual securities report (41st fiscal year) as of December 22, 2006. According to such report, the interim profit or loss of the Target Company is as follows:

1) Profit and Loss

2) Per Share Information

<table>
<thead>
<tr>
<th>Interim Fiscal Period</th>
<th>For the interim period ended September, 2006 (during 41st Fiscal Term)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales (millions of yen)</td>
<td>6,640</td>
</tr>
<tr>
<td>Cost of sales (millions of yen)</td>
<td>3,492</td>
</tr>
<tr>
<td>Selling, general and administrative expenses (millions of yen)</td>
<td>748</td>
</tr>
<tr>
<td>Non-operating income (millions of yen)</td>
<td>86</td>
</tr>
<tr>
<td>Non-operating expenses (millions of yen)</td>
<td>259</td>
</tr>
<tr>
<td>Net profit (millions of yen)</td>
<td>1,204</td>
</tr>
</tbody>
</table>
PUBLIC NOTICE OF COMMENCEMENT OF TENDER OFFER

May 21, 2007

To: All

K.K. DaVinci Advisors 6-21 Ginza, Chuo-ku Tokyo, Japan

Osamu Kaneko, Representative Director

K.K. DaVinci Advisors (the “Tender Offeror” or the “Company”) hereby announces the commencement of a tender offer (the “Tender Offer”) for shares of TOC Co., Ltd. (the “Target Company”) in accordance with the Securities and Exchange Law of Japan (the “SEL”).

1. Purpose of Tender Offer

The Tender Offeror was incorporated as a company conducting real estate investment advisory business in August 1998.

Since its establishment, the Company has been entrusted fund management by domestic and foreign institutional investors, pension funds, foundations and others, and has set up, managed and administered real estate investment funds, under a management policy of “growing together with our investors”. Also, since its listing on the NASDAQ Japan exchange (which has since been renamed the Hercules exchange) in 2001, the Company has realized increases in revenues and profits for six consecutive fiscal years. The Company believes that this was achieved not only as a result of its achieving considerable returns on investment based on its accumulation of significant experience and know-how in real estate investment, but also because its management policy of “growing together with our investors” has been well received by U.S., European and other institutional investors. Under this management policy, the Company is conducting its business with an aim to increase corporate value by maximizing investors’ interests and shareholder value.

The Tender Offeror is conducting this Tender Offer with an aim of acquiring a majority of the voting rights of the common stock of the Target Company for the purpose described below.

The purpose of this Tender Offer is to acquire a majority of the voting rights of the common stock of the Target Company and to enhance its shareholders’ value together with the other shareholders. The Tender Offeror believes that, if the proposed business plan (as described below) is implemented based on the Target Company’s high-quality real estate assets, employees and customers, there is a
possibility of a significant increase in shareholder value as a result of increased profitability.

The Tender Offeror’s vision for realizing a significant increase in shareholder value after the consummation of this Tender Offer is as follows.

The current operation of the Target Company by its current management does not make effective use of the unrealized gains related to its real estate assets and overly relies on the Nishi Gotanda TOC Building, which is an old building in need of preparation for redevelopment. The two main points to the Tender Offeror’s proposed business plan regarding the Target Company are as follows:

1. Apply the effect of leverage based on the utilization of the unrealized gains on real estate assets. Obtain loans that utilize the unrealized gains on the Target Company’s real estate assets, while maintaining a sufficient level of shareholders’ equity that is consistent with industry standards, and acquire revenue-producing real estate assets to increase revenues.

2. Replace the Nishi Gotanda TOC Building with revenue-producing real estate assets to prevent a decrease in revenues during the redevelopment of such building.

We assume that the Target Company’s current management realizes that, unlike other businesses, it is possible for real estate businesses to scrap and build an existing asset while maintaining revenues through the replacement of the asset. However, if it is difficult to procure revenue-producing real estate assets with a value comparable to the Nishi Gotanda TOC Building, then it may be possible for the Company to procure replacement assets from the large number of real estate assets held by real estate funds that are advised by the Company.

The following is an explanation of the history that led up to this Tender Offer: a part of the current management of the Target Company decided to attempt a management buyout (the “MBO”) (Note); Y.K. Otani Fund TO (the “Otani Fund”) incorporated by a part of the current management of the Target Company and related parties thereof launched a tender offer for ordinary shares of the Target Company at 800 Yen per share on April 9, 2007; the board of directors of the Target Company resolved to support the tender offer on April 6 and submitted an Opinion Report stating its support on April 9.

The Tender Offeror has examined the tender offer by Otani Fund in detail because Y.K. Algarve (“Algarve”), a consolidated subsidiary of the Tender Offeror, owned 10% of the shares of the Target Company. Because the purchase price proposed by Otani Fund does not include the value of the proper utilization of real estate owned by the Target Company or reflect the unrealized gains related thereto, the Company concluded that there was a high possibility that a buyout at the proposed purchase price would lead to the monopolization by the Otani Fund of profits that should inherently be enjoyed by all Target Company shareholders. Consequently, on April 25, 2007, the Company suggested to the management of the Target Company a tender offer targeting shares of common stock of the Target Company at 1,100 yen per share, subject to approval of the management of the Target Company, for the purpose of protecting shareholder value and then requested entering into detailed discussions. The Company requested the board of directors to support the proposal of the Tender Offeror and seek to extend the original tender offer period to allow a sufficient period for the shareholders of the Target Company to decide which is desirable, the proposal
by Otani Fund or that by the Tender Offeror.

In response, the Target Company, without responding to the suggestion of discussions between the Tender Offeror and the Target Company, submitted questions in writing dated May 3, 2007 (received on May 7, 2007) to the Tender Offeror that referred to administrative sanctions that were issued against K.K. daVinci Select ("daVinci Select"), a subsidiary of the Tender Offeror, and asked about the facts that were the subject of such administrative sanctions, the compliance structure of the Tender Offeror and the status of its implementation. On May 8, the Tender Offeror responded in writing with answers regarding: the facts that were the subject of such administrative sanctions; the specific content of such administrative sanctions; the compliance structure of daVinci Select and the status of its implementation; the status of oversight of daVinci Select’s compliance practices by the Tender Offeror; and the compliance structure of the Tender Offeror and the status of its implementation. The Tender Offeror also met with the management of the Target Company in person to explain using various specific written materials and at the same time made a proposal that would protect shareholder value for all shareholders of the Target Company in a friendly, sincere and dogged manner. Because the Target Company asked additional questions to the Tender Offeror in writing dated May 10 regarding the compliance structure and implementation thereof for group companies of the Tender Offeror other than daVinci Select and the Tender Offeror, the Tender Offeror on May 15 delivered to the Target Company a proposed draft of a confidentiality agreement, upon which the Target Company requested in writing dated May 17 to first disclose matters that are not related to confidential business matters. As set forth in the Tender Offeror’s press release dated May 17, the Tender Offeror intends to continue to respond in a sincere manner.

Regarding the tender offer by Otani Fund at a purchase price of 800 yen, the purchase price was clearly regarded as too low by the market given that the share price of the Target Company remained at a level greatly over 800 yen from immediately after the launch of such tender offer. As a result, the tender offer ended up in failure. This demonstrates that the tender offer by Otani Fund could not obtain the support of a large majority of shareholders of the Target Company. As stated above, the Tender Offeror made a proposal for a purchase price that is clearly higher than that of Otani Fund, responded in good faith to questions from the Target Company, and then requested support from the management of the Target Company for the proposal of the Tender Offeror, arrangement of a meeting for detailed presentation and discussion on a concrete plan for enhancing shareholder value of the Target Company, as well as extension of the tender offer period by Otani Fund. However, the tender offer period by Otani Fund was not extended. While the Target Company’s management is believed to be continuing its consideration of whether to support the proposal by the Tender Offeror, the Target Company has not presented a concrete management policy that would benefit the interests of all shareholders of the Target Company, and no specific discussions with the Tender Offeror regarding the enhancement of shareholder value have been held up until the time of launch of this Tender Offer. Furthermore, although the board of directors of the Target Company agreed that the Target Company should go private through an MBO and thus decided to withdraw from the capital markets, after a tender offer by the Tender Offeror was proposed, they announced in a press release on May 7, 2007 that they will consider conducting an equity financing. Considering how the Target Company has not conducted equity financing since its original listing, the Tender Offeror is deeply concerned that the consideration of an equity financing that could
dilute the per-share shareholder value at this time while avoiding the substantive discussion of enhancing shareholder value could lead to the impairment of shareholder value by the Target Company’s management in neglect of its obligation to protect the interests of all shareholders.

The Tender Offeror, subject to obtaining the support of the Target Company’s management as stated previously, proposed conducting a tender offer for the common stock of the Target Company for 1,100 yen per share on April 25, 2007. There are investors who subsequently acquired the shares of the Target Company at a price approaching our proposal on the expectation that such proposal and the proposal from Otani Fund would be compared and the proposal of the Tender Offeror would be agreed by the Target Company’s management.

Considering the moral responsibility of the Tender Offeror towards such investors, the Tender Offeror believes that such investors should be given an opportunity to sell their shares. The Tender Offeror has concluded that this Tender Offer needs to be commenced, even though the approval for this Tender Offer has not yet obtained from the Target Company’s management, considering the risk of any delays leading to impairment to the Target Company’s shareholder value in light of how the Tender Offeror has not been given an opportunity for detailed discussions with the Target Company’s management and how the Target Company announced after a tender offer by the Tender Offeror was proposed that it will consider conducting equity financing even though its management had agreed to withdraw from the capital markets by going private through an MBO. Of course, the Tender Offeror intends to make continued efforts to obtain support for this Tender Offer from the Target Company’s management.

As for the price proposed by Otani Fund stated previously, it reflected a premium based on the 655 yen average of the published closing price for shares of the Target Company over the 6 months ending April 5, 2007 on the Tokyo Stock Exchange. In contrast, the price for this Tender Offer would represent an approximately 67.9% premium with reference to the same 655 yen average of the closing price for shares of the Target Company for the 6 months ending April 5, 2007, an approximately 44.7% premium to the closing price for shares of the Target Company on April 5, 2007, and an approximately 2.2% premium to the closing price for shares of the Target Company on May 17, 2007, and this would fairly provide all shareholders of the Target Company an opportunity to benefit from the proper current shareholder value based on the Tender Offeror’s significant track record in managing real estate investments. In addition, the offer price (1,100 yen) for this Tender Offer is consistent with the level of the highest trading price for the shares of the Target Company in recent years, so the Tender Offeror believes this will provide all shareholders of the Target Company a favorable opportunity for sale.

