

**[Translation]**

**TENDER OFFER EXPLANATION STATEMENT**

**September 2014**

**Solar Japan Holdings G.K.**

**(Target: Starbucks Coffee Japan, Ltd.)**

## **TENDER OFFER EXPLANATION STATEMENT**

The tender offer pursuant to this statement is subject to the provision of Chapter II-2, Section 1 of the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended). This statement is prepared in accordance with Article 27-9 of the Financial Instruments and Exchange Act of Japan.

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Note 1: In this Statement, the term “Bidder” means Solar Japan Holdings G.K.

Note 2: In this Statement, the term “Company” means Starbucks Coffee Japan, Ltd.

Note 3: Where the figures in this Statement are rounded off or rounded down, the amount indicated in the total column may not always coincide with the sum of the relevant figures.

Note 4: In this Statement, the term “Act” means the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended).

- Note 5: In this Statement, the term “Enforcement Order” means the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended).
- Note 6: In this Statement, the term “Cabinet Ordinance” means the Cabinet Ordinance Concerning the Disclosure of Tender Offers for Shares, Etc., by Persons Other Than Issuers (Ministry of Finance Ordinance No. 38 of 1990, as amended).
- Note 7: In this Statement, the business days are those under the Act of Administrative Agency Holidays (Act No. 91 of 1988, as amended).
- Note 8: In this Statement, unless otherwise provided, any indication of a number of days, date or time refers to such number of days, date or time in Japan.
- Note 9: Unless otherwise specified, all procedures relating to the Tender Offer are to be conducted entirely in Japanese. If all or any part of a document relating to the Tender Offer is prepared in the English language and there is any inconsistency between the English-language documentation and the Japanese-language documentation, the Japanese-language documentation will prevail.
- Note 10: The tender offer that is the subject of this Statement (the “First Tender Offer”) and a subsequent tender offer to be implemented by the Bidder (the “Second Tender Offer” and, together with the First Tender Offer, the “Dual Tender Offers”) will be conducted in accordance with the procedures and information disclosure standards prescribed by Japanese law, which may differ from the procedures and information disclosure standards in the United States. In particular, Section 13(e) and Section 14(d) of the U.S. Securities Exchange Act of 1934 and the rules prescribed thereunder do not apply to the Dual Tender Offers, and the Dual Tender Offers do not conform to those procedures and standards. The financial statements contained or incorporated by reference herein are prepared based on generally accepted accounting principles in Japan, which may differ materially from generally accepted accounting principles in the United States and other jurisdictions..
- Note 11: Unless otherwise specified, all procedures relating to either or both of the Dual Tender Offers are to be conducted entirely in Japanese. If all or any part of a document relating to either or both of the Dual Tender Offers is prepared in the English language and there is any inconsistency between the English-language documentation and the Japanese-language documentation, the Japanese-language documentation will prevail.
- Note 12: This Statement and the documents incorporated by reference herein contain “forward-looking statements” as defined in Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. Actual results could differ materially from those expressed or implied in such “forward-looking statements” due to known and unknown risks, uncertainty and other factors. No assurance is given by the Bidder or its affiliates that the results expressed or implied in any such “forward-looking statements” will be achieved. The “forward-looking statements” contained or incorporated herein were made based on information available to the Bidder as of the date of this Statement, and except where required by laws or regulations, neither the Bidder nor its affiliates intends to update the statements to reflect future events or circumstances.
- Note 13: The financial advisor to the Bidder and the tender offer agent (including their respective affiliates) may engage prior to the commencement of, or during the tender offer periods in the Dual Tender Offers in the purchase or arrangement to purchase of shares or stock acquisitions rights of the Target for their own account or for their customers’ accounts to the extent permitted under Japanese and U.S. securities laws and regulations. Such purchases may be made at the market price through market transactions, or at a price determined by negotiation outside of the market.

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## I. PART I. TERMS AND CONDITIONS OF TENDER OFFER

### 1. Name of Company

Starbucks Coffee Japan, Ltd. (the “Company”)

### 2. Class of Shares to Be Purchased

(i) Common stock

(ii) Stock options issued pursuant to the resolutions approved at the annual shareholders meeting and the board of directors meeting of the Company respectively held on June 24, 2005

### 3. Purpose of Tender Offers

#### (1) Overview of Tender Offers

Solar Japan Holdings G.K. (the “Bidder”) was formed on September 5, 2014 by SCI Ventures S.L. (“SCI Ventures”) for the purpose of acquiring common shares and stock options of the Company and, as the date hereof, is wholly owned by SCI Ventures. Starbucks Coffee International Inc. (“SCI”), which is wholly owned by Starbucks Corporation, owns 100% of SCI Ventures. As of the date hereof, SCI Ventures owns 57,000,000 shares of the Company (the “Company Shares Owned by Starbucks”), which account for a Shareholding Percentage (as defined in Note below) of 39.52%, and is one of the two largest shareholders of the Company.

(Note) The Shareholding Percentage means the percentage of the Company shares held out of the total issued shares of the Company as of July 31, 2014 (i.e., 144,220,600 shares) as set forth in the 20th Term – First Quarter Securities Report filed by the Company on August 8, 2014, which percentage is rounded to the nearest hundredth.

Sazaby League, Ltd. (“Sazaby League”) also owns 57,000,000 shares of the Company (i.e., the Shareholding Percentage of 39.52%) (the “Company Shares Owned by Sazaby League”) as of the date hereof. Sazaby League has expressed its desire to sell its shares of the Company to Starbucks Corporation and exit the business. In addition to acquiring the Company Shares Owned by Sazaby League, for the reasons discussed below the Bidder has decided to acquire all of the common shares (excluding the Company Shares Owned by Starbucks) and the stock options of the Company through multiple transactions (the “Transactions”). As the first step of the Transactions, the Bidder will implement a tender offer to acquire the Company Shares Owned by Sazaby League (the “First Tender Offer”). On September 24, 2014, Sazaby League agreed with the Bidder that it shall tender all of the Company Shares Owned by Sazaby League in the First Tender Offer. For details of this agreement, please see “(4) Material Agreement Concerning Tendering Company Shares Between Bidder and Shareholder.”

The Bidder has set the minimum acceptance amount for the Company securities to be tendered in the First Tender Offer as 57,000,000 (the “Floor Number”), which is equivalent to the number of the Company Shares Owned by Sazaby League. If the total number of the tendered securities does not reach the Floor Number, the Bidder will not acquire any shares through the First Tender Offer. If the total number of the tendered securities reaches the Floor Number, the Bidder will acquire all of the tendered securities through the First Tender Offer.

As a subsequent step of the Transactions, the Bidder will commence another tender offer (the “Second Tender Offer”) promptly after the First Tender Offer has been completed and settled (the First Tender Offer and the Second Tender Offer are collectively defined as the “Dual Tender Offers”). The Second Tender Offer will target all of the Company shares (excluding those held by the Bidder and SCI Ventures) and the remaining stock options

of the Company (the “Stock Options”). The tender offer price for the Second Tender Offer (the “Second Tender Offer Price”) will be 1,465 yen, which will be 500 yen (51.8%) higher than the tender offer price for the First Tender Offer (the “First Tender Offer Price”) (i.e., 965 yen). For details of the Second Tender Offer, please see “(5) Matters Concerning Second Tender Offer”. The Dual Tender Offers are one transaction. The Company’s shareholders and the Stock Option holders will determine whether to tender their shares or Stock Options, or not to tender them, in either tender offer, based on the assumption that the Second Tender Offer will be conducted subsequently after the completion of the First Tender Offer. If the Bidder sets the minimum acceptance amount for the Company securities to be tendered in the Second Tender Offer, it will be uncertain whether or not the Second Tender Offer will be completed. For the purpose of facilitating decision-making by the Company’s shareholders and the Stock Option holders, the Bidder will not set such minimum acceptance amount in the Second Tender Offer.

If the Bidder is not able to acquire all of the Company shares (excluding the Company Shares Owned by Starbucks) through the First and Second Tender Offers, the Bidder will request the Company to implement certain cash-out procedures under which all minority shareholders will receive cash in exchange for the Company stock and the Company will become a wholly-owned subsidiary of the Bidder (the “Cash-out Procedures”). For details of the Cash-out Procedures, please see “(7) Plan for Reorganization after Tender Offer.”

According to the announcement of the Company captioned “Announcement Concerning Expression of Company’s Opinion for Implementation of Tender Offer for Company’s Shares Made by Solar Japan Holdings G.K.” (the “Company’s Announcement”), on September 24, 2014, the Company resolved the following:

- To support the First Tender Offer, withhold its opinion concerning the First Tender Offer Price and the tender offer price for the Stock Options, and leave the decision on whether or not to tender the Company shares and the Stock Options in the First Tender Offer to the shareholders and the Stock Option holders.
- Given that the Second Tender Offer will be implemented promptly after the completion of the First Tender Offer, to support the Second Tender Offer and recommend the shareholders to tender their shares in the Second Tender Offer.
- To leave the decision on whether or not to tender the Stock Options in the Second Tender Offer to the Stock Option holders although the Company considers that the tender offer price for the Stock Option is reasonable.

## (2) Decision-making Process Concerning Tender Offers and Management Policies Subsequent to Tender Offers

Starbucks Corporation has 100% ownership of SCI and is the ultimate parent company of the Bidder. Starbucks Corporation is the premier roaster, marketer and retailer of specialty coffee in the world, operating in 63 countries. Formed in 1985, Starbucks Corporation’s common stock trades on the NASDAQ Global Select Market (“NASDAQ”) under the symbol “SBUX.” Starbucks Corporation purchases and roasts high-quality coffees that it sells, along with handcrafted coffee, tea and other beverages and a variety of fresh food items, through company-operated stores. Starbucks Corporation also sells a variety of coffee and tea products and licenses its trademarks through other channels such as licensed stores, grocery, mass, club and national foodservice accounts. In addition to its flagship Starbucks brand, its portfolio also includes goods and services offered under the following brands: Teavana, Tazo, Seattle’s Best Coffee, Starbucks VIA, Starbucks Refreshers, Evolution Fresh, La Boulange and Verismo. Starbucks Corporation’s objective is to maintain Starbucks standing as one of the most recognized and respected brands in the world. To achieve this, Starbucks Corporation is continuing the disciplined expansion of its global store base. In addition, by leveraging the experience gained through its traditional store model, Starbucks Corporation continues to offer consumers new coffee and other products in a variety of forms, across new categories, and through diverse channels. Starbucks Global Responsibility strategy and commitments related to

coffee and the communities the Starbucks group does business in, as well as its focus on being an employer of choice, are also key complements to its business strategies.

The Company was incorporated in October 1995 as a joint venture between SCI and Sazaby League, and has engaged in operation of Starbucks coffee stores in Japan. In October 2001, the Company listed its shares on NASDAQ Japan of Osaka Stock Exchange (currently JASDAQ of Tokyo Stock Exchange).

The Company business is operated pursuant to underlying comprehensive licenses (“License Agreements”) from the Starbucks group. Namely, SCI grants to the Company an exclusive license to develop and operate the Starbucks coffee stores in Japan, and SBI Nevada Inc. (“SBI”), which is a wholly-owned subsidiary of SCI, grants to the Company a license to use certain Starbucks trademarks, designs, marks, technologies, and know how in respect of the Starbucks coffee stores. Starbucks Corporation also supplies coffee beans and other specialty goods to the Company pursuant to a supply agreement. As stated in the Company’s securities filings, these agreements will expire on March 31, 2021 and contain no provision for auto-renewal.

The key concept for the Starbucks coffeehouse is to offer “a place where customers may be comfortable and relaxed whenever they want a place between work and home life.” Consistent with this concept, the Company has successfully cultivated a unique culture to have pleasant time over a cup of coffee with a wonderful aroma, and the number of Starbucks coffeehouses has reached 1,000 all around Japan. Recently, the Company has also provided new products and services that fit with various lifestyles of Starbucks customers. For instance, a customer may purchase home products online through their personal computers or smartphones in the “Starbucks Online Store.” With these efforts and developments, the Starbucks brand has attracted broad popularity among customers in Japan.

At the same time various competitors, from coffeehouses to retail companies with diverse distribution channels, have been pursuing the Company. The Company must continue to expand and innovate to survive the highly competitive environment and achieve continuous growth.

After many discussions, in late July, Starbucks Corporation and Sazaby League reached a consensus that the Company’s continued growth and innovation can best be achieved by pursuing a transaction under which the Company business will be managed under the sole control of Starbucks Corporation. In order to compete in the highly competitive market and further develop business in Japan, it is crucial to swiftly respond to diverse needs of, and continuously attract, Starbucks customers. To achieve such goal, it is critical for Starbucks Corporation and the Company to be fully aligned with each other rather than continue as independent public companies.

Starbucks Corporation considered how to make the Company its wholly-owned subsidiary. Starbucks Corporation has assumed that it will not renew the License Agreements with the Company beyond March 31, 2021 unless the Company becomes a wholly owned subsidiary of Starbucks Corporation. The License Agreements provide that upon expiration SCI may purchase the assets of the Company’s stores at their fair market value. This would be the most straightforward mechanism for unwinding the exclusive license. However, Starbucks Corporation finally determined to propose the double tender offer structure for the following reasons.

- If SCI purchased the assets of the Company’s stores, all shareholders would receive the same amount per share from the Company. Instead, the double tender offer structure will ensure that public shareholders will receive a substantially higher price than Sazaby League. The price per share that the



public shareholders will receive in the Second Tender Offer (i.e., the Second Tender Offer Price) is 51.8% higher than the price per share that Sazaby League will receive in the First Tender Offer (i.e., the First Tender Offer Price).

- If SCI purchased the assets of the Company's stores, the Company would pay income tax on the gain and the payment to the shareholders would be reduced.

