

Kakuyasu Group Co.,Ltd.

Representative Director and President Junichi Sato

(Ticker Code : 7686 Tokyo Stock Exchange Second Section)

Inquiry to Director Yoshiyuki Maegaichi

Absorption type Merger between Two Complete Subsidiaries and Change in the Corporate Name of the Surviving Company

This is to announce that the Company resolved to merge two wholly owned subsidiaries, Dangami Co., Ltd. (hereinafter “Dangami”) and Sannoh Co., Ltd. (hereinafter “Sannoh”), while the merger is scheduled to take effect on March 1, 2022.

In addition, the Company also decided to change the trade name of Dangami, the surviving company, to Dangami-Sannoh Co., Ltd. Along with the merger, Sannoh entails to be disappeared on March 1, 2022 thereafter. Meanwhile, the merger constitutes a tax-qualified merger because of an inter-corporate merger between two completely owned subsidiaries.

1. Purpose of the merger

The management policy of the Company and its consolidated subsidiaries is centered around their determination and preparedness to meet any customers’ requests. The policy is reflected in the brand name, “*Anything Liquor Store Kakuyasu*”. Under the policy, the Company develops management strategies for sustainable growth. The Company aims to strengthen its management structure and improve efficiency by consolidating and streamlining operations. Under its medium-term growth strategy, the Company aims to expand the reach of the Kakuyasu model to key cities outside of the Tokyo metropolitan area. To achieve this goal, the Company has acquired two companies located in Fukuoka, Fukuoka prefecture. In May 2020, the Company acquired Sannoh Co., Ltd., and in December of the same year, it acquired Dangami Co., Ltd as well.

Sannoh sells liquor for business purposes and operates “*Liquors ABC*”, a retailer of liquor primarily sold to downtown restaurants, mainly in Nakasu, Hakata-ku. In the meantime, Dangami sells liquor for business purposes and operates ten retail stores, including ten “*Sake-no Gulliver*” stores, primarily in Fukuoka and Nagasaki prefectures. Both companies are widely recognized in their respective trade areas.

The liquor and food distribution industry, where the Company operates, has been impacted by the ongoing coronavirus pandemic, which is not expected to end in the foreseeable future. Restaurants continue to take measures to prevent the spread of the virus. Because of the measures to prevent infection, more people are working from home and fewer are eating out. This has led to an increase in demand for goods and services for home consumption, such as alcoholic beverages for household consumption, food delivery services, and online shopping. This shift in consumer behavior has significantly changed the business environment for the Company.

In this environment, the Company has decided to implement the absorption-type merger between two consolidated subsidiaries as a part of its business restructuring plan to consolidate the management resources of the consolidated subsidiaries, enhance and streamline the organizational management, and increase sales of goods that are intended for home consumption.

2. Summary of the merger

(1) Schedule of the merger

- Board resolution of both companies October 15, 2021
- Board resolution of the Company October 15, 2021
- Signing the merger agreement October 15, 2021
- Shareowner meeting of both parties October 29, 2021 (scheduled)
- Effective date of the merger March 1, 2022 (scheduled)

(2) Method of the merger

The Merger will be implemented by way of an absorption-type merger in which Dangami is the surviving company and Sannoh is the disappearing company, as a result of which Sannoh will dissolve.

(3) Details of allotments related to the merger

No shares or money will be allotted as a result of the merger, because the merger is based on both complete subsidiaries.

(4) Treatment of equity warrant and warrant bonds in connection with the merger

Sannoh has issued neither equity warrant nor warrant bonds.

3. Overview of both companies

	Surviving Company	Disappearing Company
(1) Company Name	Dangami Co.,Ltd.	Sannoh Co.,Ltd.
(2) Headquarters	1-13-1, Hakataeki-higashi, Hakata-ku, Fukuoka city	1-4-19, Minoshima, Hakata- ku,Fukuoka city
(3) Representative	Yoshihiko Namiki	Takanori Yoshida
(4) Business	Selling liquor and goods	Selling liquors and goods
(5) Paid-in Capital	JPY 10 million	JPY 10 million
(6) Establishment	May 24, 1967	August 16, 2005
(7) # of Issued shares	20,000 shares	200 shares
(8) Fiscal year ending	January 31	February 28
(9) Shareowner	Kakuyasu Group Co.,Ltd.	Kakuyasu Group Co.,Ltd.
(10) Business results and financial position of the previous fiscal year		
	January, 2021	February 2021
Net Assets	JPY 1,048 million	JPY 260 million
Total Assets	JPY 2,334 million	JPY 349 million
BVPS	JPY 52,410.56	JPY 1,300,913.68
Sales	JPY 4,625 million	JPY 1,261 million
Operating Profit (Loss)	(JPY 447million)	(JPY 140 million)
Recurring Profit (Loss)	(JPY 315 million)	(JPY 81 million)
Net Profit (Loss)	(JPY 267million)	(JPY 59 million)
EPS (minus)	(JPY 13,394.10)	(JPY 297,017.55)

4. Post-merger status on March 1, 2022 thereafter

(1) Company Name	Dangami-Sannoh Co.,Ltd.
(2) Headquarters	3-16-11, Nanotsu, Chuo-ku, Fukuoka city
(3) Representative	Representative Director and President Yoshihiko Namiki Representative Director and Executive Vice President Takanori Yoshida
(4) Business	Selling liquor and goods
(5) Paid-in Capital	JPY 10 million
(6) Fiscal year ending	January 31

5. Future Outlook

Since the merger constitutes an inter-corporate merger between wholly owned consolidated subsidiaries, the Company assumes that its impact on the Company's consolidated results is minor and insignificant.

Disclaimer: This is an English translation of the disclosure. This translation is prepared and provided for the reader's convenience.