If the Tender Offer completes successfully, the Tender Offeror will be a holder of a majority of voting rights. If the management of the Target Company agrees to support the Tender Offer within tender offer period, we plan to have the current management continue participating in the operation of the Target Company after the Tender Offer. Even in such case, however, the Tender Offeror’s intention is to appoint a majority of the Board members. In any case, because the Tender Offeror prefers to successfully complete the Tender Offer with the support of the current management of the Target Company, it will continue to seek specific discussions to obtain the support from such management.

Algarve (head office: Chuo-ku, Tokyo; Yoshimasa Kimura, Director), a consolidated
subsidiary of the Tender Offeror, holds 10.02% of the voting rights of the common stock of the Target Company. Algarve has agreed in principle to tender a certain portion of such shares in the Tender Offer and to exercise the voting and other rights as shareholders of the Target Company jointly with the Tender Offeror.

The number of shares scheduled to be purchased pursuant to the Tender Offer is 68,440,500 shares (50.001% of the issued shares). If the aggregate number of shares tendered is less than 68,440,500, the Tender Offeror will not purchase any of the tendered shares. If the aggregate number of shares tendered exceeds the aggregate of the scheduled 68,440,500 shares and the scheduled excess shares of 1,559,500 shares (the “Excess Shares”), or 70,000,000 shares (the “Expected Number of Shares”), the Tender Offeror will not purchase all or a portion of such excess shares, and the delivery and other settlement with respect to the purchase of shares will be performed pursuant to the pro rata method as prescribed in Paragraph 5 of Article 27-13 of the SEL. The Tender Offeror, in its letter dated April 25, 2007, subject to the support of management of the Target Company, suggested a tender offer for the shares of the Target Company without upper limitation on the number of shares, but because we have not been able to obtain the support of management of the Target Company, this Tender Offer adopts an upper limitation as described above. The Tender Offeror has chosen to target acquisition of a majority of voting rights of the common stock of the Target Company and to make the Target Company a subsidiary of the Tender Offeror.

The Target Company is listed on the First Section of the Tokyo Stock Exchange. If this Tender Offer is successful, the Tender Offeror currently intends to maintain the listing of the common shares of the Target Company while holding a majority of the voting rights of the common stock of the Target Company. However, depending on the circumstances in which shares are tendered pursuant to this Tender Offer and the circumstances in which shareholders continue to hold shares after the consummation of this Tender Offer, it is possible that a cause for delisting could arise under the rules of the Tokyo Stock Exchange.

(Note) “MBO” is an abbreviation of Management Buy Out, which is a transaction in which the management or the employees of a target company acquire such target company through the acquisition of the shares thereof and other methods.

(Note 1) If the total number of tendered shares is less than the minimum number of shares scheduled to be purchased (68,440,500 shares) (the “Minimum Number of Shares”), none of the tendered shares will be purchased. If the total number of tendered shares exceeds the total of the Minimum Number of Shares and the additional number of shares that may be purchased (1,559,500 shares) for a total of 70,000,000 shares (the “Expected Number of Shares”), all or a portion of the excess shares will not be purchased, and delivery and other settlement concerning purchase of shares will be performed pursuant to the pro rata method as prescribed in Article 27-13, Paragraph 5 of the SEL and Article 32 of the Cabinet Order.

(Note 2) The treasury shares owned by the Target Company will not be purchased through the Tender Offer.

(Note 3) Shares less than one unit (tangen-miman-kabushiki) also fall within the scope of this Tender Offer; provided, however, that the share certificates must be submitted upon
tendering the shares (if shares less than one unit are registered through the tender offer agent (Japan Asia Securities Co., Ltd., as specified below), the tender of share certificates is not required).

(6) Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased Pursuant to the Tender Offer to Total Number of Voting Rights of All Shareholders of the Target Company 51.40%

(Note 1) The Total Number of Voting Rights of All Shareholders of the Target Company indicates the number of voting rights of all of the shareholders as of September 30, 2006 as described in the semi-annual report of the Target Company for the period ending on September 30, 2006 (the 41st Fiscal Year) (filed on December 22, 2006). However, since shares less than one unit (tangen-miman-kabushiki) also fall within the scope of this Tender Offer, the “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased Pursuant to the Tender Offer to Total Number of Voting Rights of All Shareholders of the Target Company” as well as (7) and (8) below are calculated based on the assumption that the “Total Number of Voting Rights of All Shareholders of the Target Company” is 272,376, which is calculated by adding 1,616, which is the total number of voting rights related to individual shares less than one unit (tangen-miman-kabushiki) as of September 30, 2006 as stipulated in the semi-annual report above (such number of shares less than one unit (tangen-miman-kabushiki) is 808,067, excluding 285 which is the number of such shares held as treasury shares), thereto. (The number of shares that form one unit is 500.)

(Note 2) “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased Pursuant to the Tender Offer to Total Number of Voting Rights of All Shareholders of the Target Company” as well as the percentages in (7) and (8) below are rounded to two decimal points.

(7) Percentage of Voting Rights Represented by the Shares Held by the Tender Offeror as of the Date Hereof and Percentage of Voting Rights Represented by the Shares held by Special Related Parties as of the Date Hereof as well as the Total Percentage Thereof

<table>
<thead>
<tr>
<th>Tender Offeror</th>
<th>Special Related Parties</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00%</td>
<td>10.02%</td>
<td>10.02%</td>
</tr>
</tbody>
</table>

(8) Percentage of Voting Rights Represented by the Shares Held by the Tender Offeror after the Tender Offer and the Total of such Percentage and Percentage of Voting Rights Represented by the Shares held by Special Related Parties after the Tender Offer

<table>
<thead>
<tr>
<th>Tender Offeror</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>51.40%</td>
<td>61.42%</td>
</tr>
</tbody>
</table>

(Note) The Total percentage presented above was calculated on the assumption that as a result of the Tender Offer the Tender Offeror will not acquire any of the Voting Rights Represented by the Shares held by its Special Related Party Algarve (27,279). If the Tender Offeror were to purchase all of the Shares held by Algarve, the Total percentage would be 51.40%.
(9) Procedures and Location for Tendering the Shares

① Tender Offer Agent: Japan Asia Securities Co., Ltd. 1-7-9, Kakigara-cho, Nihonbashi, Chuo-ku, Tokyo 103-0014

② Please fill out the required items in the designated “Tender Offer Acceptance Form” and submit such form together with the relevant share certificates to the head office or a domestic branch office (except for the Ginza Branch) of the Tender Offer Agent, on or before 3:30 p.m. of the last day of the Tender Offer period (Wednesday, July 18, 2007) (“Tender Offer Period”). Please prepare your seal when submitting the Tender Offer Accepting Form. If share certificates are deposited with the Tender Offer Agent (or JASDEC through the Tender Offer Agent), the submission of such shares is not required. When depositary certificates were issued, these depositary certificates must be submitted together.

③ In this Tender Offer, no tenders via securities companies other than the Tender Offer Agent will be received.

④ When opening a new account in the Tender Offer Agent, identification documents (Note 1) are also required. Even persons having account(s) with the Tender Offer Agent can be required to provide identification documents. Please contact the Tender Offer Agent for details regarding identification documents.

⑤ Any tender by a shareholder residing outside of Japan (including a corporate shareholder) that does not have a usable account with the Tender Offer Agent (“Non-Japanese Shareholders”) shall be made through a standing proxy in Japan.

⑥ For an individual shareholder resident in Japan, the difference between the price of the shares sold pursuant to this Tender Offer and the purchase cost of such shares will be, as a general rule, subject to the self-assessment taxation with regard to capital gains of the shares recognized from the disposition of shares, on the basis separate from other income (Note 2).

⑦ Upon acceptance of tender, a tender receipt will be issued to the accepting shareholders by the Tender Offer Agent.

⑧ In case the tender offer of all or part of tendered shares is withdrawn, the share certificates in respect of which the tender offer are withdrawn shall be returned to the accepting shareholders. The share certificates submitted to the Tender Offer Agent is deposited to the JASDEC upon the consent of the applicant, therefore the name of the returned share certificates will be differ from the name of the submitted share certificates. Moreover, please note that, among the deposited share certificates, the share certificates of shares less than one unit cannot be returned in certificated form.

(Note 1) Identification Documents The following identification documents will be required when any shareholders open a new account with the Tender Offer Agent. Moreover, even if you have already possessed the account, personal identification documents may be required. The Tender Offer Agent will provide detailed information regarding identification documents.

Non-Japanese Shareholder: In the case of foreigners, excluding residents in Japan, and corporations whose head office or main office is located outside of Japan, a document
issued by a foreign government recognized by the Japanese government or a duly empowered international institution or other similar documents corresponding to the identification documents for a Japanese resident.

(Note 2) Self-assessment separate taxation regarding capital gains etc. of the shares recognized from the disposition of shares (for individual shareholders only)

Individual shareholders are, in principle, subject to the self-assessment separate taxation with regard to capital gains of the shares from the disposition of shares. Shareholders should consult their own tax advisors and other specialists as to specific tax-related questions and should make their own decisions.

(10) Name and Address of Securities Company that will Conduct Settlement

Japan Asia Securities Co., Ltd.
1-7-9, Kakigara-cho, Nihonbashi, Chuo-ku, Tokyo 103-0014

(11) Commencement Date of Settlement

Thursday, August 2, 2007

(12) The Method of and Location for Settlement

A notice of purchase will be mailed to the addresses of the tendering shareholders (or the standing proxy in the case of Non-Japanese Shareholders) without delay after the end of the Tender Offer Period. Payment of the Purchase Price will be made in cash. The Tender Offer Agent will remit without delay after the commencement date of settlement the Purchase Price with respect to the tendered shares to the place designated by the tendering shareholders.