In early August 2014, Starbucks Corporation informally communicated to Mr. Jun Sekine, Representative Director and CEO of the Company, about the possibility of making the Company its wholly-owned subsidiary. On August 15, 2014, Starbucks Corporation made a formal proposal to Mr. Sekine of making the Company its wholly-owned subsidiary through the double tender offers. Following such proposal, both companies have negotiated with each other several times with involvement of their respective financial advisors and legal counsel: i.e., Goldman Sachs Japan Co., Ltd. ("Goldman Sachs") and Latham & Watkins Gaikokuho Joint Enterprise ("Latham & Watkins") on behalf of the Bidder and KPMG FAS Co., Ltd. ("KPMG") and Nagashima Ohno & Tsunematsu ("NO&T") on behalf of the Company. Specifically, from middle to late August, Starbucks Corporation conducted due diligence on the Company and had discussions with the Company regarding the purposes of, and the management policy after, the Transactions. Following explanations by Goldman Sachs about Starbucks Corporation's views on a tender offer price for the public shareholders in early September, Starbucks Corporation and the Company started to negotiate such tender offer price. On a parallel track, they had discussions and negotiations on terms of the Transactions. In middle September, the Starbucks Corporation team visited Tokyo and had face-to-face negotiations with the Company.

Given the capital relationship between Starbucks Corporation and the Company, the Board of Directors of the Company set up a special committee on August 26, 2014. For details of the Special Committee, please see "(6) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest."

Two directors (Messrs. Yuji Tsunoda and Masatoku Mori) and one statutory auditor (Mr. Hidemi Yoshimura) of the Company are currently or formerly associated with Sazaby League, and one statutory auditor of the Company (Mr. Yukio Enomoto) is a special advisor to Sazaby League. As explained in "(4) Material Agreement Concerning Tendering Company Shares Between Bidder and Shareholder", Sazaby League has agreed that, once the First Tender Offer has been completed, Messrs. Tsunoda, Mori and Enomoto will resign from the Company as of the settlement date for the First Tender Offer and Mr. Yoshimura will resign from the Company as of the conclusion of the first shareholders meeting following such settlement date. Aside from these resignations, Starbucks Corporation intends that, in principle, the current management and employees of the Company will continue to engage in operation of the Company's business even after the Company becomes its wholly-owned subsidiary.

### (3) Decision-making of First Tender Offer Price

After arm's length negotiations between Starbucks Corporation and Sazaby League, Sazaby League has agreed to accept a price of ¥965 per share for its 57,000,000 shares of the Company. Accordingly, the Bidder has set a First Tender Offer Price of ¥965 per share. It is expected that only Sazaby League will tender its shares in the First Tender Offer.

With respect to comparison between the First Tender Offer Price and the recent market stock prices of the Company shares at JASDAQ of Tokyo Stock Exchange ("JASDAQ"), the First Tender Offer Price represents a discount of (i) 31.0% (rounded to the nearest tenth; the same shall apply to the calculation of discount) from the closing price of the Company's shares on September 22, 2014 (the "Base Date"), the business day immediately preceding the announcement concerning the commencement of the Tender Offer, (i.e., 1,399 yen), (ii) 26.5% from

the simple average closing price of 1,313 yen (rounded down to a whole number; the same shall apply to the following prices in this paragraph) for the previous one-month period counted back from the Base Date, (iii) 21.4% from the simple average closing price of 1,227 yen during the previous three-month period counted back from the Base Date, and (iv) 17.6% from the simple average closing price of 1,171 yen during the previous six-month period counted back from the Base Date. The First Tender Offer Price is a discount of 33.9% from the closing price of the Company's shares on September 25, 2014 (i.e., 1,461 yen), the day immediately preceding the filing date of the registration statement.

The per share exercise price of the Stock Options (¥306.50 per share) is lower than the First Tender Offer Price. The Bidder has decided that the tender offer price for the Stock Options in the First Tender Offer shall be 65,850 yen, which is the price calculated by multiplying 658.5 yen (i.e., the difference between the First Tender Offer Price (965 yen) and the exercise price of the Stock Option per share (306.50 yen)) by 100 (the number of common shares for which one Stock Option is exercisable).

The Stock Options were issued to the Company employees. Each Stock Option is exercisable for 100 shares of the Company due to a 100:1 stock split that took place on October 1, 2013. The Stock Options are not transferable. To transfer Stock Options, it is necessary for the Stock Option holder to obtain approval from the Company to amend his/her Stock Option Agreement to permit the transfer of the Stock Options, which will change the tax treatment of the Stock Options. The Company plans to approve such amendments to Stock Option Agreements if the relevant holder makes a request for such amendment to permit the holder to tender his/her Stock Options in the First Tender Offer.

#### (4) Material Agreement Concerning Tendering Company Shares Between Bidder and Shareholder

The Bidder, Starbucks Corporation, Sazaby League, and the Company have entered into the Tender Offer Agreement dated September 24, 2014 (the "TOA"). Under the TOA, Sazaby League has agreed that (i) in the First Tender Offer it shall tender all of the Company Shares Owned by Sazaby League (57,000,000 shares, which represents a current Shareholding Percentage of 39.52%) (ii) if the First Tender Offer has been completed, Messrs. Tsunoda and Mori will resign as directors of the Company, and Mr. Enomoto will resign as a statutory auditor of the Company, as of the settlement of the First Tender Offer, and Mr. Yoshimura will resign as a statutory auditor of the Company as of the conclusion of the first shareholders meeting after such settlement. Under the TOA, the Company has agreed that it shall not conduct certain material actions that are beyond the ordinary course of business of the Company (except for those required by laws and regulations) without consent of the Bidder until the settlement date for the Second Tender Offer. The Bidder has confirmed that SCI Ventures will not tender any of the Company Shares Owned by Starbucks in the Dual Tender Offers.

#### (5) Matters Concerning Second Tender Offer

##### (a) Overview of Second Tender Offer

After the First Tender Offer is completed, the Bidder will implement the Second Tender Offer with the aim of acquiring all of the Company shares (excluding those held by the Bidder and SCI Ventures). The Bidder will not set a minimum or maximum acceptance amount for the Company securities to be tendered in the Second Tender Offer. Therefore, the Bidder will acquire all of the tendered shares and Stock Options in the Second Tender Offer.

The tender offer period for the Second Tender Offer (the “Second Tender Offer Period”) will be from November 10, 2014 to December 22, 2014 (i.e., 30 business days). The commencement date of the Second Tender Offer Period may be delayed or the Second Tender Offer Period may be changed if the Bidder extends the tender offer period for the First Tender Offer for any compelling reason or there is any other compelling equivalent reason for such extension of the tender offer period. In such cases, the Bidder will commence the Second Tender Offer as soon as practically possible. In any event, the Second Tender Offer Period will not be less than 30 business days. If the First Tender Offer fails to complete, the Bidder will not implement the Second Tender Offer.

The Second Tender Offer will provide the Company shareholders (other than Sazaby League) with an opportunity to sell their Company shares at a price that is 500 yen (51.8%) higher than the First Tender Offer and a premium to the current market price. The Bidder intends to acquire all of the remaining Company shares (excluding those held by the Bidder and SCI Ventures) through the Second Tender Offer.

(b) Reasons for Difference Between the First Tender Offer Price and the Second Tender Offer Price

The Bidder aims to acquire all of the Company shares (other than the Company Shares Owned by Starbucks). The Bidder has negotiated with Sazaby League the acquisition of the Company Shares Owned by Sazaby League, and reached an agreement that it will acquire such shares from Sazaby League at the First Tender Offer Price. In parallel, the Bidder has negotiated with the Company the acquisition of the Company shares held by the public shareholders at a 51.8% higher price than the First Tender Offer Price for the purpose of providing the shareholders with a premium to the current market price. The First and Second Tender Offer Prices are different because these prices have been negotiated with different parties for different purposes, and because Sazaby League has agreed that it will receive a lower price per share than the public shareholders.

(c) Reasons for Implementing Staggered Tender Offers

Under the securities regulations of Japan, the Bidder is required to implement a tender offer if it acquires the Company shares from Sazaby League and other shareholders. It is not allowed to offer different prices in one tender offer or simultaneously implement multiple tender offers. Therefore, the Bidder will implement staggered tender offers: i.e., (a) the First Tender Offer that aims to acquire all of the Company Shares Owned by Sazaby League at a lower price (i.e., the First Tender Offer Price) and (b) the subsequent Second Tender Offer that aims to acquire all of the remaining shares from other shareholders at a higher price (i.e., the Second Tender Offer Price).

(d) Decision-making of Second Tender Offer Price

Upon the consummation of the Second Tender Offer and the Cash-out Procedures by Starbucks Corporation and the Bidder, an entity in which Starbucks Corporation owns the entire voting rights through SCI and SCI Ventures, Starbucks Corporation expects to beneficially own the entire voting rights in the Company. Therefore, in the process of determining the Second Tender Offer Price, Starbucks Corporation requested Goldman Sachs, a financial advisor independent from Starbucks Corporation, SCI, SCI Ventures, the Company, Sazaby League and the Bidder to perform financial analyses regarding the Company's common shares, and received from Goldman Sachs the financial analyses report (santei-sho) dated September 23, 2014 (the “Goldman Sachs Report”) prepared by Goldman Sachs. For the avoidance of doubt, the Goldman Sachs Report does not address the purchase price for the Stock Options. The tender offer price for the Second Tender Offer, as of September 24, 2014, of 1,465 yen in cash per common share of the Company was determined by Starbucks Corporation, using as a reference the results of the financial analyses of the Company's common shares conducted by Goldman Sachs as of September 22, 2014

set forth in the Goldman Sachs Report, and taking into consideration, as of September 22, 2014, the market trend of the share price of the Company's common shares, the likelihood of obtaining the support of the Company for the Second Tender Offer, and the likelihood of a successful completion of the Second Tender Offer, together with examples of the premiums implied in precedent tender offers for share certificates etc. by entities other than the issuers at the time of the announcement of their tender offer prices, all considered as a whole, as well as taking into account the consultations and negotiations with Starbucks Corporation and the Company.

Starbucks Corporation first prepared the business plans and financial forecasts for the Company from July 2014 to September 2031, based on information presented to Starbucks Corporation by the Company's management (the "Forecasts"), while assessing the strategic rationale for the proposed transactions in connection with the Second Tender Offer, and examining, with the Company's management, the past and current business operations, financial condition and future prospects of the Company.

Goldman Sachs, in preparing the Goldman Sachs Report referred to above, conducted its financial analyses of the Company's common shares using an average market share price analysis, a comparable companies analysis, and a discounted cash flow ("DCF") analysis. The comparable companies analysis and the DCF analysis were based on the Forecasts, as approved for Goldman Sachs' use by Starbucks Corporation, and publicly available information. Goldman Sachs provided the Goldman Sachs Report for the information and assistance of the board of directors of Starbucks Corporation in connection with its consideration of the Second Tender Offer Price. Goldman Sachs did not recommend any specific tender offer price to Starbucks Corporation or its board of directors or that any specific purchase price constituted the only appropriate purchase price for the Second Tender Offer.

Goldman Sachs has not been asked to conduct, and did not conduct, any financial analysis with respect to the First Tender Offer Price for the First Tender Offer.

Goldman Sachs' financial analyses, which were presented to Starbucks Corporation's board of directors on September 23, 2014 and set forth in the Goldman Sachs Report, resulted in a range of implied values per common share of the Company:

(A) Average Market Share Price Analysis: 1,171 yen to 1,399 yen

In performing the average market share price analysis based on publicly available information, Goldman Sachs used September 22, 2014 as the base date (the "GS Base Date"), and reviewed the average closing prices of the Company common shares on the GS Base Date (1,399 yen) and over the one-month (1,313 yen), three-month (1,227 yen), and six-month (1,171 yen) periods ending on the GS Base Date.

(B) Comparable Companies Analysis: 930 yen to 1,666 yen

In performing the comparable companies analysis, Goldman Sachs used September 22, 2014, as the GS Base Date and analyzed the Company's common share value by selecting listed companies that, while not directly comparable to the Company, are engaged in businesses that for purposes of analysis may be considered similar to the Company, and reviewing the comparable companies' estimated fiscal year 2014 price earnings ratio ("P/E ratios"), based on the most recently publicly available information. Based on this review, Goldman Sachs applied a range of P/E ratios to the Forecasts, which were approved for Goldman Sachs' use by Starbucks Corporation.

(C) DCF Analysis: 856 yen to 1,126 yen

Goldman Sachs performed the DCF analysis of the Company's common shares based on the Forecasts, which were approved for Goldman Sachs' use by Starbucks Corporation. In performing the DCF analysis, Goldman Sachs analyzed the Company's common shares by discounting the free cash flows that the Company is expected to generate in the future (following the GS Base Date) by a range of discount rates to arrive at an implied range of net present values per share. In determining the terminal value in connection with the DCF analysis, Goldman Sachs assumed, at the direction of Starbucks Corporation, that Starbucks Corporation will exercise its option under the License Agreements to purchase the assets of the Company at fair market value upon the expiration of such License Agreements.

Goldman Sachs' financial analyses and the Goldman Sachs Report were necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to, Goldman Sachs as of September 22, 2014, and Goldman Sachs assumes no responsibility for updating, revising or reaffirming its financial analyses or the Goldman Sachs Report based on circumstances, developments or events occurring after the date thereof.

Based on the foregoing, the Bidder and Starbucks Corporation, using as a reference the results of the financial analyses of the Company's common shares conducted by Goldman Sachs as of September 22, 2014, and taking into consideration, as of September 22, 2014, the market trend of the share price of the Company's common shares, the likelihood of obtaining the support of the Company for the Second Tender Offer, and the likelihood of a successful completion of the Second Tender Offer, together with examples of the premiums implied in precedent tender offers for share certificates etc. by entities other than the issuers at the time of the announcement of their tender offer prices, all considered as a whole, as well as taking into account the consultations and negotiations with the Company, agreed with the Company on a Second Tender Offer Price of 1,465 yen in cash per common share of the Company on September 24, 2014. This agreement was announced in a press release dated September 24, 2014.

Goldman Sachs does not constitute a related party of Starbucks Corporation, SCI, SCI Ventures, the Company, Sazaby League or the Bidder, nor does it have any material interests that should be noted in connection with the Second Tender Offer. In addition, although the Bidder is planning to conduct a tender offer for the Stock Options pursuant to the TOA, the purchase price for the Stock Options is not included within the scope of Goldman Sachs' financial analyses regarding the Company's common shares or the Goldman Sachs Report.