(13) Procedure for Returning Share Certificates

In the event that all or a part of the tendered shares are not purchased under the terms set forth in the subsections titled “(1) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the SEL” or “(2) Conditions of Withdrawal of the Tender Offer, the Details thereof and Method of Disclosure of Withdrawal” of section (14) “Other Conditions and Methods of Purchase” below, with respect to the shares to be returned to the tendering shareholders, the Tender Offer Agent will without delay after the commencement date of settlement (in the case of the withdrawal of the Tender Offer, after the date of such withdrawal), at the direction of the tendering shareholders:
(1) in the case of share certificates that were delivered to the Tender Offer Agent, deliver or send by mail the share certificates to be returned to the tendering shareholders (in the case of Non-Japanese Shareholders, to their standing proxy) or

(2) return such shares to their original states of custody as of the time of the tender in the case of share certificates originally on deposit with the Tender Offer Agent (or JASDEC through the Tender Offer Agent).

(14) Other Conditions and Methods of Purchase

(1) Conditions set forth in each Item of Article 27-13, Paragraph 4 of the SEL

If the total number of tendered shares is less than the Minimum Number of Shares (68,440,500 shares), none of the tendered shares will be purchased. If the total number of tendered shares exceeds the Expected Number of Shares (70,000,000 shares), all or a portion of such excess shares will not be purchased. Delivery and other settlements concerning purchase of shares shall be performed based on the Pro Rata Method. (In the case where a number of shares less than one unit is included in the number of shares tendered by a shareholder and the Pro Rata Method is applied, the upper limit of the number of shares that may be purchased from such tendering shareholder shall be the number of shares actually tendered by such tendering shareholder.)

When the total of the number of shares to be purchased from each tendering shareholder calculated by having rounded off the number of shares less than 1 unit (500 shares) using the Pro Rata Method is less than the Expected Number of Shares, one unit of shares of the tendering shareholders with a greater number of shares omitted as a result of rounding down shall be purchased one by one (when the number of tendered shares is exceeded if one unit is purchased by the addition, then only up to the number of tendered shares) per each tendering shareholder until the total number of shares to be purchased reaches the Expected Number of Shares. If the Expected Number of Shares is exceeded by purchasing shares from all of the tendering shareholders in respect of whom the omitted number of shares are equal using the above method, the shareholders from whom shares are to be purchased shall be decided by lot from among the relevant tendering shareholders within the range in which the number of shares to be purchased does not fall below the Expected Number of Shares.

When the total of the number of shares to be purchased from each tendering shareholder calculated by having rounded up the number of shares less than one unit in the calculation based on the Pro Rata Method is greater than the Expected Number of Shares, the shares of tendering shareholders with a greater number of shares included as a result of rounding up shall be decreased one by one by one unit (if, after application of the Pro Rata Method, the number of shares to be purchased is less than
one unit, such shares shall be excluded from the number of shares to be purchased) per each tendering shareholder until such number that does not fall below the Expected Number of Shares. If the number of shares goes below the Expected Number of Shares due to decreasing from all the tendering shareholders in respect of whom the omitted number of shares are equal using the above method, the shareholders whose shares must be so decreased shall be decided by lot from among the relevant tendering shareholders within the range in the number of shares to be purchased does not fall below the Expected Number of Shares.

(2) Conditions of Withdrawal of Tender Offer, Details thereof and Method of Disclosure of Withdrawal

Upon the occurrence of any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9 and Items 1.11 through 1.17, Item 2, Items 3.1 through 3.8, Item 5 and Article 14, Paragraph 2, Items 3 through 6 of the Enforcement Order, the Tender Offeror may withdraw its offer.

In the event that the Tender Offeror decides to withdraw the Tender Offer, it shall give public notice electronically, and publish the fact that such public notice has been made in the Nihon Keizai Shimbun; provided, however, if it is deemed impractical to place such public notice by the last day of the Tender Offer Period, the Tender Offeror shall make a public announcement pursuant to Article 20 of the Cabinet Order and forthwith give public notice.

(3) Conditions of Reduction of the Purchase Price, Details thereof and Method of Disclosure of Reduction

If the Target Company conducts any of the acts listed in Article 13, Paragraph 1 of the Enforcement Order, pursuant to Article 27-6, Paragraph 1, Item 1 of the SEL, the Purchase Price may be reduced in accordance with the criteria under Article 19, Paragraph 1 of the Cabinet Order.

In the event that the Tender Offeror decides to reduce the Purchase Price, it shall give public notice electronically, and publish the fact that such public notice has been made in the Nihon Keizai Shimbun; provided, however, if it is deemed impractical to place such public notice by the last day of the Tender Offer Period, the Tender Offeror shall make a public announcement pursuant to Article 20 of the Cabinet Order and forthwith place public notice. The Tender Offeror will purchase shares for which the tender was made prior to the date of such public notice in accordance with the changed terms and conditions.
(4) Matters concerning Tendering Shareholders’ Right to Cancel the Agreement
Any tendering shareholder may cancel any agreement to tender shares in the Tender Offer at any time during the Tender Offer Period. For the termination of an agreement to sell shares pursuant to the Tender Offer, documents concerning such cancellation and a tender receipt (the “Cancellation Documents”) must be delivered or sent by mail to the main office or domestic branch offices (except for the Ginza Branch) of the Tender Offer Agent, on or prior to 3:30 p.m. of the last day of the Tender Offer Period. The termination of an agreement shall become effective when the Cancellation Documents are delivered to or received by the Tender Offer Agent. Therefore, when sending by mail, please be informed that the cancellation will not be made if the Cancellation Documents do not reach the Tender Offer Agent by 3:30 p.m. of the last day of the Tender Offer Period.

(5) Entities authorized to receive the Cancellation Documents
Japan Asia Securities Co., Ltd.
1-7-9, Kakigara-cho, Nihonbashi, Chu-ku, Tokyo 103-0014 (or any other domestic branch offices of Japan Asia Securities Co., Ltd., except for the Ginza branch office)
The Tender Offeror will not make a claim for the payment of any damages or penalty against the tendering shareholders, etc., in case that the agreement is cancelled by the tendering shareholders. Any cost required for the return of deposited share certificates, etc., will be borne by the Tender Offeror.

(6) Method of Disclosure in the Event the Conditions, etc. of Tender Offer are Changed
The Tender Offeror may change the terms and conditions of the Tender Offer during the Tender Offer Period unless otherwise prohibited by the provisions of Paragraph 1, Article 27-6 of the SEL. In the event the Tender Offeror intends to change the terms and conditions of the Tender Offer, a public notice providing the details of the change shall first be issued electronically and then a public notice to such effect shall be published in the Nihon Keizai Shimbun. However, when it is impractical to issue such public notice before the last day of the Offer Period, the Tender Offeror shall first make a public announcement in accordance with the procedures described in Article 20 of the Cabinet Order and shall release a public notice immediately thereafter. The Tender Offeror will purchase shares tendered prior to the date of such public notice in accordance with the changed terms and conditions.

(7) Method of Disclosure if Amendment Statement is Filed
In the event an Amendment to the Registration Statement is filed with the Director of the Kanto Local Finance Bureau in Japan, the Tender Offeror shall publicly and promptly announce the contents of the Amendment to the Registration Statement, to the extent it relates to information in the Public Notice of the Commencement of the Tender Offer, in a manner prescribed in Article 20 of the Cabinet Order. The Tender Offeror shall also promptly amend the Tender Offer Explanatory Statement and deliver the amended Tender Offer Explanatory Statement to the tendering shareholders who have received the Tender Offer Explanatory Statement prior to the amendment. However, if the amendments are limited to minor sections in the Tender Offer Explanatory Statement, the Tender Offeror will amend the Tender Offer Explanatory Statement by delivering to the tendering shareholders a document stating the reasons for such amendments, the items that have been amended and the contents of the
amendments.

(8) Method of Disclosure of Results of Tender Offer

The results of the Tender Offer will be publicly announced in accordance with the procedures prescribed in Article 9-4 of the Enforcement Order and in Article 30-2 of the Cabinet Order on the date immediately following the last day of the Tender Offer Period.

3. Existence of Agreement with Target Company or Management of Target Company Regarding Tender Offer

None.

4. Location for Inspection of Copies of Tender Offer Registration Statement

K.K. DaVinci Advisors  6-2-21 Ginza, Chuo-ku, Tokyo
Tokyo Stock Exchange, Inc.    2-1 Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo

5. Purpose, Business Activities and Amount of Stated Capital of the Tender Offeror

1) Purpose of the Tender Offeror Purpose of the Tender Offeror is to operate businesses as follows:
   1. Sale and purchase of real estate, brokerage, lent, lease and other real estate related consulting
   2. Advisory service and entrustment service involving investment decision and transaction proxy in relation to real estate investment
   3. Advisory service and entrustment service involving investment decision and transaction proxy in relation to portfolio investment
   4. Sale of trust beneficiary interest and proxy or brokerage thereof
   5. Investment in real estate and lending, borrowing and funding money in relation to real estate
   6. Acquisition, possession, disposition, lease and appraisal of real estate
   7. Holding, management and investment of portfolio such as shares or bonds, etc. and holding, sale, purchase, brokerage and administration of mortgage securities 13
   8. Purchase of account receivable and monetary claim and investment related thereto
   9. Development, creation and sale of residential land and industrial land, etc.
   10. Construction and sale of housing
   11. Management of hotel and restaurant
   12. Mortgage loan and other money lending
   13. Other businesses incidental or relating to businesses set forth in the foregoing

2) Business Activities
Our business group operates “real estate investment advisory business”, “real estate investment business” and “other business”.

According to application of “Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations” (September 8, 2006, Practical Issue Task Force No. 20) from the fiscal year ended in December, 2006, the fund set upped and managed by our group which was treated as an unconsolidated subsidiary before has become to be a consolidated subsidiary. As a result of review of business segment consistent with foregoing, the three segments consisting of “real estate investment advisory business” “investment business” and “other business” before have been changed to the three segments of “real estate investment advisory business” “real estate investment business” and “other business”.

3) Amount of Stated Capital

2,385,875,000 yen As of December 31, 2006

Note: This document is a translation of the original Japanese language Public Notice of Commencement of Tender Offer and is provided for informational purposes only. In the event there is any discrepancy between this document and the Japanese language original, the Japanese language Public Notice of Commencement of Tender Offer shall prevail.
(Translation)

May 23, 2007

To: All

K.K. DaVinci Advisors 6-2-1 Ginza, Chuo-ku Tokyo, Japan

Osamu Kaneko,
Representative Director
(Code: 4314) Contact:
Hiroki Nakashima Tel: 03-6215-9587

Notice regarding the petition to obtain a provisional order to inspect the shareholder registry of TOC Co., Ltd.