(Note)

The following is a supplemental explanation of the assumptions made, matters considered, and limitations on the review undertaken in connection with performing Goldman Sachs' financial analyses of the Company's equity with September 22, 2014 as the GS Base Date for the Goldman Sachs Report and related financial analyses:

Goldman Sachs did not attribute any particular weight to any factor or analysis. Goldman Sachs assumed with Starbucks Corporation's consent that the Forecasts have been reasonably prepared on a basis reflecting the best estimates and judgments of the management of Starbucks Corporation available as of September 22, 2014. Except as otherwise noted, the quantitative information used in Goldman Sachs' financial analyses and the Goldman Sachs Report, to the extent it is based on market data, is based on market data as it existed on or before September 22, 2014 and is not necessarily indicative of current market conditions.

Goldman Sachs and its affiliates (collectively, the “Goldman Sachs Group”) are engaged in advisory, underwriting and financing, principal investing, sales and trading, research, investment management and other financial and non-financial activities and services for various persons and entities. The Goldman Sachs Group and its employees, and funds or other entities they manage or in which they invest or have other economic interests or with which they co-invest, may at any time purchase, sell, hold, or vote long or short positions and investments in securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments of Starbucks Corporation, SCI, SCI Ventures, Sazaby League, the Bidder, the Company, and any of their respective affiliates and third parties, or any currency or commodity that may be involved in the transactions contemplated by the Second Tender Offer and the Cash-out Procedures (the “Contemplated Transactions”). Goldman Sachs has acted as financial advisor to Starbucks Corporation in connection with, and has participated in certain of the negotiations leading to, the Contemplated Transactions. Goldman Sachs expects to receive fees for its services in connection with the Contemplated Transactions, a principal portion of which is contingent upon consummation of the Second Tender Offer, and Starbucks Corporation has agreed to reimburse certain of Goldman Sachs' expenses arising, and indemnify Goldman Sachs against certain liabilities that may arise, out of Goldman Sachs' engagement. The Goldman Sachs Group has also provided certain financial advisory and/or underwriting services to Starbucks Corporation and/or its affiliates from time to time for which the Investment Banking Division of the Goldman Sachs Group has received, and may receive, compensation, including having acted as joint bookrunner with respect to a public offering of Starbucks Corporation's senior unsecured bonds due December 2016 and 2018 (aggregate principal amount USD 750,000,000) in December 2013. The Goldman Sachs Group may also in the future provide financial advisory and/or underwriting services to Starbucks Corporation, SCI, SCI Ventures, Sazaby League, the Bidder, the Company, and their respective affiliates, for which the Investment Banking Division of the Goldman Sachs Group may receive compensation.

In connection with performing its financial analyses and preparing the Goldman Sachs Report, Goldman Sachs has reviewed, among other things, the TOA; the License Agreements; the Shareholders Agreement, dated as of June 11, 2001, by and between Sazaby League and SCI; the Annual Securities Reports (Yuka Shoken Houkoku-Sho) of the Company for the 3 fiscal years ended March 31, 2014; the First Quarter Securities Reports (Dai-ichi Shihanki Houkoku-Sho) of the Company for the first fiscal quarter ended June 30, 2014; certain other communications from the Company to its shareholders; and the Forecasts, as approved for Goldman Sachs' use by Starbucks Corporation. Goldman Sachs has also participated in discussions with members of the senior management teams of Starbucks Corporation and the Company regarding their assessment of the past and current business operations, financial condition, and future prospects of the Company, and with members of the senior management of Starbucks Corporation regarding their assessment of the strategic rationale for, and the potential benefits of, the Contemplated Transactions. In addition, Goldman Sachs has reviewed the reported price and trading for the common shares of the Company; compared certain financial and stock market information for the Company with similar information for certain other companies the securities of which are publicly traded; and performed such other studies and analyses, and considered such other factors, as Goldman Sachs deemed appropriate.

For purposes of performing its financial analyses and preparing the Goldman Sachs Report, Goldman Sachs has, with Starbucks Corporation's consent, relied upon and assumed the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting, and other information provided to, discussed with or reviewed by Goldman Sachs, without assuming any responsibility for independent verification thereof. In that regard, Goldman Sachs has assumed with Starbucks Corporation's consent that the Forecasts have been reasonably prepared on a basis reflecting the best estimates and judgments of the management of Starbucks Corporation available as of the applicable date. In addition, Goldman Sachs has not made an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative, or other off-balance-sheet assets and liabilities) of the Company, or any of its subsidiaries, and Goldman Sachs has not been furnished with any such evaluation or appraisal. Goldman Sachs has assumed that all governmental, regulatory, or other consents and approvals necessary for the consummation of the Contemplated Transactions will be obtained without any adverse effect on the Company, or on the expected benefits of the Contemplated Transactions in any way meaningful to Goldman Sachs' analysis. Goldman Sachs has also assumed that the Contemplated

Transactions will be consummated on the terms set forth in the TOA, without the waiver or modification of any term or condition the effect of which would be in any way meaningful to Goldman Sachs' analysis.

Goldman Sachs' financial analyses and the Goldman Sachs Report do not address the underlying business decision of Starbucks Corporation to engage in the Contemplated Transactions, or the relative merits of the Contemplated Transactions as compared to any strategic alternatives that may be available to Starbucks Corporation; nor do they address any legal, regulatory, tax, or accounting matters. Goldman Sachs does not express any view on, and Goldman Sachs' financial analyses and the Goldman Sachs Report do not address, any other term or aspect of the TOA or the Contemplated Transactions or any term or aspect of any other agreement or instrument contemplated by the TOA or entered into or amended in connection with the Contemplated Transactions, including, without limitation, any post-closing obligations of Starbucks Corporation; the fairness of the Contemplated Transactions to, or any consideration received in connection therewith by, the holders of any class of securities, creditors, or other constituencies of Starbucks Corporation; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors, or employees of Starbucks Corporation, Sazaby League, or the Company, or any class of such persons in connection with the Contemplated Transactions, whether relative to the Second Tender Offer Price pursuant to the TOA or otherwise. Goldman Sachs is not expressing any opinion as to the prices that the common shares of Starbucks Corporation or the common shares of the Company will trade at any time or as to the impact of the Contemplated Transactions on the solvency or viability of Starbucks Corporation, SCI, SCI Ventures, Sazaby League, the Bidder, or the Company or the ability of Starbucks Corporation, SCI, SCI Ventures, Sazaby League, the Bidder, or the Company to pay their respective obligations when they come due. Goldman Sachs' advisory services and analysis in relation to the Second Tender Offer are provided solely for the information and assistance of Starbucks Corporation's board of directors in connection with its consideration of the Second Tender Offer Price. Goldman Sachs did not recommend any specific tender offer price for the Second Tender Offer to Starbucks Corporation or its board of directors, or that any specific purchase price constituted the only appropriate purchase price for the Second Tender Offer. Goldman Sachs' analysis does not constitute a recommendation as to whether or not Starbucks Corporation should cause the Bidder to make the Second Tender Offer.

Goldman Sachs' financial analyses and the Goldman Sachs Report are not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or the Goldman Sachs Report or any summary set forth herein, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' financial analyses or the Goldman Sachs Report. Goldman Sachs did not attribute any particular weight to any factor or any analysis it performed.

The Second Tender Offer Price represents a premium of (a) 4.7% from the closing price of the Base Date, (i.e., 1,399 yen), (b) 11.6% over the simple average closing price of 1,313 yen for the previous one-month period counted back from the Base Date, (c) 19.4% over the simple average closing price of 1,227 yen during the previous three-month period counted back from the Base Date, and (d) 25.1% over the simple average closing price of 1,171 yen during the previous six-month period counted back from the Base Date. The Second Tender Offer Price represents a premium of 0.3% from the closing price of the Company's shares on September 25, 2014 (i.e., 1,461 yen), the day immediately preceding the filing date of the registration statement.

The per share exercise price of the Stock Options (¥306.50 per share) is lower than the Second Tender Offer Price. The Bidder has decided that the tender offer price for the Stock Options in the Second Tender Offer shall be 115,850 yen, which is the price calculated by multiplying 1,158.5 yen (i.e., the difference between the Second Tender Offer Price (1,465 yen) and the exercise price of the Stock Option per share (306.50 yen)) by 100 (the number of common shares for which one Stock Option is exercisable).

The Stock Options were issued to the Company employees. Each Stock Option is exercisable for 100 shares of the Company due to a 100:1 stock split that took place on October 1, 2013. The Stock Options are not transferable. To

transfer Stock Options, it is necessary for the Stock Option holder to obtain approval from the Company to amend his/her Stock Option Agreement to permit the transfer of the Stock Options, which will change the tax treatment of the Stock Options. The Company plans to approve such amendments to Stock Option Agreements if the relevant holder makes a request for such amendment to permit the holder to tender his/her Stock Options in the Second Tender Offer.

#### (6) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest

Taking into consideration the facts that the (a) Company is an affiliate of Starbucks Corporation and 2 out of 5 directors and 1 out of 4 statutory auditors of the Company are sent from Starbucks Corporation, and after the completion of the First Tender Offer, the Company will become a subsidiary of Starbucks Corporation and (b) the Company is an affiliate of Sazaby League and 2 out of 5 directors and 1 out of 4 statutory auditors of the Company are sent from Sazaby League, the Company took the following measures to help ensure the fairness of the First Tender Offer and Second Tender Offer, including measures to ensure the fairness of the Second Tender Offer Price and to avoid conflicts of interest.

##### (i) Procurement of Valuation Report

For the purpose of ensuring the fairness of the Second Tender Offer Price, the Company retained KPMG to provide an independent valuation of the Company common shares and received the financial analysis report dated September 24, 2014. KPMG is not a related party to Starbucks Corporation and the Company and does not have any material interest with respect to the first and second tender offers. The Company has not received a fairness opinion from KPMG on the Second Tender Offer Price.

Based on inputs from the Company regarding the current status of its business, business projections, and the status of the Area Development and Operating Agreement (“ADOA”) with Starbucks Corporation, and the interviews to the management of the Company, KPMG conducted its financial analysis of the Company common shares using a discounted cash flow (“DCF”) analysis and an average market share price analysis.

DCF: 852 yen to 1,086 yen

Average Market Share Price: 1,171 yen to 1,399 yen

KPMG performed the DCF analysis of the Company shares based on the assumption that the Company will continue its business until March 31, 2021 and thereafter dispose assets of all stores to Starbucks Corporation. This is based on the Starbucks Corporation’s assumption not to renew the License Agreement with the Company unless the Company becomes a wholly owned subsidiary of Starbucks Corporation and that the Company has a non-compete obligation with Starbucks Corporation after termination of the ADOA. The financial projection used in the DCF analysis was based on the following assumptions. For the first three years, namely for the fiscal years ending March 31, 2015 through to March 31, 2017, KPMG used the business projection prepared by the Company management. For the fiscal years ending March 31, 2018 through to March 31, 2021, KPMG calculated projected free cash flows based on the assumptions including year on year sales growth of existing stores in a range of 0.0% to 2.0% provided by the Company management. For fiscal years thereafter KPMG assumed that Starbucks Corporation has the option to purchase the assets of the Company based on the valuation methodologies and



formulas stipulated in the ADOA and the assets value was estimated to be in a range of 131.0 billion yen to 174.6 billion yen (before tax, before discounting to the present value).

The financial projection assumes 1.0% year on year sales growth of existing stores after the fiscal year ending March 31, 2018 as shown below. It is important to note that the projection doesn't reflect the transaction and so does not consider any impact of the strategies to be executed after the transaction is complete.

(Unit: million yen)

	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Sales	137,700	143,854	153,708	164,745	175,893	187,151	198,523
Operating Profit	13,050	12,050	13,050	14,306	15,948	17,487	19,464
EBITDA	17,872	17,472	19,172	20,788	22,700	24,442	26,570
Free Cash Flow	5,452	5,588	5,564	6,788	8,148	9,473	10,919

KPMG utilized the discount rate from 4.8% to 5.8%, which is calculated based on its knowledge of the Japanese capital market and the market data of other comparable public companies. As a result, the Company's equity value per share is estimated to be in a range of 852 yen to 1,086 yen.

In performing average market share price analysis based on publicly available information, KPMG used September 22, 2014 as the base date, and reviewed the arithmetic average closing share price over one-month (1,313 yen), three month (1,227 yen) and six month (1,171 yen) periods ending on the base date and the closing share price on the base date (1,399 yen). As a result, the Sun's equity value per share is estimated to be in a range of 1,171 yen and 1,399 yen.

Though the Company announced upward adjustment for its forecasts for financial results on September 11, 2014 according to the Timely Disclosure Rules of JASDAQ, the announcement was not intended for the purpose of the transaction nor made in connection with this transaction. KPMG used the business projection in their DCF analysis that reflects this upward adjustment. In performing average market share price analysis, KPMG included share prices after September 11, 2014 in their calculation of Average Market Share Price.

(ii) Establishment of Independent Committee and Opinions of Independent Committee

On August 26, 2014, from the viewpoints of ensuring fairness, transparency and objectivity in its decision-making and eliminating arbitrariness in its decisions, the Company determined the following:

- The Company will establish the special committee for the purpose of referring to the special committee's opinion when the Board of the Company resolves to state its opinion concerning the First Tender Offer and the Second Tender Offer (the "Company Opinion Resolution").
- The special committee will have three or more committee members. Each member should be a qualified person, such as an incumbent or former outside director or outside statutory auditor of the Company, an attorney, an academic, an incumbent or former director of other companies, and be independent from the Company's management members.
- The Board should take into consideration the special committee opinion to the maximum extent possible.
- The Company shall consult with the special committee on whether or not the Company Opinion Resolution would be disadvantageous to the public shareholders. Such consultation and the analysis by

the special committee will take into account the purposes of the Transactions, the negotiation procedures, the fairness of the consideration to be distributed to the shareholders and the Stock Option holders under the Transactions, and any contribution of the Transactions to enhancement of the Company's corporate value.

Based on such determination by the Board, the Company appointed the following individuals, who are highly independent from the Company, as the special committee members:

- Mr. Yorimichi Ishikawa, an outside statutory auditor and the independent statutory auditor of the Company
- Mr. Masato Tsuyuki, a certified accountant of Tsuyuki CPA Office, a certified tax accountant of Tsuyuki Yamamoto Tax Accountants Office
- Mr. Hisayuki Matsumoto, Representative Director and Partner of Stand by C

The Company has not appointed any other member prior to the appointment of these three members or changed any member after such appointment.

The special committee held meetings 5 times from August 28, 2014 through September 22, 2014 and considered the consultation matters. The special committee obtained explanations and information as follows:

- The Company explained about various matters, including its business plan, the proposal by Starbucks Corporation, and the effects of the Transactions on the corporate value.
- KPMG explained about its valuation and answered questions from the special committee.
- NO&T explained about the process of the Company's decision-making concerning the Transactions and other matters and answered questions from the special committee.
- The special committee obtained materials and information related to the Transactions from the Company and its advisors as well as collecting publicly available information.

Based on such considerations and with unanimous consent, the special committee submitted to the Company its opinion on September 24, 2014. In its opinion, the special committee took into consideration the purposes of the Transactions, the negotiation procedures, the fairness of the consideration to be distributed to the shareholders and the Stock Option holders under the Transactions, and any contribution of the Transactions to enhancement of the Company's corporate value, and concluded that the following decisions by the Board of the Company will not be disadvantageous to the public shareholders:

- to support the First Tender Offer, withhold its opinion concerning the First Tender Offer Price and the tender offer price for the Stock Options, and leave the decision on whether or not to tender the Company shares and the Stock Options in the First Tender Offer to the shareholders and the Stock Option holders.
- Given that the Second Tender Offer will be implemented promptly after the completion of the First Tender Offer, to support the Second Tender Offer and recommend the shareholders to tender their shares in the Second Tender Offer.
- to leave the decision on whether or not to tender the Stock Options in the Second Tender Offer to the Stock Option holders although the Company considers that the tender offer price for the Stock Option is reasonable.

The special committee reached its conclusion taking into account the following factors:

- The Company explained to the special committee the objectives for the Transactions. Starbucks Corporation also provided the special committee with its answers to their questions regarding the objectives of the Transactions. The special committee did not find any unreasonable aspect in such objectives or answers or any facts that would make such objectives inappropriate. Therefore, the purpose of the Transactions, including the Dual Tender Offers, are considered reasonable.
  - If it becomes a wholly-owned subsidiary of Starbucks Corporation, the License Agreements will be renewed and the Company will be able to stably continue its business. These benefits of the Transactions are crucial and beneficial for the Company from the perspectives of maintaining the corporate value of the Company and the employment of its employees in the future.
  - After the Transactions, Starbucks Corporation and the Company will be fully aligned with each other, which will facilitate implementation of unified business strategies and swift decision-making. This will enable the Company to swiftly respond to diverse needs of, and continuously attract, Starbucks customers and to survive the highly competitive environment.
  - The Transactions demonstrate that Japan is an important market for Starbucks and that Starbucks Corporation will invest in exploration of the Company's further growth. With support from Starbucks Corporation, the Company will be able to pursue mid and long-term business expansion and growth, rather than prioritizing short-term business performance and stock price. Such approach to the pursuit of the business expansion will lead to enhancement of the Company's corporate value.
  - The Company will be able to save costs associated with the listing of the Company shares.
- The Company carefully took the following measures to ensure fairness and appropriateness in the process of the Dual Tender Offers:
  - The directors who are an incumbent officer or employee of Starbucks Corporation or its affiliates (i.e., Messrs. John Culver and Jeff Hansberry) or an incumbent or former officer or employee of Sazaby League (i.e., Mr. Masatoku Mori and Yuji Tsunoda) did not engage in internal considerations of the Transactions or discussions with Starbucks Corporation on behalf of the Company.
  - The Company conveyed its views on the tender offer price for the Second Tender Offer to Starbucks Corporation through its financial advisor and had negotiations with Starbucks Corporation with the aim of obtaining a proposal of higher price.
  - The Company retained NO&T, which is independent from the Company and the Bidder, as its legal counsel and obtained from NO&T legal advice on its decision-making process, methods to make decisions, and other matters with respect to the Company's opinion.
  - The Company set up the special committee and obtained its opinion on whether or not the Transactions would be disadvantageous to the public shareholders.
- The tender offer prices were determined as follows:
  - The First Tender Offer Price
    - No public shareholder or stock option holder will be expected to tender its shares in the First Tender Offer.
    - Promptly after the completion of the First Tender Offer, the Bidder will commence the Second Tender Offer, which will offer the Second Tender Offer Price that is 51.8% higher than the First Tender Offer Price.
  - The Second Tender Offer Price

- The Company retained KPMG, which a financial advisor independent from the Company and Starbucks Corporation, as the third-party appraiser concerning the common share value of the Company, and obtained the valuation report from KPMG.
- In the KPMG Report, KPMG valued that the Company's per share value in the range from 1,171 to 1,399 using the average market share price analysis method and in the range from 852 to 1,086 using the DCF method. The special committee did not find any unreasonable aspect in KPMG's explanation about such valuation results.
- KPMG used certain assumptions, such as the Company business plan, forecasts after the termination of the License Agreements, and variables in its valuation. The special committee did not find any facts that indicated such assumptions were unreasonably distorted and resulted in making the valuation results lower than the actual value of the Company shares.
- The Company's per share value using the DCF method on the assumption that the Transactions will not be implemented is in the range from 852 to 1,086. The Second Tender Offer Price is substantially higher than such range (i.e., 71.9% higher than the lowest in the range, and 34.9% higher than the highest in the range).
- The Second Tender Offer Price represents a premium of (a) 4.7% from the closing price of the Base Date, (i.e., 1,399 yen), (b) 11.6% over the simple average closing price of 1,313 yen for the previous one-month period counted back from the Base Date, (c) 19.4% over the simple average closing price of 1,227 yen during the previous three-month period counted back from the Base Date, and (d) 25.1% over the simple average closing price of 1,171 yen during the previous six-month period counted back from the Base Date. These premium percentages are lower than the average in squeeze-out transactions. Starbucks Corporation has made its proposal on the assumption that it will not renew the License Agreements beyond March 31, 2021 unless the Company becomes a wholly owned subsidiary of Starbucks Corporation. Under the assumption that there is no renewal of the License Agreements, it is assumed that the market price of the Company shares may be different from the current market price. It is considered that this is the primary reason for why the premium percentage for the Second Tender Offer Price is lower than the average. Given that, it cannot be concluded based on only the premium percentages that the Second Tender Offer Price is not fair.
- The Second Tender Offer Price exceeds the highest stock price since the Company shares were listed.
- From a perspective of the public shareholders, in the case of the asset purchase by SCI upon the termination of the License Agreements, the Company would receive the price for purchasing the assets of its stores. According to the KPMG valuation, it is considered that the Transactions ensure that the public shareholders will receive a higher price than the price in the case of the asset purchase by SCI.
- The Second Tender Offer Price is 500 yen (51.8%) higher than the First Tender Offer Price. The public shareholders will be able to obtain consideration that is 500 yen higher than Sazaby League, who is a major shareholder.
- The Bidder determined the Second Tender Offer Price based on negotiations between Starbucks Corporation and the Company on an arms-length basis with measures to avoid conflicts of interest. The Second Tender Offer Price is higher than the initial price proposed by Starbucks Corporation as a result of the negotiations between the Company and Starbucks Corporation.

- The Company disclosed an upward guidance update on September 11, 2014 in consideration of its recent business performance and other factors. As indicated by such fact, the Company has not manipulated information disclosure even after it started the negotiations with Starbucks Corporation.
- The tender offer price for the Stock Options will be the price calculated by multiplying 1,158.5 yen (i.e., the difference between the Second Tender Offer Price (1,465 yen) and the exercise price of the Stock Option per share (306.50 yen)) by 100 (the number of common shares for which one Stock Option is exercisable). However, it is possible that tendering the Stock Options will not be as preferable as exercising such Stock Options and tendering in the Second Tender Offer in the form of the Company shares.
- The Company has explained that (a) if the Company becomes a wholly-owned subsidiary of Starbucks Corporation, the License Agreements will be renewed and the Company will be able to stably continue its business, which will lead to enhancement of the Company's corporate value in the long term; and (b) Starbucks Corporation and the Company will be fully aligned with each other, which will facilitate implementation of unified business strategies under swift decision-making, and enable the Company to swiftly respond to diverse needs of, and continuously attract, Starbucks customers and to survive the highly competitive environment. There is no unreasonable aspect in these explanations or the Company's view that the Transactions will contribute to enhancement of the Company's corporate value.
- Under the Cash-out Procedures, the Company will distribute to the remaining public shareholders of the Company (except the Bidder and SCI Ventures) cash, the amount of which will be the same as the Second Tender Offer Price multiplied by the number of the Company common shares held by each such respective shareholder. Such plan will be disclosed in the process of the Dual Tender Offers.
- The tender offer period for the First Tender Offer (the "First Tender Offer Period") is 21 business days, which is relatively short. Only Sazaby will tender its shares in the First Tender Offer, and the public shareholders will tender their shares in the Second Tender Offer. Therefore, setting a short tender offer period will not result in forcing the public shareholders to make a rush decision on tender or diminish the possibility of having a counter proposal from other potential buyers. The tender offer period for the Second Tender Offer (the "Second Tender Offer Period") will be 30 business days, which is longer than the minimum tender offer period of 20 business days. The Bidder has announced the First Tender Offer and the Second Tender Offer simultaneously and will set a relatively long tender offer period for the Second Tender Offer. As a result, the public shareholders will have sufficient time to consider whether or not to tender their shares in the Dual Tender Offers, and the Dual Tender Offers are open to a counter proposal by any potential buyers during such long tender offer periods. The Bidder does not restrict the Company from having communications with other potential buyers.

(iii) Advice from Legal Counsel

In order to provide careful considerations to potential conflicts of interest involving the Transactions and to ensure fair and appropriate decision-making by the Board concerning the Dual Tender Offers, the Company obtained legal advice from NO&T, which is independent from the Bidder and the Company, on its decision-making process, methods to make decisions, and other matters with respect to the Company's opinion.

(iv) Unanimous Approval by Directors and No Objection from Statutory Auditors

In consideration of the enterprise value and the shareholders' interest, and with advice from KPMG and NO&T, the Company carefully reviewed and considered whether or not the terms of the Dual Tender Offers (including the tender offer prices for the Company shares and the Stock Options) are appropriate and the procedures for the Transactions are fair. The Company also discussed and negotiated with Starbucks Corporation the purpose and rationale for the Transactions, the management policies after the Transactions, and the terms of the Transactions. The Company carefully considered these matters referring to the special committee opinion and the KPMG report.

Following these procedures and considerations, the Board of the Company made the following judgments on September 24, 2014:

- The following are the Board's views:
  - If it becomes a wholly-owned subsidiary of Starbucks Corporation, the License Agreements will be renewed and the Company will be able to stably continue its business. These factors in the Transactions are crucial and beneficial for the Company from the perspectives of maintaining the corporate value of the Company and the employment of its employees in the future.
  - After the Transactions, Starbucks Corporation and the Company will be fully aligned with each other, which will facilitate implementation of unified business strategies under swift decision-making. That will enable the Company to swiftly respond to diverse needs of, and continuously attract, Starbucks customers and to survive the highly competitive environment.
  - The Transactions demonstrate that Japan is an important market for Starbucks and that Starbucks Corporation will invest in exploration of the Company's further growth. With support from Starbucks Corporation, the Company will be able to pursue mid and long-term business expansion and growth, rather than prioritizing short-term business performance and stock price. Such approach to the pursuit of the business expansion will lead to enhancement of the Company's corporate value.
  - The Company will be able to save costs associated with the listing of the Company shares.
- The Company should withhold its opinion concerning the First Tender Offer Price and leave the decision on whether or not to tender the Company shares and the Stock Options in the First Tender Offer to the shareholders and the Stock Option holders. The Company took into consideration the following factors:
  - The First Tender Offer Price was determined between Starbucks Corporation and Sazaby and no shareholder other than Sazaby will be expected to tender its shares in the First Tender Offer.
  - Promptly after the completion of the First Tender Offer, the Bidder will commence the Second Tender Offer, which will offer the Second Tender Offer Price that is 51.8% higher than the First Tender Offer Price.
  - The tender offer price for the Stock Options will be the price calculated by multiplying 658.5 yen (i.e., the difference between the First Tender Offer Price (965 yen) and the exercise price of the Stock Option per share (306.50 yen)) by 100 (the number of common shares for which one Stock Option is exercisable).
- The Company considers that the Second Tender Offer provides the public shareholders with a reasonable opportunity to sell their shares, and recommends to tender their shares in the Second

Tender Offer. With respect to the tender offer price for the Stock Options, the Company considers that the tender offer price is reasonable; however, it is not appropriate to recommend the Stock Option holders to tender their Stock Options in the Second Tender Offer. The Company took into consideration the following factors:

- The Second Tender Offer Price exceeds the valuation range under each of the stock market price average method and DCF.
- The Second Tender Offer Price exceeds the highest stock price since the Company shares were listed (i.e., JPY 1,448 on September 17, 2014).
- The Second Tender Offer Price represents a premium of (a) 4.7% from the closing price of the Base Date, (i.e., 1,399 yen), (b) 11.6% over the simple average closing price of 1,313 yen for the previous one-month period counted back from the Base Date, (c) 19.4% over the simple average closing price of 1,227 yen during the previous three-month period counted back from the Base Date, and (d) 25.1% over the simple average closing price of 1,171 yen during the previous six-month period counted back from the Base Date.
- From a perspective of the public shareholders, in the case of the asset purchase by SCI upon the termination of the License Agreements, the Company would receive a price for purchasing the assets of its stores. According to the KPMG valuation, it is considered that the Transactions ensure that the public shareholders will receive a higher price than the price in the case of the asset purchase by SCI.
- The tender offer price for the public shareholders (i.e., the Second Tender Offer Price) is 500 yen (51.8%) higher than the tender offer price for Sazaby (i.e., the First Tender Offer Price).
- The Company has taken procedures, such as the measures to avoid conflicts of interest, for the purpose of protecting the public shareholders' interest.
- The Bidder determined the Second Tender Offer Price based on negotiations between Starbucks Corporation and the Company on an arms-length basis with measures to avoid conflicts of interest.
- The tender offer price for the Stock Options will be the price calculated by multiplying 1,158.5 yen (i.e., the difference between the Second Tender Offer Price (1,465 yen) and the exercise price of the Stock Option per share (306.50 yen)) by 100 (the number of common shares for which one Stock Option is exercisable). However, it is possible that tendering the Stock Options will not be as preferable as exercising such Stock Options and tendering in the Second Tender Offer in the form of the Company shares.