On May 18, 2007, K.K. DaVinci Advisors (“we”) voted to acquire shares of TOC Co., Ltd. (“TOC”) through a tender offer and commenced a tender offer (the “Tender Offer”) for shares on May 21, 2007.

On May 18, 2007, we, in connection with the commencement of the Tender Offer, requested to inspect and make copies of the shareholder registry of TOC in order to notify the shareholders of TOC of the existence and contents of the Tender Offer and to obtain their participation. However, on May 22, 2007, TOC responded that because the real estate businesses of the two companies compete with each other, it could not submit to the request for inspection of the shareholder registry pursuant to Article 125 paragraph 3 of the Company Law. However, because we strongly believe that the shareholder registry of TOC is necessary to make the Tender Offer, we submitted a petition to the Tokyo district court on May 23, 2007 for a provisional order to allow us to inspect and make copies of the shareholder registry of TOC.

We have an extensive track record and expertise in real estate investment and in raising the value of such investments, and we are convinced that by collaborating with TOC we can realize its potential value. Our offer is in the interest of the shareholders of TOC, and we are hopeful that TOC’s Board of Directors, with the maximization of shareholder value in mind, will make an appropriate and fair decision regarding our proposal.

End
The following is a translation of a Japanese Language press release, and is provided for your convenience only.


K.K. DaVinci Advisors 6-2-1 Ginza
Chuo-ku, Tokyo Representative
Directors & President: Osamu Kaneko
Media Contact: Hiroki Nakajima (TEL: 81-3-6215-9587)

Re: “Notice Regarding Objection to the Tender Offer by K.K. DaVinci Advisors” issued by TOC Co., Ltd.

We received a document entitled “Notice Regarding Objection to the Tender Offer by K.K. DaVinci Advisors” dated May 25, 2007 (the “Press Release”) from TOC Co., Ltd. (“TOC”). According to the Press Release, TOC’s board of directors resolved, at its meeting held on May 25, 2007, to object to our tender offer for TOC’s shares (“Our Tender Offer”).

We never imagined that TOC’s board of directors would not support and even inexplicably resolve to object to Our Tender Offer under which we are proposing a purchase price per share that includes a premium of 300 yen above the proposed purchase price of 800 yen under the management buyout tender offer (MBO) (the “MBO Tender Offer”) which the TOC board of directors has expressed an intention to support. We certainly believe that from the viewpoint of having a fiduciary obligation to all its shareholders, TOC’s board of directors will promptly withdraw their objection and support Our Tender Offer. To that end, we will continue to undertake our best efforts to gain their support.

1 First of all, TOC’s board of directors supported the MBO Tender Offer at a purchase price of 800 yen per share, resulting in TOC going private. From that point on, TOC’s board of directors are, from the viewpoint of their fiduciary obligations, compelled to offer all shareholders an opportunity to recover their investment at the highest possible price. That being the case, we regretfully have to point out that TOC has disregarded the common interests of all its shareholders and has violated its fiduciary obligation to its shareholders by objecting to Our Tender Offer at a purchase price of 1,100 yen per share which is much more favorable than the purchase price of 800 yen per share supported by the TOC board of directors.

2 Assuming that because of the failure of the MBO Tender Offer, the TOC board of directors changes its policy to attempt to maximize the corporate value of TOC maintaining the listing of its shares, and concludes that their support for the MBO Tender Offer is not appropriate; we believe, from the viewpoint of their fiduciary obligations to all shareholders, that it is the duty of the board of directors responsible for TOC’s management to present shareholders with any specific and persuasive measures offering an improvement in shareholder value and TOC’s business strategy, including a commitment to a future higher return greater than the sale of shares for 1,100 yen per share.

3 If the TOC board of directors does not support Our Tender Offer nor present any specific and persuasive measures to improve shareholder value and TOC’s business strategy and as a result, Our Tender Offer fails, we have strong concerns about the share price of TOC to return to the level achieved prior to the announcement of the MBO Tender Offer.
As described above, we believe that TOC’s board of directors, from the viewpoint of their fiduciary obligation to all shareholders, should support Our Tender Offer or immediately present the shareholders with any specific and persuasive measures to improve shareholder value and TOC’s business strategy, including a commitment to realize a higher return through holding their shares rather than tendering their shares into Our Tender Offer.

We have extensive experience and know-how in real estate investment and in increasing property values. We definitively believe that if we work with TOC, we can realize its potential value. Therefore, in response to TOC’s support for the MBO Tender Offer, we made a proposal for a tender offer at 1,100 yen per share subject to the support of TOC’s board of directors, in order to protect the interests of TOC’s shareholders. We had to launch Our Tender Offer without waiting for the TOC’s board of directors’ support because of the following reasons: (i) they did not specifically reply to our serious proposal; (ii) we were not given an opportunity to explain our business plan; (iii) the possibility of undermining the interest of all TOC shareholders exists, including, without limitation, through TOC’s suggestion during the MBO Tender Offer period of using equity financing in connection with the financing of “Minato Mirai 21-28 District”; and (iv) the share price of TOC remains at a level near 1,100 yen per share as proposed by us and we seriously take into account the trust put forth by shareholders who purchased the TOC shares believing in our proposal.

The Press Release gives, as the grounds for their objection to Our Tender Offer, concerns about our legal compliance system, the maximum number of shares to be purchased, our proposal for the Nishi-Gotanda TOC Building as well as the history of Our Tender Offer proposal, which lack persuasive reasons for objecting to Our Tender Offer. We question if TOC’s board of directors actually objects to Our Tender Offer based on these reasons.

With respect to our legal compliance system, given the fact that a subsidiary was subject to administrative discipline, we adopted and established a strict company-wide checks-and-balance system. In order to resolve TOC’s concerns, we disclosed information with full details to the extent it did not affect our business secrets and will faithfully respond to any additional TOC requests.

The Press Release suggests we are contemplating a so-called disintegration-type merger. Our purpose is to maximize the corporate value of TOC as a going-concern. If Our Tender Offer is successfully completed with the support of shareholders, we will steadily take various measures to maximize the corporate value of TOC. The present management approach of TOC does not effectively utilize the unrealized gains of their real estate and relies excessively on the decrepit Nishi-Gotanda TOC Building. If these circumstances are changed and TOC can effectively utilize its real estate in tandem with our extensive know-how in real estate investment and increasing property value, we believe that TOC’s corporate value and the shareholders’ common interests will be maximized for the mid-to long term.

As described above, we believe that the TOC board of directors, from the viewpoint of their fiduciary obligation to all shareholders, should promptly withdraw their objection and support Our Tender Offer proposal.

We continue to undertake our best efforts for the successful completion of Our Tender Offer. We would appreciate it if TOC’s shareholders understand our intentions and gives us their support.

End.
May 31, 2007

To: All

Company Name: K.K. DaVinci Advisors
(Code: 4314 Osaka Securities Exchange, Co., Ltd. Nippon New Market – “Hercules”)
Representative: Osamu Kaneko,
Representative Director
Contact: Hiroki Nakajima,
Public Relations
Telephone Number: 03-6215-9587

Announcement of the execution of a financial advisory agreement with Merrill Lynch Japan Securities Co., Ltd. for our Tender Offer for shares of T.O.C Co., Ltd.

We hereby announce that we have retained Merrill Lynch Japan Securities Co., Ltd. ("Merrill Lynch") as our Financial Advisor in connection with our Tender Offer for shares of T.O.C Co., Ltd. and series of ancillary transactions (the "Transactions").

Merrill Lynch is to provide various financial advisory services to us with the aim of successfully completing the Transactions. We have been informed by Merrill Lynch that Merrill Lynch thoroughly and carefully reviewed and analyzed various aspects of the Transactions including, among other things, the history of the Transactions, our rationale for the Transactions and the potential impact of the Transactions on the Japanese capital markets. Based on this review and analysis, Merrill Lynch has determined that its engagement in connection with the Transactions would be meaningful and has decided to accept this financial advisory assignment.

Merrill Lynch, in the ordinary course of its secondary trading business, may engage during the Tender Offer period in the purchase and sale of shares of T.O.C Co., Ltd. and shares of K.K. DaVinci Advisors for its own account or for its customers' accounts to the extent permitted under Japanese securities regulations. To the extent any disclosure of such purchases is required under applicable Japanese securities regulations, written notice of such disclosure will be provided to shareholders in the United States.
Notice regarding the petition to obtain a provisional order to inspect the shareholder registry of TOC Co., Ltd.

On May 18, 2007, K.K. DaVinci Advisors (“We”) resolved to acquire shares of TOC Co., Ltd. (“TOC”) through a tender offer and commenced a tender offer (the “Tender Offer”) for shares on May 21, 2007.

On May 18, 2007, in connection with the commencement of the Tender Offer for the TOC shares, we requested of TOC that we be allowed to inspect and make copies of the shareholder registry of TOC in order to notify the shareholders of TOC of the existence and contents of the Tender Offer and to obtain their participation. However, TOC refused such request on the grounds that “the real estate businesses of the two companies compete with each other”.

In response, we submitted a petition to the Tokyo District Court on May 23, 2007 for a provisional order to allow us to inspect and make copies of the shareholder registry of TOC. However, on June 15, 2007, the Tokyo District Court dismissed the petition.

The request was made to equally inform all shareholders of TOC of our thoughts in connection with our Tender Offer which intends to protect the shareholders’ value of TOC shareholders. We deeply regret that our thoughts have not been recognized.

On the other hand, upon this finding by the Tokyo District Court, we determined not to appeal to the superior courts, given that the due date for the term of the Tender Offer of July 18 is approaching, and it would be difficult to have sufficient time for sending notices on the contents of the Tender Offer to all shareholders even if the appeal is accepted by the court within the term of the Tender Offer.

By utilizing our extensive experience in real estate investment and in increasing the value of such investments, and by collaborating with TOC, we are convinced that we could realize the potential corporate value of TOC. Our proposal is to protect the shareholder values of the shareholders of TOC, and also contribute to further enhancement of the interests of the shareholders.

We strongly hope that TOC’s incumbent management seriously examine our proposal.