Based on these considerations, the Company resolved the following:

- To support the First Tender Offer, withhold its opinion concerning the First Tender Offer Price and the tender offer price for the Stock Options, and leave the decision on whether or not to tender the Company shares and the Stock Options in the First Tender Offer to the shareholders and the Stock Option holders.
- Given that the Second Tender Offer will be implemented promptly after the completion of the First Tender Offer, to support the Second Tender Offer and recommend the shareholders to tender their shares in the Second Tender Offer.
- To leave the decision on whether or not to tender the Stock Options in the Second Tender Offer to the Stock Option holders although the Company considers that the tender offer price for the Stock Option is reasonable.

Out of the five directors of the Company, four directors (i.e., Messrs. John Culver, Jeff Hansberry, Masatoku Mori,

and Yuji Tsunoda), who have special interest with respect to a board resolution for the Transactions, did not attend any meeting of the Board of Directors concerning the Transactions and were not counted in the quorum of directors for such meetings. With a view to avoiding the potential for any conflict of interest and ensuring the fairness of the Dual Tender Offers, these directors did not engage in any discussions concerning the Transactions, or negotiations with Starbucks Corporation or the Bidder, on behalf of the Company. Out of the four statutory auditors of the Company, three statutory auditors (i.e., Mr. Hidemi Yoshimura (a former director of Sazaby League), Mr. Yukio Enomoto (a special advisor to Sazaby League), and Mr. Charles Jemley (Senior Vice President at Starbucks Corporation, and Director, CFO and Senior Vice President at SBI Nevada, Inc.)) did not attend any meetings of the Board of Directors concerning the Transactions. The remaining one statutory auditor of the Company attended these meetings of the Board of Directors. This statutory auditor stated that he did not have any objection to the above resolutions of the Board meeting.

(v) Length of Tender Offer Periods and Opportunity for Potential Counter Proposals

The Bidder does not restrict the Company from having communications with other potential buyers.

The tender offer period for the First Tender Offer (the “First Tender Offer Period”) is 21 business days, which is relatively short. Only Sazaby will tender its shares in the First Tender Offer, and the public shareholders will tender their shares in the Second Tender Offer. Therefore, setting such short tender offer period will not result in forcing the public shareholders to make a rush decision on tender or diminishing a possibility of having a counter proposal from other potential buyers. The tender offer period for the Second Tender Offer (the “Second Tender Offer Period”) will be 30 business days, which is longer than the minimum tender offer period of 20 business days. The Bidder has announced the First Tender Offer and the Second Tender Offer simultaneously and will set a relatively long tender offer period for the Second Tender Offer. As a result, the public shareholders will have sufficient time to consider whether or not to tender their shares in the Dual Tender Offers, and the Dual Tender Offers are open to a counter proposal by any potential buyers during such long tender offer periods. These factors enhance fairness of the Dual Tender Offers.

(7) Plan for Reorganization after Tender Offer

As stated in “(1) Overview of Tender Offers” above, the Bidder aims to make the Company a wholly-owned subsidiary of Starbucks Corporation by acquiring all of the issued shares of the Company (excluding the Company Shares Owned by Starbucks) and the Stock Options. The Bidder will request the Company to implement the Cash-out Procedures (the details of which are set out below) if the Bidder does not acquire all of the Company’s shares (excluding the Company Shares Owned by Starbucks) through the First Tender Offer and Second Tender Offer. If the First Tender Offer fails to complete, the Bidder will not implement the Second Tender Offer or request the Cash-out Procedures.

After the Second Tender Offer has been completed, the Bidder will request the Company (a) to propose the following items (i) to (iii) at an extraordinary shareholders’ meeting of the Company scheduled to be held in February 2014 (the “Shareholders Meeting”) and (b) to hold, on the same date as the Shareholders Meeting, a class shareholders’ meeting consisting of the shareholders holding the Company common shares, the agenda of which includes the amendments to the Articles of Incorporation in item (ii):

- (i) To amend the Articles of Incorporation to enable the Company to issue a new series of stock;
- (ii) To amend the Articles of Incorporation to convert the existing common stock to stock redeemable for Series A Stock (the “Redeemable Common Stock”) (i.e., *zenbu shutoku jyoko* as set forth in Article 108, Clause 1, Sub-clause (7) of the Companies Act); and



- (iii) To redeem all of the Redeemable Common Stock in exchange for Series A stock.

The Bidder and SCI Ventures will vote in favor of each item above at the Shareholders Meeting and the class shareholders' meeting, and together will own sufficient shares to approve the resolutions.

When the foregoing conversion and redemption are implemented, all of the Redeemable Common Stock will be acquired by the Company and be exchanged with the Series A Stock. The Company's shareholders who would receive a fraction of one full share of Series A Stock will receive cash (rather than fractional shares) pursuant to procedures under Article 234 of the Companies Act and other applicable laws and regulations. Such cash will be paid from the proceeds of sale of the aggregated fractions of the Series A Stock (fractions in number of such aggregated fractions will be disregarded in such sale) to the Company. Regarding the sale price of the aggregated fractions of the Series A Stock, the cash amount to be distributed to each shareholder will be equivalent to the Second Tender Offer Price multiplied by the number of Company's shares held by the relevant shareholder. The redemption ratio, at which the Company will redeem the Redeemable Common Stock in exchange for the Series A Stock (the "Redemption Ratio"), has not been decided yet. The Redemption Ratio will be set to the effect that the Company will issue a whole number of the Series A Stock only to the Bidder and SCI Ventures.

The Companies Act sets forth the following measures to protect the interest of minority shareholders in connection with each procedure above:

- (A) In connection with the amendments to the Articles of Incorporation in item (ii), the shareholders have an appraisal right pursuant to Articles 116 and 117 of the Companies Act and applicable laws and regulations; and
- (B) In connection with the redemption in item (iii), the shareholders may petition for a determination of the redemption price pursuant to Article 172 of the Companies Act and applicable laws and regulations.

If such appraisal claims are made, a court will ultimately determine such appraisal price or redemption price. With respect to the appraisal right in item (A), a court may determine that a shareholder has lost its standing for an appraisal claim under Article 116, Paragraph 2 of the Companies Act once the Company redeems the Redeemable Common Stock. If a shareholder intends to make a claim described in items (A) and (B), it should confirm and take necessary steps using its own responsibility and judgment.

Depending on factors such as interpretation by the authorities of relevant laws and regulations, and the public shareholding of the Company's shares and Stock Options after the Second Tender Offer, there is a possibility of using other structures to achieve substantially equivalent outcomes or changing the schedule of the procedures. Even in these cases, the Bidder will distribute only cash to the shareholders of the Company other than the Bidder and SCI Ventures and will calculate the amount of such cash to be the same as the Second Tender Offer Price multiplied by the number of the Company common shares held by each such respective shareholder. The details concerning the procedures and timing of implementation of the Cash-out Procedures will be announced by the Company once they are decided following consultation between the Company and Bidder.

The First Tender Offer or the Second Tender Offer is not intended in any way to solicit the support of the Company shareholders at the Shareholders Meeting and the class shareholders' meeting.

Please consult your own tax advisors for tax treatments concerning matters such as the tender of your shares in the Dual Tender Offers, and the receipt of cash and the transfer of shares following the exercise of the appraisal right under the Cash-out Procedures.

Following completion of the Cash-out Procedures, the Bidder plans to implement a merger with the Company in which the Company will be the surviving entity. The details and timing of the merger have not been determined

yet.

There is no specific plan on how to treat the Stock Options that have not been tendered in the Dual Tender Offers.

(8) Prospects of Delisting

The Company's common shares are listed on JASDAQ. There is no cap on the Company securities to be tendered in the First Tender Offer. It is possible that, as a result of the First Tender Offer, these shares will be delisted pursuant to the JASDAQ delisting standards. It is also possible that the shares will be delisted pursuant to the JASDAQ delisting standard as a result of the Second Tender Offer since there will be no cap on the Company securities to be tendered in the Second Tender Offer. Even if the delisting thresholds are not reached as the result of the Second Tender Offer, the Company's common shares will be delisted pursuant to the JASDAQ delisting standards when the Company implements the Cash-out Procedures as stated in "(7) Plan for Reorganization after Tender Offer". After the delisting, the Company's shareholders cannot trade the Company's common shares on JASDAQ.

4. **Tender Offer Period, Price and Number of Shares to Be Purchased**

(1) Tender Offer Period

(i) *Tender Offer Period as of Filing Date*

Tender Offer Period	From September 26, 2014 (Friday) through October 27, 2014 (Monday) (21 business days)
Date of Public Notice	September 26, 2014 (Friday)
Newspaper Listing Public Notice	Public notice will be made electronically and a notice thereof will be published in the Nihon Keizai Shimbun.  URL of electronic disclosure: ( <a href="http://disclosure.edinet-fsa.go.jp/">http://disclosure.edinet-fsa.go.jp/</a> )

(ii) *Possibility of Extension Pursuant to Request by Company*

In accordance with Article 27-10, Paragraph 3 of the Act, if the Company requests an extension of the First Tender Offer Period in its opinion statement, the First Tender Offer Period will be extended to 30 business days and the last day of such period will be November 10, 2014 (Monday).

(iii) *Contact Information to Confirm Period Extension*

Latham & Watkins Gaikokuho Joint Enterprise  
Marunouchi Building, 32nd Floor, 2-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan  
Telephone number: +81.3.6212.7800  
Nozomi Oda, Attorney-at-law  
Time: 9AM to 5PM on business days

(2) Tender Offer Price

Shares	JPY 965 per Common Stock
Stock Options	JPY 65,850 per option
Corporate Bonds with Stock Acquisition Rights	—
Trust Beneficiary Securities ( )	—
Depository Receipts for Securities ( )	—
Basis of Calculation	<p>After arm's length negotiations between Starbucks Corporation and Sazaby League, Sazaby League has agreed to accept a price of ¥965 per share for its 57,000,000 shares of the Company. Accordingly, the Bidder has set a First Tender Offer Price of ¥965 per share. It is expected that only Sazaby League will tender its shares in the First Tender Offer.</p> <p>With respect to comparison between the First Tender Offer Price and the recent market stock prices of the Company shares at JASDAQ of Tokyo Stock Exchange ("JASDAQ"), the First Tender Offer Price represents a discount of (i) 31.0% (rounded to the nearest tenth; the same shall apply to the calculation of discount) from the closing price of the Company's shares on September 22, 2014 (the "Base Date"), the business day immediately preceding the announcement concerning the commencement of the Tender Offer, (i.e., 1,399 yen), (ii) 26.5% from the simple average closing price of 1,313 yen (rounded down to a whole number; the same shall apply to the following prices in this paragraph) for the previous one-month period counted back from the Base Date, (iii) 21.4% from the simple average closing price of 1,227 yen during the previous three-month period counted back from the Base Date, and (iv) 17.6% from the simple average closing price of 1,171 yen during the previous six-month period counted back from the Base Date. The First Tender Offer Price is a discount of 33.9% from the closing price of the Company's shares on September 25, 2014 (i.e., 1,461 yen), the day immediately preceding the filing date of the registration statement.</p> <p>The per share exercise price of the Stock Options (¥306.50 per share) is lower than the First Tender Offer Price. The Bidder has decided that the tender offer price for the Stock Options in the First Tender Offer shall be 65,850 yen, which is the price calculated by multiplying 658.5 yen (i.e., the difference between the First Tender Offer Price (965 yen) and the exercise price of the Stock Option per share (306.50 yen)) by 100 (the number of common shares for which one Stock Option is exercisable).</p>
Process of Calculation	<p>After many discussions, in late July, Starbucks Corporation and Sazaby League reached a consensus that the Company's continued growth and innovation can best be achieved by pursuing a transaction under which the Company business will be managed under the sole control of Starbucks Corporation. In order to compete in the highly competitive market and further develop business in Japan, it is crucial to swiftly respond to diverse needs of, and continuously attract, Starbucks customers. To achieve such goal, it is critical for Starbucks Corporation and the Company to be fully aligned with each other rather than continue as independent public companies.</p> <p>After arm's length negotiations between Starbucks Corporation and Sazaby League, Sazaby League has agreed to accept a price of ¥965 per share for its 57,000,000 shares of the Company. Accordingly, the Bidder has set a First Tender Offer Price of ¥965 per share. It is expected that</p>

	only Sazaby League will tender its shares in the First Tender Offer. The Bidder did not obtain a valuation report from a third party.
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(3) Number of Shares to Be Acquired

Number of Shares to Be Acquired	Minimum Number of Shares to Be Acquired	Maximum Number of Shares to Be Acquired
87,376,500 (shares)	57,000,000 (shares)	—

Note 1: If the total number of the tendered securities does not reach the Floor Number (i.e., 57,000,000), the Bidder will not acquire any shares through the First Tender Offer. If the total number of the tendered securities reaches the Floor Number, the Bidder will acquire all of the tendered securities through the First Tender Offer.

Note 2: Shares consisting of less than one unit (*tangen miman kabushiki*) may be tendered in the First Tender Offer. The Company may purchase the shares consisting of less than one unit (*tangen miman kabushiki*) pursuant to the Companies Act during the First Tender Offer Period if a shareholder requests the Company to purchase such shares.

Note 3: If the Stock Options are exercised before the end of the First Tender Offer Period, the shares issued as a result of such exercise may be tendered in the First Tender Offer.