End.
To whom it may concern:

6-2-1, Ginza, Chuo-ku, Tokyo
K.K. DaVinci Advisors
Osamu Kaneko
Representative Director & President
(Code No.: 4314)
Tel: 03-6215-9587
Contact: Hiroki Nakajima

Regarding Yugen Kaisha Otani Kosan TO’s Purchase of Additional Shares of TOC Co., Ltd.

We commenced the tender offer for shares of the common stock of TOC Co., Ltd. (“TOC”) from May 21, 2007. Mr. Takuo Otani filed Amendment Report No. 5 to the Large Shareholding Report concerning TOC shares with the Director General of the Kanto Local Finance Bureau on June 11, 2007, after the deadline for filing (on June 12 and 15, 2007, Mr. Otani filed amendment reports to Amendment Report No. 5, because Amendment Report No. 5 needed to be corrected), and also filed Amendment Report No. 6 on June 19, 2007. According to Amendment Reports Nos. 5 and 6, Yugen Kaisha Otani Kosan TO (“Otani Kosan TO”) purchased 2,821,000 TOC shares in total from the market during the period from May 30 to June 12, 2007, and the shareholding ratio of Mr. Takuo Otani increased to 16.61%, including the shares held by his joint holders. In light of the market price of TOC shares for the same period, it is obvious that the purchase price for each share exceeded 1,100 yen.

Otani Kosan TO is represented by Mr. Takuo Otani and has, at minimum, a joint holder relationship with Mr. Takuo Otani, Yugen Kaisha Otani Kosan and Yugen Kaisha Otani Fund with respect to the TOC shares. Otani Kosan TO’s recent purchase of additional shares is nothing other than the purchase of additional shares by Mr. Takuo Otani and his affiliates (Mr. Takuo Otani and his affiliates, Otani Kosan TO, Yugen Kaisha Otani Kosan and Yugen Kaisha Otani Fund are hereinafter referred to as “Mr. Otani and Others”).

We consider the recent purchase of additional TOC shares by Mr. Otani and Others to be extremely inappropriate on the following grounds.

1. First, Mr. Otani and Others contemplated making TOC go private through a management buy-out (MBO) and caused Yugen Kaisha Otani Fund TO to commence the tender offer (“Management’s Tender Offer”) at the purchase price of 800 yen per share. The Tender Offer Registration Statement stated that the purchase price of 800 yen per share was determined to offer the existing shareholders the price with the largest possible premium. TOC’s board of directors also supported the tender offer at the purchase price of 800 yen per share. In response to this, we proposed, and are currently conducting, the tender offer for TOC common stock at the purchase price of 1,100 per share (this tender offer is hereinafter referred to as “Our Tender Offer”).

Although we repeatedly requested an extension of the period of Management’s Tender Offer for the purpose of offering the various options to the shareholders, our request was not
accepted. The period of Management’s Tender Offer expired on May 11 and Management’s Tender Offer failed. Thereafter, contrary to our expectations, TOC's board of directors expressed an objection to Our Tender Offer. Under these circumstances, as revealed by the Amendment Reports to the Large Shareholding Report, Mr. Otani and Others further purchased the TOC shares at a price 300 yen (37.5%) or more higher than the supposed purchase price with the largest possible premium, and shortly after the failure of Management’s Tender Offer, they are purchasing from the market without responding directly to Our Tender Offer. We must surmise that Mr. Otani and Others are purchasing shares with the intention of frustrating Our Tender Offer.

2. Mr. Otani and Others purchased the shares from a very limited number of shareholders at a price of more than 1,100 yen in order to acquire only the shares necessary to foil Our Tender Offer. This behavior will deprive many other shareholders of opportunities to realize the intrinsic value of their shares if Our Tender Offer results in failure. We are very sorry to say that Mr. Otani and Others and TOC management completely disregard the interests of general shareholders by engaging in such buying activity without supporting Our Tender Offer and without presenting any business plan more attractive than Our Tender Offer.

If these buying activities by Mr. Otani and Others are overlooked, Our Tender Offer might fail. The Securities and Exchange Law prescribes that a person who holds shares (together with shares held by persons having special relationship to such person) amounting to not less than a prescribed ratio to total issued shares, shall not purchase shares from the market above a prescribed number during the period of a tender offer (Article 27-2, Paragraph 1, Item 5 of the Securities and Exchange Law). In the Amendment Reports to the Large Shareholding Report, Mr. Otani and Others treat New Otani Co., Ltd. (as of September 30, 2006, holding 17,354 thousand shares of TOC stock; with shareholding ratio of 12.67%) as not being a joint holder, although New Otani Co., Ltd. highly likely exercises its voting right together with Mr. Otani. Thus, it is not necessarily clear that Mr. Otani and Others consider that the shares held by New Otani Co., Ltd. should be included as those of a person having special relationship for the purpose of the above-mentioned regulations.

We believe that the interests of shareholders should not be undermined due to the self-serving reasons of Mr. Otani and Others. Unfortunately, Mr. Otani and Others will not listen to our opinion. We offer the TOC shareholders an opportunity to realize shareholder value, and continue to undertake our best efforts for the successful completion of Our Tender Offer in order to substantially increase shareholder value after we acquire a majority of the voting rights of TOC. We would be very grateful if TOC’s shareholders understand our intentions and support us.

End.
ANNOUNCEMENT OF CHANGES IN TERMS AND CONDITIONS OF TENDER OFFER FOR SHARES OF TOC CO., LTD.

K.K. DaVinci Advisors (the “Tender Offeror” or the “Company”) hereby announces that it has resolved at the meeting of the Board of Directors on June 27, 2007 to change the tender offer terms and conditions of the Public Notice of Commencement of Tender Offer for the shares of TOC Co., Ltd. (Tokyo Stock Exchange Code# 8841) as follows.

1. Description of Tender Offer
   (1) Name of Target Company    TOC Co., Ltd.
   (2) Class of Stock to be Purchased Common Stock
   (3) Period of Tender Offer From May 21, 2007 (Monday) to July 18, 2007 (Wednesday) (42 business days)

2. Description of Changes in Tender Offer Terms and Conditions Changed portions are underlined below.

   1. Purpose of Tender Offer

      (Before Amendment)

      [Omitted]

      As for the price proposed by Otani Fund stated previously, it reflected a premium based on the 655 yen average of the published closing price for shares of the Target Company over the 6 months ending April 5, 2007 on the Tokyo Stock Exchange. In contrast, the price for this Tender Offer would represent an approximately 67.9% premium with reference to the same 655 yen average of the closing price for shares of the Target Company for the 6 months
ending April 5, 2007, an approximately 44.7% premium to the closing price of 760 yen for shares of the Target Company on April 5, 2007, and an approximately 2.2% premium to the closing price of 1,076 yen for shares of the Target Company on May 17, 2007, and this would fairly provide all shareholders of the Target Company an opportunity to benefit from the proper current shareholder value based on the Tender Offeror’s significant track record in managing real estate investments. In addition, the offer price (1,100 yen) for this Tender Offer is consistent with the level of the highest trading price for the shares of the Target Company in recent years, so the Tender Offeror believes this will provide all shareholders of the Target Company a favorable opportunity for sale.

[Omitted]

Algarve, a consolidated subsidiary of the Tender Offeror, holds 10.02% of the voting rights of the common stock of the Target Company. Algarve has agreed in principle to tender a certain portion of such shares in the Tender Offer and to exercise the voting and other rights as shareholders of the Target Company jointly with the Tender Offeror.

The number of shares scheduled to be purchased pursuant to the Tender Offer is 68,440,500 shares (50.001% of the issued shares). If the aggregate number of shares tendered is less than 68,440,500, the Tender Offeror will not purchase any of the tendered shares. If the aggregate number of shares tendered exceeds the aggregate of the scheduled (68,440,500 shares) and the scheduled excess shares of 1,559,500 shares (the “Excess Shares”), or 70,000,000 shares (the “Expected Number of Shares”), the Tender Offeror will not purchase all or a portion of such excess shares, and the delivery and other settlement with respect to the purchase of shares will be performed pursuant to the pro rata method as prescribed in Paragraph 5 of Article 27-13 of the SEL. The Tender Offeror, in its letter dated April 25, 2007, subject to the support of management of the Target Company, suggested a tender offer for the shares of the Target Company without upper limitation on the number of shares, but because we have not been able to obtain the support of management of the Target Company, this Tender Offer adopts an upper limitation as described above. The Tender Offeror has chosen to target acquisition of a majority of voting rights of the common stock of the Target Company and to make the Target Company a subsidiary of the Tender Offeror.

The Target Company is listed on the First Section of the Tokyo Stock Exchange. If this Tender Offer is successful, the Tender Offeror currently intends to maintain the listing of the common shares of the Target Company while holding a majority of the voting rights of the common stock of the Target Company. However, depending on the circumstances in which shares are tendered pursuant to this Tender Offer and the circumstances in which shareholders continue to hold shares after the consummation of this Tender Offer, it is possible that a cause for delisting could arise under the rules of the Tokyo Stock Exchange.

(After Amendment)

[Omitted]
As for the price proposed by Otani Fund stated previously, it reflected a premium based on the 655 yen average of the published closing price for shares of the Target Company over the 6 months ending April 5, 2007 on the Tokyo Stock Exchange. In contrast, the price for this Tender Offer would represent an approximately 99.7% premium with reference to the same 655 yen average of the closing price for shares of the Target Company for the 6 months ending April 5, 2007, an approximately 72.1% premium to the closing price of 760 yen for shares of the Target Company on April 5, 2007, and an approximately 21.6% premium to the closing price of 1,076 yen for shares of the Target Company on May 17, 2007, and this would fairly provide all shareholders of the Target Company an opportunity to benefit from the proper current shareholder value based on the Tender Offeror’s significant track record in managing real estate investments. In addition, the offer price (1,308 yen) for this Tender Offer is consistent with the level of the highest trading price for the shares of the Target Company in recent years, so the Tender Offeror believes this will provide all shareholders of the Target Company a favorable opportunity for sale.

[Omitted]

Algarve, a consolidated subsidiary of the Tender Offeror, holds 10.02% of the voting rights of the common stock of the Target Company. Algarve has agreed in principle to tender approximately 4.99% (6,796,500 shares) of the voting rights of the common stock of the Target Company in the Tender Offer and to exercise the voting and other rights as shareholders of the Target Company jointly with the Tender Offeror.