Note 4: The Bidder does not set the maximum acceptance amount for the Company securities to be tendered in the First Tender Offer. The maximum number of the Company shares to be acquired through the First Tender Offer will be 87,376,500. This number is obtained by calculating the sum of (i) the total number of the Company issued shares as of August 8, 2014 (i.e., 144,220,600), as set forth in the 20<sup>th</sup> Term – First Quarter Securities Report filed by the Company on August 8, 2014 (such total number does not include the number of the shares issued between August 1, 2014 to August 8, 2014 as a result of the exercise of the Stock Options; therefore, the Bidder recognizes that this is the total number as of July 31, 2014) and (ii) the number of shares for which the Stock Options are exercisable as of July 31, 2014 (i.e., 155,900) (the sum of (i) and (ii) is 144,376,500); and subtracting (iii) the number of the shares owned by SCI Ventures as of the date hereof (i.e., 57,000,000). According to the Company, the number of shares for which the Stock Options are exercisable as of July 31, 2014 is 155,900. The Bidder has also confirmed the relevant information based on the Company's corporate registry.

5. Ownership Percentage After Tender Offer

Category	Number of Voting Rights
(a) Number of Voting Rights Represented by Shares to Be Acquired if all securities are tendered:	873,765
(b) Number of Voting Rights Represented by Dilutive Shares Included in (a):	1,559

(c) Number of Voting Rights Represented by Trust Beneficiary Securities and Depository Receipts Included in (b):	—
(d) Number of Voting Rights Represented by Shares Held by Bidder (as of September 26, 2014):	—
(e) Number of Voting Rights Represented by Dilutive Shares Included in (d):	—
(f) Number of Voting Rights Represented by Trust Beneficiary Securities and Depository Receipts Included in (e):	—
(g) Number of Voting Rights Represented by Shares Held by Special Related Parties (as of September 26, 2014):	1,140,000
(h) Number of Voting Rights Represented by Dilutive Shares Included in (g):	—
(i) Number of Voting Rights Represented by Trust Beneficiary Securities and Depository Receipts Included in (h):	—
(j) Number of Voting Rights of All Shareholders of Company (as of March 31, 2014):	1,441,460
Percentage of Voting Rights Represented by Shares to Be Acquired to Number of Voting Rights of All Shareholders of Company ((a)/(j)) (%):	60.52%
Percentage of Ownership of Shares to be Held by Bidder and Special Related Parties After First Tender Offer if all securities are tendered $((a+d+g)/(j+(b-c)+(e-f)+(h-i)) \times 100)$ (%):	100.00%

Note 1: “(a) Number of Voting Rights Represented by Shares to Be Acquired if all securities are tendered” is the number of voting rights represented by the securities to be acquired in the First Tender Offer (i.e., 87,376,500).

Note 2: “(b) Number of Voting Rights Represented by Dilutive Shares Included in (a)” indicates the number of voting rights represented by the number of shares for which the Stock Options are exercisable as of July 31, 2014 (i.e., 155,900). According to the Company, the number of shares for which the Stock Options are exercisable as of July 31, 2014 is 155,900. The Bidder has confirmed that such number of shares is 155,900 and the total number of the issued shares is 144,220,600 based on the Company’s corporate registry.

Note 3: “(g) Number of Voting Rights Represented by Shares Held by Special Related Parties (as of September 26, 2014)” indicates the aggregate number of voting rights represented by the securities held by the Special Related Parties. However, in the calculation of “Percentage of Ownership of Shares to be Held by Bidder and Special Related Parties After First Tender Offer if all securities are tendered”, the voting rights held by Sazaby League (i.e., 570,000) is not included in the numerator since Sazaby League agreed with the Bidder that it shall tender all of the Company shares owned by it (i.e., 57,000,000 shares) in the First Tender Offer.

Note 4: “(j) Number of Voting Rights of All Shareholders of Company (as of March 31, 2014)” is the total number of voting rights of all shareholders of the Company as of March 31, 2014 as set out in the 20<sup>th</sup> Term – First Quarter Securities Report filed by the Company on August 8, 2014. The First Tender Offer targets the shares

consisting of less than one full unit (*tangen miman kabushiki*) and the Stock Options. Thus, in the calculation of “Percentage of Voting Rights Represented by Shares to Be Acquired to Number of Voting Rights of All Shareholders of Company” and “Percentage of Ownership of Shares to be Held by Bidder and Special Related Parties After First Tender Offer if all securities are tendered”, we use 1,443,765 as the denominator. The number of the shares that represent such number of the voting rights is 144,376,500. Such number of shares is obtained by calculating the sum of (i) the total number of the Company issued shares as of August 8, 2014 (i.e., 144,220,600), as set forth in the 20<sup>th</sup> Term – First Quarter Securities Report filed by the Company on August 8, 2014 (such total number does not include the number of the shares issued between August 1, 2014 to August 8, 2014 as a result of the exercise of the Stock Options; therefore, the Bidder recognizes that this is the total number as of July 31, 2014) and (ii) the number of shares for which the Stock Options are exercisable as of July 31, 2014 (i.e., 155,900) (the sum of (i) and (ii) is 144,376,500). According to the Company, the number of shares for which the Stock Options are exercisable as of July 31, 2014 is 155,900. The Bidder has also confirmed the relevant information based on the Company’s corporate registry.

Note 5: “Percentage of Voting Rights Represented by Shares to Be Acquired to Number of Voting Rights of All Shareholders of Company” and “Percentage of Ownership of Shares to be Held by Bidder and Special Related Parties After First Tender Offer if all securities are tendered” are rounded to the nearest hundredth.

#### 6. Licenses, Etc., Concerning Acquisition of Shares

Not applicable.

#### 7. Method of Tendering Shares Under Tender Offer and Cancellation Thereof

##### (1) Method of Tendering Shares

##### (i) *Tender Offer Agent*

SMBC Nikko Securities Inc.  
Shin-Marunouchi Building 18F, 1-5-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

- (ii) Tendering securities holders will be required to fill out the Tender Offer Application Form provided by the Tender Offer Agent (the “Application Form”) and submit it to the head office or any branch of the Tender Offer Agent in Japan by 15:30 on the last day of the tender offer period (JST). If tendering securities holders intend to take these procedures at any branch, please confirm the business hour of such branch and make sure to complete necessary procedures by the end of such business hour.
- (iii) The shares to be tendered must be recorded in the account opened with the Tender Offer Agent under the name of the tendering securities holders (hereinafter the “Account for Tendering Securities Holders”). The Tender Offer Agent will not accept any tender of the shares through securities firms other than the Tender Offer Agent.
- (iv) In the case of tendering the Stock Options, please submit the stock option certificates representing such Stock Options and the “Request for Approval of Transfer of Stock Options”. If such certificates have not been issued yet, please request the Company to issue the certificates. For details of the issuance of the stock option certificates and obtaining the “Request for Approval of Transfer of Stock Options”, please consult with the Tender Offer Agent. The Tender Offer Agent will not accept any tender of the stock options through securities firms other than the Tender Offer Agent.
- (v) Please bring the Application Form and a seal of the tendering securities holder. If tendering securities holders do not have an account at the Tender Offer Agent, such holders should open the account at the Tender Offer Agent. In order to open such account, tendering securities holders will need to submit

identification documents at the time of tendering their securities (see Note 1 below).

- (vi) Securities holders (including corporate securities holders) residing outside Japan (the “Foreign Securities Holders”) must tender their securities through their standing proxies in Japan. The Foreign Securities Holders will need to submit identification documents at the time of tendering their securities (see Note 1 below).
- (vii) In the case of individual securities holders residing in Japan, any balance amount between the tender amount regarding the tendered securities and the purchase cost will, in principle, be subject to separate self-assessment taxation concerning capital gains from the transfer of securities (see Note 2 below).
- (viii) The Tender Offer Agent will accept tender of the Company securities at its head office and branch offices by 15:30 on the last day of the tender offer period (JST). If a tendering securities holder intends to take these procedures at any branch, please confirm the business hour of such branch and make sure to complete necessary procedures by the end of such business hour.
- (ix) If the securities are recorded in accounts opened at securities firms other than the Tender Offer Agent (including where such shares are recorded in a special account with Mitsubishi UFJ Trust Banking and Corporation, the custodian of the Company’s special accounts), the tendering securities holders must complete the transfer of such securities to the Account for Tendering Securities Holders before tendering such securities in the Tender Offer. The tender of such securities will be accepted only after the Tender Offer Agent confirms that transfer of the tendered securities to the Account for Tendering Securities Holders is completed and such tendered securities are recorded in the Account for Tendering Securities Holders. These processes may take several days. Please note that, if the tendered securities are transferred from the special account to the Account for Tendering Securities Holders, such tendered securities may not be recorded in the special account.
- (x) The Company shares that are issued as a result of the exercise of the Stock Options may also be tendered in the tender offer.

#### Note 1: Identification Documents

Tendering securities holders who are opening a new account with the Tender Offer Agent and the Foreign Securities Holders who tender their securities through their standing proxies must submit the following identification documents.

##### Individuals:

<Original within the effective term >

\* driver’s license, current original health insurance card, national pension book, welfare book, citizen identification card (including the individual’s name, address and date of birth), passport, or alien registration card.

<Original issued within six months>

\* copy of residence certificate, certificate of registered seal, certificate of matters recorded in residence certificate, certificate of matters recorded in foreign resident registration ledger, or copy of foreign resident registration ledger.

Please make sure that the relevant copy includes a seal of the issuer of the original and the issuance date of the original. In the case of health the insurance card, please confirm that any required information, such as address, is not missing.

##### Corporations:

Please submit all of the following documents:

- \* a certified copy of corporate registration;
- \* identification documents of the corporations; and
- \* identification documents of their representative or agent and the person in charge of the transaction (who is in charge of executing agreements). These identification documents are the same as the identification documents for individuals.

Foreign Securities Holders:

Please submit all of the following documents:

- \* identification documents, which are the same as the above, for the standing proxy;
- \* a copy of a proxy assigned to the standing proxy or a standing proxy agreement entered into with the standing proxy, which shall include the name, representative's name and address outside of Japan, of the Foreign Securities Holders); and
- \* in the case where the standing proxy is not a financial institution, documents issued by a foreign government or competent international organization approved by the Japanese government or other similar documents equivalent to the identification documents for residents of Japan.

Note 2: Separate self-assessment taxation concerning capital gains from the transfer of shares (for individual shareholders).

Individual shareholders will, in principle, be subject to separate self-assessment taxation with respect to capital gains from the transfer of shares. Please consult with a tax accountant or other expert on taxation matters and make your own decision with respect to specific tax matters.

(2) Method of Cancellation of Tender

Tendering securities holders may cancel their tender under the relevant tender offer at any time during the relevant tender offer period. Tendering securities holders who wish to cancel their tender must send by personal delivery or mail a cancellation notice stating that such tendering securities holder requests to cancel his or her tender under the relevant tender offer (the "Cancellation Notice") to the head office or branch in Japan specified below by 15:30 on the last day of the relevant tender offer period (JST). In the case of personal delivery to any branch, please confirm the business hour of such branch and make sure to complete necessary procedures by the end of such business hour. If the Cancellation Notice is sent by mail, it must arrive at the Tender Offer Agent specified below by 15:30 on the last day of the relevant tender offer period (JST).

Person authorized to receive the Cancellation Notice:

SMBC Nikko Securities Inc.  
Shin-Marunouchi Building 18F, 1-5-1, Marunouchi, Chiyoda-ku, Tokyo, Japan  
(or any branch of SMBC Nikko Securities Inc. in Japan)

(3) Method of Return of Securities

If tendering securities holders cancel their tender in the manner described in "(2) Method of Cancellation of Tender", the tendered securities will be returned without delay after the completion of the cancellation procedures in accordance with the method indicated in "(4) Method of Return of Securities" in the section titled "10. Method of Settlement" below.

(4) Name and Address of Head Office of Securities Business Operators, Banks, Etc., in Charge of Keeping Custody of, and Returning, Securities



SMBC Nikko Securities Inc.

Shin-Marunouchi Building 18F, 1-5-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

## 8. Funds Required for Tender Offer

### (1) Funds Required for Tender Offer

(a) Purchase Price (JPY):	84,318,322,500
Types of Consideration Other Than Cash:	—
Total Amount of Consideration Other Than Cash:	—
(b) Purchase Commission:	JPY 54,320,000
(c) Others:	JPY 3,500,000
Total (a)+(b)+(c):	84,376,142,500

Note 1: “(a) Purchase Price (JPY)” is an amount calculated by multiplying the number of shares to be acquired through the First Tender Offer if all securities are tendered (87,376,500 shares) by the First Tender Offer Price (965 yen).

Note 2: “(b) Purchase Commission” consists of estimated commissions to be paid to the Tender Offer Agent. The amount of such estimated commissions is USD 500,000.00. This amount is equivalent to JPY 54,320,000 with the exchange ratio of JPY 108.64 to the dollar on September 24, 2014 announced by Mitsui Sumitomo Bank.

Note 3: “(c) Others” consists of the estimated amount of fees and expenses for public notice of the First Tender Offer, printing of the Tender Offer Explanation Statement and other necessary documents, and any other fees and expenses.

Note 4: The above amounts exclude consumption tax, etc.

Note 5: In addition, there will be other expenses concerning the Tender Offer Agent and attorneys’ fees, etc., the amount of which has not been decided yet.

### (2) Deposits or Borrowings, Etc. to Be Appropriated for Funds

#### (i) Deposits One or Two Days Prior to Filing Date

Type of deposit	Amount (thousand yen)
—	—
TOTAL (a)	—

#### (ii) Borrowings Prior To Filing Date

##### 1. Financial Institutions

	Lender’s business category	Name of lender	Terms of lending agreement	Amounts (thousand yen)
1	—	—	—	—
2	—	—	—	—
TOTAL				—

##### 2. Others.

	Lender’s business category	Name of lender	Terms of loan agreement	Amounts (thousand yen)
	—	—	—	—
TOTAL				—

(iii) *Borrowings to Be Made on or After Filing Date*

1. Financial Institutions

	Lender's business category	Name of lender	Terms of lending agreement	Amounts (thousand yen)
1	—	—	—	—
2	—	—	—	—
TOTAL (b)				—

2. Others

Lender's business category	Name of lender	Terms of loan agreement	Amounts (thousand yen)
Retail business	Starbucks Corporation 2401 Utah Avenue South, Seattle, Washington 98134	Funds for the acquisition of the Company securities (Note)	84,400,000
TOTAL (c)			—

(Note 1) The Bidder has obtained a commitment letter dated September 24, 2014 from Starbucks Corporation. In the commitment letter, Starbucks Corporation certifies that (a) it has sufficient funds to provide the Bidder with funding in the form of loans for the First Tender Offer by the day immediately preceding the commencement date for the settlement of the First Tender Offer, and (b) the maximum amount of the funding will be 84,400,000 thousand yen. The details of the terms and conditions of such funding (including the interest rate for any loan and the loan period) will be determined based on consultations between Starbucks Corporation and the Bidder. The Bidder has confirmed based on the latest financial statements of Starbucks Corporation that that Starbucks Corporation has sufficient funds for the loan.