The number of shares scheduled to be purchased pursuant to the Tender Offer is 61,597,000 shares (45.00% of the issued shares). If the aggregate number of shares tendered is less than 61,597,000, the Tender Offeror will not purchase any of the tendered shares. If the aggregate number of shares tendered exceeds the aggregate of the scheduled 61,597,000 shares and the scheduled excess shares of 17,403,000 shares (the “Excess Shares”), or 79,000,000 shares (the “Expected Number of Shares”), the Tender Offeror will not purchase all or a portion of such excess shares, and the delivery and other settlement with respect to the purchase of shares will be performed pursuant to the pro rata method as prescribed in Paragraph 5 of Article 27-13 of the SEL. The Tender Offeror, in its letter dated April 25, 2007, subject to the support of management of the Target Company, suggested a tender offer for the shares of the Target Company without upper limitation on the number of shares, but because we have not been able to obtain the support of management of the Target Company, this Tender Offer adopts an upper limitation as described above. The Tender Offeror has chosen to target acquisition of a majority of voting rights of the common stock of the Target Company and to make the Target Company a subsidiary of the Tender Offeror.

The Target Company is listed on the First Section of the Tokyo Stock Exchange. If this Tender Offer is successful, the Tender Offeror currently intends to maintain the listing of the common shares of the Target Company while holding a majority of the voting rights of the common stock of the Target Company. However, depending on the circumstances in which shares are tendered pursuant to this Tender Offer and the circumstances in which
shareholders continue to hold shares after the consummation of this Tender Offer, it is possible that a cause for delisting could arise under the rules of the Tokyo Stock Exchange. Specifically, if the founding family of the Target Company and certain major shareholders, including companies related to the founding family, do not tender pursuant to this Tender Offer and continue to hold shares, it is expected that a cause for delisting would arise depending on the distribution of ownership of the shares of the Target Company as of the end of the fiscal year in which the settlement of this Tender Offer occurs and how such distribution, etc., is disclosed in its securities report for such fiscal year. Therefore, if delisting of the Target Company is triggered by this Tender Offer, it may become difficult for non-tendering shareholders to sell shares of the Target Company.

2. Terms and Conditions of Tender Offer

(4) Offer Price

(Before Amendment) 1,100 yen per share

(After Amendment) 1,308 yen per share

(5) Number of Shares to be Purchased

(Before Amendment)

Minimum Number of Shares Scheduled to be Purchased 68,440,500 (shares)

Excess Shares that may be Purchased 1,559,500 (shares)

Aggregate of Minimum Number of Shares Scheduled to be Purchased and Excess Shares that may be Purchased 70,000,000 (shares)

Note 1. If the total number of tendered shares is less than the minimum number of shares scheduled to be purchased (68,440,500 shares) (the “Minimum Number of Shares”), none of the tendered shares will be purchased. If the total number of tendered shares exceeds the total of the Minimum Number of Shares (68,440,500 shares) and the additional number of shares that may be purchased (1,559,500 shares) for a total of 70,000,000 shares (the “Expected Number of Shares”), all or a portion of the excess shares will not be purchased, and delivery and other settlement concerning purchase of shares will be performed pursuant to the pro rata method (the “Pro Rata Method”) as prescribed in Article 27-13, Paragraph 5 of the SEL and Article 32 of the Cabinet Order.

Note 2. The treasury shares owned by the Target Company will not be purchased through the Tender Offer.

Note 3. Shares less than one unit (tangen miman kabushiki) also fall within the scope of this Tender Offer; provided, however, that the share certificates must be
submitted upon tendering the shares (if shares less than one unit are registered through the tender offer agent (Japan Asia Securities Co., Ltd., as specified below), the tender of share certificates is not required).

(After Amendment)

Number of shares to be purchased 61,597,000
(shares)

Number of excess shares that may be purchased 17,403,000
(shares)

Aggregate number shares to be purchased and excess shares that may be purchased 79,000,000 (shares)

Note 1. If the total number of tendered shares is less than the minimum number of shares scheduled to be purchased (61,597,000 shares) (the “Minimum Number of Shares”), none of the tendered shares will be purchased. If the total number of tendered shares exceeds the total of the Minimum Number of Shares (61,597,000 shares) and the additional number of shares that may be purchased (17,403,000 shares) for a total of 79,000,000 shares (the “Expected Number of Shares”), all or a portion of the excess shares will not be purchased, and delivery and other settlement concerning purchase of shares will be performed pursuant to the pro rata method (the “Pro Rata Method”) as prescribed in Article 27-13, Paragraph 5 of the SEL and Article 32 of the Cabinet Order.

Note 2. Calculated assuming the treasury shares owned by the Target Company will not be purchased through the Tender Offer.

Note 3. Shares less than one unit (tangen miman kabushiki) also fall within the scope of this Tender Offer; provided, however, that the share certificates must be submitted upon tendering the shares (if shares less than one unit are registered through the tender offer agent (Japan Asia Securities Co., Ltd., as specified below), the tender of share certificates is not required).

(6) Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased to Total Number of Voting Rights of all Shareholders

(Before Amendment) 51.40% Note 1. The “Total Number of Voting Rights of All Shareholders of the Target Company” indicates the number of voting rights of all shareholders as of September 30, 2006, as described in the semi-annual report of the Target Company for the period ending on September 30,
2006 (the 41st Fiscal Year) (filed on December 22, 2006). However, since shares less than one unit (tangen miman kabushiki) also fall within the scope of this Tender Offer, “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased to Total Number of Voting Rights of all Shareholders” as well as (7) and (8) below are calculated based on the assumption that the “Total Number of Voting Rights Of All Shareholders of the Target Company” is 272,376, which is calculated by adding 1,616, which is the total number of voting rights related to individual shares less than one unit (tangen miman kabushiki) as of September 30, 2006 as stipulated in the semi-annual report above (such number of shares less than one unit (tangen miman kabushiki) is 808,067, excluding 285 which is the number of such shares held as treasury shares), thereto. (The number of shares that form one unit is 500.) Note 2. “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased to Total Number of Voting Rights of all Shareholders” as well as (7) and (8) below are rounded to two decimal points.

(After Amendment)

58.01%

Note 1. The “Total Number of Voting Rights of All Shareholders of the Target Company” indicates the number of voting rights of all shareholders as of September 30, 2006, as described in the semi-annual report of the Target Company for the period ending on September 30, 2006 (the 41st Fiscal Year) (filed on December 22, 2006). However, since shares less than one unit (tangen miman kabushiki) also fall within the scope of this Tender Offer, “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased to Total Number of Voting Rights of all Shareholders” as well as (7) and (8) below are calculated based on the assumption that the “Total Number of Voting Rights Of All Shareholders of the Target Company” is 272,376, which is calculated by adding 1,616, which is the total number of voting rights related to individual shares less than one unit (tangen miman kabushiki) as of September 30, 2006 as stipulated in the semi-annual report above, thereto. (The number of shares that form one unit is 500.) Note 2. “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased to Total Number of Voting Rights of all Shareholders” as well as (7) and (8) below are rounded to two decimal points.

(8) Percentage of Voting Rights Represented by the Shares Held by the Tender Offeror after the Tender Offer and the Total of such Percentage of Voting Rights Represented by the Shares held by Special Related Parties after the Tender Offer.

(Before Amendment)
Tender Offeror  51.40%  Total  61.42%

(Note) The Total percentage presented above was calculated on the assumption that as a result of the Tender Offer the Tender Offeror will not acquire any of the Voting Rights represented by the shares held by its Special Related Party Algarve (27,279). If the Tender Offeror were to purchase all of the shares held by Algarve, the total percentage would be 51.40%.

(After Amendment)

Tender Offeror  58.01%  Total  64.98%

(Note) The Total percentage presented above was calculated assuming the Special Related Parties tender the 6,796,500 shares that they have agreed with the Tender Offeror to tender under this Tender Offer, and all of the outstanding shares of the Target Company, excluding the 6,843,000 shares not being tendered by the Special Related Parties, the 500 shares held by the Tender Offeror and the 691,285 shares of treasury stock held by the Target Company, are tendered under this Tender Offer and the Tender Offeror purchases all of the shares scheduled to be purchased under the pro rata method, as prescribed in Article 27-13, Paragraph 5 of the SEL. If the Target Company tenders its 691,285 shares of treasury stock, the percentage calculated based on the above method would be 64.66%.

(14) Other Conditions and Method of Purchase

(Before Amendment)

(1) Conditions set forth in each item of Paragraph 4, Section 27-13 of the SEL

If the total number of tendered shares is less than the Minimum Number of Shares (68,440,500 shares), none of the tendered shares will be purchased. If the total number of tendered shares exceeds the Expected Number of Shares (70,000,000 shares), all or a portion of the excess shares will not be purchased. Delivery and other settlements concerning purchase of shares will be performed based on the pro rata method (the “Pro Rata Method”) as prescribed in Article 27-13, Paragraph 5 of the SEL and Article 32 of the Cabinet Order. (In the case where a number of shares less than one unit is included in the number of shares tendered by a shareholder and the Pro Rata Method is applied, the upper limit of the number of shares that may be purchased from such tendering shareholder shall be the number of shares actually tendered by such tendering shareholder.)

[Omitted]

(After Amendment)
(1) Conditions set forth in each item of Paragraph 4, Section 27-13 of the SEL

If the total number of tendered shares is less than the Minimum Number of Shares (61,597,000 shares), none of the tendered shares will be purchased. If the total number of tendered shares exceeds the Expected Number of Shares (79,000,000 shares), all or a portion of the excess shares will not be purchased. Delivery and other settlements concerning purchase of shares will be performed pursuant to the pro rata method (the “Pro Rata Method”) as prescribed in Article 27-13, Paragraph 5 of the SEL and Article 32 of the Cabinet Order. (In the case where a number of shares less than one unit is included in the number of shares tendered by a shareholder and the Pro Rata Method is applied, the upper limit of the number of shares that may be purchased from such tendering shareholder shall be the number of shares actually tendered by such tendering shareholder.)