(Note 2) Starbucks Corporation directly owns 100% of Starbucks Coffee International, Inc. and indirectly owns 100% of the Bidder.

(iv) *Other Methods of Financing*

Contents	Amounts (thousand yen)
—	—
Total (d)	—

(v) *Total of Deposits or Borrowings, Etc., to Be Appropriated for Funds*

84,400,000 thousand yen ((a)+(b)+(c)+(d))

(3) Relationship Between Bidder and Issuer of Securities to Be Used as Consideration

Not applicable.

9. Bidder Issuing Securities to Be Used as Consideration

Not applicable.

10. Method of Settlement

(1) Name and Address of Head Office of Securities Business Operators, Banks, Etc., in Charge of Settlement.

SMBC Nikko Securities Inc.  
Shin-Marunouchi Building 18F, 1-5-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

(2) Commencement Date of Settlement

October 31, 2014 (Friday)

In accordance with Article 27-10, Paragraph 3 of the Act, if the Company requests an extension of the First Tender Offer Period in its opinion statement, the commencement date of the settlement will be November 14, 2014 (Friday). In the case of such extension of the First Tender Offer Period, the Second Tender Offer Period will be changed.

(3) Method of Settlement

After expiration of the tender offer period, the Tender Offer Agent will promptly mail a notification concerning the purchase of shares through the tender offer to tendering securities holders' addresses (or their standing proxies' addresses in the case of foreign securities holders). Purchases will be settled promptly in cash. Following instructions from the tendering securities holders, the proceeds from the sale of securities will be remitted by the Tender Offer Agent to the place designated by the tendering securities holders (or their standing proxies in the cases of the foreign securities holders).

(4) Method of Return of Securities

If the Bidder does not acquire any of the tendered securities pursuant to the terms and conditions set forth below in “(1) Conditions Set Forth in Article 27-13, Paragraph 4 of the Act” or “(2) Conditions for Withdrawal of Tender Offer, Details Thereof and Method of Disclosure for Withdrawal” under “11 Other Conditions and Methods of Tender Offer”, the securities will be returned two business days after the settlement date (or the date of withdrawal in the case of withdrawal of the tender offer). The shares will be returned by reverting shareholder records to their state immediately before the shares were tendered (i.e., the status where the execution of the tender has been cancelled). The Stock Options will be returned, two business days after the settlement date (or the date of withdrawal in the case of withdrawal of the tender offer), to the relevant tendering holder (or their standing proxies in the cases of the foreign securities holders) by delivering, or mailing to the address of such holder, the documents (as set out in item (iv) of “(1) Method of Tendering Shares” under “7. Method of Tendering Shares Under Tender Offer and Cancellation Thereof”).

## 11. Other Conditions and Methods of Tender Offer

### (1) Conditions Set Forth in Article 27-13, Paragraph 4 of the Act

The Bidder has set the minimum acceptance amount for the Company securities to be tendered in the First Tender Offer as 57,000,000 (the “Floor Number”). If the total number of the tendered securities does not reach the Floor Number, the Bidder will not acquire any shares through the First Tender Offer. If the total number of the tendered securities reaches the Floor Number, the Bidder will acquire all of the tendered securities through the First Tender Offer.

### (2) Conditions for Withdrawal of Tender Offer, Details Thereof and Method of Disclosure for Withdrawal

The Bidder may withdraw the tender offer if any event listed in Article 14, Paragraph 1, Items 1.1 through 1.9, Items 1.12 through 1.18, Items 3.1 through 3.8, and Items 3.10, and Article 14, Paragraph 2, Items 3 through 6, of the Financial Instruments and Exchange Act Enforcement Order (Cabinet Order No. 321 of 1965, as amended; the “Enforcement Order”), occurs.

Under Article 14, Paragraph 1, Item 3.10 of the Enforcement Order, the Bidder designates the following event as events equivalent to the events set forth in Items 3.1 through 3.9:

where it is found that there is a false statement regarding, or an omission of, a material matter to be stated, in the statutory disclosure documents which the Company submitted in the past, unless the Bidder knew, or was negligent in not knowing, such false statement or omission.

If it intends to withdraw the tender offer, the Bidder will give an electronic public notice and provide notice thereof in the Nihon Keizai Shimbun. However, if it is difficult to give such public notice by the last day of the tender offer period, the Bidder will make a public announcement by the method set out in Article 20 of the Cabinet Ordinance and give public notice immediately after the announcement.

### (3) Conditions of Reduction of Tender Offer Price and Method of Disclosure of Reduction

Under the provisions of Article 27-6, Paragraph 1, Item 1 of the Act, if the Company conducts any act set out in Article 13, Paragraph 1 of the Enforcement Order during the tender offer period, the Bidder may reduce the tender offer price in accordance with the standards prescribed in Article 19, Paragraph 1 of the Cabinet Ordinance. If the Bidder intends to reduce the tender offer price, the Bidder will give an electronic public notice and provide notice thereof in the Nihon Keizai Shimbun. However, if it is difficult to give such notice by the last day of the tender offer period, the Bidder will make a public announcement by the method set out in Article 20 of the Cabinet Ordinance and give public notice immediately after the announcement. If the tender offer price is reduced, the Bidder will also purchase at the reduced tender offer price the shares tendered prior to the date of the public notice.

### (4) Matters Concerning Right of Tendering Shareholders to Cancel Tender

Tendering securities holders may cancel their tender under the tender offer at any time during the tender offer period. With respect to the method for the cancellation, please see “(2) Method of Cancellation of Tender” under “7. Method of Tendering Shares Under Tender Offer and Cancellation Thereof”.

Person authorized to receive the Cancellation Notice:

SMBC Nikko Securities Inc.  
Shin-Marunouchi Building 18F, 1-5-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

(or any branch of SMBC Nikko Securities Inc. in Japan)

The Bidder is not allowed to require the tendering securities holders to indemnify the Bidder for any expense or penalty charges incurred by the cancellation of the tender. If any expense specified under Article 27-12, Paragraph 3 of the Act is incurred, the Bidder will bear such expense.

(5) Method of Disclosure of Change in Conditions of Tender Offer (if any)

Unless otherwise prohibited under the provisions of Article 27-6, Paragraph 1 of the Act and Article 13 of the Enforcement Order, the Bidder may change any terms and conditions concerning the acquisition. If any changes are made to any terms and conditions concerning the acquisition, the Bidder will give an electronic public notice and provide notice thereof in the Nihon Keizai Shimbun. However, if it is difficult to give such notice by the last day of the tender offer period, the Bidder will make a public announcement by the method set out in Article 20 of the Cabinet Ordinance and give public notice immediately after the announcement. If the terms and conditions of the acquisition are changed, the Bidder will also acquire the shares tendered on or before the date of the public notice in accordance with the changed conditions of the purchase.

(6) Method of Disclosure of Amendment Statement

If it submits an amendment statement to the Director of the Kanto Local Finance Bureau (except for the cases set forth in the proviso of Article 27-8, Paragraph 11 of the Act), the Bidder will immediately announce the content thereof that is relevant to the content of the public notice of the commencement of the tender offer, in accordance with the manner set out in Article 20 of the Cabinet Ordinance. The Bidder will also amend the Tender Offer Explanation Statement immediately and distribute the amendment to the Tender Offer Explanation Statement to the tendering securities holders who have received the Tender Offer Explanation Statement. However, if the Bidder amends only small parts of the Tender Offer Explanation Statement, it may instead distribute to tendering securities holders a document stating the reason for the amendments, the matters having been amended, and the details thereof.

(7) Method of Disclosure of Results of Tender Offer

The results of the tender offer will be made public by the method set out in Article 9-4 of the Enforcement Order and Article 30-2 of the Cabinet Ordinance on the day after the last day of the tender offer period.

## II. PART II. INFORMATION ON THE BIDDER

### 1. In the Case Where Bidder is a Corporation

#### (1) Outline of Bidder

##### (i) *History of Bidder*

The Bidder was incorporated in September 2014 with stated capital of JPY 10,000. The head office of the Bidder is located as at 2-24-22-202 Nishiazabu, Minato-ku, Tokyo.

##### (ii) *Business Purpose of Bidder and Content of Its Business*

The Bidder's business purposes are as follows:

1. To control and manage the business activities of the companies that conduct the following businesses:
  - 1) Retail business
  - 2) Wholesale business
2. All matters incidental or related to each of the preceding paragraph.

The Bidder will engage in the acquisition, holding, and management of the Company shares.

##### (iii) *Amount of Stated Capital and Total Number of Issued Shares*

JPY 10,000 as of September 26, 2014

(Note) The corporate form of the Bidder is Godo Kaisha.

##### (iv) *Major Shareholders*

(as of September 26, 2014)

Name	Address	Number of shares held (1,000 shares)	Percentage of shares held to the total number of issued shares (%)
SCI Ventures S.L.	calle Arturo Soria nº 263B, 28033, Madrid, Spain	—	—
Total	—	—	—

(Note) The Bidder is God Kaisha. The Bidder has one member, which owns 100% of the Bidder.

##### (v) *Professional Background of, and Number of Shares Held by, Directors and Officers*

(as of September 26, 2014)

Name	Title	Name	Date of Birth	Professional Background	Number of Shares held (1,000 shares)
Executive Manager	—	Troy Alstead	March 21, 1963	September 2004 Senior Vice President, Corporate Finance of Starbucks Corporation	—

				<p>August 2007 Senior Vice President, Global Finance and Business Operations of Starbucks Corporation</p> <p>April 2008 Chief Operating Officer of Starbucks Greater China</p> <p>November 2008 Chief Financial Officer and Chief Administrative Officer of Starbucks Corporation</p> <p>September 2013 Chief Financial Officer and Group President, Global Business Services of Starbucks Corporation</p> <p>February 2014 Chief Operating Officer of Starbucks Corporation (current post)</p> <p>September 2014 Executive Manager of Executive Member of the Bidder</p>	
Executive Manager	—	John Culver	August 7, 1960	<p>December 1998 Vice President, Sales Foodservice Division of Nestlé USA,</p> <p>August 2002 Vice President and General Manager of Foodservice of Starbucks Corporation</p> <p>January 2007 Senior Vice President of Starbucks Coffee International, Inc.</p> <p>January 2007 President of Starbucks Coffee Asia Pacific Limited</p> <p>June 2007 Director of Starbucks Coffee Japan, Ltd.</p> <p>April 2008 Senior Vice President of SBI Nevada, Inc.</p> <p>March 2009 Senior Vice President of Starbucks Corporation</p> <p>December 2009 President of Starbucks Coffee International, Inc.</p> <p>December 2009 President of SBI Nevada, Inc.(current post)</p> <p>June 2010 Director of Starbucks Coffee Japan, Ltd. (current post)</p> <p>July 2011 President, Starbucks Coffee</p>	—



				China and Asia Pacific of Starbucks Corporation,	
			October 2011	Executive Vice President of Starbucks Coffee International, Inc. (current post)	
			April 2013	Group President, Starbucks Coffee China and Asia Pacific, Channel Development and Emerging Brands at Starbucks Corporation (current post)	
			September 2014	Executive Manager of Executive Member of the Bidder	
Executive Manager	—	Takashi Matsumoto	October 8, 1943	April 1966 Legal Department, ITOCHU Corporation (Tokyo Headquarters)	—
			July 1981	General Manager, Legal Department, ITOCHU INTERNATIONAL INC. (New York Headquarters)	
			May 1987	SVP & General Counsel of Legal Department (New York Office), Sumitomo Trust Bank (U.S.A.) Limited	
			April 1992	Partner of Mudge Rose Guthrie Alexander & Ferdon (New York Office)	
			October 1995	Partner of Latham & Watkins LLP (Tokyo Office)	
			February 2009	Matsumoto Foreign Law Office	
			September 2014	Executive Manager of Executive Member of the Bidder	
Total					—

(2) Financial Conditions

The Bidder has been incorporated on September 5, 2014. The Bidder has no financial statements since the initial fiscal year has not been ended.

(3) Ongoing Disclosure by the Bidder

Not applicable.

2. **In the Case Where Bidder Is an Entity Other Than a Corporation**

Not applicable.

3. **In the Case Where Bidder Is an Individual**

Not applicable.