[Omitted]

3. Handling of Shares Tendered in Response to the Tender Offer Prior to the Date of this Public Notice

The Tender Offeror shall purchase shares tendered in the Tender Offer prior to the date of this Public Notice under the amended terms and conditions of purchase.
D-15
July 2, 2007

To: All

Company Name: K.K. DaVinci Advisors
(Code: 4314 Osaka Securities Exchange, Co., Ltd.
Nippon New Market – “Hercules”)
Representative: Osamu Kaneko, Representative
Director
Contact: Hiroki Nakajima, Public Relations
Telephone Number: 03-6215-9587

ANNOUNCEMENT OF AMENDMENT TO PUBLIC NOTICE OF
COMMENCEMENT OF TENDER OFFER FOR SHARES OF TOC CO., LTD.

K.K. DaVinci Advisors (the “Tender Offeror” or the “Company”) hereby announces that it is amending the content of the Public Notice of Commencement of Tender Offer for the shares of TOC Co., Ltd. (Tokyo Stock Exchange Code 8841) as follows.

The amendments are made to further clarify the purpose of the tender offer and to conform with the most recent Securities Report issued by the Target Company (filed on June 28, 2007) and do not alter the terms and conditions to the Tender Offer.

1. Description of Tender Offer
   (1) Name of Target Company    TOC Co., Ltd.
   (2) Class of Stock to be Purchased  Common Stock
   (3) Period of Tender Offer      From May 21, 2007 (Monday) to July 18, 2007
                                   (Wednesday) (42 business days)

2. Description of Changes in Tender Offer Terms and Conditions Changed portions are underlined below.

1. Purpose of Tender Offer
   (Before Amendment)
   [Omitted]
   The Target Company is listed on the First Section of the Tokyo Stock Exchange. If this Tender Offer is successful, the Tender Offeror currently intends to maintain the listing of the common shares of the Target Company while holding a majority of the voting rights of the common stock of the Target Company. However, depending on the circumstances in which shares are tendered pursuant to this Tender Offer and the circumstances in which shareholders continue to hold shares after the consummation of this Tender Offer, it is possible that a cause for delisting could arise under the rules of the Tokyo Stock Exchange. Specifically, if the founding family of the Target Company and certain major shareholders, including companies related to the founding family, do not tender pursuant to this Tender Offer and continue to hold shares, it is expected that a cause for delisting would arise.
depending on the distribution of ownership of the shares of the Target Company as of the end of the fiscal year in which the settlement of this Tender Offer occurs and how such distribution, etc., is disclosed in its securities report for such fiscal year. Therefore, if delisting of the Target Company is triggered by this Tender Offer, it may become difficult for non-tendering shareholders to sell shares of the Target Company.

(After Amendment)

[Omitted]

The Target Company is listed on the First Section of the Tokyo Stock Exchange. If this Tender Offer is successful, the Tender Offeror currently intends to maintain the listing of the common shares of the Target Company while holding a majority of the voting rights of the common stock of the Target Company. However, depending on the circumstances in which shares are tendered pursuant to this Tender Offer and the circumstances in which shareholders continue to hold shares after the consummation of this Tender Offer, it is possible that a cause for delisting could arise under the rules of the Tokyo Stock Exchange. Specifically, if the founding family of the Target Company and certain major shareholders, including companies related to the founding family, do not tender pursuant to this Tender Offer and continue to hold shares, it is expected that a cause for delisting would arise depending on the distribution of ownership of the shares of the Target Company as of the end of the fiscal year in which the settlement of this Tender Offer occurs and how such distribution, etc., is disclosed in its securities report for such fiscal year. Therefore, if delisting of the Target Company is triggered by this Tender Offer, it may become difficult for non-tendering shareholders to sell shares of the Target Company. Because it was not determinable at the time of the filing of this Tender Offer Registration Statement whether a cause for delisting existed, the Tender Offeror as of the time of such filing has no plans for specific measures in the event that the Target Company is delisted. Further, the Tender Offeror has no specific plans for further acquisition of shares after the conclusion of this Tender Offer.

2. Terms and Conditions of Tender Offer

(6) Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased to Total Number of Voting Rights of all Shareholders

(Before Amendment)

58.01%

Note 1. The “Total Number of Voting Rights of All Shareholders of the Target Company” indicates the number of voting rights of all shareholders as of September 30, 2006, as described in the semi-annual report of the Target Company for the 41st Fiscal Year (filed on December 22, 2006). However, since shares less than one unit (tangen miman kabushiki) also fall within the scope of this Tender Offer, “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased to Total Number of Voting Rights of all Shareholders” as well as (7) and (8) below are calculated based on the assumption that the “Total Number of Voting Rights Of All Shareholders of the Target Company” is 272,376, which is calculated by adding 1,616, which is the total number of voting rights related to individual shares less than one unit (tangen miman kabushiki) as of September 30, 2006 as stipulated in the semi-annual report above, thereto. (The number of shares that form one unit is 500.) Note that this calculation assumes that the 1,382 voting rights (691,285 shares) held as treasury shares by the Target Company will not be tendered under this Tender Offer.
Note 2. “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased to Total Number of Voting Rights of all Shareholders” as well as (7) and (8) below are rounded to two decimal points.

(After Amendment)
58.01%

Note 1. The “Total Number of Voting Rights of All Shareholders of the Target Company” indicates the number of voting rights of all shareholders as of March 31, 2007, as described in the annual report of the Target Company for the 41st Fiscal Year (filed on June 28, 2007). However, since shares less than one unit (tangen miman kabushiki) also fall within the scope of this Tender Offer, “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased to Total Number of Voting Rights of all Shareholders” as well as (7) and (8) below are calculated based on the assumption that the “Total Number of Voting Rights Of All Shareholders of the Target Company” is 272,347, which is calculated by adding 1,575, which is the total number of voting rights related to individual shares less than one unit (tangen miman kabushiki) as of March 31st, 2007 as stipulated in the annual report above, thereto. (The number of shares that form one unit is 500.) Note that this calculation assumes that the 1,411 voting rights (705,873 shares) held as treasury shares by the Target Company will not be tendered under this Tender Offer.

Note 2. “Percentage of Number of Voting Rights with respect to Shares Scheduled to be Purchased to Total Number of Voting Rights of all Shareholders” as well as (7) and (8) below are rounded to two decimal points.

(8) Percentage of Voting Rights Represented by the Shares Held by the Tender Offeror after the Tender Offer and the Total of such Percentage of Voting Rights Represented by the Shares held by Special Related Parties after the Tender Offer.

(Before Amendment)
Tender Offeror 58.01% Total 64.98%
(Note) The Total percentage presented above was calculated assuming the Special Related Parties tender the 6,796,500 shares that they have agreed with the Tender Offeror to tender under this Tender Offer, and all of the outstanding shares of the Target Company, excluding the 6,843,000 shares not being tendered by the Special Related Parties, the 500 shares held by the Tender Offeror and the 691,285 shares of treasury stock held by the Target Company, are tendered under this Tender Offer and the Tender Offeror purchases all of the shares scheduled to be purchased under the pro rata method, as prescribed in Article 27-13, Paragraph 5 of the SEL. If the Target Company tenders its 691,285 shares of treasury stock, the percentage calculated based on the above method would be 64.66%.

(After Amendment)
Tender Offeror 58.01% Total 64.98%
(Note) The Total percentage presented above was calculated assuming the Special Related Parties tender the 6,796,500 shares that they have agreed with the Tender Offeror to tender under this Tender Offer, and all of the outstanding shares of the Target Company, excluding the 6,843,000 shares not being tendered by the Special Related Parties, the 500 shares held by the Tender Offeror and the 691,285 shares of
treasury stock held by the Target Company, are tendered under this Tender Offer and the Tender Offeror purchases all of the shares scheduled to be purchased under the pro rata method, as prescribed in Article 27-13, Paragraph 5 of the SEL. If the Target Company tenders its 705,873 shares of treasury stock, the percentage calculated based on the above method would be 64.66%.
ANNOUNCEMENT OF CHANGE IN TENDER OFFER TERMS AND CONDITIONS
FOR SHARES OF TOC CO., LTD.

K.K. DaVinci Advisers hereby announces that, per a decision made at the meeting of its Board of Directors held on July 5, 2007, it is making the following changes to the terms of purchase in the Public Notice of Commencement of Tender Offer related to the Tender Offer it has implemented (the “Tender Offer”) targeting shares of TOC Co., Ltd. (Tokyo Stock Exchange Code 8841, the “Target Company”). Because some of the items included in the Tender Offeror’s May 21, 2007 Tender Offer Registration Statement (the “Registration Statement”) filed with the Kanto Local Finance Bureau require amendment, the Tender Offeror hereby effects those changes by submitting a revised Registration Statement to the Kanto Local Finance Bureau on July 6, 2007, in accordance with the provisions of Article 27, Section 8, Paragraph 1 and 2of the Securities and Exchange Law (hereafter, the “SEL”). We also advise that we are hereby extending the purchase period, per the provisions of SEL Article 27, Section 8, Paragraph 8. Note that submission of a revised Registration Statement is being made upon discussion with the Kanto Local Finance Bureau, and is intended to clarify even further for the shareholders of the Target Company both our perspective of the Tender Offer, and information considered necessary for all shareholders of the Target Company to decide whether or not to tender their shares as part of this Tender Offer.

NOTICE

1. Description of Tender Offer
   (1) Name of Target Company  TOC Co., Ltd.
   (2) Class of Stocks to be Purchased  Common Stock
   (3) Period of Tender Offer May 21, 2007 (Monday)
      (After Amendment) through July 23, 2007 (Monday)  (45 business days)
2. Description of Changes in Tender Offer Terms and Conditions Changed portions are underlined, below.

1. Purposes of Tender Offer

(Before Amendment)

[Omitted]

The Target Company is listed on the First Section of the Tokyo Stock Exchange. If this Tender Offer is successful, the Tender Offeror currently intends to maintain the listing of the common shares of the Target Company while holding a majority of the voting rights of the common stock of the Target Company. However, depending on the circumstances in which shares are tendered pursuant to this Tender Offer and the circumstances in which shareholders continue to hold shares after the consummation of this Tender Offer, it is possible that a cause for delisting could arise under the rules of the Tokyo Stock Exchange. Specifically, if the founding family of the Target Company and major shareholders do not tender pursuant to this Tender Offer and continue to hold shares, it is expected that a cause for delisting could arise upon the settlement of this Tender Offer. Therefore, if delisting of the Target Company is triggered by this Tender Offer, it may become difficult for non-tendering shareholders to sell shares of the Target Company. Because it was not determinable at the time of the filing of this Tender Offer Registration Statement whether a cause for delisting existed, the Tender Offeror as of the time of such filing has no plans for specific measures in the event that the Target Company is delisted. Further, the Tender Offeror has no specific plans for further acquisition of shares after the conclusion of this Tender Offer.