### III. PART III. SHARES HELD AND TRADED BY BIDDER AND SPECIAL RELATED PARTIES

#### 1. Breakdown of Ownership of Shares

##### (1) Total Shares Held by Bidder and Special Related Parties

(as of September 26, 2014)

	Number of Shares, etc., Owned	Number of Shares, etc., falling under Item 2 of Paragraph 1 of Article 7 of the Enforcement Order	Number of Shares, etc., falling under Item 3 of Paragraph 1 of Article 7 of the Enforcement Order
Shares	1,140,000 (voting rights)	— (voting rights)	— (voting rights)
Stock Acquisition Rights	—	—	—
Corporate Bonds with Stock Acquisition Rights	—	—	—
Trust Beneficiary Securities ( )	—	—	—
Depository Receipts for Securities ( )	—	—	—
Total	1,140,000	—	—
Total Number of Shares, etc., Owned	1,140,000	—	—
(Total Number of Dilutive Shares, etc., Owned)	—	—	—

##### (2) Shares Held by Bidder

	Number of Shares, etc., Owned	Number of Shares, etc., falling under Item 2 of Paragraph 1 of Article 7 of the Enforcement Order	Number of Shares, etc., falling under Item 3 of Paragraph 1 of Article 7 of the Enforcement Order
Shares	— (voting rights)	— (voting rights)	— (voting rights)
Stock Acquisition Rights	—	—	—
Corporate Bonds with Stock Acquisition Rights	—	—	—
Trust Beneficiary Securities ( )	—	—	—
Depository Receipts for Securities ( )	—	—	—
Total	—	—	—
Total Number of Shares, etc., Owned	—	—	—

(Total Number of Dilutive Shares, etc., Owned)	(—)	—	—
------------------------------------------------	-----	---	---

(3) Shares Held by Special Related Parties (Total Number of Shares Held by Special Related Parties)

(as of September 26, 2014)

	Number of Shares, etc., Owned	Number of Shares, etc., falling under Item 2 of Paragraph 1 of Article 7 of the Enforcement Order	Number of Shares, etc., falling under Item 3 of Paragraph 1 of Article 7 of the Enforcement Order
Shares	1,140,000 (voting rights)	— (voting rights)	— (voting rights)
Stock Acquisition Rights	—	—	—
Corporate Bonds with Stock Acquisition Rights	—	—	—
Trust Beneficiary Securities ( )	—	—	—
Depository Receipts for Securities ( )	—	—	—
Total	1,140,000	—	—
Total Number of Shares, etc., Owned	1,140,000	—	—
(Total Number of Dilutive Shares, etc., Owned)	—	—	—

(4) Shares Held by Special Related Parties (Breakdown by Each Special Related Party)

(i) *Party Having Special Relationship*

(as of September 26, 2014)

Name	SCI Ventures S.L.
Address of Location	calle Arturo Soria nº 263B, 28033, Madrid, Spain
Occupation or Business	To hold and manage shares of affiliates.
Contact	Latham & Watkins Gaikokuho Joint Enterprise Marunouchi Building, 32nd Floor, 2-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan 03-6212-7800
Relationship with Bidder	SCI Ventures S.L. constitutes a corporation that has the Special Capital Relationship (which is defined under the Act) with the Bidder.

(as of September 26, 2014)

Name	Sazaby League, Ltd.
Address of Location	49-13, Motoyoyogi-cho, Shibuya-ku, Tokyo
Occupation or Business	To manage, as a holding company, its group companies that operate various brands for clothing, food and housing and to engage in planning, sales

	and retail of products under brands for clothing, food and housing.
Contact	Sazaby League, Ltd. 2-11-1, Sendagaya, Shibuya-ku, Tokyo 03-5412-1970
Relationship with Bidder	Sazaby League, Ltd. constitutes a person who agrees with Starbucks Coffee International, Inc., which indirectly owns 100% of the Bidder, to exercise their voting rights and other shareholder rights.

(ii) *Number of Shares, Etc., Owned*

SCI Ventures S.L.		(as of September 26, 2014)	
	Number of Shares, etc., Owned	Number of Shares, etc., falling under Item 2 of Paragraph 1 of Article 7 of the Enforcement Order	Number of Shares, etc., falling under Item 3 of Paragraph 1 of Article 7 of the Enforcement Order
Shares	570,000 (voting rights)	— (voting rights)	— (voting rights)
Stock Acquisition Rights	—	—	—
Corporate Bonds with Stock Acquisition Rights	—	—	—
Trust Beneficiary Securities ( )	—	—	—
Depository Receipts for Securities ( )	—	—	—
Total	570,000		—
Total Number of Shares, etc., Owned	570,000	—	—
(Total Number of Dilutive Shares, etc., Owned)	(—)	—	—

Sazaby League, Ltd.		(as of September 26, 2014)	
	Number of Shares, etc., Owned	Number of Shares, etc., falling under Item 2 of Paragraph 1 of Article 7 of the Enforcement Order	Number of Shares, etc., falling under Item 3 of Paragraph 1 of Article 7 of the Enforcement Order
Shares	570,000 (voting rights)	— (voting rights)	— (voting rights)
Stock Acquisition Rights	—	—	—
Corporate Bonds with Stock Acquisition Rights	—	—	—
Trust Beneficiary Securities ( )	—	—	—

Depository Receipts for Securities ( )	—	—	—
Total	570,000		—
Total Number of Shares, etc., Owned	570,000	—	—
(Total Number of Dilutive Shares, etc., Owned)	(—)	—	—

2. **Trading of Shares**

(1) **Trading During 60-day Period Preceding Filing Date**

Not applicable.

3. **Material Contracts Concerning Shares Held by Bidder and Special Related Parties**

Please see “(4) Material Agreement Concerning Tendering Company Shares Between Bidder and Shareholder” under “3. Purpose of Tender Offer” in Part I.

4. **Contracts Pertaining to Purchase of Shares Subsequent to Filing Date**

Not applicable.

**IV. PART IV. TRANSACTIONS BETWEEN THE BIDDER AND THE COMPANY**

**1. Transactions Between Bidder and Company or Its Officers; Details Thereof**

Not applicable.

**2. Agreements Between Bidder and Company or Its Officers; Terms Thereof**

Please see “(4) Material Agreement Concerning Tendering Company Shares Between Bidder and Shareholder” under “3. Purpose of Tender Offer” and “(6) Measures to Ensure Fairness of Tender Offer Including Those to Ensure Fairness of Tender Offer Price and to Avoid Conflicts of Interest” in Part I.



V. PART V. INFORMATION ON THE COMPANY

1. **Profits and Losses, Etc., for Past Three Years**

(1) Profits and Losses

Fiscal year	—	—	—
Net sales	—	—	—
Cost of sales	—	—	—
Sales, general and administrative expenses	—	—	—
Non-operating profit	—	—	—
Non-operating expenses	—	—	—
Net profit (loss)	—	—	—

(1) Profits and Losses per Share

Fiscal year	—	—	—
Net profit or loss per share (JPY)	—	—	—
Dividend per Share (JPY)	—	—	—
Net asset per Share (JPY)	—	—	—

2. **Share Price**

Name of securities exchange or authorized securities firms association	First Section of the Tokyo Stock Exchange						
Month	Mar 2014	Apr	May	Jun	Jul	Aug	September
Maximum Share price (JPY)	1,205	1,141	1,123	1,173	1,187	1,300	1,464
Minimum Share price (JPY)	1,126	1,060	1,066	1,120	1,161	1,180	1,251

Note: Maximum and minimum share prices represent the maximum and minimum share prices on and before September 25, 2014.

3. **Shareholders**

(1) Status by Type of Shareholder

(as of)

Description	Status of Shares (1 unit = Shares)								Status of Shares less than 1 unit (shares)
	National and local governments	Financial institutions	Securities firms	Other entities	Foreign entities, etc.	Foreign entities, etc. (individual)	Individual and others	Total	

Number of Shareholders	—	—	—	—	—	—	—	—	—
Number of Shares owned (units)	—	—	—	—	—	—	—	—	—
Number of shares owned (%)	—	—	—	—	—	—	—	—	—

(2) Number of Shares Held by Major Shareholders and Officers

(i) *Major Shareholders.*

(as of)

Name	Address	Number of Shares held (shares)	Percentage of total issued Shares
—	—	—	—
—	—	—	—
—	—	—	—
—	—	—	—
Total	—	—	—

(ii) *Officers.*

(as of)

Name	Title	Position	Number of Shares held (shares)	Percentage of total issued Shares
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
Total	—	—	—	—

4. Ongoing Disclosure by Company

(1) Documents Filed by Company

(i) *Annual Securities Reports and Attachments Thereto*

- The 18<sup>th</sup> Term (from April 1, 2012 to March 31, 2013):
  - Filed with the Director of the Kanto Local Finance Bureau on June 24, 2013
- The 19<sup>th</sup> Term (from April 1, 2013 to March 31, 2014):
  - Filed with the Director of the Kanto Local Finance Bureau on June 23, 2014

(ii) *Quarterly Report or Semi-annual Report*

- The First quarter of the 20<sup>th</sup> Term (from April 1, 2014 to June 30, 2014):
  - Filed with the Director of the Kanto Local Finance Bureau on August 8, 2014
- The Second quarter of the 20<sup>th</sup> Term (from July 1, 2014 to September 30, 2014)
  - Scheduled to be filed with the Director of the Kanto Local Finance Bureau on November 10, 2014

(iii) *Extraordinary Report*

- Not applicable.

(iv) *Amendment Report*

- Not applicable.

(2) Place Where Copy of Above Documents Is Kept for Public Inspection

Starbucks Coffee Japan, Ltd.  
(2-25-2, Kamiosaki, Shinagawa-ku, Tokyo)

Tokyo Stock Exchange, Inc.  
(2-1, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

5. Any Recognition of Facts Concerning Tender Offer or Other Acquisition by Other Buyers

Not applicable.

6. Other

(1) Guidance Updates

On September 11, 2014, the Company announced its guidance updates on its half year results for FY2014 2Q and its full year results for FY2014 as follows:

(i) Guidance Updates on Half-year Results for FY2014 2Q

(JPY)

	Revenue (million)	EBIT (million)	Ordinary Income (million)	Quarterly Net Income (million)	Quarterly Net Income Per Share
Previous Guidance (A)	67,500	7,000	7,000	4,100	28.43
Updated Guidance (B)	69,800	8,250	8,300	4,900	33.98
Difference (i.e., B minus A)	2,300	1,250	1,300	800	—
Percentage of Difference (%)	3.4	17.9	18.6	19.5	—
(Reference) Results of FY2013 2Q	63,673	7,375	7,426	4,333	30.09

(ii) Guidance Updates on Full-year Results for FY2014

(JPY)

	Revenue (million)	EBIT (million)	Ordinary Income (million)	Net Income (million)	Net Income Per Share
Previous Guidance (A)	135,000	11,550	11,600	6,750	46.80
Updated Guidance (B)	137,700	13,050	13,150	7,700	53.39
Difference (i.e., B minus A)	2,700	1,500	1,550	950	—
Percentage of Difference (%)	2.0	13.0	13.4	14.1	—
(Reference) Results of FY2013	125,666	10,951	10,996	5,998	41.64

(2) No Dividend Payment

On September 24, 2014, the Company resolved at its meeting of the Board of Directors (a) to revise its dividend forecast regarding FY2014 and cancel payment of the dividend, including the interim dividend, regarding such fiscal year, and (b) to discontinue its shareholder special benefit plan, on the condition that the Dual Tender Offers will be completed.

## Selected Financial Data of the Company

Fiscal Year		15th	16th	17th	18th	19th
Year ended		March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013	March 31, 2014
Revenue	(Millions of Yen)	97,078	101,576	107,754	116,525	125,666
Ordinary income	(Millions of Yen)	6,637	6,585	8,057	9,742	10,996
Net income	(Millions of Yen)	3,347	1,147	3,844	5,317	5,998
Investment gain on equity method	(Millions of Yen)	-	-	-	-	-
Stated capital	(Millions of Yen)	8,380	8,442	8,471	8,521	8,548
Total number of shares issued	(Shares)	1,427,277	1,433,499	1,435,719	1,439,491	144,151,600
Total equity	(Millions of Yen)	33,061	33,667	37,111	42,088	46,777
Total assets	(Millions of Yen)	48,335	50,791	57,894	64,845	71,537
Stockholders' equity per share of common stock	(Yen)	23,163.91	23,486.24	25,848.48	292.39	324.50
Cash dividends declared at Fiscal year-end per share of common stock (Cash dividends declared at Interim per share of common stock)	(Yen)	400 (-)	500 (-)	600 (-)	800 (-)	15 (-)
Basic net income attributable per share	(Yen)	2,346.39	803.04	2,681.32	36.97	41.64
Diluted net income attributable per share	(Yen)	2,333.97	798.79	2,671.15	36.87	41.55
Ratio of stockholders' equity to total assets	(%)	68.4	66.3	64.1	64.9	65.4
Return on stockholders' equity	(%)	10.6	3.4	10.9	13.4	13.5
Price earnings ratio	(Times)	17.5	55.5	18.3	21.5	27.4
Dividend ratio	(%)	17.0	62.3	22.4	21.6	36.0
Net cash provided by operating activities	(Millions of Yen)	10,294	4,619	10,922	9,565	12,804
Net cash used in investing activities	(Millions of Yen)	Δ2,448	Δ3,911	Δ4,763	Δ6,233	Δ8,149
Net cash provided by 'used in) financing activities	(Millions of Yen)	Δ2,442	Δ639	Δ784	Δ1,021	Δ1,135
Cash and cash equivalents at end of year	(Millions of Yen)	9,359	9,427	14,801	17,112	20,631
Number of employees (excluding average number of part-time employees)	(Number of persons)	1,879 (18,728)	1,868 (18,741)	1,840 (19,239)	1,821 (20,242)	2,003 (22,836)

- (Notes)
1. The Company has not prepared a consolidated financial statement. The above does not include information of movement of major financial data of a consolidated fiscal year.
  2. Revenue does not include consumption tax.
  3. The Company has no affiliate under the equity method. The above does not include information of investment gain under the equity method.
  4. A 100:1 stock split of the Target's ordinary shares took place on October 1, 2013. As a result, Stockholders' equity per share of common stock, Basic net income attributable per share and Diluted net income attributable per share are calculated assuming that the stock split took place in the beginning of the 18<sup>th</sup> Fiscal Year.
  5. A 100:1 stock split took place during the 19<sup>th</sup> Fiscal Year. As a result, the cash dividends declared at fiscal year-end is stated as 15 Yen which is the amount after the stock split.
  6. Cash dividends declared at fiscal year-end of the 19<sup>th</sup> Fiscal Year includes an additional 5 Yen dividend to celebrate opening of the 1000<sup>th</sup> store.

**LINKS TO THE FOLLOWING EXHIBITS OF THE TENDER OFFER EXPLANATORY STATEMENT:**

1. [Executed TOB Agent Agreement \(English\)](#)
2. [Funding Commitment Letter \(English\)](#)
3. [Sun annual securities report for FY2012 \(Japanese\)](#)
4. [Sun annual securities report for FY2013 \(Japanese\)](#)
5. [Sun first quarter securities report for FY2014 \(Japanese\)](#)

END