(After Amendment)

[Omitted]

The Target Company is listed on the First Section of the Tokyo Stock Exchange. If this Tender Offer is successful, the Tender Offeror currently intends to maintain the listing of the common shares of the Target Company while holding a majority of the voting rights of the common stock of the Target Company. On the other hand, because the Tender Offeror intends to provide shareholders of the Target Company with the broadest possible opportunity to sell their shares in the Target Company via this Tender Offer, it plans to purchase such shares up to the limit of the Expected Number of Shares (in addition to its goal of acquiring a majority of the voting rights of the Target Company along with the voting rights of its special related parties, and because of the conditions of the funding required for the purchase of the Target Company shares, the Tender Offeror does not plan to acquire all of the shares of the Target Company via this Tender Offer). Therefore, depending on the circumstances in which shares are tendered pursuant to this Tender Offer and the circumstances in which shareholders continue to hold shares after the consummation of this Tender Offer, it is possible that a cause for delisting could arise under the rules of the Tokyo Stock Exchange. Specifically, if the founding family of the Target Company and major shareholders do not tender pursuant to this Tender Offer and continue to hold shares, it is expected that a cause for delisting could arise upon the settlement of this Tender Offer. Therefore, if delisting of the Target Company is triggered by this Tender Offer, it may become difficult for non-tendering shareholders to sell shares of
the Target Company. Because it was not determinable at the time of the filing of this Tender Offer Registration Statement whether a cause for delisting existed, the Tender Offeror as of the time of such filing has not decided on any plans for specific measures regarding the listing of the Target Company shares in the event that the Target Company triggers a cause for delisting. However, should the Target Company be considered to have triggered a cause for delisting, the Tender Offeror believes it may, based on decisions made after the point at which such cause for delisting may occur, adopt some kind of measures taking into comprehensive consideration the effects on shareholders of the Target Company, as well as the financial rationality of such steps to the Tender Offeror, such as selling part of the shares it holds in the Target Company to a third party in order to maintain the Target Company’s listing, take steps to acquire additional shares in the Target Company at an appropriate price in order to acquire all of the shares in the Target Company (there are no plans to force minority shareholders to sell at an unfairly low price. Further, as of the date of the submission of this filing, there are no specific plans to acquire all of the Target Company via a merger or stock exchange. Based on decisions made after the point at which a cause for delisting may occur, it is possible that a merger or stock exchange may be implemented, but because the ratio of voting rights expected to be held by the Tender Offeror and its Special Related Parties in the event this Tender Offer is successful will be less than the two-thirds required for the special vote of the General Shareholders’ Meeting required for such measures, there is no guarantee that such measures will be possible.), or for the purposes of re-listing in the event of a delisting, taking other necessary steps such as adjusting the distribution of the Target Company shares by increasing capital through a third-party allocation of new shares. Regarding the proposed business plan, noted above, that the Tender Offeror plans to implement after this Tender Offer is completed (the vision for significantly increasing shareholder value of the Target after the consummation of this Tender Offer), the Tender Offeror intends to carry it out in a sincere manner, taking into consideration both the increase in corporate value of the Target Company and enhancement in the interests common to all shareholders, regardless of whether or not the Target Company is delisted. Further, the Tender Offeror is not actively seeking the delisting of the Target Company, rather, its primary goal is to acquire a majority of the Target Company shares’ voting rights along with the voting rights of its Special Related Parties while maintaining the listing of the Target Company, and thus, as of the date of the submission of this filing, it has no specific plans for further acquisition of shares after the conclusion of this Tender Offer. But as one option for providing an opportunity to sell shares in the Target Company should a cause for delisting of the Target Company occur, it is possible the Tender Offeror may acquire additional shares of the Target Company at a fair price. Even in such a case, as noted above, the Tender Offeror has no plans to implement a purchase that will force minority shareholders of the Target Company to sell at an unfairly low price.
2. Description of Tender Offer

(3) Period of Purchase

(Prior to Amendment)
May 21, 2007 (Monday) through July 18, 2007 (Wednesday) (42 business days)

(After Amendment)

May 21, 2007 (Monday) through July 23, 2007 (Monday) (45 business days)

(11) Settlement Commencement Date

(Prior to Amendment)
August 2, 2007 (Thursday)

(After Amendment)
August 7, 2007 (Tuesday)

3. Handling of Shares Already Sold in response to the Tender Offer Prior to the Date of This Public Notice: The Tender Offeror shall purchase shares tendered in the Tender Offer prior to the date of this Public Notice, under the amended terms and conditions of purchase.
July 24, 2007

To: All

Company name: K. K. DaVinci Advisors
(Code: 4314 Osaka Securities Exchange, Nippon New Market “Hercules”) Representative: Osamu Kaneko, President and Representative Director Contact: Hiroki Nakajima, Public Relations (Telephone: 03-6215-9587)

**Tender Offer Results for TOC Co., Ltd.**

At our Board of Directors meeting held on May 18, 2007, we resolved to move forward with the acquisition of shares of common stock of TOC Co., Ltd. (hereafter, “TOC”) through a tender offer (hereafter, “Tender Offer”). We began implementing the Tender Offer on May 21, 2007, and we closed the Tender Offer on July 23, 2007. This is to notify you about the results.

Because the number of shares tendered in response to the Tender Offer did not reach the number of shares intended to be purchased, the Tender Offer did not succeed.

During the time period between the initiation of the Tender Offer and today, we notified you through various notifications and disclosures of our specific business plans to significantly improve TOC’s shareholder value and that protecting TOC’s shareholder value was an important objective of the Tender Offer.

We would like to express our sincere appreciation to many of TOC’s shareholders who supported our objective and proposals and tendered their shares in the Tender Offer.

In regards to the lack of success with the Tender Offer, although we proposed a purchase price (1,308 yen per share of common stock) that represented a 63.5% premium over the purchase price proposed in the management buyout proposal by some of TOC’s management (800 yen per share of common stock), we understand that more than a majority of TOC’s shareholders decided that our proposed purchase price was not high enough and that this was the reason that those shareholders did not tender their shares.

In the future, we would like to continue to make proposals to TOC that aim to improve TOC’s corporate value and shareholder value, and it is our intention to seek to have future consultations with TOC on the implementation of such proposals.
Notes

1. Summary of Tender Offer
   (1) Name and address of company making the Tender Offer

   K. K. DaVinci Advisors
   2-1, Ginza 6-chome, Chuo-ku, Tokyo

   (2) Name of target company

   TOC Co., Ltd.

   (3) Class of stock to be purchased

   Common stock

   (4) Number of shares intended to be purchased

   Minimum Number of Shares Scheduled to be Purchased (in terms of shares) 61,597,000
   Excess Number of Shares that may be Purchased (in terms of shares) 17,403,000
   Aggregate of Minimum Number of Shares Scheduled to be Purchased and Excess Number
   of Shares that may be Purchased (in terms of shares) 79,000,000

   (5) Period of Tender Offer

   From May 21, 2007 until July 23, 2007 (45 business days)

   (6) Tender Offer price

   1,308 yen per share in cash

2. Tender Offer Results
   (1) Tender Results

   Number of shares tendered 47,348,710
   Number of shares to be purchased 0

   (2) Success/failure of the Tender Offer

   Because the total number of shares tendered (47,348,710 shares) did not reach the total
   number of shares intended to be purchased as set forth in the Public Notice of Tender
   Offer and the Tender Offer Registration Statement (61,597,000 shares), the tendered
   shares will not be purchased.

   (3) Percentage of stock held after the purchase

   Number of voting rights related to shares held by the Tender Offeror 1
   Number of voting rights related to shares held by special related parties 27,279

551
Total number of voting rights held by all TOC shareholders  270,772
Total percentage of shares held by the Tender Offeror and special related parties  10.02%

Note 1:
The “total number of voting rights held by all TOC shareholders” is the number of voting
rights held by all shareholders of TOC as of March 31, 2007, as listed in Securities
Report No. 41 that was issued by TOC on June 28, 2007. However, because the Tender
Offer includes shares constituting less than one minimum trading unit of shares, the
calculation of the "Total percentage of shares held by the Tender Offeror and special
related parties" includes voting rights relating to shares constituting less than one
minimum trading unit of shares (1,575 voting rights relating to 787,852 shares
constituting less than one minimum trading unit of shares as of March 31, 2007, as set
forth in the Securities Report No. 41 described above), making the "Total number of
voting rights held by all TOC shareholders" 272,347 (The number of shares that form one
unit is 500).

Note 2:
The “Total percentage of shares held by the Tender Offeror and special related parties”
rounds numbers to 3 decimal points.

(4) Calculation in the case where purchases conducted on a proportional basis.
Not applicable.

(5) Capital needed for purchase
Not applicable.

3. Method of settlement and start date

(1) Name and address of the securities company, bank, etc. that will settle the purchases
Japan Asia Securities Co., Ltd. (7-9, Nihonbashi Kakigara-cho 1-chome, Chuo-ku,
Tokyo)

(2) Settlement start date
August 7, 2007 (Tuesday)

(3) Method of returning the stock
Because we will not purchase all of the tendered shares, for tendered shares that must be
returned to the tendering shareholders, promptly after the filing of the Tender Offer
Report we will return such shares to the tendering shareholders by delivering or mailing
those shares to the addresses of the tendering shareholders, based on instructions
provided by those shareholders (in the case of the overseas shareholders, the shares will
be delivered/mailed to their standing representatives in Japan). In the case of tendered
shares that have been deposited with a tender offer representative (or deposited with the
Japan Securities Depository Center Inc. (JASDEC) through a tender offer representative)
at the time the shareholder tendered its shares, we will return the shares to the party with
whom the stock was deposited at the time of the tender.
4. Locations where copies of the tender offer report are made available for public inspection

K. K. DaVinci Advisors (Address: 2-1, Ginza 6-chome, Chuo-ku, Tokyo)

Tokyo Stock Exchange, Inc. (Address: 2-1 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)